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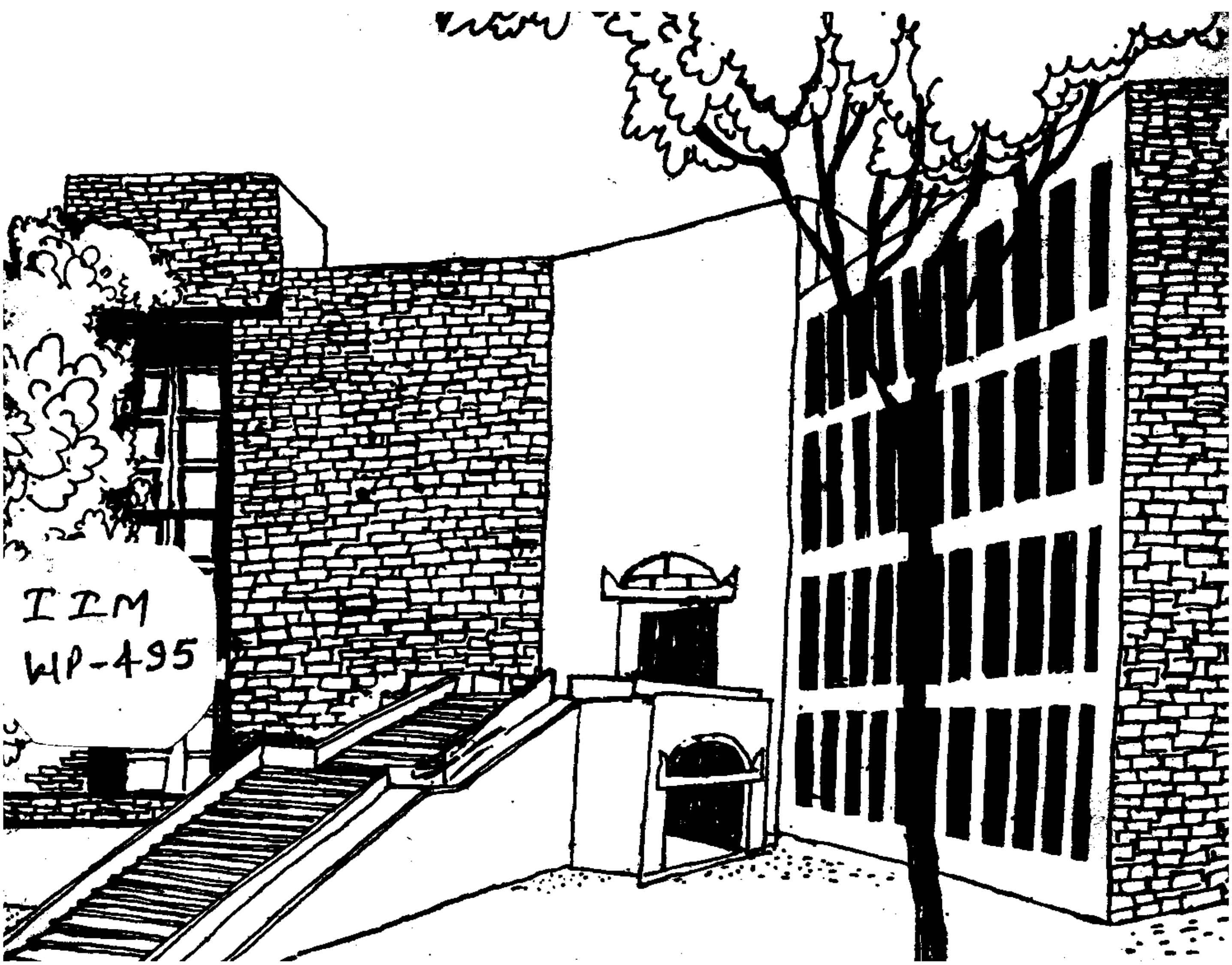
Working Paper



A SURVEY OF RESEARCH IN BUSINESS POLICY IN INDIA (1970-1982)

By

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W P No.495

February 1984

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.

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AHMEDABAD-380015
INDIA

A Survey of Research in Business Policy in India (1970 - 1982)

K. R. S. Murthy*

1. Introduction

For the purposes of this survey, Business Policy is taken as the study of how chief executives and general managers, with responsibility for several functions or businesses, shape and accomplish organizational purposes, policies and objectives.

To determine what research has been done in India on this subject, we surveyed relevant articles and books published between 1970 and 1982. A list of journals scanned for identifying articles on the subject is given in Appendix 1. In addition to this search, which mainly provided sources of articles, catalogue cards in the Vikram Sarabhai Library of the Indian Institute of Management, Ahmedabad, (IIMA) were scrutinized for relevant book titles. Besides these two sources, the bibliographies developed in the surveys of Research in Organizational Behaviour and Marketing were scanned to include those functional area studies that related closely to the general manager's job. A few IIMA faculty in these two areas, as well as in Economics and Finance, were consulted for studies throwing light on the general management function.

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* The author would like to acknowledge the valuable contribution of Mr. S. Mani Kutty, doctoral student in the Business Policy Area of Indian Institute of Management, Ahmedabad.

The support of the ICSSR and IIMA for the preparation of this survey are gratefully acknowledged.

A distinction had to be made between articles and books indirectly relevant to a chief executive's job from those dealing directly on the subject of Business Policy as defined above. While such distinctions were not always clearcut, failure to distinguish them altogether in a survey of Business Policy research would have led to duplication of similar surveys in functional areas.

Our coverage is necessarily not exhaustive. Generally, studies based on empirical data (statistical or case-study based) were included almost without exception. Experience-based accounts of practitioners that added insights of relevance to researchers were also included.

2. Empirical Studies

The empirical studies are described under the following nine themes:

(1) Industrial Analysis

(2) Business Growth and Diversification

(3) Leadership

(4) Managers and Decision-Making

(5) Finance

(6) Turn around strategies for sick units

(7) Technology transfer

(8) Transnational investments

(9) Public enterprises.

A complete list of all books and articles, with annotations, is given in Appendix 2.

2.1 Industry Analysis: Three studies have been included under this theme - Aggarwal (1980), Das (1981) and Vathsala (1980). Vathsala's was the only one which used the Business Policy framework; the other two were statistical and investigated the economies of scale in industries.

Vathsala (1980), studied the developments in the Indian oil industry and the strategic role played by the Government of India. She found that what appeared as ad hoc decisions of the government fitted into a pattern when the country's strengths and weaknesses at the time decisions were made were juxtaposed with the opportunities available.

Aggarwal (1980) studied the economies of scale in seven industries: cotton spinning and weaving, cotton spinning, jute textiles, paper and pulp, sugar, cement and aluminium. He found that scale economies existed. There was a tendency towards larger-sized firms due to their higher profitability.

Based on enterprise-specific cost data, Das (1981) compared the costs of a small-scale and a large-scale unit in manufacturing electrical ceiling fans and found that the cost advantage of the latter was quite negligible.

Studies of industrial organization and the organizational response to the changing structure in Indian industries are important to understanding general management. Industry studies described above do not approach the problems from the point of view of the general manager. Empirical studies are needed that analyze the alternatives general managers face and how they match organizational resources with identified opportunities in their industry environment. Studies that contrast successful and unsuccessful approaches of managers in specific industries are conspicuously missing.

2.2 Business Growth and Diversification: Of the six studies included under this theme, only one /Ranjan Das (1981)/ was field-based and addressed the question of how managers approached government regulation and diversification. Nambudiri (1971) conducted a questionnaire survey of corporate planning practices. The remaining four (Balakrishnan et. al., 1980; Chaudhuri, et. al. 1982; Khurana, 1981; and Chandra, 1981) were aggregative and statistical in nature, relied on secondary sources and assessed the extent or impact of legislation on the growth of different houses or sectors.

Ranjan Das (1981) in his doctoral dissertation studied how one Indian subsidiary of a multinational company diversified. He has proposed a 'process model' of diversification. He identified three phases in the diversification process - identification, operationalization and consolidation. He points out that the general management skills needed in each phase vary, with implications for effective management.

Nambudiri's (1971) survey of 23 private sector companies showed that while financial plans were detailed in almost all companies, a sizeable number did not develop plans for technology acquisition or research and development thus leading one to suspect that the growth strategy was not backed by adequate planning.

The study by Balakrishnan et. al. (1980) compared the growth strategies of the houses of Tatas and Birlas up to 1977 and found them quite different. In spite of different strategies, both achieved good growth rates. But the growth rate and the diversification index of Birlas was found to be higher than those of Tatas. Birlas were able to take advantage of the licensing system.

Chaudhuri et. al. (1982) assessed the extent of diversification in Indian companies. They developed an index of diversification and found that diversification as represented by this index had increased over time in response to the policies of the government.

Based on published sources, Khurana (1981) studied the impact of the Monopolies and Restrictive Trade Practices Act on the growth of large business houses and concluded that the Act had very little impact. Business houses could follow their own strategies of growth or acquisition, notwithstanding the licensing machanisms.

Broadly in agreement with this view is the study by Chandra('81) who found that the share of monopoly houses in the private corporate sector had not declined over the period 1951 to 1976. Due to the expansion of the public sector, the share of monopoly houses in national wealth had, however, declined.

Considering the extent of diversification that has taken place in the last decade or so in India, these six studies do not provide a complete picture of the general management problems in planning growth or diversification. No attempt has been made to arrive at an appropriate classification of diversification strategies that bring the general management differences into sharper focus.. Chaudhuri et. al. use Rumelt's classification scheme.(1) Rumelt's classification is based on relatedness of business in the U. S. context. In India, in-house technology has not motivated growth to the same extent nor do market forces play the same role. The firms acquire technology mostly from abroad, and entry into businesses is restricted; sectors are demarcated and regulated by the Government. The implication of these for classification and diversification strategies need examination.

Das proceeds to give a process model without examining these Indian conditions. The extent of diversification achieved by the company he studied is not also assessed. The underlying model he has used is largely derived from studies of U. S. organizations.(2)

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(1) Richard Rumelt, Strategy, Structure and Economic Performance, Boston: Division of Research, Harvard Business School, 1974.

(2) For example, Joseph L. Bower, Managing the Resources Allocation Process: A study of Corporate Planning and Investment, Boston: Graduate School of Business Administration, Harvard University, 1970.

Growth and diversification strategies in India have to be studied with 'groups' or 'houses' as the basic strategic units; there are very few large independent companies. The resource allocation processes of groups and their relations with governmental administration, are not adequately researched. The implications of these to the job of the professional general manager in these groups or houses need study.

2.3 Leadership: Studies of organizational behaviour in India are many. Five significant studies have been selected here based on their empirical content and relevance to top management.

Maheswari (1980) has written on Management by Objectives (MBO) and his experiences in implementing MBO in several Indian public and private sector organizations. As in other countries there were both successful and unsuccessful experiences. Maheswari highlights that the factor that explains success of MBO the most is top management's willingness to pursue the participative style of decision making, which underlies MBO.

Sinha (1980) questions the universal application of participative style. Since subordinates in India appear to display a need for dependency, Sinha argues that a "nurturant task leadership style" is likely to be more effective under Indian conditions and proposes a model of a "nurturant task leader". A nurturant task leader is pragmatic in task orientation and follows a personalised, nurturant relationship with his subordinates. Based on his extensive studies as well as experiments, Sinha proposes his nurturant task leader model as an intermediate step until the organization is ready for a fully participative style.

Dayal (1977) focuses on the implications of the differences in the cultural traits of Indians vis-a-vis Westerners such as on the need for nurturance and personalised relationships. Based on three case studies, he highlights how top managements in India rarely take their decisions based on data, preferring to go by experience in an ad-hoc manner. He concludes that different methods of organizational development are required in India as compared to the West.

Khandwalla (1980) points out that managerial styles in India vary enormously not only between different 'houses' but even among different firms within the same 'house'. He underlines the need to research indigenous styles as they are found to be more effective in the Indian environment.

Bhattacharya (1981) provides an outline of his approach to organization design and the preconditions for effectiveness in changing the structure.

Studies in the organizational Behaviour area appear to be crystallizing on the characteristics of effective leadership in the Indian context. The implications of size, task characteristics or socio-technical systems on nurturant task leadership need to be researched as also the problems of professionalising family business.

2.4 Managers and Decision Making: Six studies have been included in this section on the characteristics of the top managers and their decision making structures in India.

Subramaniam (1971) found that a majority of Indian managers belonged to higher-caste-upper-middle-class families, were mobile (working in a state other than their birth state) and education conscious.

De (1974) in a comparison of Indian and Western managers found that Indian managers were alienated from society, had little faith in their subordinates' capacity to take responsibility and believed that one has to be compromising in methods to get ahead.

Roy (1974) studied the attitudes of the Delhi elite towards the public and private sectors. He found that the perception of the public sector was unfavourable in terms of its present and potential efficiency.

Sharma (1975) studied the composition of the boards of directors of 174 companies at the time they raised fresh capital through a public issue. He found that family domination on the boards did not vary by siz e or stage of enterpreneurship of the promoters.

Krishna Kumar (1979) focused on the differences in the general management function among the private, public and multinational sectors in India. He found significant differences among them in their use of strategic variables (objectives, strategies and style), structural variables (structure, delegation, planning and control), and motivational variables (need satisfaction, instrumentality of efforts and climate).

Sengupta (1974) studied the evolution and dissolution of the managing agency system. He gives an account of the growth and decline of the managing agency system. Even so, it does not provide a reasonably clear picture of the corporate management in India during the sixties.

These studies do not give any picture of the general manager or his functions. There do not appear to be any themes around which researchers can build. There appears to be no unifying theme such as how micro level decisions of managers fit in with government policies or how managerial decisions can be related to organizational effectiveness.

2.5 <u>Finance:</u> As in behavioural studies, financial studies were abundant, but those of direct use to top management were few. Four studies on finance concerning the capital market and shareholders are included in this section.

Gupta (1973) studied dividend and price effects of bonus share issues. He found that an undue delay between announcement of bonus issue and dividend led to undesirable speculation on the share in the stock market.

