Autonomy and Management in the Public Sector : Personnel Policy of Bokaro Steel Limited

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MAMTA MOHAPATRA

CENTRE FOR POLITICAL STUDIES
SCHOOL OF SOCIAL SCIENCES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067
INDIA

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JAWAHARLAL NEHRU UNIVERSITY
CENTRE FOR POLITICAL STUDIES

School of Social Sciences II
New Delhi-110067 India

DECLARATION

We certify that the dissertation entitled "AUTONOMY AND MANAGEMENT OF THE PUBLIC SECTOR : PERSONNEL POLICY OF BOKARO STEEL LIMITED" submitted by Mamta Mohapatra in fulfilment of the requirement for the award of the degree of MASTER OF PHILOSOPHY is her original work to the best of our knowledge and has not been previously submitted for any degree of this and therefore, be placed before the examiner for evaluation.

Kuldeep Mathur

(Prof. KULDEEP MATHUR)

SUPERVISOR

Balveer Arora

(Prof. BALVEER ARORA)

CHAIR PERSON

Chairperson
Centre for Political Studies
School of Social Sciences
Jawaharlal Nehru University
New Delhi-110067

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Mamata Mohapatra.

New Delhi,
21st July, 1990.

MAMTA MOHAPATRA

LIST OF ABBREVIATIONS

AAC	-	Ariticles of Association of the company
ASP	-	Alloy Steel Plant
BHEL	-	Bharat Heavy Electricals Limited
BPE	-	Bureau of Public Enterprise
BSL	-	Bokaro Steel Limited
COM	-	Committee on Management
COPU	-	Committee on Public Undertaking
DVC	-	Damodar Valley Corporation
EC	-	Estimates Committee
ENI	-	ENTE NAZIONALE IDROCARBURCENI
HSL	-	Hindustan Steel Limited
IAAS	-	Indian Audits and Accounts Services
MOU	-	Memorandum of Understanding
NTPC	-	National Thermal Power Corporation
PE	-	Public Enterprise
PESB	-	Public Enterprise Selection Board
SAIL	-	Steel Authority of India Limited
SCOPE	-	Standing Confenence On Public Enterprise

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INTRODUCTION

The Public Sector, whether under the centre or the states, has assumed great importance. Today, a very large percentage of our total investments and its output forms a substantial percentage of our national income. With this level of investment, it is necessary that these organisations should function at a level of efficiency. The emergence of public sector in India is due to the conscious policy decision taken in the development strategy adopted at the beginning of the planning era. With the launching of the first five year plan in 1951 it was decided that steel being the essential basic industry should receive top priority among other industries. It has been given equal importance in successive plans. In accordance with the object of Indian planning to ensure balanced regional development, so far attempts have been in the direction of locating public sector steel plants is as many states as possible. Thus, the first public sector plants have been located in four different states - Rourkela in Orissa, Durgapur in West-Bengal, Bhilai in Madhya Pradesh and Bokaro in Bihar.

Public enterprises unlike the private ones, are heavily inclined towards 'public good' as against 'private good' and consideration of profit making receives relatively less attention in the minds of the policy makers. However, there is an increasing awareness in India that the public enterprises can not afford to suffer losses and they should show at least a minimum efficiency as there is a huge amount of public money invested in it. Secondly, it is increasingly recognised that the public enterprises are basically economic unit, and unless they are run efficiently, the role expected of them in the economic transition will bring about a disaster to the country. Here arises need to give a certain degree of autonomy to these enterprises which is enjoyed by privately managed economic units.

One of the disturbing features is that many of the public enterprises have had continuously been incurring losses and in the process have wiped out their share of capital base including free reserves. There has been low level of production and under-utilisation of capacity in many enterprises. This dismal record should be a matter of concern and has indeed been an issue of discussion at various levels. The administrative reforms commission, committee on public undertakings, the planning commission in its plan documents, and national seminars on the issue have emphasised, time and again that "public enterprises as an institution will not succeed unless a reasonable degree of autonomy is ensured to its managers".[1] With the obstructive presence of civil servants and political interference, directly or indirectly, there cannot be operational autonomy and consequently there cannot be operational efficiency.

