

W.P.: 353

# Working Paper

WP353



WP

1981

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**AUTONOMY OF PUBLIC SECTOR ENTERPRISES**

By

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W P No. 353

February 1981

The main objective of the working paper series of the IIMA is to help faculty members to test out their research findings at the pre-publication stage.

INDIAN INSTITUTE OF MANAGEMENT  
AHMEDABAD-380015  
INDIA

## AUTONOMY OF PUBLIC SECTOR ENTERPRISES

The performance of the public sector of the economy is an oft discussed subject. Every now and then questions are raised regarding the contribution which the public sector is making to the industrial and economic growth of the country. This is obviously a vital issue considering that the public sector has become a cornerstone of the industrial framework of the country. This was the basic objective of setting up public sector enterprises. However, both in terms of performance as judged by production or profitability or any other relevant measure of return on investment the public sector performance does not stand up to scrutiny.

India's economy is characterised by poor utilisation and mismanagement of resources on the one hand and the imperative need to keep up the pace of progress on the other, so as to meet the basic needs of the masses and also perhaps give an indication that their aspirations are likely to be fulfilled. Against this background the diversion of resources in the form of huge financial investment, foreign exchange element, infrastructure facilities and human resources, particularly top technological sources, in an inefficient public sector has ominous implications.

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The author expresses grateful acknowledgement of most valuable comments received on an earlier draft of this paper from Mr Prakash Tandon, President of Board of Governors, National Council of Applied Economic Research, New Delhi.

It is not merely the question of the public sector's inability to meet its production schedules and targets or even the larger question of return on investment. It is also, for instance, an important matter of deployment of human resources. A large number of highly educated and trained scientific and technical as well as managerial personnel are employed in the public sector. They would certainly have produced better results had they been deployed elsewhere. The crucial issue is of the delay in the pace of progress which may be directly attributed to the public sector because of its poor performance. This delay in delivering the goods in time has also resulted in bringing about imbalances in other sectors of the economy and retarding the rate of growth. In this article we shall concern ourselves with the public sector enterprises although the above observations also apply to public utilities which are also under public ownership. However, their constitution as well as the style of operation is somewhat different from those of public sector enterprises.

There are a number of factors which go into determining the performance and growth of a public sector company. The industry and the market in which an enterprise is working will be one of the first such factors. It will be, for instance, unfair to compare the business of manufacturing and marketing watches with that of pressure vessels and process equipment. The public sector was set up with the

avowed objective of filling in the specific gaps in the industrial infrastructure, regardless of the profitability criterion. There was, however, a distinct bias towards establishing a public sector per se in accordance with the now forgotten concept of socialist pattern of society. Wherever necessary, we may discount for the unfavourable environment and the magnitude and the complexity of task for a particular enterprise.

There may be problems concerning technology and processes and related aspects of matching the standards and specifications or for that matter obtaining suitable raw materials and components. We are fortunate in having trained manpower and the most crucial problem of not having this factor of production does not constrain us. It may be relevant to point out that human resources problem is an important one for many of the less industrialised nations of Africa and Asia.

There are also a variety of other hindrances which may affect the performance of the enterprise such as geographical or climatic features or calamities, non-availability of power or water or labour unrest. These factors may also affect the working of private enterprises similarly situated. However, the scale of operations of most public sector enterprises is rather large and they bear the brunt much more and are also exposed to a greater glare of publicity.

There is one factor to which a specific mention need be made. The orientation of public sector enterprises is very much production biased. The marketing features have been usually relegated to the background even in the highly competitive services like aviation, tourism, hotel industry and trading. Here we are not referring to the organisational aspects i.e. having a marketing department and so forth. The issue is <sup>one</sup> of the responsiveness to the demand and needs of the market for the products of specific enterprises or industry. In the absence of such a response mechanism and orientation towards adapting to the process of change, the enterprise may not show expected results despite its high degree of success in respect of production targets.

