The organising process connotes to the structuring and integrating of activities of people who are engaged in performing motley assortment of functions for achieving specific objectives of an enterprise. It permits the group of people to work more effectively together towards attaining present goals than they might otherwise do working alone. In every enterprise, therefore, the total work to be carried on has to be identified and homogeneously grouped into different divisions and sections. Likewise the work must be further divided into different levels, that is, the managerial hierarchy must be set up and defined; means also have to be devised to ensure proper co-ordination and integration of people and their activities.

The total task of AIC as grouped into different offices and level of management has been depicted in Chart 2.1. On the very top of the chart the Board of Directors (BOD) are figured. In fact BOD is expected to play a very crucial role in shaping the activities of the enterprise. It will, therefore, be proper to examine the issues relating to BOD.

Organization Chart of AIC as on Mid-July 1980

Board of Directors
- General Manager
  - Deputy General Manager
    - Planning & Evaluation Division
    - Administration Division
    - Finance & Fiscal Division
    - Procurement Division
    - Seed Division
    - Audit & Inspection Division

Regional Office
- Birgunj
- Main Branch Office, Kathmandu
- Regional Office, Biratnagar
- Regional Office, Nepalgunj

Main Branch Office, Janakpur
- Main Branch Office, Birgunj
- Main Branch Office, Kathmandu
- Main Branch Office, Biratnagar

Sales Depot:
- Surkhet
- Mahendranagar
- Dang
- Damauli
- Birsantra
- Rיאur
- Tulsipur
- Dhanusa
- Humal
- Bhalulal
- Baglung
- Palpa
- Nuwakot
- Hetauda
- Dhading
- Dhura
- Syakha
- Salyan
- Chauraha
- Baitadi
- Jumla

Source: Prepared
2.1 **Board of Directors**

It was Peter Drucker who said "there is one thing all Boards have in common, regardless of their legal position. They do not function. The decline of the Board is a universal phenomenon of this century. Perhaps nothing shows it as clearly as that the Board which, in law, is the governing organ of an organization was always the last group to hear of trouble in the great business and catastrophies of this century." Nevertheless everywhere in the world management by Board of Directors is still a prevalent practice. The Board of Directors is the highest organizational body who is assigned the task of guiding an organization. The Board make decisions on overall policy matters and has vested with formal authority which it can delegate downwards at its discretion.

AIC is an autonomous body with perpetual succession incorporated under the Corporation Act of 1965. In course of making provisions about creation of a Corporation, the Act has provided for the constitution of Board of Directors, the size and function of the Board, qualification and tenure of its members. The Act has also stated that the size of the Board will depend upon the decision of the Government but no mention has been made about the composition. The tenure of a member is dependent on will of the Government. The Act has not prescribed any positive qualifications for being member of the Board.

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Board. However the disqualifications are clearly stated. The Act has authorised BOD to use all authority and to do everything on behalf of the Corporation. 4

2.1.1 Distinctive features of AIC's Board

1. Size and interest representation

The size of the Board is also an important factor for the efficient functioning of the Board. Although no generalization can be made regarding the size of the Board except saying that neither the size should be so large as to make free discussion impossible and nor so small that necessary breadth of viewpoint is not obtainable. However, in Nepal, the CCC has recommended five to seven members in the Board of a public enterprise. 5

The size and composition of AIC's Board since its inception (Table 2.1) show that the Board has always been composed of members representing different organizations. The first Board was constituted with 5 members which continued till 1974. In 1975 the size was raised to 7 which is still operating. During 1972 to 1973, when identity of the Corporation was AMC, there were four advisors to the Board. The practice of nominating advisor to the Board was later on dropped from 1974. From the composition of different Boards it appears that the size has been largely influenced by the

Table 2.1: Size and interest representation on the Board of AIC during 1966 - 81.

<table>
<thead>
<tr>
<th>Representation of different ministeries and organisations</th>
<th>1966-71</th>
<th>1972-74</th>
<th>1975-81</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Ministry</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Finance Ministry</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture Department</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture Marketing Service Department</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Nepal Rastra Bank</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture Development Bank</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Chief executive of the Corporation</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Size of the Board</strong></td>
<td><strong>5</strong></td>
<td><strong>5</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

**Note:** During 1972-73, Agriculture Ministry and Agriculture Development Bank were nominated as advisors to the Board. Other advisors to the Board included Planning Commission and Home Ministry.

**Source:** Compiled from official records of the AIC and Agriculture Ministry
representation to be given to different interest holders.

The size of the Board was raised only to give representation to Agriculture Marketing Service Department and Agriculture Development Bank. The striking feature of the composition of the Board has been the representation of administrative ministry on the Board. The ministry has represented on the Board only in the capacity of the chairman. During 1972-74 when the Chief Executive of the Corporation was also Chairman of the Board there was no representation of the ministry on the Board. 6

11. Nature of Board

The Board of AIC have been composed of part-time directors with only the chief of the Corporation who is full time. The chairmen of the Board have also been by and large appointed on part-time basis, excepting for 3 years (1972-74) when he was for full time and also acted as the chief executive of the Corporation. Since no experts in charge of various spheres of the enterprises operations like personnel marketing, finance have been represented in the Board, its nature has remained like a policy Board. 7

6. During 1972-73 the Agriculture Ministry was of course represented as advisor to the Board, but the advisors had no voting right so the ministry had no direct involvement in the decisions of the Board.

7. "Various interpretations may be given to the term policy Board. It may mean a Board of Laymen or a Board of all rounders or a Board of representing various sections of the society. It may also mean a Board of outsiders i.e., those who have not breed within the organization." CM Parkash, Theory and Working of State Corporations with special reference to India, George
iii. Qualification of the Board members

One of the basic requirements for proper functioning of a Board is that its members should be properly qualified, there should be a formal job description indicating exactly what the Board members are supposed to do. However, in Nepal the Corporation Act has not prescribed any qualification for being members of a Board. As elsewhere in the world3 no proper job description of a Board member exists either.

iv. Disqualification for appointment

Although the Corporation Act has not prescribed any positive qualification for being a member of the Board, The Act has listed some negative qualification, the possession of which disqualify a person for being the member of the Board. The prescribed negative qualification include under 21 years of age, lunatic, convicted by the court for criminal offence, bankrupt, having any direct or indirect interest in the activity of the enterprise as contractor.