Gupta (1981) found that the rates of return on equities to long-term investors were in many cases below what could be obtained on bonds. Top managements, he recommends, should note the instability inherent in such a situation.

Khan (1978) analysed the sources of finance for companies. He found that capital issues accounted for only about fifteen per cent of the total increase in capital employed over the period 1962 - 1973. Easy credits from the banks, even during unfavourable conditions, and a lenient view on defaults had contributed to an institutional lacuna in the supply of risk capital.

Prasanna Chandra's (1977) major finding was that dividend policy rather than size or growth were the main determinants of a company's share price.

Public sector financial institutions have been a major source of finance for business growth. Their financing and monitoring criteria are administrative and not market-based. The implications of these on the behaviour of corporations had not received adequate research attention. Research has not helped to elaborate the contractual and moral obligations of the parties involved. While the convertibility clause insisted upon by financial institutions has been a bone of contention, its scope and impact has not been researched adequately.

2.6 Turn around Strategies: Three studies have been included under this theme - Prahalad and Thomas (1977), Khandwalla (1981) and Satyanarayana (1979). Prahalad and Thomas' study is based on a study of one public sector organization and one chief executive, using the Business Policy framework. Khandwalla studied nine organizations in private, public, and multinational sectors. He evolves a model for turnaround strategies. Satyanarayana's study is statistical in nature and provides a financial model to predict sickness.

Prahalad and Thomas (1977) studied the turnaround of Hindustan Photo Films under the chairmanship of Mr. M. K. Raju during 1972-76. They point out the elements involved in the process-pursuit of short-term results by concentrating on highly profitable segments, morale building, gaining the support of internal and external stakeholders and infusing a sense of purpose in the organization. The article leans heavily on earlier research in the U.S. The case study is used illustra tively to develop propositions rather than as an aid to develop new approaches to the subject in the context of development or technology acquisition. It proceeds on theories based on financial performance, appropriate to private sector in competitive environments.

Khandwalla's study, based on the turnarounds of nine organizations, five in public sector, one a multinational and three from the private sector, found a number of common elements in successful trunaround strategies - identification of quick pay off opportunities, mobilization of rank and file, effective articulation and giving challenging jobs to subordinates in whom great trust was placed. It seeks to break fresh ground by critically examining the Western behaviour and evolving a model suitable in our context.

Satyanarayana (1979) derives a discriminant function to predict corporate sickness, using five financial ratios as predictors: working capital/Total assets; Retained Earnings/Total Assets; Earnings before Interest and Taxes/Total Assets; Market values of equity/total debts; and Sales/Total Assets.

Though the studies seek to tackle a question obviously so vital in Indian context, they fail to provide a complete picture of what constitutes effective turnaround strategy. The studies do not combine the technical, economic, managerial and situational considerations. Research has to cover more ground by studying different organizations under different conditions.

2.7 Technology Transfer: Considering the importance attached to this area at the firm, national and international levels, empirical research to general managers are discussed.

Carlsen and Neerso (1973) examined the motivations of Danish and Indian collaborators. They found that the most of the Indian parties involved did not search for alternative sources of technology and did not investigate the harmful effects of trade restrictions. The authors point out the possibility of illegal capital exports as a motive for Indian collaborations. Danish firms were motivated by the desire to defend their export interests, resisted local R & D, and did not often exchange know-how on innovations called for in the agreements. Although, the authors did not evaluate the extent of or problems in technology transfer, the motivations of the collaborating parties raise questions on whether technology transfer was a significant factor in the collaboration agreements.

Chaudhuri (1980) researched the linkages among corporate strategy, technology choice, and the manufacturing policies. He studied six firms in the tractor industry: Eicher, International Tractors, Escorts, HMT, Punjab Tractors and Kirloskar Tractors. Chaudhuri found that product market strategy, technology choice, distinctive competence of the firm and organizational resources were matched in the case of high performers.

Gangjee (1980) focused on the interactions between the Ahmedabad Textile Industry Research Association, the technology generator, and the users in the textile industry. He found that when the technology generated arose out of user needs, the transfer was successful.

Alam and Langrish (1981) found significant differences in technology transfer agreements of multinational and non-multinational U. K. firms with Indian firms.

Especially useful from a manager's point of view are questions on how to organize for (i) appropriate choice of technology, (ii) negotiations with the collaborator, (iii) financing and collaboration terms, and (iv) effective transfer and development. Considerable experience must be available with individual managers. Research is needed on these aspects for building a proper conceptural framework and to help those embarking on such activities without the benefit of experience.

2.8 Transnational Investments: Although multinationals are researched and written about extensively abroad, firm-level studies in India appear to be very few. Eight studies have been included covering both foreign investments in India and Indian investments abroad.

Desai (1979) studied 20 U. S. corporations in India. He found that many U. S. corporations decided to continue business or invest in India not so much for the profit *per se*, but for fear of losing a large market. The price for technology was not based on returns on investments. The financial performance varied greatly among the firms, with the initial choice of technology being a major factor in explaining performance.

Markenstein (1972) evaluated the impact of six Swedish majority-owned companies operating in India. He found that government's policies had limited effectiveness on the behaviour of these companies. The companies managed to get government permission for majority ownership, though they brought no new technology and, in fact, replaced local production.

Kacker (1974) studied the marketing adaptation of U. S. firms in India to Indian environment. He found that promotion and distribution were adapted more often than product or pricing.

Although comparatively small, Indian joint ventures abroad have attracted a more-than-proportionate share of attention from researchers. Encarnation (1982) based on his doctoral dissertation on Indian joint ventures abroad concludes that home market constraints on growth have pushed Indian MRTP companies to look for avenues abroad.

Wells (1981) found that Third World firms had done well on their investments abroad in spite of competition. Their main advantage was in their technology which was adapted to the local needs.

Balakrishnan (1976) analyses the patterns of Indian joint ventures abroad, by region and industry. He points out the relevance of such ventures to the Third World countries because their technology was adapted for low-volume production.

Lall (1982) found that India has emerged as a major exporter of technology and even capital among the Third World countries. This was possible due to the "know-why" skills acquired by the firms, the technology imports being quite restrictive. Indian investments have covered a wide variety of industries overseas.

Paul (1979) discusses the need for developing countries to frame policies with respect to transnational corporations that are flexible enough to cope with differing bargaining strengths of TNCs given the global industrial structure.

The management of transnational companies and their response to government policies need to be researched much more than has been done so far. Available literature is largely from the perspective of the foreign investor. Studies from host country perspectives lack adequate empirical base. Policy makers have to be aided by in-depth research. For example, no research study was available on the response of foreign companies to the Foreign Exchange Regulation Act. Several questions can be suggested for research. Has India gained from its case-by-case pragmatic policy on multinationals? Can the government's policies be adapted to a greater extent to the techno-economic considerations in different industries? The technological benefits to the country from the multinationals vis-a-vis their effects in inhibiting local research has troubled many scholars. Research needs to be undertaken on these questions.

2.9 Public Enterprise: The research themes discussed above are relevant to public enterprises also. However, public enterprise poses an additional set of questions for students of Business Policy. Their control by government bureaucracy and the political system creates a totally different context for their operation. It is difficult to conceptualise the general management function in public enterprise in the case of these control systems and in conjunction with their gigantic size and technical and organizational problems. Besides, public enterprises are fewer in number and each enterprise tends to be unique. While much has been written on public enterprise, research on top level managerial problems has been quite inadequate.

Kulkarni (1979) based on his study of the State Trading Corporation shows how government-enterprise relationships diffuse the job and responsibility of the public enterprise executive. He also shows how financial performance by itself, irrespective of other objectives of the enterprise, comes to determine the firm's reputation.

Khandwalla (1982), however, shows how successful enterprises utilize their relationships with the Government to gain advantages for themselves. He points out the other determinants of success, like a well-designed structure, professionalized management, and a participative, dynamic and risk taking style of management.

Gadhok (1980) reviews the working of the Committee on Public Undertakings from 1964 to 1977 and finds its impact, on the whole, to be beneficial.

Basant Raj (1977) traces the complexities of government investment decisions, and finds the preparation of feasibility reports at the firm's level rather unsatisfactory and the delays in processing quite enormous.

Passing from control to structure, Laxmi Narain (1981) compares the top management structure of five big public enterprises. He found considerable differences in their structures and the degree of centralization.

Performance of Public enterprises, and the problems faced by them have engaged greater attention. Jai B. P. Sinha (1973) compares a colliery and steel plant in the public sector with their counterparts in the private sector. He found that public sector inefficiency was attributable to structural causes like lack of responsibility for results, political interference, bureaucratic delays and a poor reward system.

Laxmi Narain (1973) surveyed the reward and motivation systems. He found that the main problem of motivation lay in lack of a sense of accomplishment and recognition of good work.

Sampangiramiah (1978) found that many of the problems faced by public enterprises are inherent in the nature of the public sector.

Khurana (1972) compared the industrial relations in the public and private sector at an aggregate level. He found that public sector registered a relatively better performance on the criterion of industrial conflict, despite its cumbersome and bureaucratic procedures in grievance settlement, personnel and industrial relations.

Murthy (1982) provides a framework based on studies of several public enterprises in the world, including Bharat Heavy Electricals Ltd. and Hindustan Photo Films (HPF). He proposes an evolutionary model of strategic management in public enterprises. Public enterprises start with imbalances between their value and economic aspects and have to strive for a balance in an external political context. He argues that a balance can be achieved at the enterprise level.

The ability to achieve a balance may depend a great deal upon the market according to Ramamurthi (1982). He studied two public enterprises Bharat Heavy Electricals Ltd. (BHEL) and the Heavy Engineering Corporation (HEC) for his dissertation submitted to the Harvard Business School. Both were set up a more or less the same time, had large comparable investments, and were crucial to the economy. Ramamurthi concludes that differences in the markets faced and the tenures of the chief executives determined their vastly different courses.

3. <u>Practitioners' Writings</u>

Senior managers and administrators, in their writings, provide insights on the problems they faced and how they handled them. Selected articles which bring out the experiences of practitioners were included in this survey. They are discussed below.

Praxy Fernandez (1973), who was Director General of the Bureau of Public Enterprises, bring out how the public enterprises being pioneers in their field face problems different from those faced by private enterprise. He argues that they have to be evaluated differently.

Vinod Parekh, former Chairman of the State Trading Corporation (STC), expresses the need to clarify the criteria and norms for evaluation of public enterprise.

Tandon who was the Chairman of STC and Punjab National Bank provides a view from the top and brings out the dilemmas of a public sector manager.

Krishnamurthy (1977) former chairman of Bharat Heavy Electricals Ltd. conceptualises his experiences of bringing about organizational change in BHEL.

Patil (1971), former chairman of Hindustan Machine Tools gives his experience. He emphasizes the advantages of building from a small size and acquiring technological and organizational skills fully. In his later article, Patil (1981) gives his experiences of the working of the government enterprise inter-face. The government could be a source of strength as also a source of difficulties depending on the personalities involved in both the enterprise and the government. He found the nominees to the Board of Directors from the private sector making valuable contributions. He found that his sustained effort to conduct of the executives of HMT into the Board a pragmatic and useful step.

Ray (1977), who was Secretary in the Ministry of Finance, discusses the linkage of corporate planning by public enterprises with the National Plans.

Rajadyaksha (1975) who was head of the Public Enterprises Selection Board brings out issues in management development for the public sector.

Tulpule (1977), the trade union leader-turned-manager, deals with how the environment in Durgapur and SAIL influenced him as the general manager of Durgapur Steel Plant.

Compared to the public sector executive writing about their experiences, there were fewer experience-based articles written by private sector managers.

Thomas (1978), ex-chairman of Hindustan Lever, provides a useful account of the management of research and development.

Matthai (1977), the first director of the Indian Institute of Management, Ahmedabad, provides an insightful experience-based account of the problems of academic administration in institution building.

Sarabhai (1974) stresses the need in the development context, for continuous education and upgrading of knowledge in the organization.

4. Status of Business Policy Research

Our survey of research in Business Policy in India in the 1970s shows that research in India is yet to come to grips with the job of the general manager. The unique problems he faces in India vis-a-vis his counterparts abroad , need special study. Research can help conceptualise the job of the effective manager in a developing country short of technological and organizational capabilities, and subject to severe infrastructural constraints and sudden governmental policy changes.

It may be useful to consider why there has been a big gap in research in Business Policy although there is a substantial amount of entrepreneurial activity in India. Entrepreneurs are busy entering into foreign collaborations, raising funds, recruiting people and setting up businesses. At the same time, the performance of many units has been poor and industrial sickness is on the rise. Research work in Business Policy does not reflect this activity level.

Several factors may be responsible for the lack of research. Firstly, research in Business Policy requires the cooperation of top management. Top managers in India, as in other countries, tend to be busy and are not eager to be targets of research work. They probably also do not believe that analytical or research-based knowledge would help. Secondly, the number of researchers active in Business Policy questions is rather small. Of the three Indian Institutes of Management, it is only at Ahmedabad that there is a formally recognised Business Policy Area. Even at Ahmedabad, the faculty strength has been less than adequate for a sizable research effort. Many university departments are eager to develop Business Policy areas, but their preoccupation is with teaching rather than research. Thus, no coherent and worthwhile research effort has been made. Thirdly, research in Business Policy requires multi-disciplinary skills and considerable business knowledge. Decision-making processes and judgments of practitioners have to be researched systematically and analytically. Researchers with requisite skills are not easy to come by. Besides, such effort has to be sustained.

It is important, however, to take steps to bridge the gap in research. The demand for capable general managers in India is increasing rapidly and is probably one of the biggest bottlenecks to successful development of organizations. A functional manager promoted as general manager cannot fall back on his past experience. If he does not have adequate concepts to guide his actions, he has to learn by trial and error. Consequences of mistakes at the general management level are costly and good research can help reduce such errors.

