

WP: 278 - 1

Working Paper

WP278



WP
1979/278



**INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD**

MANAGEMENT OF DECENTRALISED SECTORS:
A CONCEPTUAL FRAMEWORK

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W.P.No.278

May 1979

WP278

1979
(278)

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Abstract

Decentralised industrial sectors are important features of the economies of most of the developing countries. This paper provides a contextual definition to the key words "decentralised" and "sector", explains the rationale for setting up decentralised sectors, and illustrates the employment and developmental significance of such sectors in the Indian context. It further attempts to help formulate the objectives and strategies for such sectors. The problems in striking an optimal balance among developmental, commercial and regulatory goals are highlighted. The features of the multiple organizational set up for managing such sectors and the unifying role played by centralized financial assistance are pointed out. The conceptual framework also attempts to illustrate an operating scheme by which the various functions like marketing, finance, organization, etc., can be split into purely commercial, purely developmental and development oriented commercial sub-functions. The paper ends with the recognition for a committed leadership which alone can provide the right set of value and ideology for effectively safeguarding the developmental needs from being subsumed under the quest for commercial success.

MANAGEMENT OF DECENTRALISED SECTORS: A CONCEPTUAL FRAMEWORK

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Decentralised industrial activity is an important feature of the economies of the developing countries. Such activity occurs in the rural areas, employing production techniques on a very tiny scale. Terms like 'cottage industry' and 'craft production' are used to describe this kind of decentralised industrial activity. Public policy in many developing countries is veering around to the view that such industrial activity needs to be preserved, promoted or even created anew to achieve a balanced pattern of development.¹

NATURE OF DECENTRALISED SECTORS

The policy interventions in this form of industrial activity are made by defining, delineating and mobilising specific "decentralised sectors" within the economy. Weaving, leather crafting, ceramic making, oilseeds crushing and cigar making illustrate the kinds of activities which are often subjected to such sectoral interventions. Management of such decentralised sectors at various levels has become an important issue in the developing countries.² An attempt to explore the management concepts relevant for a decentralised sector must begin with an understanding of what such a sector is. The two key words are obviously

"decentralised" and "sector". The contextual meaning of both these words needs to be understood.

The Decentralised Aspect

The decentralised nature of these sectors stems from several different factors. Firstly, the producers are regionally dispersed over a wide geographic area. This means production occurs in numerous sites which are widely scattered. Secondly, the scale of production is very small. The cottage or tiny scale implies that a very large number of producing units would be required to meet the level of demand which is usually encountered in regional, national or global markets. Thirdly, producers even when they are impoverished and attached to powerful middlemen, are notionally independent. This means that the production facilities as well as the workers themselves are not "controlled" by those who "manage" these decentralised activities, in the sense that the plant and workers of a typical industrial organisation are controlled by the owners and managers. Fourthly, the managerial responsibility in such sectors is quite diffuse, even when such sectors are brought under close government supervision. For example, the handloom sector in India, which has recently been accorded a high priority by the government, consists of a variety of management super-structures in the private, public and co-operative sectors at various levels. The combination of these factors impart the "decentralised" character to a "decentralised sector".

The Sector Aspect

Decentralised forms of industrial activity have existed for long in the developing countries. It would not, however, be appropriate to call all these activities as distinct "sectors" unless they share distinct commonalities and assume some national significance. Decentralised industrial activities are usually characterised by commonalities in (a) people (the artisans whose skills are mobilized), (b) technology and (c) product range. For example, handloom weavers or goldsmiths are characterised by a common craft form which they practise and thereby acquire distinctive identities as individuals and communities. These artisans naturally have a distinctive technology in terms of equipment, tools and techniques. They also produce a product range which is usually distinct from functionally similar products produced by the large-scale organized industry. Such decentralised industrial activity takes on the character of a "sector" when the people and their crafts are integrated by a common ameliorative objective at the national level and thereby the activity assumes some national importance. This occurs through direct and indirect government interventions. As a sector, such a decentralised industrial activity will begin to stake a claim in the national resources and act as a lobby in the various governmental and administrative councils. Over a time, it may also acquire a distinct social identity.

Several decentralised industrial activities are assuming a sectoral character in the developing countries. In India, for example,

decentralised sectors can be identified in fields like handlooms, handicrafts, leather goods, matches, etc. These examples satisfy all the criteria to be classified as decentralised sectors. The people involved -- the producer-workers -- are scattered all over the country. The scale of production is rather small. The national and international demand is met from the output of a very large number of producers. These producers are not employees, but procure inputs, produce outputs and sell the same to the organised agencies or middlemen. The overall procurement and distribution functions are managed by central government, state governments, corporations, co-operatives, private entrepreneurs, and enterprising and often exploitative middlemen. These producers are truly decentralised in nature. They also constitute sectors. In handlooms, a tremendous commonality in weavers, looms, and fabrics is observed throughout India even though regional variations abound. The same is the case with any handicraft item which has a significant national or international market. All these decentralised sectors also have staked their claims for a share in the allocation of national resources and over a period of time have acquired distinct social identities.

On the other hand goldsmithy, though a decentralised activity, will constitute a "sector" only when it gathers national (or at least regional) significance. Such significance could be imparted through recognition of the importance of the output or the input -- particularly

the human input. When the human factors are important at the input stage (e.g., plight of weavers) as well as the output stage (e.g., need for adequate quantity of cheap cloth for the poor consumers), the concerned decentralised activity acquires a compelling political rationale to be designated as a "decentralised sector", demanding the attention it deserves. In the case of goldsmithy, the human factors involved at the output stage (need for cheaper processing of jewellery) is not socially critical and at the input stage, the number of people (goldsmiths) involved is not as large, and therefore not as important, as in the case of handlooms.

RATIONALE FOR DECENTRALISED SECTOR

The main rationale for decentralised sectors in developing countries is the fact that decentralised industrial activity coexists with large-scale industry and is economically viable.³ Several factors point towards the need for preserving and promoting such decentralised industrial activity and even creating new industrial activity of this type. It may be worthwhile to encourage such industrial activity under the following conditions:

1. The number of artisans is very large and they are widely scattered.
2. The physical size of the country is large and industrial activity is not evenly dispersed.