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8."One of the most incredible features of the present-day board system is that, beyond the bare-bone and vague requirements of the Corporation's codes, there is almost no authoritative guide as to what, exactly, the directors are supposed to be doing. In fact, in the modern Corporation, elaborate, formal job descriptions exist for just about everybody except the directors." Cristopher D. Stone, Where the Law Ends: The Social Control of Corporate Behavior, Harper and Row, New York, 1975, p. 141, quoted by Robert M. Estes, 'The Case for Counsel to outside directors', Harvard Business Review, July-Aug 1976, p. 130.
v. Tenure of Board members

Board of membership of AIC has been given to different departments and institutions. The persons representing these departments and institutions are subject to retirement and transfer. So there has not been any fixed tenure of members. During the last five years (1975-80) there have been 4 chairmen on the Board only because the Secretary of the ministry has been frequently changing on account of their suspension, transfer and promotion. The representation of Nepal Rastra Bank was changed twice during the period only because the person was transferred from one place to another. The representation of other department and institutions were also changed only because of transfer and promotion of their officers.

vi. Remuneration for Board members

Remunerations, particularly in a developing country like Nepal, acts as a powerful incentive to make all people work irrespective of the organizational reach at which they are slotted. In this context remuneration for Board members is an important factor to be reckoned with.

In AIC's Board there are two types of members - full timer and part timer. Since one member, the chief executive is for full time, he is paid monthly payof Rs 2200. Besides he also enjoys car facilities, telephone at his residence, entertainment expenses in addition to crop of fringes available to other employees of the Corporation (Chapter 7). All other members being part-timers get only meeting allowance at the
rate of Rs 100 per meeting. Salary to the chief executive and meeting allowance to other members are in accordance with the recommendations of the Pay Committee (Public enterprises).9

It needs to be observed here that since 1973, there has been no change in the remuneration for Board members, not even to the extent to which salaries of other employees at the lower reaches in the Corporation. The purchasing power of their remuneration has shrunk due to rocketting increases in prices. Further the executives had also been groaning under the heavy weight of extortionate taxes. These have stifled the initiative and incentive to work.

vii. Authority and functions of Board

Under the provision of the Corporation Act the Board is authorised to do everything on behalf of the Corporation. It is only in case of changing objectives of the Corporation, it has to seek prior approval of the Government. The Act has also provided that the directives issued from the Government from time to time will be binding on the Corporation. This means whatever and whenever the Government issues any directive the Corporation has to follow it and in the absence of such directives the Board enjoys absolute authority over the affairs of the Corporation. The Act has not provided the areas on which the Board should concentrate its attention. However, the bylaws of the Corporation have pointed out the following areas for Board's involvement:

a) to frame the broad policy regarding the management of the Corporation,
b) to finalise the annual programme of the Corporation,
c) to approve the appointment and promotion of officers level positions,
d) to create positions in the Corporation, and
e) to appoint auditors.

viii. Chairman on the Board

According to the bylaws of the Corporation the Chairman of the Board is appointed by the Government. By and large Secretary in the Agriculture Ministry has been appointed as Chairman on the Board of AIC excepting one solitary case when the chief executive of the Corporation was appointed also to act as Chairman on the Board. Thus, excepting the period 1972-74, all the time the Corporation's Board is manned with a part-time Chairman. It is interesting to note here that when the issue of appointing the chief executive as the chairman on the Board was not raised, the Corporation was having its executive chief as the Chairman on the Board. But when the Government accepted the recommendation of the Pay Committee (1973) and of the Corporation Coordination Council (1976) that the chief executive of public enterprises be appointed as the Chairman on the Board, the Government has not appointed the Chief Executive as Chairman on the Board of the Corporation.

10. Commenting on the practice of appointing part-time chairman on the Board of a public enterprise Prof. Hanson has observed there is always a danger that this part-time chairman is going to immerse himself too deeply in the affairs of the undertaking and regard himself as a rival rather than a collaborator of the general manager, thereby creating confusion on the line of command." A.H. Hanson, "Managerial Problems in Public Enterprises, Asia Publishing House, Bombay, 1962."
ix. Chief Executive on the Board

The chief executive has always been appointed as a member of the Board. So far 5 persons all from the civil services have been appointed as the chief executive of the Corporation. Thus on an average their tenure has been of 3 years. The Government is the appointing authority, so the tenure of the chief executive depends upon the will of the Government. Bylaws of the Corporation have stated that main function of the General Manager (the designation used for chief executive) is to implement the decision of the Board and to administer the day-to-day affairs of the Corporation.

2.3 Basic departmentation and grouping of activities at central office

The central office deals with overall policy matters, prepares plans and programmes of the Corporation, evaluates the achievement of the targets, makes decisions on procurement of inputs, decides distribution channels and strategy, provides services to field offices, guides field offices, coordinates the activities of the field offices, indulges in the administration of central office, conducts internal audit of central as well as field offices. Besides these, the central office also acts as the whole-sale distributor for retailers in Kathmandu valley.

Chart 2.1 reported above indicates the basic departmentation at head office level which also depicts that
the central office is headed by the General Manager who is the chief executive of the Corporation. He is assisted by a Deputy General Manager. There are altogether six divisions in the central office out of which two divisions (planning and evaluation and internal audit) are directly under the General Manager and other four divisions (procurement, seed, administration, and finance) are under the Deputy General Manager. The activities handled by various divisions are shown in Table 2.2

2.3 Organization and functions of field offices

There are 5 level of field offices in AIC (Chart 2.1). They are: Regional offices, Main Branch offices, Branch offices, Sub-Branch offices and Sales Depots. Besides, there is a Seed Processing Plant. The decision for opening an office is taken on the basis of demand for INFUTS in the area. Initially a sales depot is opened and as the volume of transaction increases the status of office is also upgraded. The opening of regional office is influenced by the consideration of having regional approach to different problems rather than the volume of transactions alone.