SCOPE OF THE STUDY

The purpose of the study is to examine certain key factors in effective management and autonomy of public enterprises in India with a special reference to the personnel policy of Bokaro Steel Limited - the policy includes:

(i) Recruitment
(ii) Promotion
(iii) Salary structure
(iv) Training

The entire study would be on Board level and only officials below the Board level.

Secondly, a case study on Bokaro Steel Limited would be presented to get a clear cut picture about the problem and to examine the coordination between the Government, Board and parliament on the one hand and the personnel on the other.

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[1] India, Parliament, committee on public undertakings, <u>Forty-ninth Report on public undertakings - Management and control systems, New Delhi, Lok Sabha Secretariat, April 1982,</u> P.17

CONCEPTUAL FRAMEWORK AND REVIEW OF PAST STUDIES

Autonomy in public enterprises refers to the freedom from Governmental restrictions, rules and regulations, from governmental audits and from governmental control or managerial decision making. That means there is the need of administrative, financial and personnel autonomy. However, in practice, the autonomy granted to an enterprise recognises two separate spheres: one of 'policy matters' and another, 'matters related to day-to -day administration'. It is expected that in the normal circumstances the government should restrict itself to the first sphere while leaving the public enterprise to look after the second sphere. Except traditional departmental form of organisation, there is a great need of 'freedom in administration, elasticity in management, autonomy in finance and personnel and freedom from government intervention",[2] rightly given by Professor Laxmi Narain. In his book he is rightly pointed out that the concept of autonomous institutions within the government was considered a panacea of problems em from the government's entry into industry and commence but autonomy continues to be elusive.

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[2] Narain Laxmi, <u>Autonomy of Public enterprises</u> (Basic papers and proceedings of a national seminar). SCOPE publications, 1982, p.23

Actual experience of the public enterprises with regard to the exercise of autonomy sanctioned to them is however, far from satisfactory. The public sectors though autonomous as per the act and rules, are governed in many cases, gives blue print for the functioning of public sector undertakings and this inhibits complete autonomy and freedom of operation",[3] given by R.K. Nigam.

Various kinds of studies and reviews conclude that the king pin of the performance and efficiency of any enterprise is the management and indeed the environmental and characteristics and often factors which may favour a certain industry or enterprise and deter others.

T. Ramaswamy in his study on public enterprises in India attempts to focus attention of the major problems of government undertakings and basic objectives have been explained individually and in brief. He has taken attempt to highlight the major problem areas in public sector management and to determine how far they can be minimised

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[3] Nigam R.K., Eighties for the public sector, Documentation centre for corporate and Business policy research, New Delhi, 1981 P.P. 27-28.

by clear and definite objectives it focuses attention on the relevance of objectives for enterprises. Its contents call for action from various interests internal and external to the organisation. "In fact the present concern can be called only undertakings for they donot achieve anything unique. If they are to become public-enterprises, their working should have the real characteristics of the word enterprise.

According to T.Ramaswamy objectives alone donot determine company's success or failures. The competence of its managerial leadership is also important. The government acting through the ministries and the BPEs should create conditions which will help to attain the objectives. Parliament should also play a constructive role in strengthening and enlarging public sector."[4]

Accountability means, "to account for one's action and to report on the achievement or failure together with the explanation of declared objectives." To account for ones action means that one gives a report of what one has done in a specified period of time, together with whatever

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[4] Ramaswamy. T. ,<u>Public Enterprise in India, Objectives and Performance</u>, Meenakshi Prakashan, Meerut , 1972.

explanation may be necessary to justify the actions performed or the ends pursued.