3. There is cultural diversity in the country making it difficult, if not undesirable, to relocate and consolidate artisans.
4. The market for goods produced by large-scale industry is confined to a predominantly urban elite while the mass of people do not have essential items of consumption.
5. Urbanisation is occurring in a lopsided manner resulting in the over-crowding of a few large cities so that there are obvious social benefits of dispersing value-adding activities over larger geographic areas.

In general, any country with a large population of mostly unemployed or underemployed poor, and suffering from skewed income generation and distribution would benefit from creating and encouraging decentralised sectors in its economy. The decentralised industries have been resilient enough to survive many social and economic changes which have occurred in the developing countries. This resilience has mostly come from the inherent strengths of the skills, often unique, possessed by the people who constitute the sector. The economic condition of the people in these industrial activities, however, has not improved and in some cases it has deteriorated. Also, the artisans in such industries are being exploited by various middlemen and are being gradually

out-competed by the large-scale organised industrial sector. In the "mixed" economic system prevailing in the majority of developing countries, the government can neither take a laissez-faire approach of allowing economic Darwinism, i.e., large industry destroying the small industry, nor can it dictate the cottage scale artisans to take up specified vocations determined by a central plan. The middle path of providing a strong and benign support to the unorganized artisans, without destroying their traditional form, appears more attractive. There is, in fact, a complementarity of allowing cottage scale production to co-exist with large-scale industrial production. Not only does it provide much needed goods and services to the deprived rural sector, but it also creates a reservoir of industrial skills in the rural economy, making it possible to accelerate the industrialization and modernization process on the whole.⁴ This would also leave the large and more automated industry to concentrate on economies of scale, thus reducing the unit cost, leading to better domestic consumption or success in meeting global competition.

Too much reliance on decentralised rural industry has its own drawbacks. Such a policy becomes quite suspect, particularly if it is being advocated as a panacea for all developmental problems. A country at the cost of modern large industry will lag technologically, lose competitive edge in world markets and become vulnerable to manipulation by developed countries.⁵ The policy of promoting decentralised sectors, therefore, need not be pursued in antagonism to the policy of encouraging large

industry. Rather, the two policies should complement each other.

DECENTRALISED SECTOR IN INDIA

The concept of decentralised industrial activity is not new in India. A major political impetus was given to such activity during the independence struggle when Mahatma Gandhi popularised decentralised industry as a symbol of resistance against the organized imperial industry.⁶ After independence, the first two five-year plans placed major emphasis on the decentralised sector. However, during the subsequent plans, the shift to heavy industries weakened the efforts to promote the small and tiny industries in the decentralised sector. It is not that the government did not allot resources for the sector, but the relative emphasis declined over a period of time. However, with the Gandhian slant of new Janata Government this sector seems to be attracting increased attention from the policy makers.

Many of the decentralized industrial activities in India have already come under the jurisdiction of various governmental agencies such as Khadi & Village Industries Commission, Development Commissioners for Handlooms and Handicrafts, and various commodity promotion Boards such as Coir Board, Coffee Board, Silk Board, etc. The Khadi and Village Industries Commission (KVIC) alone is responsible for 24 different decentralised industries in India (see Exhibit 1).

The progress of production and employment under KVIC schemes is summarised in Exhibit-2. The national coverage of handlooms and the possible impact it can create can be seen from the data on the number of looms under operation in various states and union territories. This data is presented in Exhibit-3.

The industries coming under the decentralised sector not only provide substantial scope for employment but also provide excellent opportunities for export. The progress of export in handicrafts during the period 1974-77 is shown in Exhibit-4.

Employment Potential

The rural industrial sector in India is very large in terms of employment. According to the 1971 census, the household industrial sector comprised about seven million artisans engaged in the main activities and an equal number in subsidiary activities.⁷ Another estimate suggests that there are nearly 20 million people employed in various rural crafts.⁸ The definition of rural, cottage or tiny industry has not been consistent. It has been suggested in a recent paper that industrial units located in centres with population less than 50,000 and with investment of less than Rs.1 lakh should be classified as tiny units, provided their main objective is employment generation and production of low cost mass consumption items.⁹ This definition recognizes that not only location and size but also employment and marketing aspects

need to be integrated to evolve any meaningful concept of a decentralised industrial system.

Data on decentralised industrial activity are not adequate, since such activity is too widely dispersed and often outside the realm of governmental monitoring and overseeing agencies. The limited data indicates, however, that employment generated per unit of directly invested governmental funds is very high compared to large scale and even small scale business.¹⁰ A few years ago a report of the Industrial Credit and Investment Corporation of India (ICICI) revealed that it required about Rs.40,000 for creating one job in ICICI-aided industries. According to the Commerce Research Bureau this figure, by 1978 might have reached "a staggering Rs.1,00,000 per job". This report continues "as against this, the investment in village industries, for the creation of one job would be of the order of only Rs.4,000 to Rs.5,000".¹¹ There is, of course, the problem of not accounting for a sizable amount of indigenous capital which the artisan himself may possess in terms of land, buildings and equipment. Nevertheless the employment potentialities of this sector are obvious since in India it engages more people than the organised industrial sector. There may, however, be limits to how much employment can be increased with additional investment of capital without diversifying the technology, product and market mix of the decentralized industrial system.

The total number of new jobs targeted under India's Sixth Five Year Plan is 49.26 million.¹² Of these, about 25% (11.3 million) have to come from the following sectors:

| | |
|------------------------|---------------------|
| Small scale industries | 3.0 million |
| Handlooms | 3.5 " |
| KVIC Industries | 4.8 " |
| Total | <u>11.3 million</u> |

The gestation period in the decentralised sector, for the investment to fructify, is relatively short compared to the long years needed by the large scale units. The employment generation schemes in the decentralised sectors can therefore be implemented at a relatively rapid rate.

The types of industrial activities occurring in the tiny and rural units in India can broadly be classified as agro-based activities. Very few of the so-called "village industries" use industrial raw materials (see Exhibit-1). This, however, need not be so. For example, the rural industries can show a much greater diversity in terms of technologies and raw material inputs, as is illustrated by the rural-based cement and steel units in China,¹³ or "polyester khadi" in India.¹⁴

In very few cases, the tiny sector industries are able to match large scale and small scale industries in terms of output value. In case of footwear and pottery, for example, the outputs of tiny units and

larger units are comparable. In case of other widespread rural industries such as toilet soap making and paper making, the output of tiny units is minuscule compared to the output of larger units. This, however, is not necessarily true as far as employment is concerned. For example, tiny scale soap making industry employs a far larger number of people than larger scale soap making industry. The employment figures need to be viewed with caution since the large majority of the people are employed only part time in the rural industries. Most of these people also devote considerable time to agricultural activities. This makes the operation and output of rural industries much more seasonal than larger scale industries. It also implies a severe under-utilization of equipment for substantial portions of the year. The capital-output ratios may also be poorer than comparable large scale units in some cases.

