

Professional Management in Public Enterprises

By
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The public sector like any other state authority initially began under the protection of the Indian Civil Service, followed by the officers of the Indian Administrative Service. The newly set-up expanding public sector activities were thus put under the command of bureaucrats who manned many top managerial positions. Later on, politicians also found it an attractive area of operation, and tried to capture as many positions as they could. The Governing Board in most of the newly set-up enterprises, in 1950s, consisted of mostly government officials. Bureaucracy prevailed widely, in the sense that secretaries became full-time chairman and managing directors of many public sector undertakings. In many cases, the minister himself was the chairman of the corporation.

Over the years thinking in government changed. It was felt that secretaries to the ministries should not be appointed as chairmen or as directors. Government took the final decision in November 1961 that (a) members of parliament should not be appointed to the boards of directors; (b) secretary of a ministry/department shall not be a member of any board; and (c) government should have freedom to appoint persons of general experience drawn from outside the undertakings, both as official and non-official members. At the same time, efforts were also made to build-up higher managerial personnel in the public sector undertakings so that more of them qualify to become directors.

In 1974, the government constituted a Public Enterprises Selection Board (PESB) for selecting managers for all top positions. For the second level appointments, a selection committee was constituted by the administrative ministry consisting of Chief executive and the PESB. The general policy since then has been to find out top managers from within the

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enterprise, failing which they could be selected from the public sector as a whole. Only if a suitable candidate is not available from within the public sector as a whole, should the government select a person from outside,

There is thus a clear indication that managerial position is the job of a professional and, as far as possible, it should be filled in from the profession itself. That is the broad general policy of the government. Since the management of an industrial enterprise is a complex task, only trained and skilled persons can do the job efficiently. The complex function of a chief executive is to constantly plan organisation relating to finance, production, sales, marketing and personnel. It is in this way a highly skilled job which only a professional manager can do with efficiency and effectiveness.

Aspects of Professionalism

There are three aspects of professional management: the need for modernising tools and techniques relating to decision-making and motivation; developing effectiveness of management; and freedom to act to have resources to perform the task, and capability to provide adequate economic compensation with security of job, recognition, dignity and status.

Public sector enterprises have emerged as a symbol of national aspirations. They perform social and economic obligations. Obviously their task is a difficult one, as they are expected to harmonise the plans and results of their operations, and dovetail them with the larger national goals directly promoting the economic well-being of the community. They are established with the expectation that they will substitute imports, and lead to the development of human skill, and increase in employment, output, income and capital formation. They should help to reduce the concentration of economic power. They are expected to reduce regional imbalances and develop different sectors of the economy. Public sector today is one of the largest suppliers of goods and services in the country. It renders direct financial help and provides know-how and research activities to a wide variety of enterprises. In many areas, public sector enterprises have set up norms for private industry to follow. They have accepted the challenges in new areas and fields and have encouraged the country to achieve self-reliance.

The management techniques too should have a tendency to change. Most fascinating developments-collaboration with foreign firms, importation of foreign skills and technical advice, appointment of technologists and engineers to head growing concerns and the emerging industrial complex of large monopolies-have necessitated changes in the management techniques. We take a few examples to explain the change need. In a developing economy, the management system changes from the centralised to semi-centralised management or even to 'enterprise management', where every individual is made to feel a proprietary responsibility for his activities.

The bigger the size of a new public enterprise, the greater is the possibility of centralised decision-making in that organisation during its initial stage of operation. In the hurrying process of imposing the enterprise management technique in that organisation, 'decentralisation' would be brought in, but it might create conflicts and strains. The fear of accountability to end the responsibility of the minister concerned to explain the position make decision-making more and more centralised. Sometimes centralisation is insisted merely to wield power. Due to centralisation there are dangers of delays, of corruption, of ignorance and of high-handedness. When the amount of work is large and the organisation is complex, actual authority tends to trickle down to persons of poorer accomplishment and the system ceases to function properly under centralised management. In several cases it has been observed that 'delegation of authority' is being practised. There are occasions when it has produced good results. But, where authority is delegated and responsibility is not, it has sometime not produced satisfactory results.