Regional offices are directly linked with - the head office, and different other field offices - main branch, branch, sub-branch and sales depot of the region function under the administrative control of regional offices. The Corporation has not yet established a regional office for Central Development Region; the main branch offices under the region are directly linked with the head office. The main branch offices
Table 2.2: Functions of different divisions

<table>
<thead>
<tr>
<th>Planning and evaluation</th>
<th>Administrative</th>
<th>Procurement &amp; distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>To prepare long term and short term plans, to evaluate progress and make recommendation for reward or punishment, to prepare monthly progress report of sales and stock position, to publish quarterly, half yearly, and annual progress report, to prepare chart and graph of target and achievement, to prepare annual budgets and supplementary budget, to correspond with concerned agencies to avail seats for training, to nominate employees for training, to conduct training programmes internally for head office as well as for field office, as to follow up different offices for implementation of directives.</td>
<td>To provide the supporting service to the various divisions, to procure stationery, office furniture, to repair and maintain office building, to supervise and control office vehicle, to record in-coming and out-going letters, to act as secretariat of Pad Purti Samiti for recruitment, selection and promotion, to make placement and transfer of employees, to maintain personal records of employees, to prepare monthly attendance report and submit to finance division, to represent the Corporation in the court, to draft various contract documents, to draft byelaws and to provide legal opinions, to acquire land and invite tender, to make contract for the construction of office building, to inspect the godowns of head office and make necessary action for repair and maintenance.</td>
<td>To procure fertilizers from the international markets, to procure various agri-tools, plant protection materials, locally or from foreign market, to collect the demands for various agri-tools and pumps sets from field offices, to insure INPUTS while transporting from Calcutta port to Nepal border, to inspect the INPUTS delivered and make claim for damages if any, to appoint dealers to sell INPUTS, to devise ways and means to promote sales, to make various INPUTS available to the field offices.</td>
</tr>
</tbody>
</table>
Table 2.2 - continued

<table>
<thead>
<tr>
<th>Seed</th>
<th>Finance</th>
<th>Internal audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>To conduct seed multiplication programme for various crops, to procure seeds, medicate it and send for sales, to prepare list of plant protection materials required for various crops and send the same to procurement divisions, to make seed available to various districts before the farming season, to examine the stock position at the end of farming season, to represent the Corporation in the Central Seed Production Committee.</td>
<td>To exercise financial control on the administrative expenditure, to arrange internally and externally necessary funds for trading and administrative expenditure, to make payment of various bills, to provide salary and other allowances to the staff of central office, to maintain record of all current and fixed assets.</td>
<td>To make audit of account, to verify sanction of funds, to scrutinise the tenders submitted by various supplying firms, to check and verify other matters relating to finance.</td>
</tr>
</tbody>
</table>
also control different branches, sub branches, sales depots falling under its proximity. Interrelationship of various level of offices have already been depicted in chart 2.1

2.3.1 **Regional offices**

There are three regional offices established in each of the Eastern, Western, and Far Western development regions of the country. These offices are headed by a 10th level officer. The staff strength of these offices vary in between 21 to 37. The functions of regional offices can be grouped under two heads: (a) to act as a regional head office and (b) to act as a field office.

a) **To act as a regional head office**

The regional offices are authorised to husband over different field offices - main branch, branch, sub-branch and sales depots falling under the region. The various tasks of regional offices under this capacity include:

1. **Programming and Coordination:** Regional offices obtain annual programme and budget of different branch, sub-branch offices falling under the region, conduct seminars for chief of these offices to discuss annual programmes and send these programmes to the head office. They also collect demand of INPUTS from those hilly areas where the Corporation has not

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11. There are altogether 11 levels of employees in the Corporation. The officer level positions subsume 6th level and onward positions.
so far opened its offices, estimate cost of transporting
INPUTS to these hilly areas and apprize the same to the
head office. In the process they contact local administra-
tion and other concerned agencies for maintaining coordination
in its activities.

ii. Inspection and Control:
The offices inspect stock position, control financial
administration of the offices under them, and take necessary
action to prevent delays in the implementation of construction
and other programmes of the Corporation in the region. They
arrange for writing off irregularities pointed out by internal
audit.

iii. Reporting: These offices maintain record of the fixed
and working capital; prepare financial and other monthly
progress reports and communicate the same to the head office.

iv. INPUT mobilisation and seed multiplication: These offices
also despatch INPUTS to different hilly areas and other
offices before rainy season considering the stock position
at the respective places. They are also authorised to
transfer INPUTS from surplus offices to deficit offices.
They are also expected to conduct seed multiplication
programme and promote sales in the region.

v. Miscellaneous activities: They are also expected to look
after the maintenance of office buildings, godowns of the
region and send appraisal report of the employees to the head
office.
b) **To act as a field office**

The activities under this head include:

1. **Demand collection**: To collect demand list from the dealers of its own district, prepare annual programme and budget for its office and submit these to the head office.

2. **Supply of INFUTS**: To supply INFUTS to dealers.

3. **Reporting**: To prepare monthly reports of sales, stock position, and expenditure and intimate the same to head office.

4. **Employees appraisal**: To appraise the performance of employees and recommend promotable cases if any.

In order to have an idea regarding how the activities of regional offices are grouped, the organisation structure of one regional office (Biratnagar) is depicted in chart 2.2.

2.3.2 **Main Branch Offices**

There are 4 main branch offices of which 3 are located in the Central Development Region and one in Western Development Region. The main branch office in the Western Development Region falls under the control of regional office. Rest of the 3 main branch offices are directly linked with the head office. The staff strength in main branch offices vary in between 26 to 60. Two of these offices are headed by 10th level officer and other two by 8th level officer.