Potential for Organisation

Many of the rural industries are already operating under the organizational umbrella of governmental agencies. The largest system is the one managed by the Khadi and Village Industries Commission (KVIC). Other agencies such as the Handloom Board, the Handicrafts Board, the Coir Board, the Rubber Board and the Silk Board supervise the development of cottage industries in their respective arenas.

Of all the decentralised activities, the largest single one is handloom weaving. This employs nearly 10 million people. A concerted and development oriented thrust has been given to the handloom sector

by the creation of a Development Commission for Handlooms at the central level and the establishment of development corporations in several stages. It seems that the "development agency" model, which integrated monitoring and supplying of material and managerial resources under a single agency, is finding increasing favour in the decentralised sectors. Very often such a development agency is given a corporate form of organization, enabling it the flexibility of operating on commercial lines.

If the government policy shifts more in the direction of decentralised industries, as seems likely at present, then it is possible that new "decentralised sectors" may be created in the Indian economy. For example, existing tiny sector industrial activities such as jewelry making, cloth printing, garment making, book binding and baking may be candidates for formation of new decentralized sectors. Even technically more complex and industrial raw material based industries such as plastic moulding, foundry, machining etc., may be developed in a decentralized manner under an appropriate policy climate.

It is reasonable to expect that the management problems of the decentralised sectors would become more complex in quantitative and qualitative terms in the future. This portent is certainly foreseeable for the Indian economy for the next few decades and may be equally true for several other countries in the Third World. The conceptual framework for the management of decentralised sector developed in the following

sections takes into account the anticipated growth and complexities of such sectors.

OBJECTIVES FOR DECENTRALISED SECTORS

The management process begins with a clear articulation of objectives.¹⁵ In the case of a decentralised sector, it is evident that the primary objective is producer or worker oriented. Several specific objectives which reflect this orientation are possible. For example, objectives such as creation of additional employment, improvement of earnings and conditions of already employed people, skill upgradation, social welfare of the producer, etc., are of importance in the context of most decentralized sectors.

Market oriented objectives also figure in the planning of decentralised sectors. For example, the handloom sector in India is often expected to produce cheap cloth for mass consumption, fashion fabrics for the urban market and special varieties for export purposes.

In addition to the producer and market oriented objectives, some specialized objectives may be present in the case of certain decentralized sectors. For example, in handlooms and handicrafts, it is often considered crucial that traditional skills, which have been passed down over generations, should not be allowed to disappear.

Treatment of Objectives

It can be observed that the objectives of a decentralised sector are multiple and sometimes conflicting. Although the primary orientation of such sectors is quite clear, the entire range of objectives is not generally spelled out in requisite detail. It is useful to develop a comprehensive listing of all possible objectives as a starting point for evolving a strategy and long range plan for any decentralised sector. This list can then be grouped under the following broad categories:

1. Objectives which are very incidental or peripheral.

These can be rejected or treated in a tertiary manner.

2. Objectives which are in the nature of minimum conditions to be met. These can be treated as constraints.

The need to make the inputs available to the artisans, without dislocating them from their traditional habitat, is an example of this.

3. Objectives of a specialized nature. These can be entrusted to specialized agencies.

For example, the preservation of traditional skills can be entrusted to appropriate design institutions which can offer scholarships to highly skilled craftsmen.

4. Objectives which have to be retained and actively pursued by the development agency looking after the

decentralized sector. Such objectives need to be prioritized.

In the case of handlooms these objectives could include (a) employment generation, (b) raising the income level of weavers, (c) producing cheap cloth for poorer consumers, etc.

The retained objectives along with the constraints serve as the reference point for all strategic and operational decisions in the sector.¹⁶ Compromises may have to be made either because of inherent conflict in the objectives or because of resource limitations. The classification of objectives in the manner listed above would help in making meaningful compromises whenever it becomes necessary to do so.

STRATEGY FORMULATION

The selection and prioritization of objectives for a decentralized sector sets the stage for formulating strategy to manage this sector. Strategy here refers to the long term and macro-level directive concepts which would determine the role and character of the sector, which in turn would provide the basic guidelines for action to the units comprising the sector and the people who manage the units.¹⁷

The Basic Analysis

The process of strategy formulation calls for a careful analysis and creative matching of (a) the current and potential

competence of the organization, (b) internal strengths and weaknesses, (c) the trends, opportunities and threats in the environment, (d) the key requirements for success, (e) the personal ideals and ideologies of the leadership and (f) their acknowledged responsibilities to society.¹⁸

In the case of decentralised sectors, the ideologies and the social responsibilities are provided as a backdrop by the political processes, epitomized in the form of ministerial directives. A committed bureaucracy is expected to translate these into viable strategies.

The touchstone of a good strategy is its congruence with the objectives. As stated earlier, the primary objective of a decentralised sector is the amelioration of the employment conditions of people in that sector. There could be secondary objectives pertaining to markets to be served and skills to be preserved.

The objectives of the sector can be served by taking advantage of the opportunities available, by minimising the threats to the sector, by deploying the internal strengths and by avoiding the weaknesses. For this purpose, it becomes necessary to understand: (a) the strengths of the sector, (b) the weaknesses of the sector, (c) the opportunities available to the sector and (d) the threats facing the sector. This Strength-Weakness-Opportunity-Threat (SWOT) analysis constitutes the background for any strategy formulation effort.¹⁹ Exhibit-5 illustrates the SWOT analysis for the handloom sector in a typical state in India.

It is seen that the decentralised nature imparts certain strengths but it **also** implies several weaknesses. These weaknesses combined with the threats from the organized sector, the middlemen, the market and an erratic public policy, are largely responsible for the lack of growth of decentralized industrial activity in the handloom sector in India. The analysis in Exhibit-5 also indicates a number of opportunities which can be turned to the advantage of the handloom sector.

