CHAPTER - 2.

Management.
(The concept & Realities)

1 What is management.

Although traditionally acclaimed by a section of advantageous people as the technique to extend their material gains, modern scientific development describes "Management" as "an activity process, consisting of some basic functions, for getting the work of an enterprise accomplished through the efforts of other people." This is never a simple art, nor an absolute science. Rather, it is better to define it as a scientific art. Its techniques, methods and basic principles have been arrived through practical experiences as well as scientific evolution. Again, to get the principles in action is a beautiful art in all practical sense.

Whenever any job is likely to be done by the organised and co-operative efforts of human-being, the urge of management becomes essential to direct the group efforts towards a common goal. As human organisations are full of diverse aims and beliefs, the presence of management is universally believed as the useful means to attain any projected target.

It is a functional concept not only applicable in business or industrial fields, it is equally and essentially needed wherever any operation is in process. The need for management even in the affairs of government has been clearly pointed out in the statement: A government without good management is a house built on sand.

2. President Roosevelt's letter introducing before congress the Report of the President's Committee on Administrative Management, 1937.
"Management" is the latest of all the social science to attain maximum economic benefit for the growing needs of human generation. It is as well the most important of all the branches of social sciences. It has been devised as the new era to connect the missing link of the social sciences by directing the way in which any social work is to be accomplished. It has been well said that "the job can always be betrayed by the way the job is done". It should, however, be remembered that, dealing, as it does, with human beings, the management science cannot be as accurate as the "Physical science". It is a very wide and comprehensive subject consisting of a number of related subjects.

2. Need for Management.

With the ever growing needs of human generation to fill their economic and social urges, the need for management to derive maximum benefit out of minimum investment gradually crops up. It is also the need of those who take initiative and risk of investment either in business or elsewhere. It is aptly cleared that "No ideology, no 'ism' no political theory can win a greater output with less effort from a given complex of human and material resources, only sound management. And it is on such greater output that a higher standard of life, more leisure, more amenities for all must necessarily be founded."

Briefly, the plan and the programme of any man or organisation, the ideas and the desires of the society and the successes of the government and above all the well-being of

the human generation always and largely or rather inevitably depend upon the concept of management in either form. Management ensures a smooth flow of work in the organisation by focussing on strong points, neutralising weak-spots, overcoming the difficulties and establishing a team spirit. This is a concept inevitably for the growing human generation for their livelihood and above all for their survival. It ensures creative force within the organisation and creates a result which is bigger than the sum total of efforts put in by the group. The management develops new ideas and integrates the efforts of the organisation in such a way as to accumulate better result or better performance.


From the very dawn of human civilisation, the concept of management developed although it was not capably found due to the fact that the means of livelihood were not so scarce. It is useless to take such a long note of its evolution; the history of management science is not so old as it is with other physical sciences. It is also not so developed like other branches of science. Again, the list of pioneers in this line is not so lengthy as compared with other fields. Urwick and Brech have mentioned the contributions of thirteen pioneers in "The making of Scientific Management". They, as mentioned by Urwick and Brech, are drawn from all over the world. It is no use mentioning their names. There are many contributors, research scholars and social scientists who have materially added to this field.

in recent years. But, it is surely worthwhile to mention the names of F.W.Taylor and Henri Fayel who actually pioneered the recent development of this science.

Among the leading contributors, Boulton and Watt from United Kingdom introduced "Production Management" in 1797 by way of work study, production planning, payment by result and cost-accounting procedures. Robert Owen, also from U.K., in 1810, adopted the system of "Personnel Management" and Charles Babbage around 1832 busied himself with an improved use of machines and the organisation of human beings. A comprehensive work during the earlier part of this century on management was done by Oliver Sheldon in his "The Philosophy of Management". Besides, several publications of Mary Parker Follett and Lyndell Urwick have also enriched the management literature.

The development of management as a separate branch of knowledge has a recent origin. The history of growing human civilisation indicates the evidence of organisational activity that implies a knowledge of many of the ideas that later appeared in the works of F.W.Taylor, Henry Fayel, Elton Mayo and C.I.Barnard. The ideas of scientific management were largely extended by H.L.Gantt, Frank Gilbreth and Harrington Emersons, three notable followers of F.W.Taylor in USA. Last but never the least, influence of the American Management Association and Society for the Advancement of Management is remarkable in the advancement of management science. But, in India management as a dynamic subject, considering the ever changing dimensions of the society at large, is still in its

infancy and its advancement is largely or rather entirely dependent upon the works of foreigners in spite of the fact that their studies have been mostly developed in separate cultural and geographical environment. Although immatured industrialisation, sub-standard education and prolonged dominance of British captive development policy in India industrial structure are quite often emphasized by some experts as the cause of low standard of development in "Management" in India, there is all the reality to admit that little care has been taken to develop this ever essential inorganic science from the very dawn of industrial development in the post-independence period in India.

3.1 Management Education In India.

Just after independence, industrial structure in India was clearly dominated either by Indian private entrepreneurs or by the British capitalists and there were hardly any field demarcated for development by the government alone. The top management of Indian private enterprises was and still is to a considerable degree, essentially patrimonial; and the managerial structure of the foreign firms could be characterised as highly centralised and nepotistic. The British managing style, in particular, gave little opportunity to Indian management personnel to develop in this line and the same tactics had also been adopted by other foreign firms. So, neither there were any scope in practice, nor there were any initiative from government side to develop this social science in India. But in the post independence period, the foreign firms, due to the changing political and economic structure, found themselves in a position to "Indianise" the managerial structure for their business survival in Indian
As a matter of consequence, to-day most of the foreign firms are found placed under Indian management personnel, who did not have professional qualification in most of the cases.