The importance of accountability in public enterprise shows that the investment in the public enterprises is from the public funds and the "the public would like them to uphold those values and achieve those objectives for which they were established. Thus every organ of an organisation or enterprise becomes answerable to those who exercise control on its organisational life. Thus the answerability of a public undertaking to an appropriate authority for all its action is 'accountability'. In fact, accountability becomes another aspect of the problem of exercise of authority and control.

At times, difference is maintained between the control and accountability. Control is an active function, a purposeful and positive activity. "It means directly, restraining, stimulating a person or an organisation to a certain action or end"[5], said by N. N. Mallaya. In his book analytically he has given that accountability unlike control is a passive function. It means and involves giving information, accounts, reports and explanations about the past activities and

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[5] Mallaya N. N. , Public Enterprises in India: Control and Accountability , National , Delhi , 1971, P. 36

sometimes future activities, Since public enterprises are set up normally by a ministry, it is the ministry which is collectively and squarely accountable to the parliament for its performance. Thus, the public enterprises are controlled by administrative ministries and both of these are in turn accountable to the parliament for their performance. Control facilitates accountability.

" These are, in fact, two aspects of accountability in public sector enterprise is ensured through different tiers like parliament including committee on public undertaking, the press, government, board of directors and internal management"[6] observed by S. N. Patil. In his book, it has been a good attempt to bring out a proper balance between autonomy and accountability.

So, it is the business flexibility, which requires that the management of the business enterprises, Whether in the private or public sector, should be given sufficient autonomy

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[6] Patil S. N. , Public Enterprises Management: Constraints and Autonomy, by S. N. Patil and Raj K. Nigam, Documentation Centre for Corporate and Management Policy Research, New Delhi, 1981

to run them efficiently and effectively. On the other hand, for several reasons, public enterprises are duly accountable to the public through hosts of agencies. According to T. L. Shankar, " the public and parliament desire that these enterprises should be fully accountable to them and there management desire that they should be given maximum possible autonomy to undertake the operations of the enterprise efficiently. Such demands and desires from both the sides creat a "dilemma of public enterprise". This dilemma arises due to the insistence on maximum accountability and maximum autonomy."

According to Satish kumar Batra, " the goal oriented performance of the government enterprises can be ensured through a purposive and effective control mechanism, which has four broad factors viz. legislatial, ministerial, financial and judicial, each relevant in its own realm.

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[7] Shankar T. L. (ed) ; Leading issues in Public Enterprise Management , Himalaya publishisng House, Bombay, 1985

However, the study of Satish K. Batra concentrates on the legislative accountability of state enterprises and within the broad spectrum consisting of questions, debates and the legislative committee on public undertakings specifically setup a check goal displacement and ensure efficient operation of state enterprises."[8] C. R. Ananda Rao has given the same view as Satish K. Batra. In his book, he has given the over all view that, " the public enterprises and the ministries which control them are accountable to parliament. The public accountability is best served by the parliamentary committee in public undertakings."[9]

How far should public enterprise be responsible to the ministries and the parliament ? What should be the foremost aim of the manager of a public enterprise ? To what extent is a public enterprise is a commercial concern ? The answers of above questions have given by prof. A. H. Hanson. He has done full justice to each and every questions. Regarding the structure of a public enterprise, Prof. Hanson says, the

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[8] Batra Satish K. , Legislative Control over Public Enterprises , Printwell Publishers , Jaipur , 1985.

[9] Anand Rao C. R., Public Enterprises and Parliamentary Committees in India, Chugh Publications , Allahabad, 1982.

government has the duty of providing a basic organisation framework, but minimum red-tape will definitely increase production and efficiency. The characteristics drawbacks of public enterprises will disappear if their accountability to ministers and ligislatures is curtailed considerably.