Strategies and the tactical moves for the handloom sector can be evolved by considering methods of exploiting opportunities and minimizing weaknesses and threats. Specifically the following possibilities exist:

1. Using a strength such as production flexibility to exploit an opportunity such as urban demand for fashionable fabrics.
2. Using a strength such as large number of weavers to minimize the threat of raw material cut back by the spinning mills. This can be done by forming a powerful purchasing association or by setting up co-operative spinning mills.
3. Using a strength such as production flexibility to minimize the financial weaknesses and the resultant inability to hold high inventories.

4. Using an opportunity such as design and management institutions to overcome a weakness, viz., the deficiency in education and training of weavers and managers in the handloom sector.
5. Using an opportunity such as sympathetic central government policy to regulate competitive threats from mills and powerlooms.

The above strategy options, spelled out specifically for the handloom sector, can be summarized in terms of three distinct roles which the top managers of any decentralised sector in general must play. These roles are:

1. Commercial - this entails the identification of appropriate product-market combinations, assignment of priorities to these combinations, selecting the best product-markets and evolving business strategies to exploit these product-markets.
2. Developmental - this refers to the upgradation of expertise and other resources in the sector which would increase its adaptiveness, viability and growth potential.
3. Regulatory - this refers to the actions which can be taken to regulate the threats to the decentralised sector.

In thinking about these roles, it is necessary to keep in mind the distinction between short-run strategies and long-run strategies. For example, it may be worthwhile to sacrifice short-run commercial goals if this leads to the achievement of long-run developmental goals, or vice versa. It is also important to note that the SWOT profile keeps on changing with changes in the environment as well as changes in the internal characteristics. This necessitates that the strategy be continually reviewed and adapted to the changing circumstances. It also indicates that a long-run SWOT profile needs to be developed so that a basic long-term strategy can be evolved to guide the successive short-run plans and programmes.

STRUCTURE AND ORGANIZATION

The management structure of a decentralized sector must be designed so as to perform the three main roles - commercial, developmental and regulatory -- in an effective and compatible manner. It is the need to balance these three roles which distinguishes a decentralised sector organization from organization in commercially oriented public or private sectors. Private sector firms also perform, for example, developmental roles (e.g., training activities) but these are subservient and contributory to a long-run commercial interest. In such organizations, all other goals can be thought of as means to the long-run economic goals rather than separate ends by themselves. In a decentralized sector, the commercial and developmental goals are both desirable and mutually supportive

ends to follow and the regulatory function is a means to further these ends.

The organizational structures for most of the decentralised sectors in India show a complex pattern. Multiple levels and several discrete organizational entities are loosely interlinked through a common national policy. The main source of operating control is the financial aid given by central government to various state and local agencies. Such an organizational pattern can be illustrated by observing the handloom sector in India. The multiple levels consist of the Government of India (Union Cabinet), Union Ministry of Industries, Development Commissioner for Handlooms, State Government, Ministry concerned with handlooms at the state level, Directorate of Handlooms at the state level, and the Development Corporations or co-operatives at the operating level. All these levels are linked through a common national policy for handlooms. In terms of multiple organizational entities, there are the State Directorates, State Handloom Development Corporations and Apex Co-operatives to implement the strategies. Their roles will be discussed later. The common financial linkage connecting all the units and sub-units can be gleaned from the amount of loans and grants sanctioned to the various states under the centrally sponsored schemes (Exhibit-6). It is seen from Exhibit-6 that the quantum and mix (relative proportion of grants and loans) of central assistance can vary considerably from year to year, thereby providing a strong leverage over the units. The organisational linkages are schematically presented in Exhibit-7.

Organization at State Level

The state, province, district or any such geopolitical sub-unit constitutes the relevant level of analysis for organization in a decentralised sector. This is so because decentralised planning can be done only at a relatively disaggregate level. Not only is the task unmanageable for a centralized organization, but also there are regionally specific problems which can best be handled at the state or provincial level. Of course, the broad policy guidelines can come from a central agency like a Development Commissionerate, re-inforced through financial assistance in the form of loans and grants. This is in line with the practice of maintaining financial control by the corporate office in highly divisionalized organizations.²⁰ The discussion to follow will keep the state as the level of analysis and focus mainly on handlooms, handicrafts and similar sectors.

Organizational Options

The main organizational issue is how to distribute the three roles between various possible state, co-operative or private agencies. Within the state agencies, it is useful to distinguish between governmental departments and corporations sponsored by the state. Exhibit-8 illustrates the possible distributions of roles between various agencies. An ideal pattern is presented in Exhibit-8(a). In this pattern the government department performs primarily the regulatory role and secondarily a developmental role. The state corporation performs primarily

the commercial role and secondarily a developmental role. The state level apex co-operative performs primarily the developmental role and secondarily a commercial role. Private agencies such as wholesalers, retailers and distribution companies can be permitted a commercial role if this role is made fully congruent with the overall objectives of the decentralised sector. This ideal pattern is based on the assumption that the very structure of different agencies makes them differentially suitable for one or two roles.

Exhibit-8(b) illustrates the actual distribution of roles in the handloom sector in the state of Tamil Nadu. This is a suitable pattern for any state with a strong co-operative movement. Exhibit-8(c) illustrates a pattern which can be adopted in a state with a weak co-operative movement. Exhibit-8(d) represents a pattern which is actually obtained in many decentralised sectors in various states in India. It can be seen that this pattern has some duplication of roles and therefore a high potential for conflict between agencies.

The Neglected Role

In all the existing organizational patterns in decentralised sectors in a country like India, the role which is pushed to a secondary status is the developmental role. Although a producers' co-operative is perhaps the best agency to perform this role, in practice the stronger co-operatives are tempted to give more attention to the commercial role and the weaker co-operatives are hardly able to do anything. The tendency

of the commercial role to dominate and subsume other roles cannot perhaps be countered by conventional organisational methods. Some of the ways of improving the developmental functions are discussed in the later section devoted to Values, Leadership and Ideology. At this stage, it is necessary to examine how the mix of roles in a decentralized sector can best be performed given the conventional organizational options. This requires a discussion of the operational management problems of agencies working in this sector.

OPERATIONAL MANAGEMENT PROBLEMS

In essence, the operating problems of a decentralized sector have the same functional character as that of any large centralized organization. The difference lies in the objectives with which these functions are performed.