The functions of Main Branch offices are exactly the same as the Regional offices. Exception being Bhairawa Main
Branch which has to work under the regional offices of Western Development Region. Chart 2.3 gives an idea regarding the grouping of activities in a main branch office.

2.3.3 Branch, sub-branch and sales depots

There are 14 branch offices, 16 branch offices and 23 sales depots of the Corporation spread over various parts of the country. The branch offices are headed either by a 7th level officer or 6th level officer or 5th level assistant. The staff strength of branch offices varies from 9 to 27. Sub-branch offices are headed by a 6th level officer or 5th level assistant. The staff strength of sub branch offices varies from 5 to 10. Sales depots are headed either by a 5th level or 4th level assistants. The staff strength of sales depots varies from 3 to 5.

The variation in the level of office chief or in the staff strength according to AIC, were made on the basis of the variation in volume of transaction, additional activities to be done such as acting as INPUTS receiving and or relaying centres, and conducting seed multiplication programme etc.

The functions of these offices are the same as that of a field office listed in regional offices' functions 'b' with the exception that these offices have to send reports to respective regional or main branch offices and have to act as retailers of INPUTS. In case of sales depots they have to carry out only limited functions i.e. to supply INPUTS to
CHART 2.3  ORGANIZATION STRUCTURE OF A MAIN BRANCH OFFICE (BIRGUNG)

LEVEL OF POSITION  SCALE
10  1275 - 1625  MAIN BRANCH MANAGER
8   950 - 1300  DEPUTY BRANCH MANAGER
7   700 - 1025  AGRI. ENGINEER TOOL
               SENIOR OFFICER CLEARING AND FORWARDING
               ACCOUNT OFFICER
5   450 - 755  SENIOR MECHANIC
               SENIOR ASSISTANT
               SENIOR ASSISTANT CLEARING AND FORWARDING
4   330 - 590  JUNIOR MECHANIC
               ASSISTANT
3   255 - 457.50  SOURCE — AIC COURTSEY
1   150 - 252
dealers, to act as retailers of INPUTS, to collect demand list from dealers and to prepare monthly report on sales and stock position and send to the office with which it is attached. Rest of the administrative work of the sales depots are handled by the office with which it is attached. Chart 2.4 gives an idea about the organization of activities in branch and sub branch office.

2.4 Delegation of authority to various levels of management

The days of the 'only the lonely' deciding all the tasks necessary for the attainment of group purposes now belong to the bygone era; it has yielded place to the 'group orchestra' in the new context where decision making has assumed a social colouring. Further, as the size grows, no single person can exercise all the authority for making decisions. The success of business enterprise depends on contributions made by all members of the organization. "Whenever the objectives of an undertaking requires the organized effort of more than one individual there is always the need for delegation of authority to juniors."

12. "Authority based on position or rank is traditionally assumed to funnel down from top of the organization to the bottom. In a Corporation, the authority stems from the owners of the company the stockholders. They then delegate the authority necessary to effectively manage the firm down to the board of directors and president. As authority is delegated further and further down it becomes narrowed in scope with successively lower level of manager and worker having authority over a narrower range of activities." Gary Dessler, *Managements Fundamentals: A Framework*, Reston Publishing Company, Virginia, 1977, p. 109.


ORGANIZATION STRUCTURE OF BRANCH & SUB BRANCH OFFICE

LEVELS OF POSITION | SCALE
--- | ---
7 | 700-1025
5 | 450-755
4 | 330-590
3 | 255-457
1 | 150-252

A BRANCH OFFICE (BHARAT PUR)

- **BRANCH MANAGER**
  - **SENIOR ASSISTANT ADMINISTRATION**
  - **SENIOR ASSISTANT ACCOUNT**
  - **SENIOR ASSISTANT STORE & SALE**

A SUB BRANCH OFFICE (SINDHULI)

- **SUB BRANCH MANAGER**
  - **ASSISTANT ACCOUNT, ADMINISTRATION**
  - **ASSISTANT STORE**

**SOURCE** - AIC COURTSEY

PEON CUM WATCHMEN

.platform

TYPIST

JUNIOR ASSIST.

JUNIOR MECHANIC

ASSISTANT ACCOUNT

ASSISTANT STORE

ASSISTANT SALE

ASSISTANT ACCOUNT, ADMINISTRATION

ASSISTANT STORE

JUNIOR ASSIST.

PEON CUM WAHCHEM
Simply stated delegation is a granting of authority and creation of accountability between an individual (superior) and another (subordinates) to achieve a particular task. Delegation is situational. The personalities involved, the traditions of the organization, the philosophy of top management and the existence of adequate planning and control system actively impinge in effecting delegation. While a conservative manager may be reluctant to delegate authority, a responsibility - avoiding manager may also be quite satisfied with the limited authority at his disposal for every additional authority may impose extra accountability which he may not like to shoulder. In case of AIC both of these situations are prevalent. Delegation of authority in AIC may be discussed under two heads: (a) Delegation of authority from Board to the chief executive, and (b) from the chief executive to other levels of management.

2.4.1 *Delegation of authority from Board to the chief executive*

Theoretically the Board should be exclusively responsible for the management of the enterprise and should delegate some functions and authority to the chief executive for the normal operation of the enterprise. But in the AIC the delegation of authority till recent past had been in a very general form or sometimes on a verbal basis with the consequence that sometimes the two organs of the management found have been/vituperating and blaming each other for the inefficiency and mismanagement of the Corporation. Generally,
the chief executive being the operational leader of the enterprise is the obvious target of all attack, inspite of the fact that he may not have had been granted necessary operational autonomy by the Board for handling many of the day-to-day matters. Because of limited authority the chief is executive/found to have brought even minor issues before the Board for consideration. The Board instead of concentrating its attention on major policy matters has often been found to be preoccupied with routine administrative and trivial matters.

