CHAPTER VIII

SUMMARY OF FINDINGS AND RECOMMENDATIONS
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Condensed below are some of the main findings and recommendations of this study:

1. The development of ancillary units has opened new vistas for planners, researchers, managers and management consultants, not only from the purely productivity point of view, but from the wider scope of attaining a number of socio-economic objectives. They have found it to be a useful tool for generating spread effect in an area, as well as for having a spiral effect in employment generation, through the development of ancillary units associated with a large scale unit or group of large scale units in an industrial belt.

2. A real significant dimension that ancillary development reduces the production headaches of a large scale manufacturing unit. A large scale unit requires a number of spares and components and it is obviously not physically possible for it to focus attention on the production of all these minor parts and at the same time manufacture the main products. It is, therefore, in the interest of a large scale unit to devote attention to its main production process and sub-contract minor parts to the ancillary units. This would obviously increase productivity of large scale units and in the process would improve the quality of the end-product, as the present firm would have the time to devote its energies to the production of critical parts of the end-product. Even in developed economies, the dependence of large scale units on ancillary units has been found to be inevitable.
3. Unfortunately, over 65% of the small scale units are located in four states in India. Small scale industries play a significant role in the well-planned industrialisation of most countries—be they affluent or poor. In most countries 50% to 80% of the establishments are small, employing 15% to 25% of the total employees. The major benefits of ancillary development to the parent organisation are: diversification; reduction of the risks of fluctuating demand; exploit the skill and functional specialisation; saving in costs; research and product development; flexibility in industrial structure; flexibility in the quality of the product; avoidance of over expansion; fast increase in output; interchangeability in manufacture; utilisation of patented production methods; advantage of tapering integration in meeting irregular and non-recurring demands; cost benefit, etc.

4. Before the government sanctions foreign collaboration applications, it should scrutinise the items which are proposed to be manufactured by the Indian collaborator. Scrutiny of parts and components required for each item must be made by the competent technical person with a view to determining:

(a) What should be manufactured by the undertaking;
(b) What should be developed and manufactured by ancillary units in the small or large scale sectors.
(c) What should be sub-contracted or brought out.
(d) What should be imported initially and for which items steps be taken for their early production, indigenously, or on a top priority basis.

5. At the time of licensing, the large undertaking (whether in public or private sector), should spell out the items which they propose to farm out to ancillary units
either by value or by percentage. This will give a big
impetus to the development of ancillary industries. The
percentage or the value of the ancillary items can be
fixed by the Development Commissioner (Small Scale Indus-
tries), Government of India, in consultation with the
large undertaking.

6. Very healthy cues can be taken from the success
stories of Rourkela Steel Plant and of HMT, Bangalore—
more particularly in the fields of identifying the items,
selecting the right technical personnel from the company
itself for the entrepreneurial career, developing of the
industrial estate around the large undertaking itself and
so on.

7. About 54% of the ancillary units are depending on
the parent/client organisation to the extent of only 20%
of their production. Only 1% units are dependent to the
extent of 76% to 100%.

8. 56% of the ancillaries have come up and exist on
account of either of the two factors:

(i) The owner-managers had formerly been employees
of the main clients; and

(ii) The owner-managers' family members own the
main client company.

9. 37% of the total number of ancillaries are owned by
the owners of the parent company.

10. 11% of the parent companies recognise the superior
technological skills of the ancillary entrepreneur.

11. Ancillary development is of very recent origin in
India. 29% of ancillary enterprises are less than 2 years
old; another 23% are 2 to 4 years old; another 19% are 4
to 6 years old; another 14% are 6 to 10 years old; only
11% are 10 to 15 years old, and a bare 4% are over 15
years old.
12. 66% of the ancillary entrepreneurs think that they are not being assisted by the parent company whereas only 12% think that they are being assisted.

13. The nature of assistance which the ancillary units get from the parent organisation is sadly inadequate. Only 5% get some kind of financial help; only 6% get advance payment; only 4% get management/systems consulting services; only 17% get technological guidance; only 21% get raw materials; only 2% get assistance for getting the import licence for imported raw materials.

14. 21% of the ancillary entrepreneurs opined that since they have a special intimate relationship with the parent company, they hope to continue working for them without any feeling of insecurity.

15. 29% of the ancillary entrepreneurs think that they have no special intimate relationship with the parent company, yet they hope to be able to continue the relationship without any feeling of insecurity.

16. 41% of the ancillary entrepreneurs think that of late, the parent company has become very selective; and that as a result the ancillary unit is put in a rather insecure position.

17. 53% of the ancillary entrepreneurs would like to continue the ancillary relationship with the parent company.