Major Functions

Since decentralized sectors perform economic activities, they have to be concerned with functions like production, marketing, financing and personnel management. In a typical centralized corporation, all these functions have well-specified commercial objectives. In a decentralized sector organization also, these functions must have a commercial element. This is because the economic efficiency of these functions depends on their being performed on a commercial basis. Since the economic objectives

are not the sole objectives of a decentralised sector, some further dimensions need to be added to these functions. Firstly, the commercial activities themselves could be performed in such a way that they contribute to developmental goals. Secondly, some developmental tasks can directly be entrusted to different functional departments qualified to undertake such tasks.

A Suggested Scheme

Exhibit-9 illustrates an operating scheme by which various functions can be split into purely commercial, development oriented, and purely developmental functions. It is seen that the developmental functions which can be performed within conventional organizational setups are mainly in the nature of training and motivational activities. The middle column in Exhibit-9 shows the activities which can be given a developmental bias if the management systems are designed to do so.

Management Systems

Since the organizational superstructure of a decentralised sector would be fairly differentiated in terms of structure as well as functions, there would be a need for co-ordinating mechanisms.²¹ These mechanisms, however, may induce strong centralizing tendencies. There is a need to focus research attention on methods of co-ordinating without centralizing.

The operating control systems for various functions such as production, marketing, finance, etc., have to be developed keeping in view the multiple and possibly conflicting goals. It is useful to classify goals in quantifiable and non-quantifiable categories as well as short and long-run categories. Measurable targets could be set for goals in each category. It is very likely that the developmental objectives could best be served by long-run and somewhat less quantifiable goals. The target setting exercise, therefore, becomes a way of injecting the desired commercial or developmental bias in the functioning of the decentralised sector agency.

Targets of course do not determine the actual bias in the working of such agencies. As mentioned earlier, there would be a tendency for commercial goals to dominate in the normal course. To some extent, training and organizational development effort undertaken from the grassroots (the producers) upwards can help in sensitizing the organisation to the developmental role. Also flexible management systems which include qualitative performance measures are more likely to be successful in such settings.

VALUE, IDEOLOGY AND LEADERSHIP

Decentralised sectors require strong guidance in the form of systematic management to take advantage of the opportunities and meet the threats in the environment. Such systematic management, however,

is usually associated with corporate entities or public bureaucracies, both of which have strong centralising features. Also, these organizational forms have evolved to achieve certain types of objectives. For example, corporate organisations, even in the public sector, tend to be dominated by commercial considerations. They discover that their manoeuvrability in a given environment increases if they make commercial surpluses. Government bureaucracy, on the other hand, is primarily designed to perform a regulatory role. The almost inviolate sense of accountability which pervades government departments renders them incapable of any other role except regulation.

Ineffective Interventions

The result of this is that intervention in decentralised sectors is not able to provide the developmental thrust which it is supposed to. It may be able to regulate some of the threats to the decentralised producing units; it may be able to do a reasonable job of providing inputs and marketing the outputs of such units; but it is not able to develop the producers themselves into more effective managers of their own affairs. Even the interventions, therefore, tend to be in those areas where the producers are already somewhat better off, more organised and more capable of transacting with bureaucrats or business people. For these producers, intervention by a state agency usually means entering into a new and perhaps somewhat more benign dependency than what existed earlier. The vast majority of poorly organized, poorly educated and less capable

producers are either left untouched or driven into more exploitative arrangements with middlemen.

A Parallel Organization

The way out of this predicament could be either through training efforts or through structural changes or both. Given the size and criticality of decentralized industrial activity in the developing countries, it may be advisable to adopt as many methods as possible to hasten the development of the producers engaged in such activities. Training and motivation obviously have a major role to play at all levels. The effectiveness of training can be greatly enhanced by bringing about some structural changes which have a specific developmental bias. It was pointed out that conventional organizational forms may not be able to pursue developmental goals explicitly and forcefully. This job has to be done by special cadres who are organizationally independent and yet in constant dialogue with the management superstructure of decentralised sectors. In the socialist countries, the cadres of the ruling political party usually perform this role. In most developing countries, however, there are very few ruling parties which have disciplined and dedicated cadres who could undertake developmental work. There are, however, young people fired with idealism and willing to devote time to developmental activity. Special cells could be created in governmental agencies where such young people could be recruited as volunteers. Also, governmental agencies can collaborate with voluntary agencies which could provide the

developmental support. The point is that a parallel organization which is voluntary in character is needed to support as well as check the functioning of the intervening agencies. In addition to the usual persuasive and negotiatory tactics, the voluntary organization can also resort to mobilizative and agitational tactics whenever necessary. Because of the wider mix of tactical options, such agencies are best able to perform as well as induce others to perform the developmental role.

The parallel and effective working of a state and a voluntary agency is possible only when the leadership of the state intervening agency is imbued with developmental values. When the appointments to the key positions of the state intervening agencies are made by the top political and bureaucratic echelons of the country, it is necessary that the appointees be screened for their value orientations and leadership strength. The chances of decentralised sectors achieving their developmental objectives are far greater if the management superstructures are manned by strong and committed leaders.

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Exhibit 1Industries under Khadi and Village Industries Commission

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1. Khadi -- cotton, woolen and silk.
 2. Processing of cereals and pulses.
 3. Ghani oil.
 4. Manufacture of cane-gur and khandsari.
 5. Palm-gur making and other palm products.
 6. Cottage match, manufacture of fireworks and agarbatties.
 7. Cottage soap.
 8. Manufacture of Shellac.
 9. Collection of forest plants and fruits for medicinal purposes.
 10. Bamboo and cane work.
 11. Manufacture of gum resins.
 12. Manufacture of katha.
 13. Hand-made paper.
 14. Bee-keeping.
 15. Village pottery.
 16. Flaying, curing and tanning of hides and skins and ancillary industries connected with the small and cottage leather industry.
 17. Fibre other than coir.
 18. Manufacture and use of manure and methane gas from cow-dung and other waste products such as flesh of dead animals, nightsoil, etc.
 19. Limestone, lime shell and other lime products.
 20. Blacksmithy.
 21. Carpentry.
 22. Fruit processing and fruit preservation.
 23. Manufacture of aluminium utensils, and
 24. Manufacture of lok vastra cloth.
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Source: KVIC Annual Reports.