Recognising these weaknesses in the system of management education in India, the government, in 1950, appointed a Board of Management Studies headed by Sir Jahangir Gandhi, Director of Tata Iron And Steel Company. The committee recommended the introduction of a part-time evening post-graduate course in business management at the Delhi University, University of Bombay, University of Madras and All India Institute of Social Welfare and Business Management under the University of Calcutta and the similar courses had also been recommended for Indian Institutes of Technology, the Indian Institute of Science and Victoria Jubilee Technical Institute.

Several of these programmes were started in 1955 and subsequently all got under way. But, all these were not sufficient to meet the growing needs of industrial society in India and government having felt the urge, came up to take further measures to enrich formal management study. The Board gradually modified the principles, practice, tools and techniques of management studies in a way so as to be common to all enterprises, whether business or industrial, private or public. The Board also recommended the establishment of an Administrative Staff Training College and this was finally opened in Hyderabad in 1957 in the pattern of an English Institute to meet the growing needs of Indian industrial structure.

In addition to these two management development programmes, the earlier Training Within Industry (TWI) programme

introduced in a number of industrial organisations by the Ministry of Labour also contributed considerably to the improvement in the position of management studies in practice.¹

The establishment of local management associations and later the All India Management Association has also led to promote professionally oriented management study by way of conferences, seminars on management problems from time to time. This is in addition to the initiative taken by Indian Institute of Personnel Management and Ahmedabad Textile Industry’s Research Institute.

In some of these programmes, foreign firms were also found to take initiative. The Burma Shell and Standard Vacuum Oil company may be worth noting in this context. Among the progressive Indian firms, the Tatas have taken initiative to match the needs of the society by establishing Tata Staff College.

All these programmes to promote management studies reflect the growing needs of this study in India in a far larger measure and government with their all way co-operation established Indian Institute of Public Administration in 1958 and three Institutes of Management at the later part of second five year plan. But, whatever has been done so far in India either by private initiative or government encouragement surely does not fully meet the needs of the industrial and business society in India and there should be no prejudice to admit that it is still a long way to cover in this context.

4. Functions of Management.

A great many scholars, experts and professional people have materially contributed to the development of management science. From Henri Fayol to Drucker, a long way has been passed by this critical social science. There has not been any major shift in attitude about the classification of management functions. Batty has classified the functions into: Forecasting, Planning, Organising, Motivating, Co-ordinating, Controlling, Communication, Leadership and Decision-making. Harbison and Myers have defined it as: Undertaking of risk and handling of uncertainty, Planning and innovation, Co-ordination, Administration and control, Routine supervision. In the classical view, the basic general activities of management are Planning, Organising, Co-ordinating, Directing and Controlling. Again, "One useful breakdown is that suggested by Luther Gulick, who coined the word POSDCORB from the initial letters of management functions: Planning, Organising, Staffing, Directing, Co-ordinating, Reporting and Budgeting." Any way, all organisations must be managed and the role of the management is related to the objectives of the organisation. By summing up all the basic ideas of the above pioneers, it seems most useful to categorise the functions of management in all the present day industrial or business organisation as follows: Planning, Organising, Motivating and Routine Supervision. All these functions are closely interlinked and inter-woven and it is practically impossible to attain an objective fully in the absence of or feeble presence of any

one of the above mentioned functions of management. These functions are the points distinction between a manager and a non-manager. However, of these functions, the top level executives are mostly concerned with the first two functions and the later two are basically the role to be played by the middle and lower level executives and supervisors. But, there can be actually no clear-cut division of the functions among the executive-level and the above functional division has been made with the assumption that the top level executives are mostly engaged with the thinking functions of the managerial concept as a whole i.e. the first two functions. However, irrespective of their levels and spheres of activity, all level of executives are required to perform all the above four functions in varying degrees.

Of the four basic functions, planning is the foremost and fundamental responsibility of the managerial personnel. This is the primary job of entrepreneurship, although it is not ended after the initial functions; whereas it has its scope everywhere and in every sphere in an organisation. The Finance Manager is to chalk out the resource need for the organisation, the Sales Manager to estimate the coming days' demands for the products and the Transport Manager to chalk out the need for its operations and so on and so forth. Planning is actually to determine what ought to be done, making the decision to proceed with it till finish according to programme. It also implies that a forecast of future conditions has to be made and that the effect of present plans/future conditions has to be estimated. But in most of the cases, specially in the industrial organisations the "Planners" usually don't make

it and as such the dependence upon others becomes most inevi-
table. But this sort of cases should not occur provided proper
communications are maintained. Unfortunately the gravity of
communication within an organisation is not properly understood,
specially in Indian industries.

"Organising has been loosely defined as arranging a
complex of tasks into manageable units and defining the formal
relationship among the people who are assigned the various
tasks". It fabrics inter-relationship among management struc-
ture for unifying a co-ordinated whole. Specialised human
efforts utilised in all areas of the organisation are integrated
towards a common goal by the organising function of management
and co-ordination is the mainstream in this direction. It is
the logical arrangement and combinations of all the available
facilities for economic attainment of enterprise goals. The
principles are arrived on the assumption that men behave as
individuals, that all the functions of the unit are impersonal,
that all relationships are ideal and that ideal lines of commu-
nication can be planned and maintained. The weakness of formal
organisation lies in human problems which are aggravated in
matters of communications and co-ordination among the many
units in the organisation.

The principle underlying organisation is authority
and without a properly established authority the organisation
fails. But this is nothing absolute for any individual and
rather something delegative according to varying circumstance
and nature of business run by the organisation. The channels
along which authority is passed down is called "Chain of

Command". In the classical view, as defined by Clough, the
2. Ibid; Page- 22.
process of delegation in the formal organisation involves three distinct concepts:

a) The assignment of duties or responsibilities to a subordinate.

b) Delegation of authority or permission to use certain powers, sanctions and resources and to take actions necessary to fulfill the assigned duties or responsibilities effectively.

c) Making the subordinate accountable to his supervisor for the proper execution of the assigned responsibilities.