While advocating a policy mind of board for a government industrial undertaking, Prof. Hanson points out that experience in the industrial and business lines should be the criterion of its membership. " Better salaries and brighter prospects are essential to attract are essential."[10]

In India with the emergence of the Public sector as a leading sector of economy, personnel management problems, like manpower planning, recruitment, training and promotion of staff, proper placement of personnel. industrial relations and labour welfare measures etc. have required a new significance."[11]

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[10] Hanson A. H. , Managerial Problems in Public Enterprise, Asia Publishing House, New Delhi, 1961.

[11] Singh A. K. ,Personnel Management in Public Enterprises , Mittal Publications , Delhi, 1985.

C. S. Venkat Ratnam seeks to examine the relevance of from of structure, explore the myth and reality about professionalisation, surveys the composition of public enterprise boards, presents a profile of the directors at board level in public enterprises and compares the boards in different sectors so raise certain issues concerning the rolling stone directors in public enterprise boards with short and erratic tenure.

The study of Venkat Ratnam brings out clearly that the environment in public sector is not yet conducive for professionalisation. The boards ratify rather than decide. At the enterprise level, there is no 'TOP' management in the real sense of the term. According to Venkat Ratnam, "Contrary to the general notion about the excessive parliamentary control, in a reality, a large majority of public enterprises receive scant attention from the parliament."[12] In the circumstances these persons at the helm and his equation with the powers be matter most. His book seeks to focus attention on certain aspects of form and structure.

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[12] Venkat Ratnam C. S., " Public Enterprises in India, Objectives and Performance." , Meenakshi Prakashan, Meerut, 1972.

But the roles and functions of Boards are not clear in Venkat Ratnam's book . The study probably leaves several questions unanswered.

According to Dr. Lallan Prasad, " What is more important today is the performance of the public sector, which continues to be unsatisfactory due to managerial inadequacies. Dr. Lallan Prasad has given emphasis on the development of the training process and training facilities in public undertakings also need improvement to develop personnel working at all levels." Issues of vital importance in the man - management area which affect all the public undertakings are dealt with in the book, which is specially based on the Hindustan Steel Limited.

G. Rakshit study on steel industry is a meticulous exercise and he has made important and valuable suggestions with regard to loss reduction, management improvement and capacity utilisation. According to Lallan Prasad," The poor performance of steel plants in SAIL in public sector between

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[13] Prasad Lallan, "Personnel Management and Industrial relations in Public sector", Progressive corpn. Pvt. Ltd. Bombay, 1973.

1966-67 and 1972-73 was due to poor production caused by inefficient management. Therefore, improving the quality and supply of inputs and improving efficiency in management in SAIL."[14]

N. R. Srinivas's study partially agrees with the view of G Rakshit. N. R. Srinivas has also given importance to holding companies as Kumaramngalam. The book has given a clear picture of steel industry and corporate story of SAIL.

Ministerial interference tends to raise the power of the government to the maximum and reduces initiative and flexibility of the enterprise to the minimum. Pressure in same public enterprise which make inroads to the autonomy are in the nature of interference in various recruitments, promotions and selection of top, below top and middle level executives. Enough of autonomy is needed for the management of personnel, though it aims at obtaining capable people for achieving objectives of the organisation and for ensuring that their efforts are utilized effectively."[15]

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[14] Rakshit G. , <u>Steel Industry in the Public Sector</u>, World Press , Calcutta , 1985.

[15] Srinivas N. R. ,<u>The Corporate Story of SAIL</u>, Steel Authority of India Limited, New Delhi , 1989.

METHOD OF STUDY

The entire study would be on both empirical and descriptive data. The source of collecting data would be from both primary as well as secondary sources. Case study would be done only through the proper discussions with the official of board level and below board level of Bokaro Steel Limited. The main source of data except books are governmental data and reports of committee on public undertaking.

PLAN OF STUDY

The plan of the study is as follows :

In the first chapter, the subject is introduced giving an overview of overall role of public enterprise in India's planned economy. In this chapter the policy statement and the industrial policy resolutions have been emphasised. The role of autonomy and control including parliamentary control have been also discussed.