Exhibit 2Khadi & Village Industries: Progress of Production and Employment

| Industry | 1968-69 | | 1976-77 | |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Production (Rs./million) | Employment (Thousands) | Production (Rs./million) | Employment (Thousands) |
| I. Khadi | 233.8 | 1335 | 560.3 | 853 |
| II. Village Industries | | | | |
| Processing of cereals and pulses | 157.3 | 58 | 140.7 | 22 |
| Ghani oil | 179.1 | 33 | 362.6 | 31 |
| Village leather | 46.5 | 26 | 153.4 | 59 |
| Cottage match | 2.2 | 4 | 5.3 | 3 |
| Cane-gur and khandeeri | 215.0 | 91 | 427.9 | 132 |
| Palm gur making and other palm products | 72.4 | 293 | 119.2 | 316 |
| Non-edible oils and soap | 19.0 | 127 | 52.3 | 119 |
| Handmade paper | 5.4 | 5 | 15.6 | 5 |
| Bee-keeping | 10.3 | 110 | 29.8 | 146 |
| Village pottery | 20.9 | 40 | 100.0 | 78 |
| Fibre | 8.8 | 19 | 59.0 | 77 |
| Carpentry and blacksmithy | 9.6 | 3 | 95.5 | 32 |
| Lime manufacturing | 1.7 | 4 | 19.6 | 12 |
| Gobar (methane) gas | 1.5 | - | 113.4 | - |
| New industries | 1.5 | 4 | 23.0 | 140 |
| Total II | 751.2 | 817 | 1717.3 | 1172 |
| Total I + II | 985.0 | 2152 | 2277.6 | 2025 |

Source: Adapted from Commerce, August 19, 1978.

Exhibit 3
Handlooms in India: 1978

| Sl. No. | State/Union Territory | Handlooms | | Total |
|---------|------------------------------------|------------------|-----------------------|-----------|
| | | In Co-op. sector | Outside Co-op. sector | |
| 1. | Andhra Pradesh | 3,36,000 | 2,61,000 | 5,97,000 |
| 2. | Assam | 40,480 | 5,50,000 | 5,90,480 |
| 3. | Bihar | 1,25,820 | 75,000 | 2,00,820 |
| 4. | Gujarat | 10,768 | 23,301 | 34,069 |
| 5. | Haryana | 441 | 8,550 | 8,991 |
| 6. | Jammu & Kashmir | 143 | 40,000 | 40,143 |
| 7. | Karnataka | 1,04,000 | 33,000 | 1,37,000 |
| 8. | Kerala | 21,353 | 49,972 | 71,325 |
| 9. | Madhya Pradesh | 26,272 | 26,446 | 52,718 |
| 10. | Maharashtra | 76,105 | 1,08,895 | 1,85,000 |
| 11. | Manipur | 12,000 | 1,88,259 | 2,00,259 |
| 12. | Orissa | 53,824 | 23,457 | 77,281 |
| 13. | Punjab | 5,500 | 13,000 | 18,500 |
| 14. | Rajasthan | 813 | 1,40,937 | 1,41,750 |
| 15. | Tamil Nadu | 1,62,000 | 3,88,000 | 5,50,000 |
| 16. | Uttar Pradesh | 2,17,900 | 2,91,500 | 5,09,400 |
| 17. | West Bengal | 66,300 | 93,700 | 1,60,000 |
| 18. | Other States and Union Territories | 7,728 | 13,732 | 21,460 |
| | Total | 12,67,447 | 23,28,749 | 35,96,196 |

Source: Note on Handloom Industry, Indian Institute of Management, 1978.

Exhibit 4Export of Handicrafts (Excluding Gem and Jewellery)
during 1974-75, 1975-76 and 1976-77

(Rs. lakhs)

| Item | 1974-75 | 1975-76 | 1976-77 (Provisional) |
|---|---------------------|----------------------|--------------------------|
| Woollen carpets, rugs, druggets including namdas | 3611.19 (39.1) | 4142.96 (37.8) | 6143.63 (37.9) |
| Art metalwares | 1570.35 (17.0) | 1701.08 (15.5) | 2634.18 (16.2) |
| Woodwares | 684.10 (7.4) | 619.06 (5.7) | 776.26 (4.8) |
| Hand printed textiles and scarves | 822.96 (8.9) | 1024.05 (9.3) | 2144.23 (13.2) |
| Imitation Jewellery | 464.56 (5.0) | 536.71 (4.9) | 453.26 (2.8) |
| Shawls as artwares | 22.24 (0.2) | 33.11 (0.3) | 119.85 (0.7) |
| Zari | 268.79 (2.9) | 401.08 (3.7) | 408.60 (2.5) |
| Ivory | 50.92 (0.6) | 74.13 (0.7) | 134.54 (0.8) |
| Cotton carpets, rugs and durries etc. | 192.87 (2.1) | 337.91 (3.1) | 414.41 (2.6) |
| Embroidered goods | 184.51 (2.0) | 221.39 (2.0) | 219.12 (1.4) |
| Miscellaneous handicrafts | 1365.45 (14.8) | 1864.55 (17.0) | 2769.52 (17.1) |
| Total | 9237.94 (100.00) | 10956.03 (100.00) | 16217.60 (100.00) |

Note: Figures in brackets indicate percentages to totals.Source: Commerce, August 19, 1978.