Accountability for performance is not possible without clearly and comprehensively laying down functional and authority descriptions. Recognising the importance of the need for more clearcut division of functions and responsibilities between the chief executive and the Board of Directors, His Majesty the King issued the following directives in April, 1976 during his unofficial tour of Central Development Region of the Country.

"In the absence of clearly spelt out line of responsibilities between the board of directors and the general managers of the public sector industries and the Corporation, there is a tendency to shift one's responsibility to the other. Therefore, with a view to make an end such a tendency and to make public enterprise function efficiency it is necessary that the spheres of functions and responsibilities of the board and general manager be clearly laid down and concerned authorities be made accountable for their respective responsibilities, duties and functions and that the general managers be made more responsible for the profit and loss and efficient performance of the enterprise."
In the light of directive, the Corporation Coordination Council in its report\textsuperscript{15} made recommendations to demarcate the areas of functions and responsibilities between the executive chairman and the Board (Table 2.3). The Corporation Coordination Council made such demarcation along with other recommendation that the chief executive be made executive chairman. The Government accepted the recommendation in 1977 and the same was circulated to public enterprises including the Corporation. However the Board of AIC was not reconstituted and the Secretary of the Ministry continued as the chairman of the Board. Thus the recommendation of the council was not implemented in the Corporation.

As regards to delegation of authority to the chief executive, it was only in the 2nd half of 1980, the Board of AIC delegated some of its power as indicated in the recommendation of C.C.C. to the chief executive.

2.4.2 Delegation of authority from the chief executive to the other levels of management

The functions of various divisions and field offices have been thought out as responsibility of the head of the divisions and offices and they are granted some authority to discharge this responsibility. The nature and extent of authority delegated to them together with the Deputy General Manager have been depicted in Table 2.4.

The Table reveals that limited authority is delegated to the supporting divisions such as Administrative and Finance

\textsuperscript{15} \textit{Pattern of Management, op.cit.}, pp. 95-97.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Functions and responsibility</th>
<th>Board of Directors</th>
<th>Executive Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Articles of Memorandum, internal work procedures by-laws and regulations relating to personnel etc. and their amendments</td>
<td>To approve</td>
<td>To prepare</td>
</tr>
<tr>
<td>2</td>
<td>Appointment</td>
<td>Deputy General Manager</td>
<td>All levels below Deputy General Manager</td>
</tr>
<tr>
<td>3</td>
<td>Creation of position</td>
<td>All posts equivalent to Delegatable to an officer level. Need of certain extent Ministry's approval for creation of the position of 9th level and or above that level.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>To fix the salary and allowance of all staff including that of chief executive in conformity with HMG's policy</td>
<td>Sole authority</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>To appoint experts and consultants on contract</td>
<td>Sole authority</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>To hear appeals</td>
<td>Appellate authority</td>
<td>As per personnel rules</td>
</tr>
<tr>
<td>7</td>
<td>To revise the capital structure of the enterprise</td>
<td>Subject to HMG approval</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Distribution of dividends, bonus, allocation of reserve fund, depreciation fund etc.</td>
<td>To follow HMG's policy and direction</td>
<td>To recommend and direction</td>
</tr>
<tr>
<td>9</td>
<td>To purchase, hire or acquire on contract fixed assets, to allow repair and maintenance</td>
<td>To delegate the power to executive chairman Full authority within approved budget.</td>
<td>For long term loans of more than one year For short term loans upto one year</td>
</tr>
<tr>
<td>10</td>
<td>To raise loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>To sign contract with other parties</td>
<td>To delegate power to the Sole authority chief executive.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Annual Budget</td>
<td>Approval</td>
<td>To prepare and place before the board for approval.</td>
</tr>
<tr>
<td>No.</td>
<td>Description</td>
<td>Authority</td>
<td>Comment</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>13</td>
<td>To reallocate approved budget fund from one heading to another</td>
<td>Sole authority</td>
<td>Upto certain percentage delegated by the Board</td>
</tr>
<tr>
<td>14</td>
<td>To call tender and approve it</td>
<td>Sole authority</td>
<td>Upto a certain amount as authorised by the Board</td>
</tr>
<tr>
<td>15</td>
<td>To reward higher grades or give cash awards to the very efficient employees</td>
<td>-</td>
<td>In accordance with the authority delegated by the Board.</td>
</tr>
<tr>
<td>16</td>
<td>To write off for the goods lost or broken or damaged</td>
<td>Sole authority</td>
<td>Upto certain amount as delegated by the Board</td>
</tr>
<tr>
<td>17</td>
<td>To confer 'acting' post to employees</td>
<td>To delegate power to the chief executive</td>
<td>At all levels upto a period of six months</td>
</tr>
<tr>
<td>18</td>
<td>To give gift or donation</td>
<td>-</td>
<td>Sole authority</td>
</tr>
<tr>
<td>19</td>
<td>To form regulations for stockists &amp; dealers</td>
<td>To approve</td>
<td>To submit proposal</td>
</tr>
<tr>
<td>20</td>
<td>To appoint stockists, distributors or dealers</td>
<td>-</td>
<td>Sole authority</td>
</tr>
<tr>
<td>21</td>
<td>To do sales promotion and research</td>
<td>To evaluate</td>
<td>Sole authority</td>
</tr>
<tr>
<td>22</td>
<td>Price fixation</td>
<td>To supervise from time to time</td>
<td>To fix the prices of all goods under the policy and direction of HMG.</td>
</tr>
<tr>
<td>23</td>
<td>Undercutting the price</td>
<td>Sole authority</td>
<td>Upto certain extent as delegated by the Board</td>
</tr>
<tr>
<td>24</td>
<td>Transfer of personnel</td>
<td>-</td>
<td>Sole authority</td>
</tr>
<tr>
<td>25</td>
<td>To put signature in cheques &amp; bills</td>
<td>-</td>
<td>Sole authority</td>
</tr>
<tr>
<td>26</td>
<td>To extend and diversify the capital of the enterprise</td>
<td>To send recommendation to conduct study after necessary evaluation</td>
<td></td>
</tr>
</tbody>
</table>

Source: Pattern of Top Management, OR-17, pp. 95-97
Divisions, certain authorities are also delegated from the chief executive to the regional managers. But the authority of the initiator of major activities of the Corporation as the chief of procurement and distribution division, seed division, and planning division in the head office and implementors of main activities of the Corporation i.e. branch and sub branch offices have been confined to sanction of certain leave to their subordinates. This indicates that there is low degree of delegation in the Corporation.