There are the three key words in delegation:

a) Responsibility.
b) Authority.
c) Accountability.

Responsibility does not just mean that a person is responsible to a certain person. The main essence of responsibility is that it is not transferred or lost, but grows through delegation. It is wrong to assume that with the delegation of authority some one leaves to see the responsibility in action. The person to whom the responsibility is delegated is actually assumed to execute the programme according to specified ways; whereas the person who delegates it clearly preserves the responsibility to see that the programme is properly executed as it is desired.

It is simple that authority must be commensurate with responsibility; otherwise the normal flow of work will be barricaded and the man who has been assigned a specified job will be surely in trouble to do it. It has now been widely believed responsibility must be delegated with proper and expressed authority.
Accountability stands for the assessment of the performance in discharging the assigned responsibilities and in executing authority. Every person in an organisation is supposed to be accountable to his supervisor or to his senior or to one who has actually delegated the responsibility and the authority; otherwise it will appear very difficult to assess as to how far the responsibility has been fulfilled or the delegation of authority is accurate for the convenience of discharging the responsibility.

It is quite often found that the productive efficiency of different organisations differ, in spite of their considerable similarity in respect of capacity, technology adopted and facilities availed. Even the efficiency differs from unit to unit within an organisation. The question may naturally arise as to how such a difference occurs. "All modern work demonstrates that human beings, whether individually or collectively, react with greater sensitivity to changes in psychological atmosphere, to intentions, implications and suggestions, than they do to any of the ordinary changes in physical environment". "Human beings are not inanimate cogs in a machine", says Chatterjee "and they have emotions, sentiments, capacity to participate or to withhold such participation". This principle has gradually been recognised and it is accepted that 'motivation' is the principal means to get the optimum productivity for an organisation. 'Bread' alone is not the incentive now to the civilised human generation of twentieth century. They deserve proper dignity, recognition and greater participation specially in the spheres they are inevitably

concerned with. The psychological aspects are gradually getting greater emphasis over the physical needs of human beings. This new development has, however, been recognised late and as such the comparative growth of this recognition is feeble in respect of other fields of development and specially in India, the recognition had a very recent origin.

Hence, with the object of inducing the members of an organisation to put forth their best endeavours towards the organisational goals, motivation through the medium of leadership, guidance, direction, supervision, communication and counselling is recognised as the best instrument for greater productivity.

Routine supervision may be defined as "comparing operating results with plans and taking corrective measures when results deviate from plans". The definition signifies that the results of operation can be measured in some way. One of the most widely used executive control devices, for instance, is the annual financial results. But this is not the way it has been intended in this context. The system of assessing the performances through annual financial results normally details the incidents long after their actual occurrence and usually it is a post-mortem report. A desired system should reveal results on the spot during operations and should, thereby, leave the room for immediate rectifications. Better communication system is as such a dire necessity to proceed in this way. In India, specially in public sector organisations this sort of device to assess results on the flow of operation and to take corrective measures immediately after the incidents, is notably absent and as such the organisations in this sector have been sustaining losses.

4.1 The Creative Realities of Management.

4.1.1. Modern Development.

In recent years management's efforts have been intensified towards attaining effective use of human resources. The problem is sensitive and largely delicate in practice. Douglas McGregor in his "The Human Side of Enterprise" has pointed about the inadequacy of the conventional approach. McGregor has indicated in his analysis that whatever may be the approach of management towards attaining the goal — it cannot be effective when peoples' physiological and safety needs are not satisfactorily fulfilled. He therefore advances a different theory for managing people which he titles "Theory Y", which indicates an approach whereby people achieve their own desires best by directing their own efforts towards organizational objectives.

The desire to achieve of the organisational objectives through personnel integration has been brought into focus in post-war years and good many a books has also been written in this subject. C.A. Myers in his Behavioural Sciences for Personnel Managers has categorically mentioned different approaches in this direction.

Dale Yoder in his The Two Roads to Success in Industrial Relations stresses that the most inadequacies of current management lies in the management of people. Manpower management, as he denotes, would help the society to achieve its social and economic goals through increased productivity.

Dr. Yoder emphasises that all around the world the major obstacle to rapid economic growth is the inadequacy of the people resources. He feels - the productivity problem can be solved only through changed working relationship and climate - new organisational structure, new style of administration. He stresses that the old road has always been a road of services to management rather than of high level participation in management by personnel divisions. In India, we are still treading on the old roads in almost all cases with a few minor exceptions. Dr. Yoder feels - Personnel Managers in modern industrial societies require much broader interest in management, knowledge and competence in their line. They, as he makes, must build a specialisation in people management and must keep informed of developments in behavioural sciences.

R. Sinha, however, gives the argument why the need for qualified leadership at all levels is felt by industries in India. He stresses that a manager's success is largely determined by the result he obtains from his subordinates. He asserts that the authoritarian concept must give way to a real dynamic approach in which democratic self-expression is the key note to progress.


In recent years awareness in India and abroad of the need for increasing productivity has largely accelerated. Adequate motivation of the human resources in an organisation is widely believed as the potent generator of increased productivity. Intensive research has been conducted in this field and that is mostly to the lower level employees. But, it is not a concrete shape and rather the game is one-sided.

To get a realistic pattern, it is believed, the circumference should be widened. Motivation is equally important for the executives or the managers of the organisation.