The second chapter deals with Steel Industry in India with special reference to the performance of HSL and SAIL with the management of the same. The importance and the results of holding company approach has also been discussed in this chapter. Personnel policies of SAIL has been discussed with slight introduction of personnel policies of Bokaro Steel Limited.

Third chapter is about the case study of BSL. In this chapter the analysis of the personnel policies of BSL have been discussed. The personnel policies includes :

(i) Recruitment
(ii) Promotion
(iii) Salary
(iv) Training

But in this chapter only recruitment policy, salary structure and promotion policy has been given. The role and function of the board of directors in making and regualting the policies has also been given,

The fourth chapter deals with the training and development in Bokaro Steel Limited. An evaluation of training has also been presented.

The concluding chapter i.e. conclusion is devoted to summerise the study, chapterwise and also bring out the conclusion. An analysis of the study and limitations of the study have also been given in the conclusion part.

CHAPTER - I

ROLE OF PUBLIC SECTOR IN INDIA'S PLANNED ECONOMY

Public enterprises have come a long way during three and a half decades of India's planned economic life. Our founding fathers, particularly Jawahar Lal Nehru, had given a great deal of thoughts in designing the politico-economic system. The public enterprises have been thought of as "that enterprise which meets the challenges posed by a dynamic and growing economy and which is willing and capable of shaping its attitudes, policies and operations to fulfill both the expressed and latent needs of the community".[1] The credit of this achievement largely goes to Pundit Nehru's dream of transforming an agrarian economy in to a strong industrialised nation. Public enterprises are autonomous and semiautonomous corporations and companies established, owned and controlled by the state and engaged in commercial activities".[2] The period of last three and half decades has

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[1] Bureau of Public Enterprise : <u>A Handbook of Information on Public Enterprises</u>, 1969 p.p 4

[2] Mallaya N. N., <u>Public Enterprises in India</u>, National Publishing House, Delhi 1971 p.p. 1

been a period of many achievements, innovations and experimentations. The whole process has brought about a great deal of experience and learning.

EARLY PLANS

Planning for the development was given serious thought by some of the best brains in the country in the early decades of this century. Sir M. Visvesvaraya ushered in the era of planning with Economic Conference in Mysore in 1911, which was published from London in 1920 as "Reconstructing India". In 1934, he produced a "Planned Economy for India", which advocated the development of modern technology for utilising the country's resources. Again in 1937, he published, "National Building : A Five Year Plan for the then Member, Finance, of the Govt. of India, Sir James Grigg, that Sir M. Visvesvaraya was trying to introduce Bolshevik methods in India. But the fact was that the doyen of engineering and given expression to his ideas long before Lenin thought of developing Russia through 5 year plans.

The INC, under the presidentship of Subhas Chandra Bose, appointed the All India Planning Committee with Pundit Jawaharlal Nehru as the Chairman and with Sir M. Visvesvaraya as one of the members. Though the committee did good preliminary work, pre-occupation with politics prevented further deliberations. The government of India created a separate Department of Planning and Development in 1944 with Sir Ardeshir Dalal as the head and assured protection to industries started during the war period.

The Bombay Industrialists' plan of 1943 was a bold attempt at development on the Soviet model, emphasizing government responsibility in economic development. There were other plans also, which were to remain in paper only.

With particular reference to the iron and steel industry, the government of India set up a panel in 1945 for recommending measures for development. The panel urged the setting up of additional steel-making capacity in the country. The government, in order to examine the technical feasibility, appointed Koppers Company of West Germany, Arthur G. Mckee & Sons of the United States and the International Construction Company of the United Kingdom as Consultants. The recommendations of the consultants received in 1948, were for the setting up of the steel plants with capacities ranging from half to one million tonnes of steel per annum. But, pressing national problems relegated steel to the background.