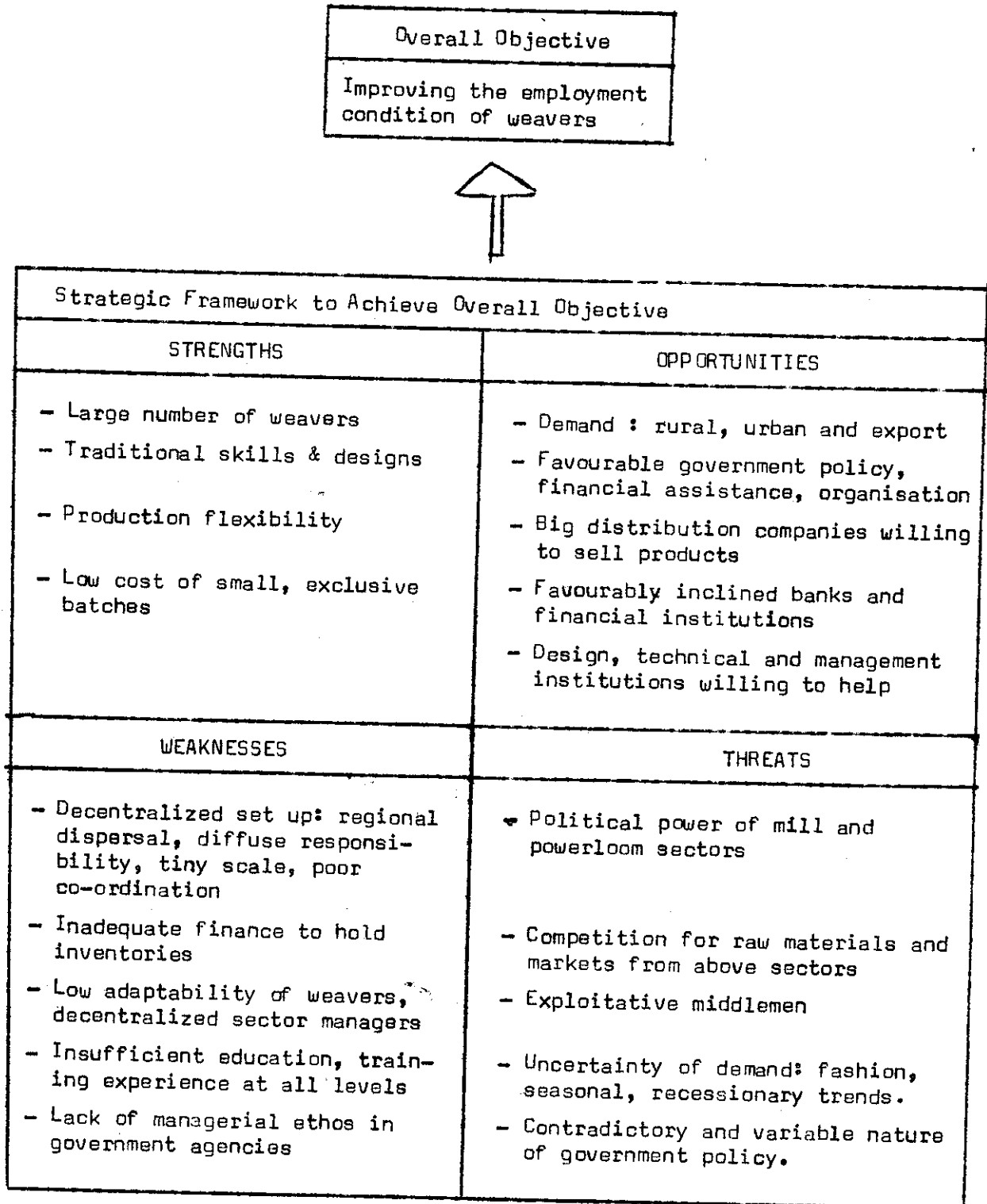
Exhibit 5Strategy Formulation: A Framework for Handloom Sector in India

Exhibit 6Part I: Funds Sanctioned for Handloom Intensive Development Projects

(Rs. Lakhs)

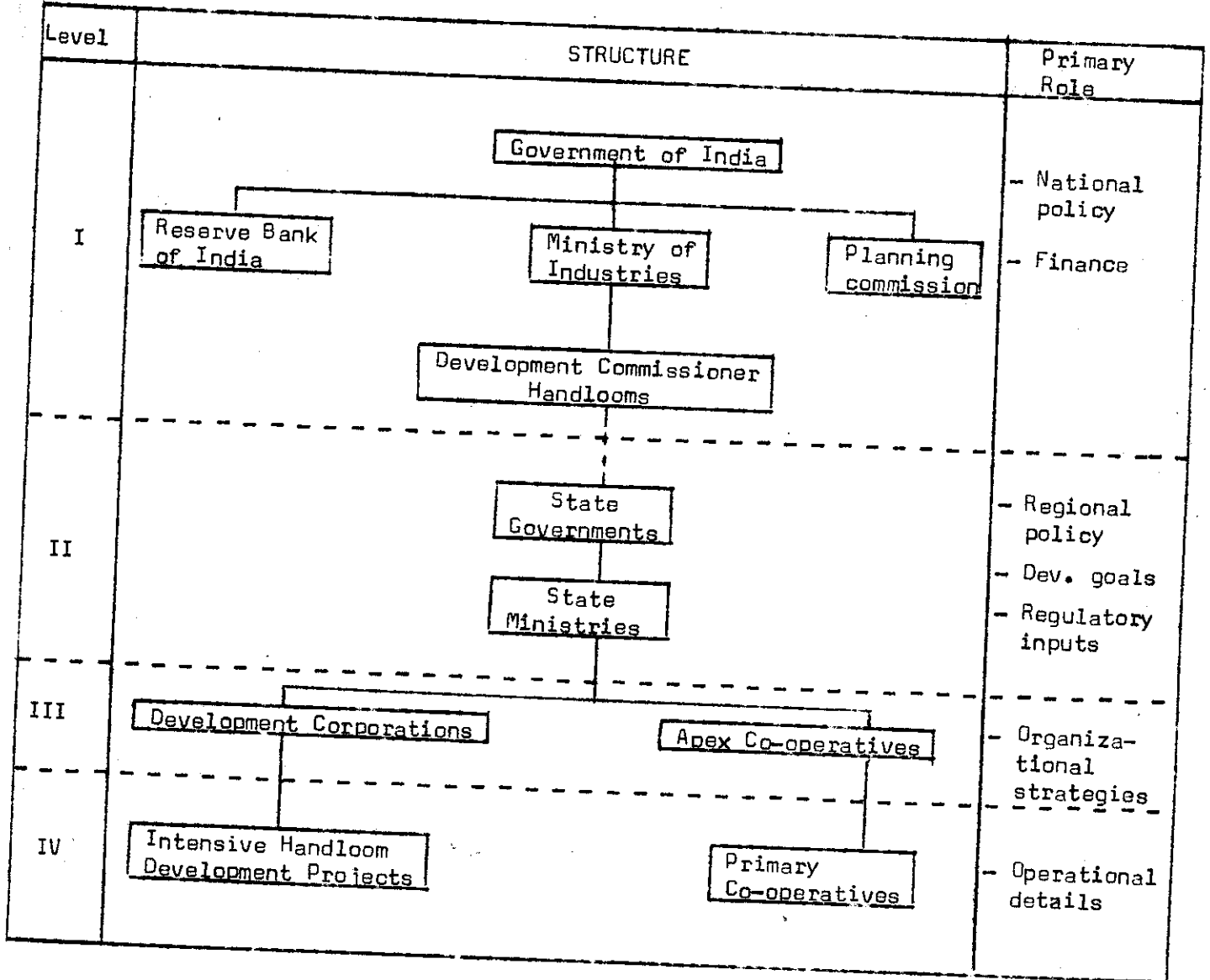
| State/Union Territory | Loans | | | Grants | | |
|-----------------------|---------------|---------------|---------------|--------------|--------------|---------------|
| | 1976-77 | 1977-78 | Total | 1976-77 | 1977-78 | Total |
| Andhra Pradesh | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Karnataka | 11.25 | 26.25 | 37.50 | 3.75 | 11.25 | 15.00 |
| Kerala | 11.25 | 11.25 | 22.50 | 3.75 | 3.75 | 7.50 |
| Tamil Nadu | 22.50 | 15.00 | 37.50 | 7.50 | 7.50 | 15.00 |
| Rajasthan | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Manipur | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Haryana | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| West Bengal | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Uttar Pradesh | 22.50 | 15.00 | 37.50 | 7.50 | 7.50 | 15.00 |
| Madhya Pradesh | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Orissa | 11.25 | 15.00 | 26.25 | 3.75 | 7.50 | 11.25 |
| Maharashtra | 11.25 | 15.00 | 26.25 | 3.75 | 7.50 | 11.25 |
| Gujarat | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Bihar | 11.25 | 15.00 | 26.25 | 3.75 | 7.50 | 11.25 |
| Assam | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Jammu & Kashmir | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Nagaland | 11.25 | - | 11.25 | 3.75 | - | 3.75 |
| Pondicherry | - | - | - | 2.50 | - | 2.50 |
| Total | 213.75 | 112.50 | 326.25 | 73.75 | 52.50 | 126.25 |