Motivation is a vital function of managerial performance. Rensis Likert titles Motivation: A Core of Management. He explains the research findings of the Institute for Social Research of the University of Michigan. These indicate a consistent pattern of motivational principles associated with high productivity and high job satisfaction, irrespective of the particular company or industry where the research was conducted. He first emphasizes upon the common assumption that "developing a favourable attitude among employees towards the company will result in increased productivity." According to him the factors of a personal nature are more important - particularly the nature of supervision the employee receives. He distinguishes the results obtained by the "employee-centered" supervisor as against the "production-oriented" supervisor, emphasizing that close supervision tends to be associated with lower productivity whereas more general supervision results in higher productivity. He clearly stresses the need for developing in a supervisor the skill of supervising subordinates as a group as he believes that groups with high group pride and loyalty are more productive. Greater group loyalty and pride are generated by a superior who treats subordinates as human beings, by one who can identify himself with his employees and keep psychologically close to them. He maintains that personnel departments can play an important role by helping the line organisation apply such results of

human relations research. It may be emphasised that close personal relationship even in the factory premises instead of indirect control or supervision, begets far greater results in Indian industries. Personnel management pattern in India, which is found in practice, has been devised as if it is a police system within the organisation. Actually what is still prolonged in Indian industries is nothing short of that. Very little research has been conducted in this country. It should be made clear at this point that this origin of Human Relations was in United States where certain social and cultural forces created the conditions in which the movement progressed and is still progressing. This implies that Human Relations have certain social preconditions which should be examined to whether this philosophy could be transplanted in Indian conditions without losing its vitality. First of all, in USA, the changes in the value of life of individual preceded the movement. The dignity and worth of individual and his personality is recognised there long back. The process of educating the young there is the process of giving freedom to him in the increasing degree. The social structures are such that individuals give and expect more and more freedom from others. The idea of decision-making by oneself is deep-rooted in the traditions there. Workers being the part of society expect that they would not be treated as dependents who have to be instructed and supervised in the minute details. With increasing education and culture this need for being treated with respect and dignity is being demanded by the workers as a matter of routine. They are growing conscious of their rights to participate and opposed the unilateral decision-making on.

the part of management. The condition is not so much pragmatic in India as in USA. Indian standard of education is far away from USA and the standard of livelihood is still very poor to fight for any other spheres of activity. Unemployment is the burning problem in India. Joint movement, for as many reasons of political or economical nature, may not be very effective to fight out any other psychological demands by their own; but, we should not undermine the similar developments in greater world or keep India away from their influences. Rather, it would be most viable if we step along with the other spheres of development. We must remember that in the present day developing world nothing is practically restricted in a particular geographical dimension. Wherever there is a spark, with the aid of developed communication system, the news spreads all around the world overnight.

With growing political and self consciousness in our country, the psychological needs of our labour force are growing far rapidly than that of other physical needs. Our management development must be ready to match with the growing needs of the working class. Otherwise, we shall rather fail to attain prosperity in productive circle.

Again, this is an important fact to bear in mind that two most important planks of Human Relations practice are participation and communication. The need of participation in work-environment in USA is carefully nurtured by the social institutions and practices. Naturally, business firm being a social institution cannot ignore it. F.L.Allen in his book 'Big Change' dramatically describes the changes in values, standards of living and management responsibility that have taken place over last half of a century in USA. Increasing value has been placed on man's life, wellbeing and
standards of living.

5. Management of Public Sector Undertaking in India.

With the increasing government commitment and involvement in establishing and running a good number of industrial and business undertakings, the role of a developed managerial structure has gradually assumed importance for their successful operation to derive maximum benefit for the nation as a whole. The undertakings under government control represent huge investments of public money provided by the millions of poverty-stricken tax-payers of the country. It is therefore a matter of great importance that the government must take adequate care for their successful operation.

Profit-earning is the basic inspiration behind private entrepreneurship whereas it is not exactly that in government undertakings although it is not altogether ruled out. Dr. Radhakrishnan expresses: "While profit-earning cannot be the sole measuring rod of the success of a government undertaking, it cannot altogether be ruled out." But for whatever reasons the undertakings have been established, their meaningful operation is out of any question. Due to the completely different reasons of the emergence of public sector undertakings from those of private ones, the methods of control and operation which are suited to the public sector undertaking may not, quite reasonably, be suited to the management of private firms. The government undertakings have special and particular problems of their own and that is practically why the public undertakings are to search for an avenue rightly suited for their purpose.

5.1. Special Features of Public Sector Undertakings in India.

To consider the specialities of the public sector undertakings in India, it is useful to remember some peculiarities in respect of their management and their establishments.

The first feature is their newness. The characteristics of the state intervention in business and industrial fields in post-independence period have already been mentioned. With the attainment of long-charished freedom, the national government in India actually came into this field with a difficult economic situation in hand. They were practically newcomers in these fields. This feature of newness has an important binding upon the methods and structures of management of the public undertakings in many ways and it will be most unwise to overlook this aspect.

The second characteristic is that most of the public undertakings are large in size and naturally the affairs around them appear to be comparatively complicated; as such experience on the part of managers in the related fields is essentially required and that is mostly absent in public sector undertakings in India.

The third feature is that most of the undertakings have been established within a very short period of time and thus experience gained in running one unit were not utilised in setting up the others.

The fourth one is that government undertakings and their managements are bound by the policies of the government in a far greater way than other organisation in the field and as such they are to follow sometimes a rapidly changing course of policies and programmes.

The last characteristics is that the state undertakings are not usually established to earn profit only. Their
operations are inevitably interlinked with the governing policy of the state industrial development programmes.

5.2. Boards of Management.

The boards of management are the highest levels of management of the organisations upon which the efficient and successful operation of the units are dependent and as such their constitution and composition are of vital importance.