A second aspect pertains to the research direction. Research in Business Policy has by and large been based on received theory. Such theory has been developed mostly for the U. S. environment. The approach researchers have taken is to confirm aspects of received theory. This problem was noted in Ranjan Das's work. In Prahalad and Thomas' study also the accent was on confirming known theory rather than building on empirical evidence. There is a trap of circularity in this approach. Both the initial models used by the researcher and the criteria for validating them are derived from received theory. The Indian empirical base is thin. The researcher is in a hurry. As a result research tends to be less insightful of developmental problems. Business Policy is integrative in nature. It is complexity aggregating rather than disaggregating. It is important, therefore, to conduct extensive studies of case experiences that may enable us to question the theories and suggest modifications to improve their applicability to suit our context. For example, SWOT analysis (strengths, weaknesses, opportunities and threats) is routinely taught in many courses on Business Policy. What modifications are appropriate in this analysis in a developing country, where the emphasis is on acquisition of strengths, technology, and managerial know-how? Should learning and negotiation theories be incorporated? Would the conceptualisation of the job of the chief executive change as a result? It would be useful to see how practitioners view their own experience and methods of work. Not only are objective accounts few but conceptualization by practitioners is almost nonexistent.

Research in functional areas is crystallizing on some differences between Indian and American organizational conditions and their implications for managers. Dayal's and Sinha's works are examples. Indian managers are known to have a strong need for dependency on authority figures. Sinha hypothesizes that a participative style of management, considered effective in western studies, is ineffective when the subordinates' dependency needs are high. He postulates that in such a situation a nurturant-task leader who gives clear, strong and explicit orders on tasks but who also shows affection and personal interest in the well-being and growth of the subordinates is more effective than a participative leader. Fresh conceptual and empirical research of this kind is badly needed in Business Policy.

It is interesting that there are practically no research studies in India analysing the structure of the industry and their implications for the general manager.

The structure of many industries is changing with the setting up of new units. More importantly, the government's fiscal and industrial licensing policies influence the structure of industries and sectors - public sector, large industrial houses, foreign companies, medium- and small-scale sectors - more than do economies of scale. The 1970s started with a governmental policy of ushering in competition, preventing monopolistic and restrictive trade practices, and changing ownership of foreign companies through the Foreign Exchange Regulation Act, 1974. The protection to small-scale sector was increased through industry reservations, fiscal and monetary incentives, and preferences in imported raw materials. While the public sector grew in 1960s, the capital stock in the public sector remained more or less around 37 per cent through the 1970s. The regulatory and other environments faced by chief executives in each sector are changing. There is practically no conceptualization of the relevant environment or of the differences in the jobs of the chief executives in these sectors.

The lack of depth and coordination in research in business policy in India may be due to: (i) insufficient understanding of the domain of the business policy area itself, (ii) non-existence of policy as an area of study and research in most of the business schools and universities, (iii) insufficient academic access to top management, (iv) general secrecy and reluctance to share experiences, (v) inadequate number of researchers with multi-disciplinary orientation, and (vi) inadequate attention to the development of a theoretical base suited to our conditions in general.

Given that the purpose of Business Policy research is to conceptualise in a useful manner, the general managers' complex tasks, the marginal returns to empirical research will remain high in the foreseeable future.

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Appendix 1

Journals Scanned for Articles on Business Policy for Inclusion in the Survey of Research (1970 - 1982)

1. Issues of the following sixteen journals over the period 1970-1982 were scanned for selecting articles for inclusion in the survey. Those that appeared to fall within the scope of Business Policy and were empirically based were included. In addition to empirically-based articles, writings of practitioners that were based on their experience were included.

1. ASCI Journal of Management
2. Indian Management
3. Management Abstracts
4. Vikalpa
5. Decision
6. Economic & Political Weekly
7. Indian Journal of Public Administration
8. Indian Journal of Industrial Relations
9. Long Range Planning
10. Lok Udyog
11. Management in Government
12. Management & Labour Studies
13. Indian Administrative and Management Review
14. Business Environment
15. Indian Journal of Commerce
16. Reserve Bank of India Bulletin

2. Another source was the section on Indian management research published in Vikalpa: the Journal for Decision Makers, a quarterly published by the Indian Institute of Management, Ahmedabad (IIMA). The journal has published since January 1974 abstracts of books and articles based on empirical studies, experiences of people involved in the management process, and concepts and theories based on Indian data and environment written by Indian or foreign authors and published in India or abroad. Abstracts for the period 1970 to 1973 have been published separately in two volumes. These two volumes as also the Vikalpa abstracts, were scanned to select those which came within the scope of Business Policy. The journals that Vikalpa scans are:

Agricultural situation in India

Anvesak

Arthavikas

Behavioural Science and Rural Community Development

Capital

Chartered Accountant

Chartered Secretary

Commerce
Communication of Computer Society of India
Decision
Eastern Economist
Economic and Political Weekly
Financing Agriculture
Foreign Trade Review
Indian Economic Review
Indian Cooperative Review
Indian Journal of Agricultural Economics
Indian Journal of Economics
Indian Journal of Extension Education
Indian Journal of Industrial Relations
Indian Journal of Labour Economics
Indian Journal of Marketing
Indian Journal of Social Work
Indian Journal of Sociology
Indian Labour Journal
Indian Management
Industrial Engineering & Management
Indian Journal of Public Administration
Indian Journal of Social Action
Indian Journal of Training and Development
Industrial India
Industrial Researcher
Integrated Management
Journal of the Computer Society of India
Journal of Engineering Production
The Journal of Income & Wealth
Journal of Transport Management
Lok Udyog
Main Stream
Management Accountant
Management and Labour Studies

Management in Government

Management Review

Manpower Journal

National Labour Institute Bulletin

Opsearch

Prajnan

Prashagnika

Productivity

Reserve Bank of India Bulletin

Sankhya

Social Action

Vikalpa

World Development

Yojana

In addition to the above, the following bibliographical source was scanned for titles on the public enterprise relevant to the Business Policy area:

Public Enterprise in India: A Select Bibliography. New Delhi: Budga's Press, 1980. Nayar, M. P., and Kumar, Devendra,

Appendix 2

A Survey of Research on Business Policy in India: 1970-1982

Bibliography

1. Industry Analysis.

Agarwal, V. K. Size, Profitability and Growth of Some of the Indian Manufacturing Industries, Ahmedabad: Indian Institute of Management, 1980 (Doctoral Dissertation).

Agarwal studied the nature and extent of economies of scale in different industries in India and the relative ability of firms of different sizes to grow.

The study was based on published data of 500 companies for the period 1963-72 in seven industries, namely, cotton spinning and weaving, cotton spinning, jute textiles, paper and pulp, sugar, cement and aluminium.

Economies of scale were determined by comparing the data of firms of different sizes (measured by value of output), over a period of time. Systematic differences were attributed to scale economies.

Three independent techniques of analysis were used. In the survivor technique, the trend of market share over time (measured by sales of the company as a percentage of the total sales for the group) was studied for different size classes of firms in each industry. An increasing market share of a size class was taken as an indicator of their sizes being right.

The long-run cost curve method the second used, involved plotting of cost data obtained from financial statements against sizes of the firms to discover a pattern. Agarwal plotted the cost curves for two degrees of vertical integration, defined as the proportion of value added to sales. Cost was regressed, assuming an 'L-shaped' average cost curve (for which the fit turns out to the best), on the age of the firm (used as a surrogate for its technological level) and degree of vertical integration. A least cost size was estimated.

In the third method, size was regressed against profitability of different size of firms. Profitability was interpreted as the ability to expand.

It was found that the larger the size of the firm, the greater was its ability to expand. Another approach using Markov process chain to study the stable distribution after a certain growth period led to the result that firms tended to concentrate on the higher size classes, thus making use of the economies of scale.

Agarwal concluded that monotonically increasing economies of scale existed in all industries he studied, leading to a concentration of firms in the higher size classes. Optimal sizes of firms, as estimated by the first two months, showed broad agreement. The profitability relationship tended to give higher optimal sizes. The values of optimal sizes were found to vary considerably between the industries. The results obtained by different methods for the different industries were:-

S.No.	Industry	Optimal Size (turnover Rs. lacs) Survivorship method	Long Run cost method	Profitability Size regression method
1.	Cotton Spinning and Weaving	1000 - 1300	1000	2500
2.	Cotton Spinning	No inference	700	3000-3500
3.	Jute Textile	950-1300	600	600-1000
4.	Paper and Pulp	700	No inference	No inference
5.	Sugar & Brewery	540-640	700	No inference
6.	Cement	640-700	600	No inference

Agarwal raises the question of the benefits to the economy due to lower costs of production achieved by economies of scale against the disadvantage of monopoly and concentration of economic power.

Das, S. K. "Economies of Scale and Implications for Policy: A study of the Electrical Ceiling Fan Industry" in Bagchi, A. K., and Banerjee, N. (Eds.), Change and Choice in the Indian Industry. Calcutta: K. P. Bagchi & Co., 1981.

The paper compares the cost of production of ceiling fans in the small and large scale industry. The small scale firm had nine employees and produced 300 fans per month as against the large scale firm which had a strength of 1500 employees and produced 50,000 fans per month. The cost data was for the standard 48" sweep fans, and the fans produced in the two sectors were considered by the researcher to be almost identical in performance. It is not clear whether the data pertain to any single unit observed, or is the average of a number of units: nor is it clear as to how or when the data was collected.

The study found that the large scale industry had a cost advantage in materials and labour to the extent of Rs.38.30 per fan, but this was lost on overheads, where the small firm had an advantage of Rs. 35.00 per fan. Thus the net cost of production was less in the case of large scale industry only by about Rs. 3.30 per fan, each of which costed about Rs. 200/-.

The small scale unit, on the other hand, was regarded by the author as supporting more indirect employment (outside the industry), since it incurred greater costs under the head 'outside labour' and 'bought outs'. Therefore, the author argues, the Government should support small scale sector for fans. He goes on to say that the governments, a major consumer of fans, should reduce its standards of quality for procurement to help the small scale sector, since procurement small scale units find it difficult to meet the present quality standards set by the government. The author recommends more excise and sales tax reliefs and marketing assistance such as making available petrol pump outlets for the fans produced by small industry. The likelihood of consumers purchasing fans from petrol pumps is not given much consideration, however.

The author has not gone into some major questions like quality comparisons, comparative life or maintenance costs of fans produced by the two sectors.

Vathsala, S., Indian Oil Industry: A Historical Study of the Strategic Role of Government of India. Ahmedabad: Indian Institute of Management, 1980 (Doctoral Dissertation).

The study found that seemingly ad hoc decisions of the Government at various times regarding its policies towards the oil industry fell into a coherent pattern if the opportunities and threats from the environment prevailing at the time of the various decisions were juxtaposed with the country's strengths and weaknesses. On the contrary/ the discussion showed a remarkable vision of the future and a balancing of long term and short term needs of the country. Each decision had the effect of enlarging the options open to the Government for the subsequent decisions.

The study also found that as the Government moved from a position of weakness to strength, progressively its role and strategy shifted from emphasis on learning to growth and then to innovation.

2. Business Growth and Diversification.

Balakrishnan, K. Bhargava, Sanjay; and Jain, Vipul. P. A Comparative Study of the Growth and Strategy of Two Large Indian Business Houses (Birlas and Tatas). Ahmedabad: Indian Institute of Management, 1980.

This is an attempt to study the differences in the growth patterns/business strategies of the Houses of Tatas and Birlas. The survey was conducted entirely from published sources like the annual reports of the various companies under the two houses and reports like the Hazari Committee report. The firms belonging to each house were selected from the data given by Hazari and MRTP reports and the criterion used was effective control. However, due to lack of published data, some firms are likely to have been left out and to this extent the aggregate data in the study are likely to be under estimates.

The growth of the two houses wereanalysed both in terms of their assets and turnover. The asset data are available between 1937 and 1977 and turnover data from 1964 to 1976. Their relative success of the two Houses in obtaining licences from the government, the number of licences procured, their actual implementation, and the product areas chosen are discussed in the study. Issues like proportions of licences accepted by the government, the way in which licencing have been used as a manipulable tool to shut out new entrants and to corner raw materials, and overproducing goods in excess of licenced capacity to depress the market are also discussed with the help of available data. The pattern of entry of each House into new product lines, their strategy of diversification (related diversification or unrelated), the extent of diversification, and the distinctive competence developed by each house are also discussed.

The study identifies the boom and slump periods of each House. Both the Houses have grewen, but after independence, and especially after the sixties, Birlas have grown at a faster rate. The Tatas have concentrated on engineering related industries while Birlas have a much higher index of diversification which is at once their strength and weakness. Strength, because their portfolio has helped them stabilise earnings, and weakness because it has also resulted in their efforts bring spread too thin.

Birlas appear to have taken proactive advantage of the environment while Tatas appear to have mostly reacted. Birlas have consistently followed a strategy of getting into areas of business where there is less competition, which enable control of critical resources, and which allow exercise of monopoly power.

They have also not allowed too much control of their equity by the financial institutions. Thus whereas the Tata power companies, for instance, have as much as 40 to 50% of their equity held by institutions, Birlas have not allowed such a situation to develop. This has helped the Birlas to have greater freedom in their policy making.

Chandra, N. K. "Monopoly Capital, Private Corporate Sector and the Indian Economy: A Study in Relative Growth, 1956-1976" in Baghchi, A. K. and Banerjee, N. (Ed.), Changes & Choice in Indian Industry. Calcutta: K. P. Bagchi and Co., 1981.

The paper presents comparable time series data from 1951 to 1976 on various dimensions of size and growth of Indian private corporate sector such as assets, turnover, share in the over all corporate sector and *inter se* movements among the business houses. Indian assets abroad and banking establishments are excluded from the scope of the study.

The private corporate sector's share in the national economy on value added was found to have increased significantly, but the increase was not significant if we consider the period 1955-1976 alone. The private sector's share declined in the period 1960-75. During the years 69-70 to 75-76, the constant price series for growth showed a negative trend, while the current price series did not show any significant trend. The private sector appeared to have benefitted from the relative price changes (food is non-food). The overall period showed an increase in the relative share of the private sector from 1955-65, and a decrease in the next decade.

The share of monopoly assets in national welath increased sharply from 1.71 in 1951 to 3.03 in 1958 and slowly between 1958 and 1964 and fluctuated till 1972. After 1972, there was a continuous fall to 1.81 in December 1975.