Delegation is a process whereby authority assigned to one is allowed to be exercised by another. Here the responsibility vests with the first, and also if he desires, he may take back his authority. Such a system may work well for sometime, but, in due course, a situation may arise when it becomes necessary to transfer the authority to another under some statute so that he can neither exercise this authority concurrently with the other, nor can he take back the decentralised power from the one to whom he had transferred it in the beginning. Delegation of responsibility is a necessary concomitant of decentralisation. In the process of growth of the enterprises there is a change-over from delegation of authority to decentralisation. In large public sector enterprises, decentralisation can be a correct solution of the problem in as much as 'authority' and 'responsibility' would travel together. In the conventional sense 'delegation of authority' violates the principle of sound management and, as Peter Drucker said, "... delegation makes little sense. If it means that somebody else ought to do part of 'my work', it is wrong. One is paid for doing one's own work. And if it implies, as the usual sermon does, that the laziest manager is the best manager, it is not only nonsense, it is immoral". The change-over from "delegation of authority" to 'decentralisation' or 'enterprise management' is to be done carefully and cautiously. It has to be judged by the results obtained.

Another area of importance in evaluating managing techniques is that of motivation. Principles of motivation are based on the social behaviour of groups and classes. Professional managers in India, of late, are eager to build-up variety of modern institutions and to adopt many modern techniques of motivations. But there should be a constant endeavour to find out and use newer methods which should be linked with the behavioural changes taking place in the social system. Industrial psychologists have a great deal of work ahead of them relating to the special social conditions prevailing in the country. They should study individual and group behaviour and thus help the management to motivate workers so as to adjust themselves to their work and environment. Behavioural researches have now discovered a variety of positive forms of motivation in the forms of external, internal and non-

financial rewards. The old system assumed that 'people work only or primarily for economic returns'. The modern view is that employees should be treated as human beings, rather than just individuals to get the work done'.

Management must have adequate degree of freedom of operation. If resources are not smoothly available or if there is insufficient freedom to act, management performance will not be satisfactory. Besides formal checks and balances, and controls, management autonomy is often considerably affected by informal telephonic communications, or 'guidelines' and 'advices' from the ministry which make deep inroads to the freedom of action of the management. If freedom of action is denied, managerial effectiveness cannot be obtained. Government has the right to lay down policy, but if it interferes in the working of the enterprise in the name of 'policy' implementation, it creates administrative problems without achieving the desired goals. Managing directors in the past have often been found running to their part-time chairmen, who had some political affiliation with the minister, for seeking their extension or appointment and in this process they lose dignity and thus frustrate themselves.

There are various kinds of difficulties which have been coming in the way of professionalism in public sector undertakings in India. The most important difficulty is the predominance of the culture of colonial administration. Many of the undertakings inherited in one way or the other colonial culture in administration which was, during the British rule, designed for an altogether different function. The dominance of the colonial culture in policy-making, in day-to-day operations and in respect of accountability of the public sector undertakings has been found to be a major deterrent to the flexibility and efficiency of public sector enterprises. The purpose of the colonial administrative system was to subserve the *status quo* to keep detailed record of the way in which the decisions were taken, to rely more upon the traditional system than to let the personnel go into the system to exercise their capacity and imagination, and to put each problem into the mould of precedents than to treat it as a new problem and to solve it by means of evaluating its results.

Old departmental undertakings and enterprises providing public services have given a fairly good account of themselves since Independence and, therefore, their basic propensities have remained almost unchanged. Public undertakings, irrespective of the form of their organisation, have inherited the rules, procedures, methods of work and even the attitude and mentality of the parent system of organisation. In a large number of cases even the staff, especially in the field of personnel and finance, were drawn from the administrative field. Appointments in the position of chief executives and other levels were made from amongst the members of the Administrative Services.

One of the very distinct outcomes of the colonial administrative influence and governmental environment was the bureaucracy which had spread in many government

enterprises. In spite of demonstrated willingness by many corporations to reduce bureaucracy, they were not actually successful in this respect. Industries were to face problem relating to fast changing technology, increasing size of the enterprise, growing competition among enterprises and changing labour relations. Under the existing situation, it was necessary that public sector undertakings evolved such methods of working which were required for their efficient functioning. Though in recent years, in the field of management, researches have taken place which have offered many empirically tested guidelines for the solution of the problem of bureaucracy, there continued to be a wide gap between such developments and actual bureaucratic practices in the area of management of public sector enterprises.

It is therefore felt that the antics of colonial administration should be replaced by a new culture of professional management. Two things are felt important. One is to appoint professionals in all senior positions and the other is to give clear commercial targets to achieve time-bound programmes. In course of time they would get the results by making necessary changes in the methods of management. The manager might be given the necessary freedom to prove his worth and his performance be judged by the results that he produced.