The kingpin of the performance of any enterprise is the management and indeed the environmental characteristics and other factors which may favour a certain industry or enterprise, and deter others. In the case of public sector enterprises further complications arise owing to the fact that there is no implied accountability to a limited number of shareholders. All citizens of the country are effectively shareholders. They are represented in a way by Members of Parliament, or State Legislature in the case of state level public enterprises, in the first instance. When it comes to actual decision making in respect of specific operations and functions of an enterprise, they have to deal with the concerned administrative ministry or department, as well as the political apparatus who are constantly reviewing and reexamining the agreed and bona fide basis of working.

We shall, therefore, devote our attention to the management aspects of the public enterprises. Furthermore, a crucial element of the management of the public enterprise is autonomy particularly because of rather indirect procedure of accountability to the Parliament and a system<sup>of</sup> administrative control by the functional ministry. It will be necessary to examine both the principle and the practices.

The question of autonomy for the top management of public enterprises is not new. It has been broached time and again in different forums. There is also an implicit acceptance of the principle of autonomy which has emerged out of these discussions, debates and deliberations. The Planning Commission has suggested delegation of powers to the chief executives of public sector undertakings and giving them greater organisational autonomy. The National Convention of Public Enterprises held in 1979 adopted the following amongst the eight recommendations it made:

"The Convention is happy to draw the attention of public enterprises to the reference made by the Prime Minister in his inaugural address to the instance he came across in France of a public sector chief being given full autonomy to run his undertaking on the understanding that if he failed to attain the objectives he would lose his post. The Convention is of the view that this practice should be adopted in India. The public sector should have full autonomy, subject to accountability to Parliament. Autonomy in this context means full freedom of internal management unhindered by pressures from State agencies but subject to the social objectives adopted by the State. Autonomy should also include the right of the public sector undertakings to take investment decisions out of their own resources subject to such overall limits that the Government may impose. The Convention fully recognises, however, that autonomy does not

mean independence and that there should be full accountability to Parliament, but feel that the area of accountability should be defined in terms of objectives of the State, and the agencies to which the public enterprises are accountable should be, to the extent possible, unified."

Let us try to figure out what this autonomy may mean and how it can be operationalised. We may look at the connotation of autonomy such as the following:

"The word autonomy contains nom of identity, also found in anomie but with the auto placed in front of nom. It means self-identified, self-determined, self-directing. Autonomy in other words, is the capacity to reason and engage in deliberate choice of an action from among an existing range of alternatives, alone and in collaboration with others".<sup>1</sup>

The above concept of autonomy, although by no means a unique one, may be helpful in examining why autonomy has not come to be accepted and used as a norm of functioning in public sector enterprises. It is perhaps the concept of autonomy which distinguishes the management approach from a rigid bureaucratic style of functioning. It may also be worth bearing in mind that limits and degrees of autonomy may vary substantially even

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1. Blake, Robert R. and Mouton, Jane S., 'The Managerial Grid', Gulf Publishing Co., Houston, 1971, Chapter 7, The 9,9 Managerial Style, pp. 175-176.



within private enterprises. It depends ultimately on two major factors, firstly the style of functioning and thinking of the top decision makers and secondly tolerance towards decisions taken by others - especially subordinates - and acceptance of their decisions.

The top decision makers whether they are owners of business or professional managers hired for the job, may evolve their own styles under the effect of various factors and circumstances. Two models may be briefly referred to. A Marwari business house, for instance, has a high degree of centralised decision making when it comes to major issues such as new investments, business opportunities acquisitions or tackling of major crisis situations. At the same time the chief executives of their enterprises and managers of defined segments of business may enjoy a high degree of autonomy in running their business. As long as results are according to expectations there is little interference from the top. Rewards and punishments may be promptly used if the performance is above and below the expectation respectively. It may also be worth noting that these chief executives are likely to be trusted persons, possibly related or affiliated to the key family or group in some manner. In recent years induction of professional management has also begun. Alternatively, the potential candidates in the circle of affiliation may be trained in appropriate discipline and in management. This approach appears to have paid dividends.