Where as in the West, the industry concentration kept increasing constantly (the author produces data to substantiate this), in India, there has been no such tendency of continuous increase. In the West, the concentration tends to follow business cycles, increasing in periods of prosperity. No such relationship has been observed in India. This may be due to a variety of factors prevailing in India, and the author concludes that the monopoly capital in India bears a closer family resemblance to the pre-industrial monopolies than to contemporary capitalism in the West.

Chaudhuri, Shekhar; Kumar, Krishna; Prahalad, C.K.; and Vathsala, S. "Patterns of Diversification in Larger Indian Enterprises", Vikalpa, vol. 7, no.1 (January, 1982).

The study seeks to identify the patterns of diversification in the private and the public sectors over the period 1960-1975. It is based on a sample of 72 firms, 50 in the private sector and 22 in the public sector, into sales of Rs.20 crores and above. The sample in the private sector accounted for 50% of the investment of the top 100 companies, and 63% of their sales. The sample public sector accounted for 70% of the assets and 93% of sales in the public sector as a whole. The data gathered was entirely through published sources like Bombay Stock Exchange Directory, and Annual Reports.

The authors classify the firms into four categories - single business, related business, unrelated and related-cum-unrelated business. The single and unrelated categories follow Rumelt's definitions, while the related category includes both Rumelt's vertically integrated and related business categories. Related-cum-unrelated business firms are those with clusters of related business, the clusters themselves being different from each other. Categorisation was essentially based on the authors' judgement.

The diversity score, defined as the average number of business the constituent companies are in, showed an increase from 2.8 to 5.6 for all companies taken together. For private sector, the increase was from 2.9 to 6.0 while for the public sector it was from 2.4 to 4.8.

In the private sector, trading firms showed a much higher increase in diversification (from 6.4 to 12.1) as compared to manufacturing firms. The score for multinationals increased from 2.5 to 6.1.

As for the kind of diversification, the number of firms in single and related business decreased, with a corresponding increase in the related-cum-unrelated category. The unrelated category showed comparatively much less changes. Thus a "cluster" pattern of diversification appears to be the usual mode.

Among the public sector firms, those with flexible charters (like BHEL) showed much higher diversification, since the scope of their activities were not defined too rigidly.

The processes of diversification also followed some patterns. The firms appears to have diversified between 1960 and 1965 in response to the import control regulations and licensing restrictions on expansion in a given product. In the 1970-75 period, MNCs pursued rapid diversification in response to FERA regulations. The public sector firms diversified as a result of changed government policies.

Das, Ranjan <u>Managing Diversification: The General Management Process.</u> Ahmedabad: Indian Institute of Management, 1979 (Doctoral Dissertation).

Ranjan Das's study focuses on the management of the transition of a firm from a single business organization (a stage II firm in Scott's classification) to a diversified firm (a stage III firm) in one Indian MNC subsidiary subject to government regulation. It addresses itself to three questions:

a) What are the major tasks of general management in managing a diversification move and how are these tasks managed? What characterises the processes of managing these tasks?

b) How does diversification influence the operations of existing businesses?

c) How does the role of the general management change over time during the transition phase?

The company started diversifying in the late sixties, and by 1977, it had several unrelated business, although their share in the total turnover is not known. The study was conducted in 1976-77 based on interviews and various company documents.

The author concludes that the process of managing diversification is much more than building of plants and setting up facilities. It is "a highly complex process" involving different levels of the organisation, and in which the general management function plays a key role.

The diversification process is seen as operating in three phases:

(i) <u>the initiation phase</u>: in which the key general management activity is negotiation with the government and the parent company overseas, and acquiring the competence to manage new technology;

(ii) <u>the operationalization phase</u>, where the general management function at the business level becomes important, and the top level has to concentrate on building a new organization with different control and information systems; and

(iii) <u>the consolidation phase</u>, where the different units have to be integrated into the main unit and the whole organization acquires common value systems and distinctiveness.

The management process consists of four subprocesses:

(i) managing relationships with key members of the environment,

(ii) acquiring and learning new competences,

(iii) building organisation and management systems, and

(iv) developing an integrated organization and preparing for further growth.

In each of the three phases described above, these four sub-processes of management are present but to varying degrees - which points to the need for changes in the general management function in different phases. Thus in the initialisation phase, for the corporate general management, managing relationships with the key numbers of the environment is the key function; while the development of capabilities (acquiring and learning new competences) is of some concern. The latter becomes the major area of concern, alongwith the building of organisation and management systems in the operationalisation phase. In the consolidation phase, the integration of organi-sation and preparation for further growth are the key areas of concern, while the development of capabilities and building of organisation and management systems as lesser concerns.

Khurana, Rakesh, Growth of Large Business: Impact of Monopolies Legislation. New Delhi: Whiley Eastern, 1981.

This study assesses the impact of Monopolies and Restrictive Trade Practices Act (MRTP) on the growth of large business, their investment pattern and the extent of curbs on monopolistic and restrictive trade practices. It also assesses the role of the MRTP Commission (MRTPC) in this area. The data relate to the period from the promulgation of the MRTP Act in 1969 to 1977, and are derived from various government publications, reports, and other published sources.

A major finding of the study is that the MRTP Act, as it has operated, has led to further concentration of economic power MRTP houses seem to have had an edge over others in getting licences. Going by the licences granted, whether in terms of numbers or investment, the top 20 'houses' received more favourable treatment as compared to others. Even among the top 20, the top ten houses received more favourable treatment as compared to the bottom ten. This points to the ineffectiveness of the MRTP Act.

Similar are the conclusions on substantial expansion and new undertakings.

Applications for acquisitions/take over by monopoly houses received fairly generous treatment, with 30 of 42 applications receiving approval of the government. After 1973, the role of MRTPC was minimal, as no cases were referred to it.

In preventing restrictive trade practices also, the MRTP has not been very effective as it lacked the powers to pass orders or follow up on the compliance to such orders.

Nambudiri, C. N. S. "Corporate Planning Practices in Private Sector Companies in India", Indian Management, vol. 13, no. 6 (June, 1974).

The study reports the results of a questionnaire survey on the corporate planning practices among Indian companies in the private sector. Nambudiri studied the extent and scope of corporate planning, experience with corporate planning, and how the planning at the firm level tied up with national economic planning. Of the top 300 companies addressed, only 23 gave usable responses. The 23 firms in the final sample varied considerably in size, their assets ranging from Rs. 3 crores to Rs. 109 crores, sales turnover ranging from Rs. 6 crores to Rs. 86 crores, and number of employees from 400 to 35,000.

The planning horizons ranged from two to five years. Ten companies in cement, petroleum refining and petro-chemicals paper and basic metals adopted a five year period for planning.

Company plans were explicit on the extent of growth potential in existing areas in the case of 19 companies, area of likely growth (18 companies), fields into which companies wanted to diversify (14 companies), and areas where the companies considered the need for acquisition of know how or collaboration (13 companies). The last figure appears to imply that a sizeable number of companies do not include the technology factor in their corporate plans.

The central plan was coupled well with the financial and manufacturing plans. Practically all the firms made detailed financial plans including working capital plans, capital investment plans, and tax plans as a derivatives of the central procurement, manpower, imports, machinery and equipment and production details. But, surprisingly, plans for new manufacturing facilities were drawn up by only 15 firms. Many aspects of marketing, like export, distribution expenses and total marketing expenses, market share and sales from new products were explicitly projected only by about 15 firms, though all the firms projected their total sales.

As may perhaps be expected, the number of companies developing plans for research and development was not large. About 13 companies projected different aspects of their R & D plans.

The study had few findings on the process of planning. Firms based their planning from a broad appraisal of environmental opportunities and competition and narrowed down the choices. The organization for planning varied widely among companies though all of them had a corporate planning group.

Sixteen companies reported that the Five Year Plan objectives were useful as a starting point in their plans. Quite predictably, companies held unfavourable views regarding the licensing, foreign collaboration, import export and capital issue policies of the Government. Uncertain economic outlook and frequent changes in government policies were seen as major problems in planning. The companies did, however, find that the planning exercise was useful and contributed to improved profitability.

3. Leadership

Bhattacharya, S. K., "An approach to effective organizational Designing" in Somnath Chattopadhyay and Udai Pareek, <u>Managing Organizational change</u>. New Delhi: Oxford, 1982.

Bhattacharya outlines an approach to organizational design for large companies necessitated either at birth or, as is more frequent, by a change in its strategy due to the demands from the environment, or due to the unsatisfactory performance.

The paper is based on the author's experience in re-organization of 20 companies in different industries - eight in the public and 12 in the private sector. The organizations varied in size, the smallest three firms employing less than 1,000 people and the largest three employing 100,000 to 200,000. The re-organizations done were in the period 1965-1975.

Bhattacharya notes in the beginning that for successful introduction of organizational change, the corporate management must be aware of the need for the change. The other pre-conditions for a successful change were:

(i) The ability of the corporate management to detach itself from operational matters and devote time for broader matters,

(ii) availability of some executives close to the chief executive to provide the necessary stimulus,

(iii) availability of good professional consultancy help.

Bhattacharya then outlines his approach to the task of redesigning the organization. Insider task teams are used as linking pins between the consultant and the management. These could consist of task forces for each functional area such as production, marketing, and personnel. These groups identify the problems to be studied, and generate alternatives. Selected insiders could be employed to liaise with the consultants on the one hand, and the management, on the other, thus serving to counterbalance the lack of intimate knowledge of the organization on the part of the consultants. They would also help in implementation.

The top management plays a vital role by displaying its commitment to the change through its actions at various stages, and support the consultants and the insider teams.

Dayal, Ishwar. Change in Work Organization. Delhi: Concept Publishing Company, 1977.

Dayal considers the conditions in developing countries to be different from those prevalent in the Western countries. Because of differences in the cultures of the work force and the managers, organizations have to induce changes in the environment rather than vice versa. Therefore, the techniques for changing organizations for greater effectiveness will also differ between the developing and developed countries.

Dayal expounds this thesis, with a study of how Indian cultural values and attitudes differ from those in the West, and proposes an approach for organization development under Indian conditions. He illustrates his approach through three case studies in organizational change in which he was involved.

Indians seem to need more nurturance and personal attention from superiors. Work relations have to be more personalised as compared to the West. Loyalty to the boss is cherished as a great virtue, and the boss appears as a 'father figure' to his subordinates. Since these attitudes are formed during childhood and therefore difficult to change, the organization has to adapt to this situation.

The organizations studied were:

(i) Centre for the Study of Administration (CSA), an institution set up by the Central Government for research, teaching and consulting in public administration,

(ii) the State Bank of India, and

(iii) KPE, an emerging organization, being set up to manufacture welding electrodes. The first two concerned organizational change, while the last involved developing a new organization.

CSA was a demoralized organization with the faculty being apathetic to research or even teaching, and full of resentment towards the 'administration'. By introducing a more participatory system involving task groups, a more open culture for interactions, and a system for close linkage with external power groups like the executive council, legislature etc., the institution registered a marked improvement.

This case brings out two points: (i) there is a need for close personal relationships in India, and (ii) the chief executive has to interact closely with the organization members, with full commitment to the changes proposed. A neutral outside consultant helps not only because of his expertise, but also because the complex relationships between different groups gets untangled more easily.

The State Bank of India needed a reorganization due to its growth and the absence of effective decentralisation. The reorganisation was based on kinds of customers served in place of the earlier organisation based on functional specialization. It involved small groups (divisions) in each branch where close personal relationships could be developed, and the branch manager could provide the father image.

KPE was a new organization under formation. Regular individual councelling was done to enable each member of the management to identify his own needs, aspirations and values. Role analysis was done to develop linkages between roles and policy making was sought to be the institutionalised in a purposeful manner in a General Manager's meeting. The face to face discussions helped in managers developing a greater understanding of each member.

Dayal observes that there was very little evidence of a systematic process of policy formulation, What there was, was haphazard and rarely based on data; "experience" was the main guiding factor. In the absence of clear policy, top management had to function on a day-to-day basis, making <u>ad hoc</u> decisions and constantly seeking compromises. Even data readily available were rarely made use of.

Khandwalla, P. N., Management in Our Back Yard, Vikalpa, Vol. 5, No. 3, July 1980.

This article reports the findings of a research study on indigeneous styles of management. Through a study of annual reports and interviews with managers at various levels, the author found that there were a variety of styles of Indian management. They varied not only between industries and 'houses' but also among companies managed by the same "house". The author suggests that before dismissing these styles as primitive and prescribing American styles, it is necessary to examine whether some of these styles are not indeed more appropriate to our environment. Many organizations were found to be effective.

Maheswari, B. L., Management by objectives: Concepts, Methods and Experience. New Delhi: Tata M. C. Graw Hill, 1980

This book explains the concepts of the management by objectives (MBO) and presents a recommended sequence of steps for implementing an MBO system in the Indian situation. The author's recommendations are illustrated by a number of case studies drawn from the author's experience as a consultant.

Maheswari, at the outset, emphasizes that MBO is not a technique but a comprehensive approach to organization development. The steps he recommends for effective introduction of an MBO program are: setting corporate objectives and the key result areas, determining unit objectives and individual manager objectives, action planning, and performance review. The... are to be done through group meetings and participation of executives drawn from at least two concerned levels, so as to reach a consensus, with the help of an MBO consultant and an internal officer chosen as the MBO adviser.

The case studies illustrate a number of cases where the introduction of MBO led to difficulties. Whereas the reasons for the failures are given, the conditions under which an MBO system will fail or succeed are unfortunately not specified in the book nor are the links to the cultural factors influencing the behaviour both at the top and down below and the styles of leadership likely to be effective in an Indian situation explored.

Sinha, Jai B. P., _The Nurturant - Task Leader_, New Delhi: Concept Publishing, 1980.

Is the participatory management style, considered superior to the authoritarian style in a Western context, the most effective style in India given its social environment, cultural attitudes and value systems? Who will make an effective leader Indian conditions? Sinha proposes a 'nurturant task leader' (NT model) as a more effective style of leadership compared to the authoritarian and the participatory styles, when the dependency needs of subordinates are high.