Meanwhile, the Government of India issued the Industrial policy statement in April 1946, which envisaged rapid industrialisation and a mixed economy. On assuming charge of

Prime Minister, Jawahar Lal Nehru imparted dynamism to planning. An Advisory Planning Board was set up with K. C. Neogy as the Chairman and it submitted a report by end 1946. The committee on planning of 1945 of the All India Congress Committee came out with recommendations in 1947, which conceived that new undertakings in Defence and key industries should be under public ownership. It is this endorsement of policy which ushered in an era of planned economy in the country.

POLICY STATEMENT

The industrial policy of the Government was spelt out on April 6, 1948, in the Dominion Parliament by Dr. S. P. Mookharjee, Minister of Industry and Supply. This emanated from the recommendations of the Industries Conference held in December 1947. It reiterated the necessity of state participation in Industry, the extent of Government responsibility and the limits of private enterprise.

The statement incorporated the following general objectives :

1. Establishment of social order where justice and equality can be secured for all.

2. Promotion of a rapid rise in the standard of living by exploiting the latest resources of the country.

3. Offering opportunities to all for employment in the service community.

To fulfill these objectives, therefore, there was a need to expand to develop the enterprise. This is the first official document spelling out the role of public enterprise in the form of expanding production facilities. The manifesto reads as follows : "A dynamic national policy must be directed to a continuous increase in production by all possible means, side by side with the measures to secure its equitable distribution. The problem of state participation in industry and coordination in which private enterprise should be allowed to operate must be judged in this context".[3]

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So it reiterated the necessity of state participation in industry, the extent of Government responsibility and the limits of private enterprise. The Government, consequently, decreed that the manufacture of arms and ammunition, production and control of atomic energy and the railways would be the exclusive monopoly of the state.

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[3] Administrative Reforms Commission, <u>Report on the Public Sector Undertakings</u>, New Delhi : Government of India Press, 1970. p.p. 23.24

The responsibility for creating new undertakings for coal, iron and steel, aircraft, ship building and telecommunication equipment would rest with the Government, while existing enterprises in these areas would be allowed to continue for a period of ten years. Planning and regulation of basic industries would be done by the Government. The desirability of acquiring the latest technical know-how and the training of personnel were stressed.

Article 39 of the Indian Constitution lays down that the state should direct its policies in such a way that the operation of the economic system "does not result in the concentration of wealth and means of production to the common detriment" and the ownership and control of material resources are so distributed "as best to subserve common good".[4]

The directive principles of the state policy enjoins the state to promote welfare of people by securing a social order in which justice - social, economic and political will prevail.

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[4] Rao Ashok H. K."Issues regarding the public sector that need debate" Social Scientist. 15 (6), June 1987 p. 55-56

These ideas crystallized in the phrase "Socialist pattern of Society" which Parliament accepted in December 1954 as the objective of social and economic policy.

As a result of declared politics of the Government, the Industries (Development of Regulation) Act of 1956 came into force. By this Act, industry was made a central subject and required licensing for new ventures or substantial expansion of existing ones. Jawaharlal Nehru had then stated in Parliament :

"The pattern of society we look forward to is a socialistic society, which is a classless and casteless society. The Government aims at attaining fuller employment, greater production and better distribution. We want to attain this in a peaceful, democratic way, that prevents conflict and ultimately the speedier way".[5] The direction the country would take towards progress was made clear and loud. The role of the Government was elaborated by T. T. Krishnamachari, Minister of Commerce and Industry, at the Central Advisory Council of Industries meeting in 1955 that

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[5] Mallaya N. N., Public Enterprises in India, National Publishing House, Delhi 1971 p.p. 3

"the public and private sectors were not watertight compartments and the Government had the responsibility of supervising and, if necessary, controlling the private sector. The industrial licensing policy had undergone marginal changes during the succeeding decades, without, however, altering the basic premises".[6] It needs to be recalled that the Mahalanobis model of the Second Five Year Plan brought in the concept of heavy industries and investment in steel plants.