Another model is that of multinationals. The top management of the MNC's may send top managers of associated enterprises from the home base initially. The next step is to recruit and train the personnel from within the country of operation to occupy the top positions. Here too, apart from professional and managerial qualifications and record, an element of trust plays an important role in the selection of such individuals. There may be detailed guidelines for the chief executives operating in different countries in respect of limits of authority and the need for reference back to the corporate headquarters. Nevertheless, an unwritten understanding develops which becomes the so called management culture of the organisation. The record of performance is varied for different MNC's in different countries over different periods. However, there has been considerable growth of multinational corporations.

The basis of efficient working of responsible private sector enterprises is self-correcting system of management orientation and results. This is open to scrutiny by market mechanism and the share market all the time. A central problem which perhaps faces chief executives of public enterprises is the lack of clear directions for setting goals and objectives. In actual practice they are under administrative control of a certain ministry or department. There are two major issues. Firstly, the degree of competence in terms of management and technical skills in the concerned departments; and secondly, the limits of authority the department has and in practice can exercise, specially, in the event of crisis. On both these scores the situation is far from clear.

The above perspective brings forth two points worth pondering. Firstly, the concept of autonomy may not quite fit in with expectations of bureaucratic conformity at the stage of operationalisation. Secondly, it is useful to have a well defined line of command or reporting system for the practice of effective management. Of particular relevance for our purpose is the question of setting operational goals and objectives which may be amenable to a system of evaluation. If we look at the question in its entirety the two aspects are merely the two sides of the coin of autonomy. In order to give it the currency, conformity should not be expected on the one hand, and operational objectives of enterprise should be clearly defined so as to have a proper understanding of goals and a common basis of evaluation. The responsibility for doing so, going by the history of management sciences, will lie primarily with the top management of an enterprise.

It may be worth elaborating on the need for a non-conformist approach. The industry background, the product characteristics, the environmental features if integrated in the framework of market mechanism will in the first place help an enterprise find its own place and then chart the course of growth it may want to follow. That is where the concept of identification is important at the enterprise level as well as for the purpose of creating motivation amongst employees. Flexibility and problem solving approach can become a tenet of relationship between an enterprise

and the administrative ministry. By the same token the observers and scrutinisers of the situation, be it the Parliament or the financial journals, should not beat the 'public sector' with a big stick. There is no conglomerate which can be grouped under the heading public sector.

The clarity of operational goals is an important pre-condition for implementing the desired degree of autonomy as well as deriving full value from it. Prima facie it should not be difficult considering that each enterprise has a certain background as given in the Five-Year Plan and followed up by a Detailed Project Report. It is, however, quite possible that there may be some deficiency in the project report. Furthermore, there is a lapse of time between the initiation of the project outline and its implementation. The input-output linkages and market situation may have changed during this period. All these factors as well as the changing environment affecting the operation of an enterprise need a redefinition of goals. This exercise will also bring forth many lacuna in objectives as well as genuine resource constraints. The concept of autonomy as a central feature of management may then be instrumental in removing or bypassing the ~~bottlenecks~~ which may come in the way of achievement of objectives. Moreover, a certain degree of positive objectivity as against bureaucratic rigidity, will enable the real inhibiting factors to be identified instead of mere bickering.