The degree of delegation permitted by the chief executives appeared, in many instances, to depend on their own authority and their confidence in the officers reporting directly to them, and their own knowledge of the areas involved. The concept of delegation of authority, though in a very limited scale, in AIC was introduced during the period 1972-74 when the chief executive was also chairman of the Board. The person concerned was, of course, a technocrat from the civil service but had gained experience of a business concern by serving in the managerial cadre of some other public enterprise before joining as Chairman cum General Manager of the Corporation. (At that time the identity of the Corporation was AMC). Because of his greater authority inside the Corporation (by virtue of being chairman of the Board), broader backgrounds in the different operational functions, he was taking interest in diverse areas, willing to know the abilities of his subordinates and trying to set up procedures for operating in a decentralised manner. But all the chief
executives before 1972-74 period were in the capacity of the General Manager only; their backgrounds were limited to specific areas in the Government offices; they tended, somewhat paradoxically, to be more centralized in their decision making. They had very limited knowledge about the operational procedure of a business concern. Further, in practice they relied less on their subordinates and used their own judgements; often their decisions were largely intuitioned based. Since they did not effectively communicate and transmit objectives and other critical information to their subordinates, as a result the latter were not able to meet the formers' expectations which furthered organisational distance in communications. Those managers usually placed all or most of the blame for the lack of insufficient authority delegation on their subordinates in general. In Nepal, superiors generally do not delegate their authority because they feel that their subordinates are neither competent nor willing to accept responsibility or take any initiative on their own. The low level of delegation of authority is also attributable to other factors. In this connection it may be pertinent to draw upon the observation of a study conducted by CCC and ISC: "People at different levels of management fear that once their authority is delegated, they will have 'less hold' among the departments and will cease to be highly influential in day-to-day matters. Thus the charm of 'power' prevents the top management people to decentralise and at the same time they hesitate to make
decisions. In this whole drama, the enterprise is the ultimate poor sufferer.

2.5 Management Reporting System

Management reporting system of AIC can be viewed under three major heads:

a) General performance report of AIC as a whole.
b) Reporting system in connection with the routine operations.
c) Reporting system for dealing with the exceptional or complicated problems which are derived from the daily operations.

a) General performance report

Monthly progress reports are submitted from respective field offices - branch, sub-branch and sales depots to regional office or main branch. In case of some sales depots the progress reports are channelised through branch or sub-branch offices. Regional or main branch offices compile them and prepare their own report for submission to planning division of head office. Planning division compiles the progress report of all offices and prepares its own report for submission to the chief executive. Besides this monthly report, the same practice is repeated for quarterly, half yearly and annual progress reports. The planning division of head office compiles quarterly, half yearly and annually progress made against the targets set and prepare over-all report of general operation performance of AIC as a whole for submission to the

National Planning
Board of Directors/Commission. At the head office level
weekly staff meeting is held under the chairmanship of the
Chief Executive to coordinate activities as a whole, to
formulate operational policy and keep policy interpretation
consistent. In the staff meeting Deputy General Manager,
all division chiefs and their subordinate officers are
invited. No specific agenda is fixed for the meeting. The
resolutions of meeting are circulated among division, but
no follow-up action is taken. At the time of preparing
annual programme seminars are held regionally as well as
centrally among the field offices and division chiefs to
coordinate the entire activities of the Corporation.

b) Reporting system for routine operations either in the head
office or in field offices are performed on the basis of the
customarily established procedure, although the Corporation
does not maintain the written standard procedures.

In these daily operations forms and memos are used
and their basic routes are also established for review and
signature, for comment or approval etc. In the head office
many job requiring judgements are involved in the daily
operation e.g. inviting tenders for procurement of INPUTS,
supplying orders, routing INPUTS to various field offices,
appointing dealers etc. In such cases, the initiating officer
submits specific report to his supervisor for review and
approval. In regard to the progress of the operations,
officers in the divisions report to the division chief who
in term report to the Chief Executive. Through these work, information is reported to supervisors in rather informal ways.

In the field offices also initiating officer submits specific report to the office chief for review and approval for various activities requiring judgement. The directives of head office is passed on to the concerned official by the chief. The progress made in the work is reported by the specific officer to the chief.

c) Reporting system for exceptional problem solving

While doing day-to-day activities, when the initiating officer faces problem exceeding his capacity to solve, he immediately reports to and consults with his division chief. Since AIC does not have any other established standard procedures than customary practices, the problems reported to supervisory officials depend on the ability and judgement of its initiating officers.

2.6 Some observations on organization and management pattern of the Corporation

i. There has not been any definite and stated policy regarding the size of the board as it has been the prerogative of the Government. In practice, the size of AIC Board has remained as per the recommendations of the Corporation Coordination Council.  

ii. By and large there has not been any specific policy regarding interest representation in the AIC Board. The

17. The council has suggested 5 to 7 members in a Board of Public Enterprises, Pattern of Top Management, opcit., p.6.
instances of unsystematic and incoherent congregation of certain interest on Board are rampant. To instances: the sale of INPUTS, the basic function of AIC, is directly related with the other agencies involved in agricultural development of the country, such as Agriculture Department, Agriculture Development Bank, Irrigation Department and Cooperative Societies. Out of these agencies, Agriculture Department and Agriculture Development Bank are included on the Board. These two agencies directly fall under the domain of Agriculture Ministry, which is also represented on the Board. Thus these three administratively inter-related agencies are predominantly represented on the board, while other agencies which also influence the use of INPUTS, have not found any representation on the Board.