18. 16% would like to locate some other large clients to which they could become ancillaries, since they are not satisfied with the present relationship.

19. 31% would, in place of working as ancillaries, like to develop their own independent products (main reason given as delay in payment).

20. Ancillary entrepreneurs think that the mode of communication between them and the parent company is always,
written; 31% think that in 75% of the total cases it is written; 17% think that written communication exists only in less than 50% cases; 11% think that there is no written communication at all, the main channel of communication being verbal or telephonic.

21. 17% of the ancillary units utilise sub-ancillaries.

22. 47% of the ancillary enterprises receive payment after a lapse of 61 to 90 days of their having supplied goods to the parent/client organisation; 26% said they received payment in a period of 91 to 180 days; 10% said that they don’t get payments earlier than 180 days.

23. In 76% cases of ancillaries having supplied goods to the large units, the rate of rejection varies from 6% to 10% only; in 12% cases, it is less than even 5%; it is only in 3% cases that it is beyond 16%.

24. 54% of the parent organisations think that though they can do the work (which they are now sub-contracting) if they wish to, yet they use the ancillary units because: it is cheaper (36%); the jobs, if done by themselves, would interrupt the flow of their main operations (3%); they do not want to increase the number of workers (5%).

25. 20% of the large enterprises think that even though the parent companies are doing identical work, they still like to get part of these done by the ancillary units, because: the parent company does not have sufficient capacity (7%); it is cheaper to get it done outside though they have the capacity (6%); they do not want to increase the number of workers (5%).

26. There is a heavy delay caused by the parent organisations in making payments to the ancillary units, as a result of which financial facilities for working capital created by the Government are really speaking being used by the large parent companies through the sub-contractors by forcing them to borrow more only because the large units can afford to delay paying them.
27. There is need for legislation for promotion of small industries particularly relating to:

- Accurate statistics;
- Price preference programme;
- Ancillary development programme;
- Supply of raw materials;
- Reservation programme;
- Timely payments;
- Risk capital;
- Modernisation;
- Decentralisation of administrative functions and responsibilities, and

28. One of the recent ancillary developments is the establishment of two sub-contract exchanges in India (at Bombay and Madras). As an instrument of planning, a sub-contract exchange, by co-ordinating supply of and demand for machine capacity ensures a regular flow of work between large and small scale units, between large and large units and equally well between small and small units. Many more such sub-contract exchanges need to be established so that each of these can serve a limited geographical area encompassing a radius of 150 to 200 kilometres.

29. International sub-contracting, which is already a reality, can be availed of by India with the help of suitable policies.

30. Fairs and exhibitions can play a significant role in the promotion of sub-contracting activities, especially if they are held on special occasions or at particular locations where sub-contractors' representatives gather. Permanent exhibitions at convenient centres, at premises of trade associations, chambers of commerce and industry and even the showrooms of big contractors could promote sub-contracting, effectively.
31. Private institutions such as industry associations, chambers of commerce and industry, and even enlightened large private industry houses have a vital responsibility to perform in the matter of encouraging small scale manufacturing units and more particularly, the ancillary ones. It is no good for the business community to forget that social welfare is too important a matter to be left to governmental machinery which has its own inherent limitations. If business men come forward to undertake this basic task, the social cost of numerous projects of social justice would be much lower than what would be incurred if these are handled by the governmental machinery. Social justice should involve better management and it is here that the managerial talents of the business community should be made available to society without any reservations.

32. "The survival of the fittest" theory will not be valid in the context of our peculiar situation. The business community will have to alter the scale of priorities so as to provide adequate resources for the socio-economic task of developing small scale industry enterprises. They must accept the family concept of Indian life while making decisions on the allocation of resources for the weaker sections of our society. A voluntary cut in the ostentatious requirements of the relatively affluent sector of our society is thus an inescapable necessity to provide resources for this worthwhile cause.

33. No enterprise is safe today unless it is teachable—unless it is constantly on the quest for new ideas and method—unless its persistent purpose is to improve; and this is best achieved by having professionally trained managers manage small industry enterprises. In spite of this, existing management training facilities for small industry managers are expensive, inappropriate and inadequate. One good answer can be "Programmed teaching texts", so that the millions of small industry managerial personnel can learn about new management techniques at their own pace, during spare hours and equally well at a low cost.
34. Modern management techniques are yet to make a sizeable dent on the small scale sector. No management technique is being used by more than 30% of the small scale units. More modern management techniques are used by no more than 0 to 10% of the small scale units.

35. Of the ten broad industry groups surveyed, both engineering on the one hand and chemical and pharmaceuticals units on the other have an edge over others in the use of basic minimum management techniques.