It emerged from some recent discussions of the author with a number of concerned officials that autonomy was earlier misinterpreted and thereby misused. Several chief executives considered autonomy as a carte blanche leading to an unbridled display and use of authority. There was no well defined accountability which in its depth and frequency of reporting kept the "controller", the ministries in touch with the performance of enterprises. Neither, in fact, were the top management any better informed. Autonomy has to be earned and deserved, and few public enterprises deserve and few earn it. They did not have internal planning, budgeting and reporting systems of any sophistication. This made the concept of autonomy much aligned among administrative ministries. The second stage was when the administrative ministries tried to reassert their control over the errant enterprises. What originally was conceived as a managerial matter thus assumed the proportions of power struggle. Acrimony and disputes apparently followed. To this stage may be attributed in certain measure the peculiar phenomena of having a large number of enterprises with positions of chief executives vacant. This cannot be attributed to non-availability of appropriate personnel. Whatever may be the resource constraints in India availability of top level technical and administrative personnel is not one of them. Moreover, there was no Damocles Sword hanging that they should perform and show results, or else. Nevertheless, it is encouraging to note that the success of some enterprises may be attributed in a large measure to the competence and judicious use of autonomy of their chief executives. To that the dimension of commitment may also be added as an important contributory factor.

It may be pointed out that it would be somewhat tricky to attribute the favourable performance of an enterprise to autonomy enjoyed or exercised by the chief executive of an enterprise. Competence and capability come first and then autonomy. In fact, excessive use of autonomy may equally well land an enterprise into serious problems. However, in a situation of crisis or adversity the proper use of autonomy can be a decisive factor in salvaging the situation and bringing about a new perspective and source of direction. One can see an illustration of this in the recent turnaround of Richardson & Cruddas (1972) Limited. This approach was helpful initially in tackling labour unrest in the main production centre of the company and then building the middle management morale for setting their sights on new goals. The autonomous approach with a good intent and purpose was particularly effective in averting the crisis having its origin in labour unrest.

There is a major problem which arises in deriving benefit from autonomy i.e. using it purposefully and judiciously in the interest of achieving the defined goals of the enterprise. This consists in giving a form to it and evolving the guidelines which define the limits of autonomy and transgressions which call for reprimand instead of reward. It is obviously important to have a well defined and functional Management Information System and a proper framework of budgeting, planning and reviews. It must be appreciated

that the operationalisation of autonomy imposes greater demands on the functioning of enterprise.

"The degree of autonomy-under-integration-is far more more rigorous than the kind of control that is exercised by close or tight supervision, when a person does not see the larges issues"<sup>2</sup>.

The next question concerns the type of chief executive who will be best qualified to be allowed autonomy. The situation of conflict and tension between a public enterprise and the administrative ministry should be avoided. Apart from the confidence and suitability of a chief executive, a sure test is the degree of autonomy he in turn allows his subordinates. Autonomy implies continuity of command, sans conformity. The degree of discretion which you seek for yourself should be reflected in what you permit others. A basic tenet of autonomy is trust, whether in a Marwari business house, or in a multinational. That trust is tested and strengthened by application of professionalisation to result and/or objective orientation.

It is undoubtedly necessary as a first step that professionally competent persons be selected to head public enterprises. Managerial competence and potential is no less important than technical knowledge of the industry, technology or products of the enterprise. In fact

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2. Maier, N.R.F., 'Psychology in Industry', Houghton, Boston, 1955, pp.172-173.

one needs more of managerial expertise and talent and conceptual skills at the top level than technical skills. The Public Enterprises Selection Board has been constituted for recruiting the top management for public enterprises. However, it has not been able to establish the sort of credibility which, for instance, the Union Public Service Commission has. This is a point what was referred to amongst the recommendations of the National Convention of Public Enterprises. It may perhaps be necessary to go one step further than elevating the PESB and giving its status of prestige of UPSC. There is much more at stake perhaps in the public enterprises than in many ongoing administrative systems. The elements of risk and uncertainty when trying to break new grounds, cope with challenging market situations or meeting crises come much more into play. The selection processes have to be progressive as well as commensurate with the realities. Position descriptions have to be worked out in adequate detail so as to highlight the characteristics of the type of person who can take up the challenge apart from mere qualifications and experience. It may be necessary to incorporate certain types of tests in the selection procedure designed to assess the desirable personality attributes and characteristics.