The representation to Agriculture Marketing Service Department on the Board was given from 1972 because at that time the department was acting as a liason between the Corporation and the Government. The department lost its status as liason when the Corporation was bifurcated into two units in 1974. However, it still continues to be represented on the Board. What useful interest or purpose is served by continued representation of this department is not clear.

18. Which provides extension service to make use of INPUTS.
19. Which provides credit facility to procure INPUTS.
20. Which provides irrigation facilities to farmers.
21. The societies are main dealers of INPUTS.
iii. Though unsystematic and incoherent congregation, the composition of AIC Board has always been based on the interest representation of various organizations. The confinement to this policy will not enhance the effectiveness of Board. There are professional experts available in various walks of life who can be appointed as part time members. This type of members will provide independent and dispassionate point of view on all matters placed before the Board. Carefully selected this type of members are neither over-awed nor over anxious with an existing situation and not being full time members can more conveniently take a stand on matters in which they are not fully convinced. At present part time directors are nominated not because of their quality but because of their ex-officio capacity. Hence the Corporation does not enjoy the benefits of part-time directors. Present official part-time directors are usually so pre-occupied with their main responsibility that they do not get sufficient time to prepare for the Board meeting and to participate actively and effectively in the affairs of the Corporation.

iv. In the absence of any prescribed qualifications for getting Board membership there has been wide variations in the status of the people, representing on the Board. While administrative ministry is represented on the Board by the secretary, another Government department, Ministry of Finance.

22. Since the finance ministry is represented on almost all public enterprises of the country the nomination of under-secretaries in several enterprises have been common feature.
are represented by under-secretaries. The contribution of the under-secretaries in the deliberations of the Board is doubtful not only in view of their status but also because of the presence of Secretary on the Board. In view of this the Government should fix minimum level of bureaucracy which can be nominated on the Board. Further provision may also be made not to make representation of Finance Ministry in each and every public enterprise in Nepal as is the practice now. Furthermore, to appoint directors either from Government departments or from other walks of life, the qualification should be prescribed before hand so that right persons could be appointed on the Board.

23. The experience of different board has shown that a secretary to the Government tries to split his personnel so as to sustain the Board's autonomy, he finds himself and other find him in an overwhelmingly commanding position tending to overshadow the deliberations of the Board. S.S. Khera, Management and control in Public Enterprise, Asia Publishing House, 1964.

24. It would be appropriate to mention here that in India, the Bureau of Public Enterprise's circular of 27th January, 1975, has advised that ordinarily not more than two Government representatives be appointed on the board of a public enterprise and they should be joint secretaries/directors so that the nomination is at a higher level. Further according to this circular the finance ministry representative need not necessarily be there on relatively small enterprises. Government Policy For the Management of Public Enterprises, Bureau of Public Enterprises, New Delhi, vol.1, 1976.

v) The average tenure of members of AIC's Board has been less than 3 years and that of the chairman of the board has been of less than 2 years. In the last 5 years (1975-80) there has been 4 chairmen indicating an average tenure of 1.25 years. The short tenure of AIC Board members has been found on account of two reasons: (a) no tenure has been fixed for a member, and (b) all members including chairmen on the board are in their ex-officio capacity. The change in the official capacity of the member has been frequent and this frequency has resulted in high turnover of Board members.

The term for which Board members are appointed is of great significance. A weak spot of the top management of AIC has been its short tenure which has affected its management in various ways. To provide a long range point of view to Board members and chairman, to enable them to show their worth and to make their impact felt on the working of the Corporation it is necessary that these people are appointed for a longer period. The period should not be too long because there is the possibility of it falling into a rut and may not be able to adjust and orient itself to the changing circumstances. The tenure should, therefore, aim at striking a reasonable balance between new spirit and old experience.

26. The experience shows that there is a direct correlation between stability at the top and success of any enterprise. The enterprises having a fairly stable top management have, in most of the cases, been more successful than those where the tenure of the top men had been short, other reasons being constant", Luxmi Narayan, *Principles and Practice of Public Enterprise Management*, S. Chand & Company, Ltd., New Delhi, 1980, p. 145.
vi. There has not been any clear-cut demarcation of authority, responsibility and accountability among different levels of management. In the absence of such demarcation, it has been difficult to hold a particular person accountable for any success or failure in organization and management of the Corporation. The delegation of authority to various levels of management and field offices is inadequate.

vii. The tenure of the chief executive of the Corporation has been on an average of 3 years, which is too short period to provide the long-term impact on the Corporation. This short tenure has again vastly affected the efficiency of the Corporation. Further, there has been no uniformity in the status of the chief executive. The Corporation was having the general manager as its chief executive for the first 6 years, thereafter for 3 years the Chairman of the Board was made chief executive and again the general manager has been the chief executive of the Corporation. The chief executive being the person on spot has to take important and far-reaching decisions on his own without waiting for the Board meeting. This type of decision is possible if the chief executive is also the chairman of the Board as in his capacity as the chairman on the Board he can develop perfect understanding and mutual confidence with Board members. During discussion with the division chiefs of the head office of the Corporation,

27. The chief executives should serve as chairmen of their Boards. They direct the affairs of the corporation management, serve as a spokesman for their companies and are key figures in providing essential information to their boards and committees. Thus the chief executive should not as a board member be subordinate to anyone, Kenneth R Andrew, op. cit., p.24.
it was learnt that the decision making was prompt when the chief executive was also made the chairman on the Board as most of the urgent things he used to clear on his own and used to inform Board when the meeting was held. However such practice is not possible these days and there has been delay in several matters which requires Board's approval.