The composition of the board of directors of a public undertaking has been a problem to the government from the time of its entry into the industrial and commercial activities. Several forms have been tried in the process of experiments. In some cases, the boards have been formed mostly with the government officials. Nonofficials have also been tried in some cases. Some boards have full-time chairman; others have part-time chairman with full-time managing director.

Besides the formation of the boards, clear definition of the scope of function of the board also appeared as a problem in the earlier years. Should it be a board to deal with the policy matters alone or should it be a functional board? "Several of these problems arose often because of a lack of understanding of the basic fact, namely that it is the board that is in overall and sole command of the management of the enterprise, on behalf of the government." The position will not pose any problem only when the basic concept would be kept absolutely clear in mind.

5.2.1. Formation of the Boards.

There is variety in the forms of the boards of management of the public sector undertakings in India. But, the
variations depend upon the size of the organisation and the spheres of activities the unit is to carry on. Any way, a point is already established that the chairman and the managing directors of the government undertakings would be appointed by the government. Now as a matter of practice the boards of directors of the state units are usually appointed by the State Ministry.

The boards may be formed either with all full-time directors or with some full-time functional members along with a few part-time members and the latter is the common phenomenon with most of the public sector undertakings in India. The members are likely to be men of abilities, experiences and administrative competence.

Several experiments in respect of the board of management have been made in recent years. But, it has been experienced that a mixed board comprising some full-time and some part-time members is quite fit to meet the growing needs of management. A board consisting of all the full-time members appears to be a bit expensive, on the other hand a board comprising of all the part-time members (excluding chairman or the managing director) cannot cater to all the needs of the situation. Again, the inclusion of part-time members in the board seems essential when specialised knowledge in a particular line is needed and persons with that knowledge and experience are not available for whole time appointment. Besides, law and customs followed in a country may also require the entry of part-time members in a board. For example, in India there is the provision to take labour leaders in the boards of directors. Mr. M.John, a prominent INTUC leader was

1. The Third Five-year Plan, 1961, Chapter-XVI.

Again, provision is also there to have official members in the board of directors. But, experience suggests that it is not convenient to take official directors from the administrative ministry; but practice is already there to take officers from ministries which are related to the undertaking in a rather special way either as consumer or as servicing agencies. For instance, an official from the Railways is found in the board of Coal India Limited.

It is not uncommon to find members of parliament or the legislative assembly as the members of the board of directors of public sector undertakings. But, due to practical difficulties, the practice has almost been stopped now in Indian Public Sector Undertakings.

5.2.2. Chairman.

Inspite of the gravity of the post, it is not all the time a full-time or executive post. Where the chairman is the administrative chief, the post is a full-time one and when the executive function is vested with the managing director of an organisation the post of chairman is a part-time one. Again, in some organisations, the chairman and the managing director may be the same man. In the initial stage of direct participation of government in business and industry, i.e., in most of the cases of early appointments of chairman, the secretary of the administrative ministry concerned was made chairman of the board of directors of the organisation. But in course of time it appeared that such appointments did not serve the right purpose and in most of the cases, the appointment of the secretary of the administrative ministry as the chairman of any
organisation has been discontinued. The basic idea behind this system is to allow the board to function according to the norms of the government policy without any direct interruption from the ministry concerned. Now as a matter of present day practice, non-officials, i.e., persons not from government departments, are, in most of the cases, made chairman of the public sector undertakings in India.


A good number of experiments have been made to find out the viable forms of management for the public sector undertakings in India. It is altogether not advisable to scrap any one of them, because there are always the chance of some good and some bad points with any of the forms. Again, a form may not be pragmatic to a particular situation, but with the change in the scope of activities, that discarded form may appear as the most viable one. It is now intended to discuss in brief some forms of management which are most common in Indian practice.

6.1. Central Holding Board.

This concept is something like that of managing agency system and it was the idea entertained in early days of state entry in the field of industrialisation in India. The board would control and guide the activities of all the individual units under government control. But, the idea could not last long at least for one reason that it was quite impossible to enshouldeer so much of work-loads coming up with the rapid expansion of government's fields in the industrial map of India.
6.2. Consolidation of Holding.

This is a type of board of directors covering a number of similar enterprises. This sort of managerial board is found in fertilisers and steel in India. Here in this instance, there is still the point to ponder whether the concept of the enterprise has become too big to be in charge of a single board of directors. Considering this aspect, Bokaro Steel Plant has been kept out of Hindustan Steel Board of Directors.

6.3. Interlocking of Management.

This sort of managerial style is found in the cases of Indian Refineries Limited and the Indian Oil Company, where the managing director of one organisation is a member of the board of directors of the other unit. In the case of Indian Air Lines Corporation and the Air India International, the same practice is found to be followed. But, this system also is not beyond controversy. A complaint often heard is that in a board meeting the managing director of one organisation is not as understood and co-operative in supporting a proposal put forward by the other organisation.

6.4 Central Advisory Board.

The concept of Central Advisory Board is something to exercise power for which it would neither be fit nor legally liable to account for; to discharge a responsibility, the failure to do which would completely frustrate it in its attempt to exercise its advisory functions. This sort of board has this great danger that it diffuses responsibilities and as such the idea has been nipped in the bud.
6.5. Establishing a Management.

The boards of management of state industrial undertakings are set up by an executive act of the government.

Statutory Corporations are established by specific Acts of Parliament or State Legislature. Each public sector undertaking in the eye of laws, is a legal person, capable of acquiring, holding and transferring property and of suing and being sued.

In the case of company form, which is the principal mode of public sector management, these are established by registering the Memorandum and Articles of Association under the Companies' Act of 1956. There are specific provisions for the government companies in the Act.