The concept of economy will remain a mute and academic one until and unless the initiation and reciprocation starts from the top i.e. the Parliament and administrative ministries. While we are taking up the question of professionalisation and responsiveness of the top management of public enterprises, it is equally important



to take up the question of the acceptance of the concept at the level of the administrative ministry. The functional reporting - to put it in the organisational jargon - of the chief executives is to these ministries and departments. It is not very clear what type of expertise is available in these bastions of power and authority. What type of norms are applied by the administrators in evaluating the performance of public enterprises? What type of guidance, reprimand and direction they are capable of giving the top management of public enterprises?

The working relationship between an administrative department and public enterprises attached to it depend a great deal on the type of leadership in the department, apart from the basic prerequisites of knowledge and managerial skills. If the secretary of the department possesses these characteristics as against administrative style in the narrow sense of the term, the emergence of a progressive culture is witnessed. At the same time it must be emphasised that we are not recommending a technocratic type of culture, say of the Soviet model, when the minister himself may be a specialist. A competent manager, the secretary of the department will have the capacity of acquiring relevant basic knowledge of the product/service, the industry and the market and related systems which the enterprises under his administrative control are concerned with. Such a secretary is able to inspire his team of joint secretaries, directors and deputy secretaries who are directly involved with the top management of public enterprises under the administrative control of the department and develop a healthy working relationship. In this type of culture

autonomy becomes an accepted tenet. The enterprises have a free hand in developing their plans and perspectives and solving the problems. In fact this type of management culture implies such less reference by efficient and well run enterprises. Quite appropriately enterprises which have more problem to thrash out are frequent visitors to the corridors of power.

It may be worthwhile digressing at this stage to see what types of enterprises fall in the latter category of likely problem enterprises. There is a high probability of sick units taken over by the Government being in this category. Additionally, there may be other enterprises which for a variety of reasons, are running into problems and need frequent consultation. This raises the basic issue of the reporting arrangement of chief executives of public enterprises. It seems to make some sense if the chief executive of former sick enterprises report to the administrative ministry. The decision for take over let us say, has apparently been forced on the government in order to salvage investment in such enterprises and/or to protect employment. Therefore, the involvement of the ministry on a continuing basis for consultation and direction appears appropriate - at least until the enterprise is out of the wood and has established itself.

What rationale is there for chief executives of the bulk of public enterprises having to report to administrative ministries? These ministries and departments have a variety of functions to

perform and in respect of the dealings with business and industry they have responsibility both for private sector and public sector enterprises. They have over a period of years and as an inheritance of the past developed a certain style of administration which has adopted perhaps only marginally to the broader issues of business decisions. The personnel involved are from the civil service cadre who are expected to possess an all round administrative capacity. Given time and a sense of commitment they should surely be in a position to pick the threads and impart proper guidance to the management of public enterprise.

They usually do not have this time either in terms of duration of their tenure with a ministry or the time they need to do a proper job of their responsibility to the public enterprise management. One director (a position between the ranks of deputy secretary and joint secretary) in a ministry, for instance, has the responsibility for nine public enterprises, in addition to six other industry related portfolios. Furthermore, in order to really practice their management skills cultivated by virtue of their superior mental make-up, knowledge, experience and commitment they also need support systems in terms of fact finding and analysis. The well meaning and well oriented top government officials consider the lack of these systems a serious handicap to their efficient functioning. Therefore, the whole exercise of supervision may often become erratic. There may be few undisputable guidelines available either to administrators or managers.