All the chief executives except first one have been with the status of class one officer in civil service (equivalent to joint secretary) but their status in the Corporation has not been the same. This phenomenon may be attributed to the fact that the personality or personal relation of an individual has been the factor which might have influenced in getting status in the Corporation. This practice does not appear to be healthy. If the personality of a particular person has made him the chief executive as well as chairman on the board and the absence of that personality with other chief executives has played to miss the chairmanship, even then the practice is to be discontinued. It is appropriate to appoint such a person who could bear dual responsibility of the chairman cum general manager.

ix. There is lack of clear focus on key activities\textsuperscript{28} needed to produce key results. Corporation stands for

\textsuperscript{28} Key activities are those activities that are essential to the success of a business strategy and to the attainment of the business objectives. Peter F. Drucker, Management: Tasks, Responsibilities, Practices, Allied Publishers Pvt. Ltd., New Delhi, 1975, p. 331.
distributing INPUTS. Though ultimate result expected from INPUTS is increasing land productivity and agricultural production, but at the Corporation level key results are to be judged from the efficiency of various INPUTS. For producing this result distribution is the key activity. However, in the organization structure of the Corporation it is this key activity which has not been properly taken care of. This observation is based on the fact that in spite of large organization created by the Corporation in different regions, main branch and branch offices, it is the distribution function which has not appeared in the organization chart. Even at the head office level there is no separate department to look after distribution activity. This activity is merged with procurement which is another main activity of the Corporation. A perusal of the organization chart of procurement and distribution division to locate the place of distribution (Chart 3.2) will show that none of the officers under the division chief has been assigned the specific task of distribution. This flaw at the head office level has been duplicated in all its regional, main branch and branch offices. The following have been its major implications:

a) Absence of distribution activity in the organization chart has made distribution at the most number two activity of any of the personnel of the Corporation.

b) As a result of the above the personnel concerned are busy in some other activity which is number one at least
from the view point of the architect of the organisation structure of the Corporation. Under such circumstances they work for distribution when they are asked e.g. when a farmer approaches them or dealers ask for supply then only they do it.

c) The consequence of above (b) has been that there has not been active selling and the objective of the Corporation is to encourage farmers to use INPUTS or to create sale of INPUTS have not been properly attended. The function assigned to procurement and distribution division of head office and regional and main branch offices as to devise ways and means to promote sales have been a mere wishful thinking.

x) There is excessive formalization of organization structure. While organizing the various activities of the Corporation the proper exercise seems to have not been made regarding the needs of the Corporation. Instead a pattern obtaining in the Government departments or some other Corporation seems to have been followed. As a result of this there has been excessive formalization of organization structure. This observation is based on the following facts.

1. At the head office level only 20.4 percent (1979-80) of the budgeted man power is allocated for the key activities (procurement and distribution division and seed division) and rest 79.6 percent being for other functions like planning, administration, finance, internal audit. In manager's level positions, 26.4 percent are allocated for the key activities
and 73.6 percent for supporting services. Though there has been a little improvement in the managerial manpower budgeted for the key activities over supporting services even then it is only about one fourth of managerial efforts that have been directly involved in the key result producing activities.

ii. The above situation has invariably been reflected in the organization structure of various field offices. With few exception in the field offices distribution activity is attached to store. But the administrative and accounts section is created in every field offices, no matter the employee strength of fieldoffice is only 5. Simple common sense will tell that in a office having 5 employees (including office head and administrative assistant) what administrative function the office has to perform. This type of situation is created only because the organization structure has been designed on theoretical base rather than on a pragmatic plane of the needs of the organization. Because of theory bias in organizing there has been excessive formalization of organisation structure. Its implications are:

a) The volume of business which a particular office has to handle has largely been considered to fix the employee strength of a office. But when out of the available number of strength provision has been made for accounts and administrative work, the result has been that the key activities are subordinated to non-key activity.
b) Excessive formalisation of organization structure has contributed in building large number of employees rather than building performance.

xi. There is improper grouping of activity. While grouping activities among various divisions of the central office adequate attention has not been given to allocate right tasks to the right divisions. While personnel function is subordinated to administrative division, the task of employee training is assigned to planning division, recommendation to reward or punish employee on the basis of his performance is to be done by planning division whereas the records of employees performance appraisal is maintained in the administrative division. The finance division is asked to maintain control over the financial administration of the Corporation and to arrange funds required but the financial budget is prepared by the planning division. Records of the transaction are with the finance division but the task to realise debtors is assigned to internal audit division. Finance division is asked to control over stock position of the field offices and make proper use of stocks but the task of distribution falls under the jurisdiction of some other division.

Thus it will be seen that the organizational pattern of the Corporation is fathous with some weaknesses. To overcome these weaknesses, the following are offered as guidelines for improving the organisational set up of the Corporation.
1. **Organisational Design:** The organisation structure needs repairing. While restructuring the organisation chart enough use of common sense should be made rather than dethroning theoretical rules or adopting other organisation's chart (Governmental pattern). Though in a different context, Bernard Shaw has rightly observed that there is only one wise man in this world for he takes every time fresh measures. The organisation chart should focus on the key activity of the Corporation i.e. distribution. Its objectives in the area of distribution and other functions should be in writing to supplement the chart. It should further indicate clearly the flow of authority and responsibility in concrete and measurable terms. It should be seen that no indispensable man exists means that industries should be developed to replace people who retire/leave the organisation. The organisation structure would be of no meaning if the corporation fails to woo the support of its employees. It is rightly said 'the better the people are organised, the better they will be performing'.

ii. **Reorganising Board:** The present practice of having two persons as chairman and General Manager should be dispensed with. The CCC's right recommendation of clubbing these two functions under one umbrella be immediately implemented. The existing pattern of interest representation needs suitable adjustments and re-adjustments. The time is ripe for ushering in on the Board men who are professionally qualified and of proven ability and integrity. Further people inside the Corporation meeting these requirement should have an edge over outsiders.
iii. **Paralleling authority and responsibility**: The official can be effective if the authority given is in consonance with the responsibility assigned. Though it may be difficult to obtain mathematical accuracy/parity but it is attained the moment both the delegator and delegatee happen to be at the same wave length. Steps should be taken to delegate appropriate authority to juniors.