A nurturant task leader is one who has a high concern for task, is strong, provides clear leadership, gives explicit orders and structures his subordinates, shows affection, takes a personal interest in their well being, and is committed to their growth.

Given the Indian characteristics of a need for dependency on authority figures, preference for personalised relationships, lack of team orientation and status mindedness, such a style, it is hypothesised, would prove to be more effective than the participatory style.

The empirical support for the hypothesis was gathered through studies conducted in eight organisations, five public sector and three private sector enterprises. The study was conducted from 1973 through 1978, through interviews of 522 executives of whom about 8 per cent were from senior levels of management, 25 per cent from the middle level and 67 per cent from the junior level. Laboratory studies among college students were conducted to test the effectiveness of the NT model. The results indicated that an NT style was more effective for subordinates who preferred dependency and personalised relationships and were not ready for participative situations. In such situations, NT style was positively related to efficiency. In contrast, in one organization, which had been efficient and exposed to participative management, NT style showed a negative relationship to efficiency. The hypothesis is that the NT model can be used in the interim until the organisation is ready for a participatory style.

4. Managers and Decision Making

De, Nitish. "Dilemmas of Indian Managers", Management in Government, vol. VI, no. 2 (July-September, 1974).

This is a comparative survey of different beliefs, attitudes and preferences of managers in India, W. Germany, England, USA and Japan. Some conclusions drawn are that, Indian Managers (i) have little faith in the subordinates' capacity to take responsibility, (ii) believe that one has to be compromising in his methods to get ahead, (iii) are alienated from society to a high degree, and (iv) although having the highest degree of fulfilment of security needs felt the second highest degree of dissatisfaction, including on security needs. The Japanese managers showed a high degree of fulfilment on all the five needs - security, social esteem, autonomy and self-actualization.

Kumar, Krishna. <u>A Comparative Study of the General Management Functions in Private Sector, Public Sector and Multinational Subsidiary Companies in India.</u> Ahmedabad: Indian Institute of Management, 1979 (Doctoral Dissertation).

Krishna Kumar compared specific variables pertaining to the general management function in nine private, seven public and seven subsidiaries of multinational firms operating in India in the engineering, chemical and electrical equipment and cable industries. Based on a questionnaire-cum-interview study, Krishna Kumar found differences in the three sectors on all variables which he grouped as strategic (objectives, strategies and style), structural (structure, delegation, planning and control), and motivational (need satisfaction, instrumentality of efforts and climate). He traced these sectoral differences to the ownership factors, which he considered an "influential contextual variable." Public sector companies perceived they had lower autonomy as compared to both private and multinational subsidiaries in respect of recruitment and compensation of senior executives. Both public and private sector managers reported lower achievement and expert power orientations than the multinational managers. While top levels of multinational companies perceived the highest instrumentality of effort they were less satisfied with their superiors (both with respect to the public sector top level managers). Multinational subsidiaries resorted to hierarchical resolution of conflicts more than the public or private sectors. In contrast, private sector companies depended more on recruitment and selection leading to strong identification with the company.

Roy, S. K., Corporate Image in India: A study of Elite Attitudes Towards Private and Public Industry. New Delhi: Shri Ram Centre for Industrial Relations and Human Resources, 1974.

This was a study of elite attitudes towards private and public industries. The study was conducted on a sample of respondents from Delhi during the early 1970s. Roy found that his respondents evaluated public sector unfavourably on efficiency. They felt that the potential efficiency of the public sector itself was low and that private management of public sector would not improve performance. Roy concluded that environmental contexts of public and private sector differed both in their supportive and regulatory aspects.

Sengupta, Nitish. K. _Corporate Management in India._ Delhi: Vikas, 1974.

In this book, Sengupta reconstructs the development of Indian corporate management from 1913 when the Indian companies Act was enacted, to 1970, when the managing agency system was abolished. Public limited non-government companies with paid up capital of Rs. 1 crore and above were included for the study.

The major portion of the book deals with the origin, growth and decline of the managing agency system. The author has studied the class background of directors, their entrepreneurial attitudes, promotional role, adaptation to changing circumstances and the growth of professional management.

The study provides a lot of useful data on the phases of the managing agency system. The author found that Indian entrepreneurs were generally conservative, apparently because their markets were secure and finance was controlled by their own managing agencies. During the period under review, the various 'houses' or 'families' remained closely knit with no access to outsiders. As a result of government regulations, these houses could increase their hold over the corporate sector.

The histories of individual entrepreneurs, although interesting, provide no coherent picture.

Sharma, R. A., "Top Decision Making Organization in Indian Industry", Indian Management, 4(5) May, 1975.

The study inquires into the size and composition of the boards of directors of companies at the time they first raised capital through a public issue. Two hundred and seventy four companies that were incorporated between 1947 and 1972 were selected. The extent of family domination on the board was classified into three groups - family dominated (50% or more members from the same family), single family oriented (33-50% from the same family) and the rest, considered as not dominated by a single family.

Companies were grouped by the prior family background of promoters:

(i) old established family houses,

(ii) entrepreneurial families which had entered the industry before independence, but did not fall in the first category because of resource constraints; and

(iii) new families which entered the scene after independence.

Older entrepreneurs, being experienced and resourceful, were expected to have fewer family members on their boards. However, the study found no major variation in the size or composition of the boards among the three groups of companies. The author concludes that new entrepreneurs were no more conservative than old entrepreneurs.

Subramoniam, V. <u>The Managerial Class of India</u>, New Delhi: All India Management Association, 1971.

Subramaniam, based on a questionnaire survey of managers in a sample of large firms, found that a majority of managers were domiciled in states other than their states of birth, spoke a language at home other than the language of their birth state, were by birth Brahmins and high-caste non-Brahmins and belonged to the mobile, urban, upper middle-class. He found a trend towards higher education among managers especially mathematics, science and engineering.

5. Finance.

Chandra, Prasanna. Valuation of Equity Shares on India. New Delhi: Sultan Chand, 1977.

Based on regression models for the period 1960 to 1970 on 50 equities drawn at random from a sample of 110 shares traded in the stock exchange, the study found that dividend had an overwhelming influence on share prices. Size had a significant and positive effect and growth a weak influence. The author concluded that the market was not sophisticated in its evaluation as variables more difficult to measure such as retained earnings, leverage and risk (as measured by variability in per share yields on earnings) had practically no influence whatsoever.

Gupta, C. L. _Bonus Shares: A Study of the Dividend and Price Effect of Bonus Issues._ Bombay: Macmillan, 1973.

The dividend and share price patterns of firms after they announced bonus issues were studied over the period 1948-71. Contrary to popular belief, Gupta found that bonus issues were not followed by proportionate increases in the total dividend in as many as one third of the companies. Uncertainty during the long period between dividend payments and bonus issue announcement led to undesirable insider and speculative trading in the market. Gupta suggests for consideration to managements and the Government a policy of regular stock dividends rather than the erratic and unpredictable pattern that prevails at present.

Gupta, L. C. <u>Rates of Return on Equities: The Indian Experience.</u> Delhi: Oxford U. Press, 1981.

Taking dividends and appreciation together, how good were returns to long-term investors in equities? Based on a study over the period 1960-76 of over 600 stocks listed in Bombay, Calcutta and Madras stock exchanges, Gupta found that for the "most usual kind of portfolio" held over a five-year period, the rate of return would be between a negative rate of 1.58 per cent per year and 17.78 per cent with 95 per cent confidence. The degree of market risk that could not be eliminated through diversification was raising considerable doubts on the market's ability to allocate funds efficiently. There was a prepondernace of speculative, rather than investment, influence.

Khan, M. Y. New Issue Market and Finance for Industry in India. Bombay: Allied, 1978.

Using a sources-and uses of funds approach based on balance sheets of 208 listed companies over the period 1961-73, Khan concluded that the role of the new issue market had declined over the period. Capital issues (excluding bonus shares) accounted for 17.4 per cent of the increase in total capital employed between 1962 and 1967, and 14.2 per cent between 1968 and 1973.

While development banks had on the one hand,

(i) channelled investment funds even during unfavourable market conditions,

(ii) imparted a degree of objective and impersonal evaluation, and

(iii) implicity guranteed the investment public.

They had, on the other hand, contributed to an increase in reliance on debt due to:

(a) their role as distributors of finance (vis-a-vis an efficient market allocating risk capital) and

(b) their sympathetic and flexible attitude to defaults,

Khan suggests that there is a serious institutional lacuna in the supply of risk capital.

6. Studies on Turnaround Strategies for Sick Units

Prahalad, C.K.; and Thomas, P.S. "Turnaround Strategy: Lessons from HPF's experience", Vikalpa, Vol.2, No.2 (April 1977).

The authors conceptualise a model of turnaround strategy based on the steps taken by Mr. M.K. Raju, part-time Chairman of Hindustan Photo Films (HPF) over the period 1972-76. HPF, which incurred a cash loss of Rs.2.6 crores in 1971-72 on a sales of Rs.4.4 crores, showed a marginal profit on a turnover of over Rs.23 crores in 1975-76. The authors' conceptualisation for the turnaround calls for a clear revival strategy, gaining the support of internal and external publics for the strategy, effective acquisition, development and use of managerial resources and support from higher authorities. They state a number of propositions on strategy formulation and implementation based on their HPF experience, and policy literature. For example, the first proposition is: The key to revival of a sick unit is the formulation and implementation of a new strategy. Formulation of strategy consists of matching the organization with the environment. Implementation includes the motivation and commitment of internal and external publics to the new strategy. Sick units cannot be revived by merely injecting more funds or altering procedures and practices in functional areas. Revival calls for a multidimensional view of the problem and a multipronged and internally consistent action programme.

Khandwalla, Pradip, N., "Strategy for Turning Around Complex Sick Organisations", Vikalpa, vol. 6, nos. 3 & 4, (July & October 1981).

The focus of this study was on the strategies needed for turning around complex sick organizations. A sick organization is defined in this study as one which is performing much worse than other comparable organizations, though it may not be making large losses and may even be making a profit. A complex organization is one with complex, multiple objectives and technologies and which, therefore, has a complex administrative structure.

The study was based on the author's study of nine organizations: five in the public sector, one a multinational and the remaining three from the private sector. The three private sector companies were family managed when they turned sick, and two were taken over by institutions. All of them experienced a successful turnaround. No cases of turnaround failures were studied.

Though the ownership and control differed considerably among the companies studied, the elements of successful turnaround strategies showed a clear pattern. The change agents in all cases had the necessary authority to carry out their task, usually by virtue of their being the chief executives. In eight companies, the change was brought about by an outsider who took a fresh look at the organization and its problems. They had a reputation for managing crises. They set out to achieve credibility by successfully facing a crisis, such as a strike. They could mobilise the rank and file by highly visible actions, effective articulation and sharing of information with them. They first concentrated on a limited number of quick pay off actions to build up the shattered morale in the organization and this also helped them to gain a temporary reprieve from external pressures like the unions and the government (in the case of public sector). They could quickly identify environmental opportunities and enter new promising businesses. They could revise the product mix to achieve better economic returns, at least in the short run. They could motivate their subordinates, not so much through threats or coercion, but by giving them challenging jobs, through peer group pressure and 'paternalistic nurturance'. They could identify areas of conflicts quickly and take remedial action.

The management style needed for the turn round of a sick organization appears to be different from what would emerge from conventional literature in organizational theory. The style-emerging from theory is an organic, participatory, risk taking, nurturant style for turn rounds. It appears that contingency variables of the environment dictate fewer changes in managerial style in the case of turnarounds than what emerges from organization theory, primarily evolved for "ongoing" concerns.

Turnaround is essentially a short-term operation and it may appear that so much depends on the situation that generalised prescriptions are impossible. But this study points to the possibility of having at least some elements common to successful turnarounds.

Satyanarayana, P.V. "An empirical model to predict corporate failure", Decision, vol.6, no.1 (January 1979).

The paper seeks to predict sickness in industries in India using a linear discriminant analysis model originally developed by Altman. The ratios used were: working capital to total assets (X1), retained earnings to total assets (X2), earnings before interest and taxes to total assets (X3), market value of equity to total debts (X4), and sales to total assets (X5). These were linearly combined to give a value for a discriminant Z: Z = .012 X1 + .014 X2 + .033 X3 + .006 X4 + .010 X5 with the ratios X1 to X5 expressed as percentages. The model was tested using three case studies and then used on a sample of about 1,200 companies in the portfolio of the Industrial Credit and Investment Corporation of India, over the period 1975–77.

The discriminant 'Z' was found to be useful in predicting sickness. A cut off value of Z = 2.0 was established for healthy firms; chronically sick firms had a Z = 1.0 and those which were sick but could be revived had values of Z between one and two. The author found that earnings after interest and before tax (EBT) gave a better prediction than earnings before interest and taxes (EBIT). The cut off values for Z being 1.8 and 1.0 in when earnings after interest but before taxes were used. The difference in the values of Z calculated using EBIT and EBT was also indicative of the extent of over borrowing by the company.

7. Technology Transfer

Alam, Ghayur, and Langrish, John. "Non Multinational Firms and Transfer of Technology to Less Developed Countries", World Development, Vol. 9, No. 4, (April 1981).

This paper describes the results of a comparative study of the roles of multinational U.K. Corporations and non multinational U.K. corporations in transfer of technology agreements with Indian firms. 47 agreements were studied, of which 16 were from non-MNCs. The agreements were entered into between 1955 and 1974. 185 U.K. firms obtained from lists of technology transfer agreements approved by the government of India were addressed, of which 47 replied, which constituted the sample.

The author found no difference in the terms of agreement between multinationals and non-multinationals as collaborators. The features of agreements studied in which there were no significant differences were rate of royalty, equity participation, and restrictions on exports. Use of British brand names was more common in cases involving MNCs, but Indian firms engaging R & D activities were more likely to be those collaborating with multi nationals. This may be due to the way in which selection of mutual partners takes place.

Exclusiveness of technology, as measured by the number of British firms using it, was found to be more in the case of non-multinationals.

The overall picture that emerges is that it is not so much the multinationality of the foreign firm that is crucial, but the prestige of the firms in the international market. The study concludes that the very factor that attracted Indian firms, namely, the prestige, provided the same kind of leverage to MNCs and non MNCs. This makes the search for alternative technologies more difficult and complex.