It may be relevant to point out that there was considerable rumbling of discontent amongst chief executives of public enterprises on question of autonomy vs. interference. A working group comprising of top executives of public sector undertakings in Bihar accused the government of interference and demanded that if the corporations are to deliver the goods they should be made truly autonomous. Further, they felt that their so called autonomy was only notional.<sup>3</sup>

The Industry Ministry, at the instance of the minister then, George Fernandes, took the initiative in calling a meeting of chief executives of 33 public enterprises under its control and assured them of 'total autonomy in the working of their undertakings'. This was intended to be a step in the direction of curtailing the departmental interference. State governments were also advised to allow greater autonomy to their public enterprises.<sup>4</sup>

The Report of the Study of Team of the Administrative Reforms Commission on Public Sector Undertakings (June 1967) ~~contains a major reference to the material both in the form of analysis and substance in the~~ recommendations made therein. The report deals with the question of autonomy in its comprehensive coverage of the subject. It refers to ~~three~~ forms of public enterprise i.e. departmental undertakings, government companies and public corporations. It is the latter two

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3. Economic Times, 30 April 1978.

4. Economic Times, 24 May 1978.

categories we are primarily concerned with. It is significant to note that many witnesses who appeared before the Team opined that government companies which were expected to combine the benefits of two systems of State management and private enterprises, have merely accumulated the drawbacks of both. The nomenclature of government companies include most public sector enterprises, while Indian Airlines, LIC, Central Warehousing Corporation, Food Corporation of India, Air India are amongst the public corporations.

The ARC study team report has examined in detail the question of the terms of incorporation of government companies vis-a-vis public corporations and the composition of boards of directors. The concluding observation on this issue is that either form can provide for flexibility and autonomy. The experience of several countries such as Canada, France, Italy, the UK and the USA with both types of public enterprises is instructive in this respect. It is not so much the form of incorporation which matters as actual procedures and practices which prevail. The only other system in operation is in Italy when two large statutory corporations viz. ENI (Ente Nazionale Idrocarburi) and IRI (Istituto per la Ricostruzione Industriale) were set up and these in turn control the operating units and sub-holding companies. The ARC team came out strongly in favour of industry oriented multiunit corporations in India which may report to the concerned ministries. This step, they felt, would be conducive to efficient functioning of enterprises and permit them required degree of autonomy. The proposed corporations could take up policy issues with the Government.

The above recommendation has, however, not been accepted although integration exists in industries like steel and coal. On the other hand, the Central Government decided to split the Fertilizer Corporation of India into four independent companies in early 1978. This was apparently in response to the political pressures apart from considerations of physical distribution logistics. It must be appreciated that marketing orientation has been a somewhat neglected feature of setting up of public enterprises as indeed in the entire approach to macro-economic planning. There are two major facets of marketing orientation. Firstly, it is a question of being responsive to the environment and changes therein rather than assuming a captive market, particularly for all the time. Secondly, the marketing outlook necessitates collection of relevant data, reviewing and updating it and making use of it in planning - forward and current - and evaluation. This also explains to an extent why a vital issue like autonomy keeps on coming up for debate and discussion every now and then without a clear sense of direction ever emerging on the matter.

The question is not one of degree of authority as the term partly implies. Autonomy enables a manager to respond promptly and purposefully to a variety of situation and problems. The need for seeking approval explicitly or otherwise curtails initiative and saps up the sense of commitment. In a comprehensive analysis of various factors to which inadequate or poor performance of public

enterprise may be attributed to skills, structure, systems and the management and motivational factors will possibly emerge supreme. The public sector is somewhat insulated from a number of pressures and drawbacks which apply to the private sector. This is true, for instance, of the provision of infrastructure facilities, the question of pricing, provision for uncovered losses, new investments and so forth. Whatever may be the appropriate norms for evaluation of the performance of the public sector it should do well in relation to any realistic targets.

It may also be appropriate to have an operational perspective of the role of the Parliament as the overlord of public enterprises. In principle there is little to dispute the ultimate supremacy of the Parliament (or the State legislatures) in this matter. In practice, however, the questions in the Parliament are considered irksome not only by the concerned enterprises but also by administrative ministries. During the course of a very recent study in respect of interaction between a Central Ministry and the public enterprises under its administrative control, a very pertinent observation came up repeatedly. This particular department during the recent years had developed a definite culture of permitting and encouraging the practice of autonomy amongst the enterprises under its charge. The environment of mutual trust which had developed between this department and its enterprises was helpful in providing the latter a certain degree of protection from those questions in the Parliament which may not be very constructive in intent and purpose. It was also

mentioned by the top officials that poorly performing enterprises were likely to elicit less probing while the better performers invited more scrutiny. The prompting for questions could come, for instance, when someone had an axe to grind.