36. Work Study and allied techniques appear to have been used by more number of units in the engineering industry than chemicals and pharmaceuticals. Reverse is the case when we come to process planning.

37. 'Electrical Appliances' is another industry group which uses management techniques in a recognisable way. In this, basic techniques seem to have an upper hand over medium and sophisticated management techniques.

38. One-fourth of the units in woolen hosiery industry (Punjab) are reported to have applied the office organisation technique, more than others.

39. In the packaging industry, basic techniques like process planning, plant layout, work study and investment evaluation are quite popular. This industry claims to have used medium techniques like Value Engineering and Merit Rating to a certain extent.

40. Rubber and plastics units have adopted both basic and medium management techniques in a significant way.

41. Survey about the extent of application of management techniques revealed that none of the techniques had really made a dent from the application angle. The relatively better used ones are in the fields of inventory, sales forecasting and investment evaluation.

42. At the top, managements (74%) were of the view that they run their operations in the right way. However, one-fourth of the managers realised that their methods of deal-
ing with human beings are either not correct or are only partly correct—implying thereby that there is meaningful room for improvement.

43. Viewing the situation from the workers' angle, three-fourths of them have categorically stated that the ways of managers are diametrically opposed to what the managers think regarding the quality of their managing the operations.

44. There is a large communication gap between the managements and the workers.

45. One of the important managerial problems of small manufacturers arise on account of the fact that most entrepreneurs in the small scale sector lack a combination of technological background and managerial ability. In spite of a huge expenditure incurred by the Government of India on training of our jobless young engineers with the objective of making them small industry entrepreneurs, only 14.3% started their own enterprises.

46. Autonomous professional organisations like NITIE can play a very important role in the whole process by setting up entrepreneurial development centres. The basic objective of such a centre would be to break the barriers which impede the entrepreneurial processes.

47. Indo-American Society, Bombay, which is basically a cultural organisation, has been running an entrepreneurial development programme (duration: 2 days) since 1966–67 for persons having a few years' experience in industry. 75% of the persons so far trained started their own manufacturing enterprises. This leads to the need on the part of the Government to do some enquiring and heart-searching as to the continuance of their entrepreneurial training programmes for jobless young engineers. No wonder, they are 'trying to plant green grass, where nothing grew before'.

48. The concept of appropriate technology is a management problem. The attention of engineers, scientists and others concerned should be invited to the possibilities of selecting
capital saving techniques for the core operations of India's small scale industry.

49. The need to think in terms of appropriate technology appears to arise primarily from the redundancy of human labour in the country and the inability of the economy to use its labour resources in full measure.

50. Consideration of appropriate technology cannot be conducted in vacuum or by itself; it must be constantly and meaningfully related to the total situation. It must be related to traditional and advanced technology and to the general economic situations, the plans of development and equally to special economic conditions within the particular field of application.

51. The enhancement of appropriate technology and/or of appropriate industrial growth depends upon numerous kinds of considerations of which many may require a trial and error approach, and unless the agency proposed for handling such work is willing to risk mistakes with implicit approval of the government, it will fail to make much headway.

52. Regional appropriate technology centres, one for each region, should be immediately established.

53. Outside managerial help from the management consultants is very much necessary if the small units have to acquire a more durable footing.

54. The management consultant is in something of a dilemma. He is increasingly achieving a higher status each year, yet is beset by critics and suspected of nefarious practices. This somewhat unsympathetic atmosphere is likely to complicate the work of the relatively more sincere management consultant and may reduce the quality of his help to the management.

55. In India, only 0.3% of the small organisations used management consultants before World War II; between World War II and 1959, only 1%, and 3% between 1960 and 1974. Against our figure of 3%, the figure for Japan is 90%.
56. 33% of the consultant-users used consultants to promote rationalisation and to prepare for the future; 11% used to receive a general diagnosis of the enterprises in spite of no problem at all; 11% used to supplement the lack of talent to lead and instruct staff within the organisation; 22% used to solve the intra-company differences; none consulted them to find the solutions to the problems at hand.

57. Among the reasons for not using the management consultants, 44% commented they had no knowledge about the profession; 77% commented that consultants have been ill-reputed; 11% expressed fear about an outsider knowing their inner secrets; 22% complained of high fees charged by the consultants.

58. Regarding the nature of predominant assignments on which the management consultants were engaged, 33% expressed to have them used them in general management problems, 22% for production problems, 22% for personnel management problems, 11% for marketing and 11% for materials management. No one used them for education and training, office management and operations research.

59. 55% hired the consultants from non-profit government-aided institutions, 22% hired independent consultants, 11% hired consultants belonging to consulting firms and 11% entrusted the job to gratuitous consultants drawn from government departments.