Carlsen, John; and Neerso, Peter. Transfer of Technology to India: A Case Study of Private Danish Business Activities in India, Copenhagen: Institute for Development Research, 1973.

This is a study of the socio-economic effects of sixteen Danish firms active in India - 12 selling know-how through licence agreements, three with minority shareholding in joint ventures (only two of which had know-how agreements), and one selling know-how through an Indian sales agent. The study was based on interviews both in India and in Denmark with managers of the companies concerned, some from competing Indian firms, government officials, financial institutions, industry and trade unions. The data covers the period upto the early &70s.

The motivation on the part of the Danish companies has been a desire to defned their export interests in the Indian market in the face of the import substitution policy of the Indian Government. Twelve chose to do so through licence agreements rather than through minority shareholding, the other alternative of Danish subsidiaries being ruled out because government policy would not allow them to do so. Minority shareholding was not taken up because of (i) "Government interventionist policies" or risk of nationalisation (four companies) and (ii) small size of the market or shortage of finance and management (eight companies). Of the three with minority shareholding, only one was due to the attractive protected and growing Indian market, one was to protect Danish exports while the third was a pure sale of assets resulting in a financial shareholding.

Only one of the 14 Indian companies with Danish licence or know-how agreements had negotiated with alternate know-how suppliers. Eight were modifications or extensions of earlier trade connections only one of which regarded the Danish partner as the cheapest and the best. One of the strongest motivations by Indian companies for foreign collaboration was the possibility of illegal capital export.

Four of the 14 collaboration agreements were for products for which there were Indian producers who had no foreign collaboration. The authors felt that Indo-Danish collaboration fit Indian priorities much better than is the case with foreign collaborations in India in general. Even assuming a 20 per cent mark-up pricing for Danish machinery and components, the authors suggest that tied Danish state loans are a cheaper way of financing foreign exchange for Indian purchases from Denmark than Danish direct investments. In five of the eleven cases that provided for a mutual exchange of innovations, the Danish companies did not live up to their obligations, with Indian requests remaining unanswered. Restrictions on exports have harmed India's foreign exchange earnings in eight of the 13 cases. In three cases, Indian products were cheaper than those produced in Denmark, but the Danish companies did not agree to sub-contracting even with the offer of majority shareholding. The cost of technology import per unit of production increased as Danish companies did not want their Indian collaborators to compete in third countries. Besides, Danish companies resisted local R & D efforts. For all but one of the products under Indo-Danish collaboration agreements repetitive import had taken place and the Danish agreements came later and they brought no new technology. The repetitive imports, besides being wasteful, led to problems for the Indian companies which were working far below full capacity.

Chaudhuri, Shekhar. Acquisition and Assimilation of Technology in the Tractor Industry in India: The Strategic Perspective, Ahmedabad: Indian Institute of Management, 1980 (Unpublished Doctoral Dissertation).

The study, conducted in 1978, covered six tractor manufacturers: Eicher, International Tractors, Escorts, HMT, Punjab Tractors and Kirloskar Tractors. The data were gathered through published sources, company documents and in depth interviews of company personnel.

The study highlighted the importance of a match between product-market strategy, technology strategy, distinctive competence of the firm and organisational resources. Such a match appeared to lead to high performance, whereas mismatches lead to low performance. To give the example of one case study in greater detail, Eicher had a product-market strategy of ruggedly-designed, easy-to-maintain, low cost tractors for small farmers. While the product-market strategy was sharply defined, the technology strategy was ill defined until the early '70s. An obsolete product was taken up for indigenization. Dependence on import licences and the need for tight coordination between imported and locally-made components led to low levels of production. Alongwith the control on prices and distribution, the company incurred losses. Beginning in the '70s, the company started stepping up production with the minimum of investments on fixed assets, especially plant and machinery. Paucity of funds imposed severe austerity in capital expenditure. The company used its high R & D expenditure to adapt for the required tolerances the low-cost simple machine tools bought from small-scale manufacturers. This matching of technology strategy with product-market strategy, enabled the company to tide over the crisis, despite an increase in competition and the turn in the market from a sellers' to a buyers' in the mid '70s.

From the above example of Eicher and the other companies, a process model for technology transfer was derived. The process of technology transfer is conceptualised as taking place in four stages: acquisition, adaptation, utilisation and development. In technology acquisition, the key tasks were: scanning, appraisal and choice of the product technology and the collaborator. Environment analysis, and negotiation skills with the government and collaborator were the key skills required. In the adaptation stage, decisions were needed on: make or buy, locating suppliers, and design of work facilities and equipment. Technological expertise and negotiation skills with suppliers were the critical tasks. In the utilisation stage, problem-solving, organisation building, system development and building of relations with vendors became the key tasks. In the development stage, locating new customers, new needs of current customers, development of more sophisticated systems and creation of new organizational units became important. Environmental analysis, cost reduction and product adaptation, negotiation, systems and organisation building also became important.

Thus the study identified the various stages in technology transfer, the key tasks involved and the skills required at each stage.

Gangjee, Z.H. <u>The Process of Technology Transfer in the Ahmedabad Textiles Industry</u>, Ahmedabad : Indian Institute of Management, 1980 (Unpublished Doctoral Dissertation).

This is a study of four cases of transfer of technology from the Ahmedabad Textile Industry Research Association (ATIRA) to the textile industry in Ahmedabad covering the period 1971-75. The technologies transferred differed with respect to:-

(i) how closely they related to the product, process and industry,

(ii) how operational they were, and

(iii) whether they were intended for textile mills or their suppliers of machinery and chemicals.

The research was conducted through indepth structured interviews of members of ATIRA, adopters and non-adopters of the technology. A main conclusion of the study is that technologies transferred successfully arose out of the needs of potential users.

On the supply side, ATIRA did not have a mechanism to assess and meet the users' related needs with respect to the technology, for example, the effect of the technology on labour relations or other systems. Looking at the problem from the point of view of the user, communicating to the user in his language were vital Another finding was that R & D teams that had top management support and infrequent changes in their composition produced more usable technologies.

8. Transnational Investments

Balakrishnan, K. "Indian Joint Ventures Abroad: Geographic and Industry Patterns", Economic and Political Weekly, Vol. XI No.22, (May 29, 1976).

The paper analyses the regional and industry patterns, as also the products and technologies involved, in Indian joint ventures abroad from the time the first joint venture was set up in 1960 in Ethiopia, upto the beginning of 1976. 65 such ventures had gone into production, of which two thirds had operated for less than five years.

These 65 ventures materialised from over 200 joint-venture applications.

There was a preponderence of ventures in South East Asia, (33 out of 65) followed by Africa (16)*. In S.E. Asia, Malaysia accounted for 23. In Africa, Kenya, Mauritius and Nigeria accounted for the vast majority (15) of the ventures. The reasons for concentration in South East Asia and Africa appeared to differ. In South East Asia, Singapore and Philippines posed problems because of their high export orientation necessitating tie-ups with large-volume technology of multinationals. In Africa, political uncertainty appeared to the main reason.

In the Middle East, Indian joint-ventures were few. Middle-Eastern countries, because of the large foreign exchange at their disposal, did not pursue import substitution, and where they set up manufacturing facilities at all, these involved sophisticated technology provided by Western firms. Thus for Indian joint ventures, competition from multinationals was very keen in the Middle East and the former did not make much headway.

Indian joint ventures in developed nations were too few to mention.

Industry wise, engineering (20 ventures) and textiles (13) were the two major areas. The Government restriction that joint venture equity participation should only be in the form of Indian-made plant and machinery has influenced the industry pattern. The textile machinery industry, which had excess capacity, was the first to get into overseas joint ventures.

Basically, the Indian firms had technologies that enjoy cost advantage only at lower volumes. Hence the target nations were likely to be those which have limited domestic demand, were pursuing import substitution and protecting its local industry.

The author argues that industries with a good potential for joint ventures abroad are raw material intensive industries, electrical equipments not involving economies of scale (e.g. turbines) and service industries.

In nations which are pursuing modern high volume technologies, the strategy may be to tie up with multinationals. If marketing barriers are high, tie ups with multinationals may appropriate for Indian joint ventures in those countries.

* The numbers in brackets refer to the number of ventures.

Desai, Ashok V. "U.S. Corporations as Investors in India: A Study of Their Experience, 1955-1978", Economic and Political Weekly, Vol. XIV, No. 49, (December 8, 1979).

This is a study of 20 U.S. Corporations, some operating in India from as early as 1933 with equity participation covering a variety of industries.

Some of the firms were already exporters to India for many years, e.g. Remington, Caterpillar, and Union Carbide. But some like Pfizer and Searle decided to invest in India as it was a growing and protected market. In most cases, the risk taken by for the U.S. corporation was small. The author makes the point that they were attracted to India not so much by high profits per se, but in order not to lose the market to Indian competition.

With regard to collaboration, the Indian entrepreneur had often a difficult choice. Many of the top US companies were not interested and they had to settle for the second best. Availability of credit was also an important condition. Price for technology was not based on return on investment. U.S. corporations distinguished between the price of technology and the return on investment and tried to get them separately. The decisions on expansion and diversification were based more on government regulations and considerations of product range-need for integration. The location decisions were made mostly by Indian partners.

The financial performance varied, and due to different reasons.

Among the low performers were Remington Rand, owing to its wrong product strategy in sticking to the office typewriter which the government, the largest buyer, preferred to buy from Indian firms; Sylvania and Laxman owing to entering the market at the wrong time when the competition was tough; Chemicals and Plastics due to the wrong choice of technology, based on too small a scale and on an obsolete process, and Synthetics and Chemicals due to the choice of an obsolescent feedstock. In the successful list are Hindustan Aluminium, Phillips Carbon Black, IDL Chemicals and Tractors (India) - all of which specialised on a single product or a narrow range, that had rapid growth. Their technology choice was also sound. Choice of initial technology thus emerges as a crucial variable in the success of even the U.S. subsidiaries in India, notwithstanding their supposedly better managerial know-how.

There was no perceptible reduction in the effective control of the corporations even after the government's FERA regulations.

Encarnation, Dennis J. "The Political Economy of Indian Joint Ventures Abroad", International Organization, Vol.36, No.1, Winter 1982.

With domestic constraints on growth in the home market such as through the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP) and home government trade policies, investment abroad is the only avenue for conditional expansion, concludes Encarnation based on a study of Indian joint ventures abroad. Of 60 joint venture units that had been brought into production in 1977, 65 per cent were by MRTP companies. Knowledge of small-scale and labour intensive production techniques are competitive advantages for Indian firms. Encarnation also points out that the degree of backward financial collaboration between Indian promoters of joint ventures abroad and managers of foreign private capital in India. He argues that Indian investments abroad were having an important effect on the politics of foreign investments in India and in India emerging as an important source of capital and technology to forge a new international economic order.

Kacker, Madhav. Marketing Adaptation of U.S. Business Firms in India New Delhi: Sterling Publishers, 1974.

The reconciliation of environmental demands and organizational pressure for uniformity is examined in 25 U.S. firms selected out of 64 firms engaged in manufacturing and/or selling selected consumer and industrial goods in India. The adaptation is found to be practical. The Indian Government policies in areas like product mix, quality, price, foreign trade and taxation demanded adaptation as also the pressure from competition. For instance, product mix was influenced by government regulation on quality requiring printing on packages, especially on food and drug items; of bulk supplies in large packages to public enterprises and liaison with large buyers.

Distribution and promotion were more subject to adaptation than product and pricing, the former because of the need to maintain their internationally uniform standards and the latter due to the dictates of the overseas parents, though clearly, in the areas where there was price control, they were subject to the Government fiat. Adaptations in promotion took the firm of different material, emphasis on audiovisual publicity and mass contacts through cinema and outdoor advertising, suiting to the different cultural needs etc. The adaptations in distribution took the form of using the local channels of distribution and adjusting to their customs.

Certain parameters of the firms where differences were not found were: firms producing consumer vs. industrial goods, size of the firm and the period of operation of the firms in India.

Lall, Sanjaya, "The Emergence of Third World Multinationals: Indian Joint Ventures Overseas", World Development, Vol.10, No.2, (February 1982).

In spite of its low per capita income, relatively low export orientation and a slow growth rate, India has emerged as a major exporter of capital and technology among the less developed countries (LDCS), contrary to the predictions of the existing trade models in international economies. The level of sophistication of the technology exported by India is also out of all proportion to the levels that would be predicted by conventional theory, according to this study by Lall. Lall found that Indian business had entered into overseas trade in many areas like paper, rayon, textiles, oil mills, chemicals, engines and machinery, some of them involving fairly sophisticated technology. The Indian businessmen were dealing not only in mature, low level, labour intensive technologies discarded by the West and no longer interesting the Western multinational giants, as is the common impression, but also in areas like computer manufacture (Hindustan Computers Ltd. was setting up a computer manufacturing plant in Singapore at the time of the study), trucks (Tata Engineering and Locomotive Company (TELCO) has set up a truck manufacturing plant in Malaysia), special precision tools (TELCO's plant in Singapore) and many other products like automotive pistons tractors, scooters and pharmaceuticals. Nor were all Indian ventures on a low scale (w.r.t. size) selling 'adapted' technology: a paper mill set up in Kenya by Orient Paper Mills was very large utilising extremely modern technology; Fertilizer Corporation was negotiating for a giant \$500 million fertilizer complex in Saudi Arabia designed to produce 500,000 tonnes of urea per annum, with 45% equity sharing and the technology entirely Indian.

The ventures abroad were mostly by the larger Indian business houses: Tatas, Birlas, Mahindra and Mahindra and Kirloskar, and by the state enterprises like the Hindustan Machine Tools and Metallurgical and Engineering Consultants (MECON). The process of internationalization needs a strong financial base and managerial experience and hence the correlation with size.

The strategies of different companies differed. Birlas sought to exploit their expertise through direct investments, while Tatas were much more diversified. Public sector firms seemed to prefer turnkey projects.