7. Managerial Problems of Public Sector Undertakings in India.

There is nothing to deny that enormous problems are there with the public sector undertakings in India. The cases of huge public investment are found with inadequate production and heavy expenditure without expected returns. It has been expected that the public sectors would provide the public with services and utilities for which they have been established; but, in number of cases, the minimum expectations have not been fulfilled. However, it remains a fact that the future of Indian national economy is inextricably linked up with the success of the public sector units in the country. And for the national interest, the public sector units must run efficiently and economically.

It is quite often emphasised that a problem is more than half solved if and when it is clearly understood.
Number of studies have been made. Various solutions have been suggested which require a thorough scrutiny before being put in action. Among others, the undertakings are reported to be suffering from the lacking of "culture" of the undertaking on the part of those who are actually heading the organisations.


The basic difference between a public undertaking and a private one is the difference in the relationship between the owners and the management. The public sector undertakings, in most of the cases, are "no-man's property" where the scope of direct assessment of the performance is hardly available excepting the post-mortem analysis undertaken by different statutory organs. The difference is also there between the primary task and the "constraints" of the undertaking - the constraints being those set up by the government policy; the policy being to be ostensibly just, or to be "socialistic" in its ideologies, for example, ensuring greater scope of employment and accepting the lowest tender, etc.

The government organisations have certain features which are definite impediments on the way of their being called 'efficient' from business point of view. There is a principal objective of a business undertaking, i.e., to be economically efficient as to permit growth; whereas a public sector undertaking is to have such vague and sometimes unattainable objectives like social justice, full employment, etc.

An organisation must build a team for the purpose of working

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as a single unit. But, a public sector undertaking normally does not appear to be built to ensure such a purpose — rather it is geared to obtain the views of the State and Ministries, with each state seeking to be more independent in a federal structure. A business must build such an organisational structure which will be able to adopt quick decisions; but in government organisations the time factor is almost ignored. The business organisations give enough power to their chief executives to 'hire and fire' their personnel to ensure the programmes to be completed in time; whereas the public sector undertakings have to ensure that all their 'hiring and firing' are patent just — in the process often reducing the promotion system to one based purely on seniority, irrespective of whether the employee is efficient and is able to execute the decisions. It should be the entity of a business organisation to ensure that its employees are correctly guided towards its goals, but it is rarely a picture in public sector undertakings. While a business unit must be ready to match the changing circumstances, the public sector undertakings in India are mostly found to abide by the formalities.

7.2 Organisational Planning in Public Sector Undertakings in India.

The aim of the organisational planning is to suit the existing and the changing needs of an organisation. Prof Laxami Narain says: "It would cover such functions as delimiting authority and responsibility at various levels, logical grouping of activities, manning pattern at strategic levels". It is a crucial factor for the success of an organis-

-sation. Again, the system must be drawn so as to match the growing and also the changing needs of the organisation. Prof Harain also emphasises that organisation planning does not often receive sufficient attention either at birth or later in our public enterprises. He again goes on to say that the ministries where decisions in this regard are taken, generally neither have experience nor expertise of organisational planning. Similar problems are also found with private concerns, but out of their business acumen, these are in most of the cases surmised according to needs of the organisations.

Organisation planning has a tremendous importance to the public sector undertakings in India; because most of them are very big in size which may run smoothly only under a dynamic planning of organisational structure.

Again, the resources of an organisation can be best availed only when the organisational framework is suitable for the purpose. The larger is the organisation, the greater is the need for such a phenomenon.

It is imperative here to mention that as the organisational structure grows, higher delegation of authority is essentially needed. What should be the right process of delegation and how much down the line of authority can be delegated is really a troublesome point to be answered. "How much authority should be delegated to the chief executive by the board of directors is, for instance, often based on trial and error in public enterprises."

In the case of Hindustan Steel Limited two successive ministers of steel, viz, Mr. C. Subramaniam and Dr. H. C. Reddy, took different approaches of organising the organisation.

1. Ibid.
tion on the basis of a highly decentralised and somewhat centralised system of management respectively.¹

In the case of the Fertiliser Corporation of India, the Parliamentary Committee on Public Sector Undertakings expressed the view that it would be useful to have full-time directors of finance and technical affairs for a big and growing organisation like F.C.I.² The Managing Director of the organisation, however, expressed the view that functional division of responsibilities at the registered offices rendered effective dementralisation to control the head of a constituent unit to a large extent. He desired, "there should be only one captain in a ship."³

The above mentioned controversies clearly indicate the difficulty to find out an unanimous solution to the problems of an effective organisational planning and it is rather better to wait for a greater development in this sector in India.

7.2.1. Problems of Organisational Planning.

The main problem of organisation planning in public sector undertakings in India is the lacking of due importance and recognition which this function should be granted. Besides, the top executives of the organisations, who are actually supposed to take care of this development, are so busy with their day-to-day problems that this very essential responsibility is quite often neglected until it is not severely knocking at the doors. Again, the other viable reason in its support is inadequate continuity at the top level management.

1. Statement in Parliament by Mr C. Subramainan on Sept. 23 & by Dr N. Channa Reddy on March 68.
2. Sixth Report of Committee on P.S.U. presented in third Lok Sabha, Pare- 180 to 183.
3. Ibid.
structure. Lastly, the policy planning in this sector usually falls within the purview of the government which normally does not care it effectively, adequately and in time. The policy of organisation planning is quite often found changed along with any change in the ministerial or government structure.