60. Regarding the locating of clients, 55% decided on the basis of books or articles published or lectures delivered by consultants, 22% on the basis of direct approach made by consultants and 22% through introduction or recommendation of business associates.

61. Regarding consulting term, 33% of the assignments were of the duration of less than one month each, 11% of the duration of less than a week each and 11% of the duration of 1-3 months and 11% of the duration of 3-6 months.
62. 33% of the consultant-users found the fees reasonable, 22% found the same rather expensive and 44% found them too expensive.

63. As viewed by the consultants, 33% of the clients got good results on account of the consulting, 33% got sound educational effects, 22% got clearer on their problems and 11% got meaningful improvements. Contrary to this, as viewed by clients, 55% of the clients are somewhat dissatisfied, 11% are greatly annoyed, 21% are nearly satisfied and only 11% are totally satisfied.

64. Regarding speciality of consultants, 33% have specialisation in general management areas, 11% in personnel management, 11% in finance and accounting, 11% in production, 11% in marketing, 22% in office management and 11% in training. No consultant in this sample had specialisation in operations research, materials management and stores designing.

65. 11% of the consultants are in the age group 20-29 years, 20% in 30-39 years, 33% in 40-49 years, 11% in 50-59 years and 33% beyond 60 years.

66. One-third of the consultants are over 60 years of age, most of whom after having retired from executive positions settled down as consultants without any formal training in consultancy techniques—not a happy situation for the consulting profession.

67. 22% of the consultants have experience of consulting service for less than 5 years and 22% longer than 20 years.

68. 36.7% of them received their fundamental training (on the job) in management consultancy with private organisations; only 11% have received training in management consultancy in a formal fashion in India/abroad.

69. Main problems in management consultancy services in India are:

- Lack of well trained consultants;
- Consultancy services, too expensive;
- Non-communicative client-consultant relationship.
70. In spite of there being a plethora of management training universities/institutions in India, there is not even one institution where management consultancy techniques are taught and all this in spite of a huge requirement of this profession. It may be incidentally mentioned that small countries like Netherlands, Philippines and Japan have tremendously good training institutions for management consultants.

71. There is no doubt that a fee of Rs. 300 to 500 per consultant-day is bound to be felt by a small scale manufacturer as beyond his means. The ways-out can be:

1. Government should enhance the quality of its consultancy services provided through SISIs and also increase the staff contingent, there.

2. Organisations like NITIE, NPC, etc. should be subsidised by the Government on special basis for services rendered to small industry units.

3. Financial institutions like Banks, State Financial Corporations should build up their management consultancy departments for servicing the small scale units on model of Industrial Bank of Japan. State Bank of India and the First National City Bank have already made a start in this direction.

72. The success of a consulting engagement depends not only on a practical, realistic and scientific approach to the solution of a problem, but also on a clear understanding of the role of the consultant and the client and on the effective performance of these roles. To use consultants successfully, the client must make every effort to establish a relationship of mutual confidence and co-operation. It is well to recognise, therefore, that the consultants form part, in a sense, of the client's own organisation. This means that both parties must be able to establish effective communication, an atmosphere of frankness, a common understanding of the objectives of the project and of the way in which it is to be attained.
73. Consulting is, by nature, a personal service. Consultants must therefore observe, high standards of conduct, similar to those followed by reputable individuals and organisations in other professional branches. They must carefully avoid all acts or practices which are undignified or unprofessional or which might discredit or injure their profession.

74. There is no formal code outlining the ethical practices of clients towards the consultant. If such a code were prepared, however, it would surely contain these rules which are essential to mutual respect and to a sound professional relationship, such as:

a) The client's responsibility is to select consultant on the basis of their merit and in accordance with accepted practice.

b) The client should pay adequate and equitable fees to the consultant for his services, in accordance with the schedule specified in the contract.

c) The client should accept the consultant as a professional adviser and treat him with respect and confidence.

d) The client is under an obligation to furnish the consultant with the information and data he requires, and to review and approve the information and recommendations submitted by the consultant.

e) The client must accept the consequences if he does not follow the consultant's recommendations.

f) The client should respect the consultant's position with regard to third parties such as contractors, materials suppliers, etc. and not bypass the consultant in his dealings with them.
As a concluding remark, it may be said, that though it is being agreed upon by all that development of small ancillary enterprises is vital for achieving the socio-economic goals to which the country is committed, yet a more concerted effort to develop such enterprises (than is being made now) is absolutely necessary. Role of the government, the private sector, government sponsored institutional agencies, professional organisations, enlightened large industry houses, management consultants—and above all the small entrepreneurs themselves, is vital. The government can be a meaningful instrument in ensuring that each plays its part ... and on right lines