Indian ventures were characterised by a greater percentage of supplies of machinery, plant and components from the parent companies in India as compared to other LDCs engaged in overseas ventures. The technologies, though not clearly novel or break through, were quite, sophisticated and well adapted and consolidated through years of manufacture in India (like TELCO's trucks).

The study found, however, that when it came to marketing skills and skills at product differentiation, Indian firms had a "little deficiency" but there skills were learnt quite quickly.

The author concludes that the reason why India has been able to secure a good position in this regard is her policy of technological self reliance which enabled a greater degree of acquisition of "know-why" skills by Indian firms as compared to other LDCs which allowed indiscriminate import of technology and operation of Western multinationals. The latter have built up only narrow bases of indigenous capability in the design, improvement and adaptation of technologies, though they might have achieved a higher growth rate in G.N.P.

Markensten, Klas. Foreign Investment and Development: Swedish Companies in India. Lund: Studentlitteratur, 1972.

Markensten evaluated the impact of six Swedish majority-owned companies in India (WIMCO, Vulcan-Level, Atlas Copco, Sandvik, SKF and SF) upto the end of 1960s in terms of their socio-political and economic framework of development pursued by the Government of India. His quantitative cost-benefit evaluation in terms of employment, foreign exchange effects and wage benefits was inconclusive.

In a qualitative evaluation he found that the Government's pursuit of its own framework of objectives and priorities with respect to the Swedish companies was weak or 'lenient' perhaps because of its vagueness and the better negotiating skills of the Swedish companies. While WIMCO operated in India long before the policies were laid down, the other Swedish investments were all in the light-engineering sector, not a priority sector of the Third Five Year Plan. Yet all the companies obtained government permission for majority Swedish ownership, although they brought no new technology and replaced local production. Markensten observes that external economies, so widely referred to in theoretical literature in favour of private foreign investment, remained largely internal to the enterprise in the case of Swedish investments in India.

Paul, Samuel. "Trans National Corporations and Developing Countries," Economic and Political Weekly, Special Number, August 1979.

How can developing countries deal with trans National Corporations(TNCs) more effectively? The crucial determinant of the effectiveness will be their ability to formulate and implement a carefully worked out strategy in relation to TNC according to Paul. Though the paper deals with the questions at the national level, it has implications for firm level managements on how to formulate such strategies.

The formulation of a policy should be based on a careful consideration of the objectives relating to production, technology and control. Policies based on uniform treatment of all TNCs (whether dealing with them for joint ventures or collaborations) is inadequate; the question of what goods are proposed to be produced and whether they involve mature and widely shared or proprietory technology is important. This has implications for firms dealing with multiple collaborators, like HMT and BHEL. A firm producing consumption items is likely to use mature technologies and will be in a strong bargaining position. It can choose not only from TNC from industrially advanced countties, but also from countries in a somewhat lower stage of development. The article also brings out the importance of scanning the environment to become aware of the alternatives available. This will place the firm in a stronger bargaining situation.

An implication for public policy is that it will be advantageous to leave more flexibility for negotiations at the micro level rather than formulating rigid policies.

Wells, Louis T., Jr. "Foreign Investors from the Third World" in Krishna Kumar, Maxwell G. McLeod (Ed.), Multinationals from Developing Countries Toronto: Lexington Books, 1981.

This paper provides data and insights on the direct investments among the Third World countries, and the kinds of transfers of technology that have accompanied these investments. It is based on the author's study of about 1100 foreign projects in various LDCs.

The authors found that in spite of competitions both from local firms and from multinationals from developed countries the Third World multinationals were able to do well because they introduced many adaptations in raw materials and the technologies that they, in turn, might have borrowed earlier from the developing nations, and these adapted technologies, basically providing a lot of flexibility in operations (as compared to more rigidity due to higher degree of machinery specialisation) had a competitive advantage in the conditions prevailing in many Third World countries. Capability to manufacture in small volumes, so useful in the small sized Third World markets, was the key to the competitive superiority of the Third World technology.

Many innovations by firms in developing countries also provided competitive edge, as for example, the case of an Indian firm which developed a dye less sensitive to sunlight than those generally available from the temperate West.

Managerial know-how was very important in such technologies. For this reason, transfer of this resource also accompanied transfer of technology, and might have been one major reason for the predominance of joint ventures, where such know-how could be more easily transferred through expatriate personnel, as compared to licensing arrangements.

In the non manufacturing sector, like banks etc., the motivations of the firms for going multinational might be different and included the need to service overseas clients, assisting mobilisation of funds for the overseas investors and for keeping some funds in the foreign markets.

Lastly, author also found that notwithstanding restrictions or discouragement on foreign investment placed by the exporting Third World countries as well as by the host countries, the entrepreneurs found ways to work around these restrictions.

9. Public Enterprise

Gadhok, D.N. Accountability of Public Enterprises to Parliament: Working and Impact of Parliamentary Committee on Public Undertakings. New Delhi: Sterling, 1980.

Gadhok reviews the working of the Committee on Public Undertakings of the Parliament during its first 13 years from 1967 to 1977. Gadhok, who was part of the Lok Sabha Secretariat, gives insights into its working as also the rules of its membership and the changes over the period. He concludes that the Committee, by playing the role of critic and reviewer of public enterprises, has had a beneficial, though invisible, impact.

Khandwalla, Pradip, N., "Some Lessons for the Management of Public Enterprises", Vikalpa, vol.7, no.4, October-December, 1982.

Based on case studies of four large public sector undertakings in the equipment manufacturing sector, namely, Richardson and Cruddas (R & C), Bharat Pumps and Compresors (BPCL), Bharat Heavy Plates and Vessels(BHPV) and Hindustan Machine Tools (HMT), the author presents "models" for turning around sick units, for managing regulatory and control environment, diversification, and for assessment of investment proposals.

As large and complex organizations, they performed better with a well-designed structure, clearly differentiated functions, a professionalised management using sophisticated management tools where needed, a participative, dynamic and risk taking style of management, with emphasis on results. Flexibility with regard to products and technologies was found to be important. A co-operative face-to-face approach to conflict resolution and a motivation system based on intrinsic factors were other factors found important.

Successful public enterprise managements appear to make use of the regulatory environment and their unique relationship with the government to improve their performance. The regulatory environment is seen more as an opportunity than as a constraint by these enterprises. Skillful 'cultivation' of the officials in the ministry appeared to be a crucial factor in lubricating the wheels in the interface.

The more successful public enterprises exhibited a strategy of gradual expansion and diversification, giving adequate time for consolidation at each stage. The author gives the example of HMT which expanded gradually, contrasting it with BHPV which started off with a large capacity to begin with and experienced a constant problems of capacity utilization. Diversification into new areas needed development of matching skills in other areas like finance, marketing, production and personnel.

As regards the actual dynamics of project appraisals, the study suggest avoiding multiple clearances, and a monitoring function for the Public Investments Board.

Khurana, S.K., "Industrial Relations in Private and Public Sector Industry in India: A Comparative Analysis," Indian Journal of Industrial Relations, vol.7, no.3 (January 1972).

Khurana did a comparative study of industrial conflict in the public and private sectors in the 1960s on an aggregative level. He found a relative better performance in the public sector. He attributed it to the greater conflict potential in the private sector, a lower level of development of trade unionism in the public sector and governmental stipulations insulating public enterprises from conflict.

Kulkarni, G.R. "Management Problems in the Public Sector", Economic and Political Weekly, vol.19, no.9 (Review of Management, March 3, 1979).

Based on a study of State Trading Corporation, Kulkarni focuses on how Government-enterprises relationships diffuse the responsibility of the chief executive in public enterprise and restrict the choices open to him in terms of the direction and the competences he can build and sustain in his organization. The enterprise and the administrative ministry form a mutually supportive system, in which financial performance comes to be treated as the basis for a good reputation often overriding the policy objectives the enterprises are supposed to accomplish or their efficiency.

Murthy, K.R.S., "Strategic Management of Public Enterprise - A Framework for Analysis" in Madan et. al (Ed.), Policy Making in Government, New Delhi: Publications Division, Ministry of Information and Broadcasting, Government of India, 1982.

Based on case studies of seven public enterprises in India, Brazil, U.S. and Italy, a model of evolution of strategic management of public enterprises is presented. The Indian firms studies are three in number: Bharat Heavy Electricals (BHEL), Hindustan Photo Films (HPF) and Hindustan Machine Tools (HMT). The other four firms studied are Petrobras of Brazil, Amtrek and TVA of USA and IRI of Italy. The studies are historical in nature dating back from their formation.

Murthy argues that public enterprises typically start with strategies dominated by value rather than economic considerations. A balance of these two aspects is however needed and is achieved only through a process of resolution of conflicts and compromises among the key constituents and stake holders. The period during which this process of resolution of conflicts is gone through is the stage I of the enterprise, and when it achieves this balance, it passes into stage II. At this stage, it can concentrate on growth and diversification. Over a period of time, the enterprise internalises the values, and learns to integrate them with the economic aspects, and becomes institutionalised, when it is said to enter the stage III.

The public enterprise should not concentrate unduly on gaining autonomy during stage I. What is needed at this stage, when the objective set of the enterprise itself is in a fluid state, is support from the external constituents. Too aggressive a pursuit of autonomy may alienate the powerful members of the coalition of external constituents and delay the achievement of the needed balance between the value and economic aspects. As it passes subsequently through stage II and then to stage III, it gains in autonomy progressively.

The key functions of the public enterprise managers differ in the various stages. In stage I, the key tasks are development of external confidence and trust, gaining identity for the enterprise and stabilisation of the pattern of external influences. In stage II, defence and stimulation of the organization's distinctive competence and negotiation of precise roles become the key tasks, while gaining influence and maintaining the institution become the key tasks during stage III.

For the external strategic management (like the Ministries) also, the tasks change during the stages. In stage I, development of detailed information systems, assessment of the enterprise and helping the enterprise in achieving the needed growth and fulfilment of expectations are the key tasks, while in stage II, developing standards, preventing the enterprise from straying away from its main objectives and integration of economic aspects into the objective set become important. In stage III, it should be ensuring quick response and defence of the enterprises integrity from external attacks.

The main theme of the paper is that the public enterprises need a different stage model from those available for private enterprise and their problems are very different at each stage. Balancing the value and economic aspects become the fundamental problem in a public enterprise, from the very beginning while it arises only at a much later stage in a private enterprise. How well this balancing is done, and how quickly, well determine the long run effectiveness of the enterprise.

Narain, Laxmi. Managerial Compensation and Motivation in Public Enterprises, New Delhi: Oxford and IBH, 1973.

This is a study based on a questionnaire survey of 1213 managers (pay scale of Rs.700-1250 and above) in 47 public enterprises in the early '70s. Narain found that public enterprise managers were more dissatisfied with the performance of their enterprises than with the public enterprise concept as such.

The critical factors motivating performance were feeling of worthwhile accomplishment and recognition of good work. On both these, the gap between the desired and actual level of need fulfilment was the highest. The factors inhibiting job performance were attitudes of workers and their unions, inadequate communication and lack of consistency in management policies. Although Narain could not compare the public and private sector salary levels and structure, he found that the fringe benefits in public enterprises were closer to the governmental systems than to those in the private sector. Inter-unit differences, however, existed on such items as house rent and city compensatory allowances.

Narain, Laxmi. Organization Structure in Large Public Enterprises: Case Studies of Five Major Public Enterprises. Delhi: Ajanta, 1981.

Laxmi Narain surveyed the top management organisations of Fertilizer Corporation of India, the Indian Oil Corporation, pre-merger Bharat Heavy Electricals Ltd., Hindustan Aeronautics and Hindustan Steel. Of these five public enterprises, each employing over 15,000 persons, BHEL had the lowest number employed at the Head Office in 1971-72 — 91 against 870 in IOC. The total salaries and wages of the Head Office was also less in BHEL; it amounted to 0.85 per cent as compared to 11.23 per cent in IOC and 0.57 per cent in HAL. In BHEL neither the General Managers nor the department heads met for any formal review or coordination while in IOC (Refineries) the GMs met two to three times a year to discuss their general problems. Sales were for the most part centrally controlled in HSL, HAL and IOC and were partially coordinated at the H.O. in FCI and BHEL. Constituent unit GMs were formally involved at the board level only in the case of HSL.

Raj, A Besant, Public Enterprise Investment Decisions in India: A Managerial Analysis - Delhi: Mac Millan & Co., 1977.

This is a study of the capital expenditure decision process of the public enterprises in India. The variables/activities studied are - organization for capital expenditure decision process, proposal origination, screening process, selection criteria and the selection process, and decision making on the choice of collaborators and location. The organizations studied were from the "commercial" public sector firms, and about ten firms were studied. These included Lube India Ltd., Praga Tools Ltd., Hindustan Machine Tools, Modern Bakeries and State Farms India Ltd. However only the overall results, in the form of general procedures followed and the lacunae observed are presented in the book and no individual case studies are available.

The author found the preparation of feasibility reports and even detailed project reports (DPR) done in a slip shod and non standardised manner. For a long time, no manuals were available for the executives of the public sector; even after the receipt of a manual, each enterprise proceeded in its own way. For instance, there was a detailed chapter on the manual on how to prepare a national cost benefit analysis, yet hardly any firm bothered to make one at all. Instructions were given on the use of discounted cash flow techniques, yet some firms used the PV method, some others used the accounting return method and some others pay hack period.

The choice of technology was based almost solely on technical considerations and implications for employment were hardly ever considered. There were no alternative technologies presented in the final proposal sent to the sanctioning bodies, their choice only to accept or reject the proposal and its technology as presented.

In spite of the proposed need to locate industries in backward areas, the study found that in the case of public sector investment, more investment went to the comparatively better developed states. Considerations like the prevailing rate of unemployment in the various states did not appear to play a major role in the location decisions.

To study the actual decision process, Raj depended almost entirely on the study of the decision process with regard to the setting up of Bharat Heavy Electricals Ltd. (BHEL), documented by Khera*. Besides the features already noted by Khera like inter-ministry conflicts, pressures from the States and different interest groups and the general delays involved as a consequence, there is very little fresh contribution by this study in this regard.

Finally, the study examines the present guidelines issued for preparation of feasibility reports and suggests areas where improvements are possible.