The organisation planning, as a matter of rule, should originate from the top most level of an organisation. But, for the reasons above it rarely does so. As a matter of practice, the top organisational planning in public sector undertakings in India is usually based upon the recommendations of Parliamentary Committee or some other committee or body outside the enterprise, most of which are actually lacking the realistic knowledge of an organisation planning and that is why most of the public sector undertakings in India are running short of a practical approach in this direction. In Fertilizer Corporation of India, top management reconstruction took place under a recommendation made by a study team appointed for this purpose in October, 1967. The nine-member study team included four American Experts whose services were made available under Indo-USA Technical Co-operation Programme to examine the organisational structure and other related matters. In accordance with their recommendation, the posts of five functional directors were created in 1968.

In the absence of regular and systematic review of the organisational structure in public sector undertakings in India, it may have to wait till the subject happens to come to the notice of the concerned body of the government. Again, the

recommendations, in most of the cases, are not based on thorough studies and are not made for organisational problems only as the studies are mostly mixed up with a lot more of other issues.

It is essential that the organisational planning has been drawn in consonance with the needs of the enterprise and necessary adjustments are made in time. In Indian public sector scene, changes are quite often made on ad-hoc basis and very rarely on a planned or systematic scheme leaving behind wider scopes of misinterference. This may be due to inertia or because of fear of disturbing the status quo and consequent repercussions therefrom. Defective organisational structure, if once allowed to take place, appears extremely difficult to be rectified due to unhappy incidents that may take place around it. All care should, therefore, be taken at the very early stage of its occurrence. But, it is hardly possible to make clear guarantee that nothing undesired will happen always at the beginning. There remains the chance for their occurrence, but it will be most realistic if a clear watch is kept over the affairs along which the process of operation is run so that corrective measures are possible to be taken up in no time. Public Sector Undertakings in India pay very little attention in regards to their organisational needs. Delegation of authorities at various levels of management is very erratic in nature and mostly on trial and error basis rather than based on realistic policy decisions.

It is essential that a system should be introduced with the specific responsibility to study, review and advise on all aspects of organisational planning for the public sector undertakings in India.
7.3. Autonomy & Efficiency.

It is quite often emphasized that to fulfill the social obligations of the public sector undertakings in India, a more efficient operation on their part is essential and that to do it effectively the grant of greater autonomy in respect of their organisational phenomenon is urged to be the right necessity. Social obligations can be best met provided the undertakings are allowed to run in the most effective manner.

The capacity of efficient operation is to be observed from the qualities of the management personnel. Apart from theoretical conception and practical experience, the men in the above category are expected to be honest in their organisational affairs. "In many cases, persons with likable personality and snobbish loyalty to the high officials are found to be wanting in their integrity of character." They must also meet the requirement of absolute honesty. Prof. Chatterjee goes on to express that it is this reason that American experts have warned against the recruitment of managerial candidates from the rank of private industrialists in India, many of whom are accustomed in all sorts of manipulating affairs and lack the real skill of knowledge of management. Again, to get the jobs done in time and according to schedules, decisions are to be taken in a speedy manner. It is worthwhile to mention that decisions are taken and enforced by the human elements, not by the form of organisation the enterprise holds.

"Besides the external autonomy, the key to effective

2. Ibid.
and high performances lies in permitting the line executives to enjoy a large measure of internal autonomy. The line executives must be allowed to assume the real commanding authority in their spheres without undue interference from above. It is quite often found that staff executives, i.e., executives engaged in personnel, finance and accounting functions, are exercising undue authority over the line executives and in some cases, the staff executives are found to control the line executives. This is an awful phenomenon. "If improvements are really aimed at", says Prof. Chatterjee, "the role of staff men is to be fixed according to the rules of the game of management performance." This is nothing a question of dignity; whereas a necessity of time and situation. The objects of the organisation must be placed above all other relevant or irrelevant factors.


Quite a lot has already been discussed in respect of a suitable form of managerial structure and possibly, it would not be much difficult to find out a realistic concept for the public sector undertakings in India. Does it end by itself? Is it not required to get an assessment over what has been applied in practice? It has already been mentioned during the course of this discussion that there is nothing static in the managerial world due to its ever changing nature. And as such it is quite prudent to have an assessment and review of the concepts and practices of the managerial procedures to get them in right tracks and in right time.

1. Ibid.
2. Ibid.
Measurement implies an evaluation of the working of the enterprises against the criteria which have promoted the setting up of such undertakings. Now, it is to be determined what is to be measured. It indicates a true assessment of the management in operation under particular circumstances and a definite ideology. It is quite natural that a good long way is to be crossed before giving a clear verdict on the functioning of a managerial concept. Again, it is highly desired that proper care must be taken to proceed in these ways so as not to arrive at a biased conclusion. There are a few essential aspects against which the performance of a managerial structure should be examined. All these, as designed by Sri Khera, may be categorised under broad four headings, viz., adherence to a given policy; achievement of defined objectives and targets; adoption of certain methods of management functioning; economical use of resources and finally the maintenance of standards of quality of the products.

The public Sector Undertakings in India are not merely to earn profit or to get on to the targets. They have some other definite objectives to be fulfilled in accordance with the government policy. And, naturally the adherence to policy matters has a special significance in public sector undertakings in India and is an important criterion to test their managerial efficiency. For example, an agency which attempts to measure the management of Durgapur Steel Plant, may not approve of the prices of its products supplied to Indian Railways and the Defence Units, but unless it accepts the situation and gauges management in terms of the policy.

2. Ibid.
given to it, it would not be possible to obtain a real picture of DSP management. This sort of measurement must be done against the framework and norms prescribed to the organisation from its controlling points.

The next point to be remembered is the object and the targets of the organisation. If a particular organisation is designed to produce 1 million tonnes of steel products in a calendar year, its objective is to attain that particular target and to measure the capabilities of the management of that organisation in this context it is practical to lead in this way.