We may refer back to the basic premises namely that trust in the concerned managers is at the root of autonomy - autonomy in its correct perspective. The elaborate selection procedures should bring forth the right sort of executives. An expression of confidence in these executives and allowing them a reasonable tenure in an enterprise are the two pre-conditions of this effectiveness. A responsive and understanding administrative ministry can get good results out of these executives by allowing them the required degree of freedom and flexibility in running the enterprises. A major incentive, prima facie of the negative type, which such a ministry can provide to these executive is shielding them from the glare of adverse publicity and inspired Parliamentary questions. The situation remains basically fragile and unstable and not many chief executives may enjoy this type of support from the controlling ministries. This is all the more unfortunate considering the fact that many of these executives in India will be of a higher calibre than in several less industrialised countries and also some developed industrial nations. We take certain degree of satisfaction in putting them in a straight-jacket and then blame the public sector for unsatisfactory performance. Although traditionalism is a major feature of Indian thinking and action, there is an inbuilt resistance in letting some



healthy traditions develop in respect of autonomy of the top management of public enterprises. It will never be possible to have extremely elaborate guidelines on autonomy. A lot of adjustment and even trial and error - an essential part of the process of learning - may be necessary.

There is yet another basic premise which needs to be examined. The government also has the responsibility of looking after the overall interest of private sector enterprises. That is the basic tenet of the mixed economy. Therefore, a department which functions judiciously should not give a step-motherly treatment to the private sector. The concerned department has the aggregate responsibility for assuring that proper contribution to development effort is forthcoming from both public and private sectors. If so, is it most logical for the ministries to have same type of links with private enterprises as with the public enterprises they are concerned with.

Apart from the administrative ministry and the financial adviser (deputed by the Financial Ministry) attached to the Ministry, other governmental organisations directly concerned with public enterprises are the Planning Commission, Ministry of Finance and the Bureau of Public Enterprises. Moreover, in respect of approval of investment projects the concerned officials of the Public Investment Board and the Expenditure Finance Committee are also involved for investment or above Rs.5 crores and Rs.1-5 crores respectively.

The observations made by the Estimates Committee of the Parliament in their Fiftysecond Report (Third Lok Sabha) regarding the need for setting up a centralised coordinating unit for undertaking continuous appraisal of public enterprises and providing them policy and overall guidelines led to the setting up of the BPE. A new Parliamentary Committee on Public Sector Undertakings (COPU) was also set up to make a detailed review of selected public enterprises periodically. The COPU started functioning in 1954. It is worth noting that during the same period of their existence the reports of the COPU have been found largely objective and useful in some measure by government officials. This observation contrasts with the adverse opinion regarding the utility of questions in the Parliament. The BPE has been unable to make an impact with regard to its function of assisting the Parliament and the Government in the appraisal and evaluation in managerial terms i.e. providing leads for corrective action in developing future strategies.

It must also be appreciated that public enterprises are here to stay irrespective of the political configuration of the government in power. The change in the ruling party at the Centre for three years has confirmed the basic premise that public enterprise will continue to be viewed primarily as the means of promoting industrial and economic growth. There could be marginal changes as regards which industry, product or services the state should get involved with or

which sick units to take over or not. There may also be a distant possibility, let us say, of handing over some public enterprises to the private sector. However, one can envisage no major change in the massive base of investment of over Rs. 18,000 crores of nearly 150 companies (as on end-June 1980). The focus should, therefore be on getting the contribution from this huge investment as well as achievement of broader social objectives.