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* S.S. Khera, The Establishment of Heavy Electricals Plant at Bhopal(New Delhi: The Indian Institute of Public Administration, 1973).

Ramamurti, Ravi. <u>Strategic Behaviour and Effectiveness of State-Owned Enterprises in High Technology Industries: A Comparative Study in</u> the Heavy Engineering Industry in India. Boston: Harvard Business School, 1982 (Unpublished Doctoral Dissertation).

Two Indian SOEs: Bharat Heavy Electricals Limited (BHEL) and Heavy Engineering Corporation (HEC) were studied in depth. These two SOEs were set up more or less the same time, with comparable investments, in high technology areas. Both SOEs faced massive finance, technological and market barriers, used predominantly East European technology in their early years, and both had, at the time of their formation, good government support. Yet the two took different directions - while BHEL became a success story, HEC has been a "sick child".

The study found that state ownership helped a great deal in overcoming the various entry barriers, commonly encountered in high technology industries. Government arranged for finance and technology and provided a captive market, and protected price for its products. The differences in the behaviour of the two were accounted for by three factors: the size of the market, the turnover rate of the chief executives, and their motivation and skills.

BHEL operated in a good, growing market which enabled it to utilise its capacity fully. This led to an accumulation of internal resources and, consequently, autonomy for its managers. They could engage in a strategic mode of behaviour where they could expand, increase their product range, update their technology from time to time and export, earning a name in the international markets.

HEC's market, which was mainly the steel industry, grew nowhere near that of the power equipment. HEC's share of market was affected as steel plants being built with aid from the West tended to go in for Western equipment and HEC had to depend on Russian aided steel plants for its orders. As a consequence, there was poor utilisation of capacity, which led to low profits, loss of morale, more control from the Ministry, inability to update technology either through foreign collaboration or through R & D, and a poor track record - leading to reluctance of good managers to come to HEC. The turnover of Chief Executives in HEC was another factor while BHEL had much longer tenures for its CEOs. This led to the absence of a good leadership which could provide a direction for the organisation.

Ramamurti, Ravi Strategic Behaviour and Effectiveness of State-Owned Enterprises in High Technology Industries: A Comparative Study in the Heavy Engineering Industry in India. Boston: Harvard Business School, 1982 (Unpublished Doctoral Dissertation).

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Sampangiramiah, S., "Problems in the Management of change - Case study of a Public Sector Industry", Lok Udyog, 12(5), August 1978

Based on a study of various problems faced between 1950 and 1972 by a public sector undertaking run by the Karnataka State Government, and the management's attempts to solve them, the author concludes that a number of weaknesses are "inherent" in public sector management - for example, indifference from the Government, inadequate delegation, lack of clear and stable goals and the inability of the top management to feel the pulse of the employees before introducing changes. The study does not throw any light on the 'inherent' nature of these problems or suggest any clear remedies.

Sinha, Jai B.P. <u>Some Problems of Public Sector Organizations.</u> Delhi: National, 1973.

This was a comparative study of steel plants and collieries in the private and public sectors with a view to analyse the reasons for the public sector's heavy losses, poor sales-asset ratio, high inventory and labour unrest. The comparisons were between the private sector Tata Collieries at Jamadowa vs. the public sector collieries in the Karanpura area of the National Coal Development Corporation, and the Tata Iron and Steel Company with the public sector Bhilai Steel Plant. Sinha interviewed 811 supervisory personnel (this term includes managers also) in these four units in the late 1960s. The study explored the supervisors' perceptions and the reasons, in the supervisor's view, for their organization's poor performance.

The public enterprise supervisors felt that the main reasons for poor performance were lack of responsibility for results, labour indiscipline, "political interference with appointments", bureaucratic rules and regulations that created delays, and poor rewards for "sincere and hard work". They saw public sector as having a potential for being a good employer and in fact preferred an employment in the public sector, yet nearly sixty percent of them wanted to move out. They were found in no way to be deficient with respect to education, capacity or initiative, as compared to those in the private sector and since as mentioned above they did feel that public sector was intrinsically better as an employer, their morale problems had to be traced to other factors. These were found to be structural, arising from the relationships of these firms to the government and the political leaders at the helm of power. Crucial, therefore to an explanation of public sector behaviour and performance was an understanding of those who control them.

Sinha, Jai B.P. <u>Some Problems of Public Sector Organisations</u> Delhi: National, 1973.

Sinha compares a colliery and a steel plant in the public sector with a colliery and a steel plant in the private sector, in an attempt to find the reasons for the public sector's heavy losses, poor sales-asset ratio, high inventories and labour unrest. Based on interviews of 811 supervisory personnel in the late 1960s, he found that the main reasons for the public sector's poor performance was lack of responsibility for results, labour indiscipline, political interference with appointments, bureaucratic delays and poor rewards for hard and sincere work. He concludes that public sector inefficiency was due to structure and not to personnel and traces the origin of the evils to the relations with government and political leaders at the helm of power.

10. Practitioners' Writings

Fernandez, Praxy. "Ethos and Personality of Public Sector in India", Lok Udyog, vol.7, no.8, (November 1973.

Praxy Fernandez, the then Director General of the Bureau of Public Enterprises, puts the Indian Public Sector in its time perspective and offers some suggestions on what needs to be done to enable them to face the challenges ahead effectively. Noting that the Indian public sector is young and also is a pioneer in the fields in which it is engaged, the problems faced are also those of a pioneer. To discharge its duties effectively, the public sector will have to adopt modern management practices, install systems of accountability and make sound investment decisions. A greater clarification on the part of the Government regarding the role and objectives of the public sector is also needed.

Krishnamurthy, V., "Management of Organizational Change: The BHEL Experience", Vikalpa, 2(2) April 1977.

Krishnamurthy, who was the Chairman of Bharat Heavy Electricals Ltd.(BHEL) recounts the problems faced in the merger of BHEL with the Heavy Electricals (India) Ltd. (HEIL), the subsequent reorganization of BHEL and the development of BHEL as a major engineering company.

The merger of BHEL and HEIL was accomplished smoothly by (i) explaining the need for integration of the various stake holders, especially the employees, (ii) careful attention to details during the period of changeover, especially to personnel problems, and (iii) induction of optimistic change agents at various levels in different units.

The subsequent reorganization was preceded by a corporate plan setting out the objectives of BHEL. These objectives were sought to be realised by reorganizing the engineering function around product groups, and setting up specialized divisions to develop expertise in different areas as for example, marketing, sales, project engineering, power projects and exports.

The reorganization enabled focusing organizational energies to selected areas backed by a responsibility oriented planning and control system.

The key point of the author is that it is essential for large organizations to respond to the needs imposed by the environment to function successfully. Management of change becomes a vital skill during the periods of transition.

Matthai, Ravi; Pareek, Udai, and Rao, T.V. (Eds.), Institution building in Education and Research: From Stagnation to self Renewal, New Delhi: All India Management Association, 1977.

This book is collection of insightful articles including some by heads of institutions like Ravi Matthai of Indian Institute of Management, Ahmedabad and Yash Pal of Space Applications Centre, Ahmedabad. Although basically dealing with educational institutions, the concepts have relevance to business and other organisations as well.

Parekh, Vinod, "Profitability and Social Objectives on the Public Sector", Lok Udyog, vol. 10, No.7, October 1976.

Parekh who was the then Chairman of the State Trading Corporation of India, draws attention to the lack of clear norms for evaluation of the public sector units. The multiple, and often conflicting criteria for evaluation of public sector and the inconsistant stand on the part of the evaluators on the relative importance of these criteria leads to confusion and clouds the real issues. One way out would be to lay down clear norms of assessment for each enterprise, and this would also facilitate a meaningful performance audit. Such clear norms will also help in making the needed decisions quickly.

Clear specification of norms would also lead the enterprises away from the present system of audit, which is basically fault finding in its approach, to a more meaningful performance audit.

The author has an interesting point to make about certain information which may need to be kapt confidential. In many of the investigations, these items of information may need to be disclosed, thus jeopardising the firms' operations. Certain norms should be laid down as to what information could be disclosed.

Patil, Dr. S.M., "HMT over three decades: A success story of Indian State Entrepreneurship. New Delhi: Documentation Centre for Corporate Business Policy Research, 1982.

This is a history of HMT from the time of its inception. Patil was at the helm of HMT's affairs over a long period of its growth, and was associated with it from the very beginning. He discusses the background for setting up the enterprise, its teething troubles, its viciasitudes and finally its emergence as a major public enterprise. He discusses the difficulties faced at different times, such as demand recession and marketing and how HMT managed to overcome them.

Patil, S.M., "Experiences of a Public Sector Top Executive: Handicaps, Disappointments and Fulfilments of a Public Sector Chief", A paper released by the Documentation Centre for Corporate and Business Policy Research, 1981, New Delhi: Documentation Centre for Corporate and Business Policy Research, 1981.

This is a first person account of the experiences of a Chief Executive of one of our largest public enterprises - the Hindustan Machine Tools (HMT). Patil deals with a variety of problems faced by him during his tenure The absence of clearcut objectives resulting in conflict between the economic and other aspects of the enterprise, politically motivated investment decisions that throw burdens on the enterprise managers, the gigantic size of the some of the public enterprise right at the time of their birth inetead of growing slowly, leading to problems of adequacy of managerial infrastructure and abnormally long gestation periods, interference in the functioning by relatively junior officials of the Ministry through their representation in the Boards, BPE's interferences, and the Parliamentary questions pertaining to minor matters of the enterprise, Patil dwells at length on the question of way the boards of public enterprises should function. The government Directors, being closer to the Ministers virtually control the Chief Executive instead of assisting him - though not all Ministers were led by their Secretariat. Patil's experience with the nominees from the private sector was happy - they had constructive and pragmatic suggestions to make the top executives of the corporation themselves found a place in the HMT's Board, and this appeared to be a pragmatic and useful step.

Rajadhyaksha, V.G., "Management Development in the Public Sector", Lok Udyog, vol. 9, no.9, December 1975.

This was a speech delivered by the author at a meeting of the study circle of Standing Conference of Public Enterprises. Rajadhyaksha, who was the Chairman, Public Enterprises Selection Board, stresses the importance of management development in the public sector. Management development, he points out, is not a technique, but is a matter of creating a total system in which managers can develop. It involves setting the corporate objectives, deriving the managerial requirements, designing an appropriate organization structure, creation of a suitable reward and appraisal system and a climate of confidence for bold execution of one's responsibilities.

Ray, H.N., "Corporate Planning by Public Enterprises: Its Linkage with National Resources Planning", Lok Udyog, 11(1), April 1977.

This was a speech delivered by Mr. H.N. Ray, who was then the Finance Secretary, Government of India, at a U.N. Workshop on planning for Growth. He discusses how the public enterprise has to keep a close linkage with the administrative ministries of the government which finally do the allocation of resources at different stages of preparation of its corporate plan. The corporate plan must fall within the frame work of the national plans. In addition, it must be consistent with the detailed annual plans of the different ministries as well. Thus the manifold linkages with the different ministries and bodies like the Planning Commission.

The plans once formed must be monitored and suitably revised to adapt to changing conditions and here again the linkages with different ministries become important. In many cases other government departments are the clients of public enterprises with whom, therefore, constant touch has to be kept.

Sarabhai, Vikram. "Management in the changing Social Environment" Kamla Chowdhry (Ed.) Management for Development : A Collection of Papers, New Delhi: Vikas 1974.

This was the keynote address delivered by Vikram Sarabhai at the NSC Convention of Management, New Delhi in February, 1971. Sarabhai says that in a qualitatively changing environment, "experience" is less relevant than "knowledge", and the "ability to learn and innovate". What we require is a culture which looks upon education not only as an experience to be consciously undertaken in the preparatory stages of childhood and adult life but as an activity to be systematically followed throughout the active career. There is generally no tradition of this type in public or private sector organizations. There is also inadequacy at the present time of formal programmes to cater to this need.

Tandon, P.L. "A View from the Top", ASCI Journal of Management, vol.5, no.2, March 1976.

P.L. Tandon deals with a variety of topics and issues, ranging from the conflicts of the traditional culture of authority and dependency with the demands and fashions of the modern management, including participation and delegation, lack of group working capabilities at all levels including the board level. The concept of a chairman of the Board as a first among knowledgeable and competent equals, the need for his being a conceptualiser co-ordinator, builder of institutions and values and the problems of change. In short, he brings out his concept of a leader in the Indian context as a person with character, training, ability and determination to change the organization to an appropriate direction.

Thomas, T., "Management of R & D", Commerce, 137, Annual Number, 1978.

The basic principles of management of R & D are discussed and some suggestions for improved R & D management are given in this article. The linkage of the user to the R & D department is considered as the key to effective R & D management. A close liaison with the user can provide a direction for the R & D effort, but care has to be exercised to maintain a balance with scientific freedom, since an interference by the user in the R & D work may result in short time horizons for the R & D department.

A key issue facing R & D management is the balance needed between basic work and applied or project work. What is needed is a clear, consistent policy, there is nothing so harmful as a policy of vacillation.

Scientists have to be developed and integrated with the firm as a whole. Training and development of a scientist should include adequate opportunities in his own field. Organizing scientists into groups comprising "enterpreneurial", "creative" and other "maintaining" scientists may yield good results.

Along with R & D, other functions in the organisation also will have to be upgraded, as otherwise R & D may get isolated or develop in a disjointed manner.

Among the suggestions for revitalising R & D (at a national level) are: intensive efforts in selected areas, close linkages with the user and a climate to enable the private sector to play a bigger role in the R & D effort.

Tulpule, Bagaram. Amidst Heat and Noise: Durgapur Recalled. New Delhi: All India Management Association, 1977.

Tulpule, himself a trade union leader, gives in this book an insightful account of his three and a half years as the General Manager of the Durgapur Steel Plant from late in 1971 to mid 1975. His account of strikes and confrontations with unions and how the management of Durgapur Steel Plant was influenced by the union leaders, the management of Hindustan Steel and SAIL, as also the two State Governments and Central leaderships provides a rich account of the complexities of public enterprise management. The technical, managerial, labour and political factors blend to produce a picture of complex problems that defy simple solutions.