A complementary factor leading to the difficulties in the working of professional management in India was the Indian educational system. A lot of work had already been produced in this direction which indicated that the Indian manager was the creature of an educational system which did not have a true scientific temper. He shared the traditional authoritarian echos of the rest of the Indian society; he lacked a strong critical urge for enquiry; he suffered from the fragmentation and isolation characteristic of the rest of the Indian society; he reflected also the lack of empiricism and a commitment to science, which was the very foundation of modern industrial society. What is required now is that there should be a continuous link between scientific research and industry and its managerial problems, and the professional manager has got to be fully acquainted and enlightened with the developments taking place through research in industry and educational institutions. Researches have been so inadequately and disorderly organised in India that they have benefited more to the bureaucracy and not so much to the industrialists.

Another important obstacle to the building-up of the character of professional management is their umbilical relationship with the parent ministry or department. Right from the initial stage, the department or the ministry plays a parental role. In course of time, it should fade out as the enterprise grows, which is not the usual practice. The parental interest develops a paternalist content in the relationship between the enterprise and the ministry. From the minister downwards every one genuinely thinks that it is the department which has to manage the enterprise. In practice, managers have often been denied the autonomy and the freedom so much needed for the efficient working of the enterprise. They

have been found frustrating on a number of occasions when they wanted to get things done and show commercially recognisable results, could not do so, as they did not get the kind of autonomy they needed. If the ministry over-rides the decisions made by the senior executives of the undertaking, the decentralisation process is sacrificed and not only the locus of making decisions but even of conducting day-to-day administration shifts from the enterprises to the department. This makes management ineffective and inefficient. One will, under the situation, be afraid of taking decisions, for there is fear of making departure from the pattern set for decentralised decision-making. Efficiency is something which cannot be legislated upon.

Another hurdle in the working of the system of management arises on account of the wrong use of accountability. Many public enterprises have been found accountable to the government not for their overall performance but for matters of their day-to-day administration. This has an adverse effect on the initiative and morale of the management.

In this age when we are talking of social responsibility of business houses under private sector, there is greater need of such a responsibility taken care of by public enterprises. It is a wrong notion that social responsibility sacrifices economic profitability. As a matter of fact, the two are complementary and they help each other. The management of public sector units must work for creating a sense of collective effort. Such managers shall have to understand and accept their social responsibilities towards all components of the society. They should realise that they are not only the trustees of ownership interest, they are the trustees for employees, consumers and citizens of the country, as well.

The management should realise the importance of corporate planning, particularly long-range, which so far has been neglected in case of many important enterprises. For better production activities, all the factors of production are to be utilised to their full capacity. Management of labour force is an important problem and participative management has an important role to play in this direction. Public sector units should use as much of modern management techniques as possible from the stage of project planning to production planning and use control methods, productivity techniques, operations research methods, and the like. They should further practice better maintenance of equipment and better inventory management. Production planning in public enterprises used to be guided so far by the theory of marketability of finished goods and availability of raw materials. But what is needed is that they should take all steps to minimise wastages and to make use of production planning correlated with the coordinated need of user enterprises. Management should be conscious of the fact that investors and consumers are the same persons and income of one is the expenditure of another, or the output of one is the input of the other. The marketing and pricing policy of one enterprise affects the profitability of not only that particular enterprise but also of all other enterprises.

The public sector management should be left free to function under the overall supervision of the Board of Management. As the enterprise is responsible for the results, it must have the proper environment to fulfil the desired objective and achieve the desired targets. The government should not hesitate in providing the public sector executives with the free environment, and with the tools to operate freely. The saying that the best government is one which governs the least is an ideal guideline. It is necessary to mention that many a times a good managing director was frustratingly ineffective as he did not know if he would really get an extension or an appointment. Ministerial checks and controls used to be too many or too frequent. It is only when the chief executive is assured of autonomy, a sense of professionalism in management rests on his shoulders. Professional management is committed fully to fulfilment of the objectives of the organisation. It manages the human and material resources of the enterprise to achieve growth and to fulfil the long-term and short-term objectives of the enterprise. A manager in a private sector undertaking is committed basically to profit-making. A manager in a public sector undertaking is directly committed to the fulfilment of the goal of social responsibility which includes the desirability of profit making and resource raising. In this way he is loyal to his profession and he works within the framework of a code of conduct, where enterprise goals are set in the light of national objectives.