The present government seems to prefer control and accountability to allowing further autonomy to public enterprises. At the same time it was pointed out that a fair degree of autonomy has already been granted to them in respect of their investment proposals and revenue budgets, provided they do not need financial support from the government for their expansion programmes or for meeting deficits.<sup>5</sup> Acceptance of autonomy in respect of such financial decisions is certainly encouraging. This will obviously apply to the enterprises which are performing well and hence need less dependence on government's financial resources, and by implication on government's managerial and administrative resources. It is, however, the latter aspect that is more important for a long term perspective. It also gives rise to a tangible hypothesis that only weaker enterprises need close guardianship of administrative ministries. Would it not make sense

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5. Economic Times, 10 November 1980.

to allow public enterprises to have a minimum of direct administrative control unless they have special problems or come to the fold of the public sector as sick enterprises. K K Khanna makes a strong case for allowing public enterprises to make their own decisions - right or wrong - having placed competent men in the driving seats.<sup>6</sup> It is worthwhile considering means of evolving modus operandi for that.

The ARC study team report has recommended setting up of industry level public sector corporations which in turn would control the public enterprises. These corporations, however, will remain under administrative control of ministries, albeit to deal primary with policy matters. The root of the problem perhaps lies in this reporting arrangement to ministries. The system of administrative control is more a matter of conventional convenience. It has been made amply clear in the foregoing analysis that this system can be effective only when the managerial configuration of the administrative department is businesslike. Why should the public enterprises for that matter remain outside the purview of another administrative agency, Monopolies and Restriction Trade Practices Commission? The Chairman of the Commission has repeatedly suggested that these enterprises should at least be subject to provisions of restrictive trade practices. There is surely an anomaly in the whole system and this should be removed.

One possibility deserving serious consideration is the creation of an agency of the status of the Union Public Service Commission as the trustee and the manager of public funds earmarked for and

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6. Khanna, K K, "Public Sector : Patterns of Decision Making", Economic Times, 19 November 1980.

invested in industrial development. This agency may take charge only of government companies, registered as public limited companies, while departmental undertakings and public corporations may retain their present status. Such an agency could also incorporate the functions of the Public Enterprises Selection Board. It may not be necessary to retain the Bureau of Public Enterprises in its present form. Some of its functions based on the expertise it has developed may be performed by "administrative" ministries for the purpose of evaluating the contribution being made by the public sector as well as the private sector in the concerned industries. The proposed Public Enterprises Commission should be staffed by high level professionals or for that matter administrators turned professionals; the latter must, however, have terminated their links with their service cadres. Only such an organisation can do justice to the challenging task of overseeing the massive investment of resources with a certain degree of objectivity and expertise. It must have the authority of not only appointing but also dismissing non-performing chief executives and other top managers. It may also decide to consign those units to the care of an administrative ministry which need greater supervision or bring with them a legacy of problems as sick units.

The creation of the proposed high level professional agency will take the issue outside the realm of petty politics and subjugation to bureaucracy and bring in a greater measure of professionalism and autonomy. The Parliamentary Committees, like COPU, may continue with their present function and must have full access to the information

they seek from the enterprises they wish to study. Perhaps many more such studies and with a greater frequency will be required to be undertaken. The Parliament may wish to confine its probing as a part of the routine business of the house to policy matters. The existing procedures for scrutiny and approval of project and investment proposals through the Planning Commission and the Public Investment Board and the Expenditure Finance Committee may continue, so that justification for securing public funds remains unaltered.

We, in our country, have somehow become over-dependent on systems rather than on practices and traditions. What is, therefore, needed is a basic reorientation of the system if we want to see public enterprises fulfilling their obligations. This system may at a later stage be extended to or adopted by states as well where the lack of autonomy and professionalism may even be more marked. A major advantage of this approach may also be seen in attracting the right type of managerial talent to the public enterprises and giving them the much needed autonomy. It will also help the administrative ministries develop a proper perspective for getting the best both out the private and the public sectors as one should expect in a mixed economy.