Part II: Funds Sanctioned for Handloom Export Production Projects

| | | | | | | |
|------------------|---------------|-------------|---------------|--------------|-------------|--------------|
| Andhra Pradesh | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Karnataka | 15.00 | 7.50 | 22.50 | 5.00 | 2.50 | 7.50 |
| Kerala | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Tamil Nadu | 15.00 | - | 15.00 | 5.00 | - | 5.00 |
| Rajasthan | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Haryana | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| West Bengal | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Uttar Pradesh | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Madhya Pradesh | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Orissa | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Maharashtra | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Bihar | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Assam | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Jammu & Kashmir | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Punjab | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Himachal Pradesh | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Tripura | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Pondicherry | 7.50 | - | 7.50 | 2.50 | - | 2.50 |
| Total | 150.00 | 7.50 | 157.50 | 50.00 | 2.50 | 52.50 |

Source: Commerce, August 19, 1978.

Exhibit 7
Organizational Structure for Handlooms



Note: Corresponding to the Reserve Bank of India and Planning Commission at the top level, there are financial institutions and planning agencies at the state level and even at district levels. These are not shown in the Exhibit.

Exhibit 8
Relative Mix of Roles for Different Agencies

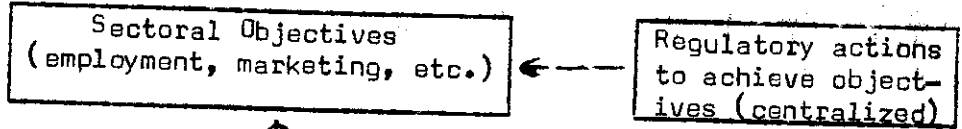
| | | ROLE DISTRIBUTION | | | | | | | | | | | |
|-------------------------------------|-------------------|-------------------------|---|----|------------------------------|----|---|---|----|---|-------------------------------|----|---|
| | | (a) IDEAL PATTERN | | | (b) TAMIL NADU PATTERN | | | (c) STATE WITH WEAK CO-OPERATIVES | | | (d) A PREVALENT PATTERN | | |
| Organisa- tional Unit | Role pattern → | C | D | R | C | D | R | C | D | R | C | D | R |
| | | Government department | | ✓ | | ✓✓ | ✓ | | ✓✓ | ✓ | | ✓✓ | ✓ |
| Government sponsored corporation | | ✓✓ | | ✓ | ✓✓ | | ✓ | ✓✓ | | ✓ | ✓✓ | | ✓ |
| Weavers' co-operative | | ✓ | | ✓✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | | ✓ |
| Private agency | | ✓* | | | | | | | | | | | |

Legend

C = Commercial
D = Developmental
R = Regulatory

✓ = Major role
✓ = Minor role

* = Conditional to this being congruent
with overall objectives

Exhibit 9Scheme for Classifying Activities of a Decentralised Development Agency

COMMERCIAL and DEVELOPMENTAL actions that can be undertaken by a sectoral developmental agency

| Managerial function | Commercial actions | Commercial actions with developmental thrust | Developmental actions |
|---------------------|---|--|---|
| MARKETING | <ul style="list-style-type: none"> - Segmentation of market - Gathering market intelligence - Formulating product, price, promotion, distribution strategies - Formulating and executing marketing plans | <ul style="list-style-type: none"> - Selection of products and promotion schemes which increase the returns to weavers | <ul style="list-style-type: none"> - Training weavers in the methods of researching the market |
| PRODUCTION | <ul style="list-style-type: none"> - Choice of technology - Implementation of technology - Production planning and control | <ul style="list-style-type: none"> - Choice of technology so that weavers can adapt to it - Formulating production plans that stabilize/increase employment and income | <ul style="list-style-type: none"> - Training weavers for new technologies - Expanding the production skills of weavers |
| FINANCE | <ul style="list-style-type: none"> - Deciding sources and applications of funds - Working capital management - Formulating budgets and controlling costs - Financial reporting | <ul style="list-style-type: none"> - Working out inventory policy in line with working capital availability | <ul style="list-style-type: none"> - Equipping weavers to deal with public financial institutions |
| PERSONNEL | <ul style="list-style-type: none"> - Devising organization structure: roles and relationships - Recruitment, selection, training, deployment of personnel - Motivation of personnel - Performance appraisal | <ul style="list-style-type: none"> - Training of personnel in performing weaver-oriented tasks | <ul style="list-style-type: none"> - Developing entrepreneurial abilities of weavers - Administering weaver welfare schemes |

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... (contd.)

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