Another aspect on which concept of management is to be measured indicates the adoption of prescribed policy in the management of public sector undertakings. The undertakings are likely to reflect the policies of the ruling party. They are to adhere to the directives from the government and if right methods are not adopted, it may even vitiate the achievement of the policy itself.

In a developing country like India, there is a particular need to measure the performance of the management on the economic utilisation of the resources placed at the disposal in the terms of men, money and materials, because the improper use of the resources has often stood in the way of management, particularly at the higher level to attain the done prescribed targets. The measurement has also to be against the quality of the products.

How the adherence to the policy may be rightly measured appears to be a pertinent point to come in this context of public sector undertakings. Normally the policies are prescribed and applied by the proprietors themselves. But in
the case of public undertakings, the question of such applicability does not rightly appear. A new approach in this direction is the right necessity. One way of such measurement is to look carefully at the cases which are referred to the government for their directives. There are so many points in the articles of association, the delegation of authority and so on which have to be sanctioned by the government. Such reference to the government leaves the scopes to examine as to how far the policy of the government has been pursued.

Adherence of policy can also be measured by the communications made to the ministry from time to time. Periodical progress reports are also the useful instrument in this direction. Besides, a system may be introduced to send the agenda and also the resolutions of the meeting of the board of directors to the ministry to get what is going to be done in an organisation, although it is not legally obligatory to do so.

In the case of measuring the objectives and targets, the useful means is to get regular reports of performance, whereby a clear view may be had from all corners about what is the picture all around the organisation in respect of fulfilling the targets and the objectives. Time-factor is very important in this context. A target may be granted as fulfilled only when the time schedule is rightly maintained.

In respect of measuring the product quality, consumers' satisfaction and process inspection are the two important means. Statistical quality control is the most accurate and scientific method available to measure the product quality and also to maintain the standard. It is a check within the
process of the product and thus enables to get timely rectifications to minimise loss.

In the case of resources, a number of ways are there to get them recorded. Accounting system is the initial step in this direction. But, the main concern here is to see that the resources are properly utilised. Detail reporting system in regards to stocks of materials and their uses, should be introduced to have a clear watch over the affairs all around the resources.

There are number of ways in which the resources are accounted for. The first one is the plain accounting system. The second way is the reports made by higher managements and the third way is the auditing system.

A specific list of the items that are to be measured is detailed below which will contain some of the points mentioned earlier as well as a few new items.

1. The time schedule.

All works must have to be done within a time schedule and that is a specific item to be measured to consider the efficiency of the concerned management.

2. Production schedule.

Every concern must draw a schedule of production or service and that will be a point to be measured in this context.

3. Productivity.

It is something resulting from the best use of the available resources and to measure the management due emphasis must be rendered in this way.

4. Protection of resources.

The protection of resources indicates such things as
having the right things for the organisation and preserving them for the best utilities of the enterprise. Timewise reporting system is the right way to take care of the events.

5. Budget provisions.
Any plan or programme can only be properly executed provided accurate budget provisions are made in time. It is an useful means to measure the efficiency of management.

6. Accounting system.
Good management surely includes a good accounting system. A clear picture of all that happens around an organisation can only be observed through the accounted records.

7. Relations.
Managements of public sector undertakings have to be measured in the yard stick of industrial relations. Of course, it is very difficult to specify any definite norm or any law that is to be followed. A realistic approach can only help in this way.

8. Planning.
It is the specific responsibility of the management to attend to planning. A target can only be reached provided a realistic approach is made to chalk out a clear plan that should be followed to reach the goal. So, the quality of the planning must be measured to justify the standard of management of any organisation.

9. Research.
With the ever changing trends in the industrial world public sector undertakings should take lead in research affairs. They should not hesitate to spend money in this direction and the efficiency of the concerned management may be measured in this context.
10. Control and co-ordination.

The public sector undertakings are mostly concerned with multipurpose affairs all around their organisation and the management must be measured on the degree of control and co-ordination they exert over their own affairs and concerned affairs as well.


It is quite obvious that to get the responsibilities properly executed simultaneous delegation of authorities is a must. The state undertakings as a matter of norm are to get the ministry informed of all these affairs, it is rather easy to measure the management in this direction.

The main principle of measurement is to classify the errors already on the roads and to find out a useful measure so as to get the defective arms rectified in near future. The means of measurement depends upon the situation in which it is required and it must be objective in selection. The intention must not be vindictive in nature so as to create confusion around the circle. The selection of the means of measurement must be made demonstrably accurate, simple, speedy, capable of classifying the errors and conducive to quick feedback of corrective measures.

9. Conclusion.

Management skill and experience are most urgently needed in those countries whose economy has recently been liberated from foreign dominance and which like India have taken up noble programmes of economic development by taking active parts in establishing industrial and business organisations. The concepts of management, despite of some familiar

similarities in both public and private sectors, are not always identical in nature due to varying "culture" of the organisations. The idea of public sector enterprises leaves a completely separate ideology making the room for a new concept of management thinking.

The economy of India is inevitably interlinked with the success of the public sector undertakings in the country and as such a clear way must have to be devised to get them on the right ways. But, as has already been mentioned somewhere else during the course of this discussion that this sort of culture is quite new in this country, it is a time-bound matter to be experienced properly in this direction. A lot of experimental studies are to be taken up before coming to a conclusion.

The success of an enterprise is surely dependent upon the efficiency of its pioneers; but in the case of state organisations the context is something new. In the case of private organisations, strict controls are usually exerted by their proprietors. It is not exactly so in the case of state organisations. The means of their control are not exactly like those of private units. A new culture of management and its structure has been introduced in the case of public undertakings.

With this discussion on the features and peculiarities in the management structure of the public sector undertakings in India as the backdrop of our study, it is proposed to drive into the practical problems in the specific area of our attention in the following chapters.