INDUSTRIAL POLICY

In order to usher in economic progress, the Government adopted the tool of planned development. The planning commission was set up in March 1950 and the First Five Year Plan was launched in April 1, 1951. The Plan laid emphasis on irrigation and power, transport and communications, agriculture, community development.

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[6] Chanda, Ashok Indian Administration, Asia Publishing House, Delhi 1960 p. 254

"During the period of 1948 to 1956, the Reserve Bank was nationalised, Imperial Bank takes over and air transport and life insurance also nationalised. In this context, it was felt necessary to soothe the Private Sector's fear of nationalisation. Further justified by the growth achieved during the first plan, it was considered desirable to issue a new industrial policy. Thus came the Industrial Policy Resolution of 30th April 1956, which was to be a major landmark in Industrialisation in India".[7]

It was emphasised in the Resolution that "Industrial Policy must be governed by the Directive Principles of state policy enunciated in the constitution and the more precise directions given to them by parliament, through its acceptance of the socialistic patterns of society, as the object of economic and social policy".[8]

Therefore, the objectives of the Policy Resolution were :

1. To accelerate the rate of economic growth and speed the industrialisation.

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[7] Ashan, D. D Public Enterprise, Amar Prakashan, Delhi, 1987, p.p. 32

[8] Government of India, Second Five Year Plan 1956, p.p 18

2. To develop heavy industries and machine making industries.

3. To expand the public sector

4. To build up a large growing cooperative sector

5. To reduce disparities in income and wealth

6. "To prevent private monopolies and concentration of economic power in different fields in the hands of a small number of individuals"[9]

Industries were classified under three categories, in relation to the role the state would play in each of them. Schedule A was reserved for the exclusive development by the Government. The industries coming under the category were arms and ammunition, atomic energy, iron and steel and heavy forgings and casting of them, heavy electrical plants, coal and lignite, mining of iron etc. etc. It should be noted that these industries were not only strategically important to the nation but also involved heavy capital, which private enterprise would not venture, because of long gestation periods and low returns.

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[9] Government of India, <u>Second Five Year Plan</u>, p.p 19-20

Industries under schedule B were to be progressively state owned, where new undertakings would be initiated by the Government and where in private enterprise was also expected to supplement governmental effort. These are related to minor minerals, non-ferrous metals, machine tools, fertilisers, sea transport, chemicals, ferro-alloys and tool steels. The last category of Schedule C pertained to other industries whose development was left to private enterprise. The crux of the Resolution was fundamental hope expressed that public enterprises would function efficiently, augment the revenues of the exchequer and generate resources for further development. "A significant factor stressed was that while public enterprises would be given the largest measure of freedom of operation, their performance was to be judged by results. It should be evident that the architects of the policy visualised the functioning of public enterprises, under ideal conditions unhampered by interference, so as to operate at high efficiency and bring in rich dividends".[10]

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[10] Adiseshiah, Makolm S., The Why, What and Whither of the Public Enterprise, Lancer International, India International Centre, New Delhi 1985-86, p.p. 13.

However, actual experience of over three decades of Public enterprises in the country has shown the founding fathers of the policy to be highly optimistic and idealistic. Not withstanding this, in so far as the iron and steel industry was concerned, the Resolution set at naught the fear of nationalisation of the then existing units and gave new impetus to the emerging public sector steel industry, to push ahead rapidly and with its plans.

In February 1973, the Government reemphasised the objectives of the 1956 Resolution and stated that "the state will have to take direct responsibility for the future development of industries over a wide field in order to promote the cardinal objectives of growth, social justice, self-reliance and satisfaction of basic minimum needs".[11] The 40th report of COPU strongly recommended the entry of the public sector into the area of consumer goods. The industrial policy Resolution of 1977 reaffirmed that the public sector should be used for socialising the means of production in strategic areas and providing a countervailing power to the growth of large business houses.

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[11] Jain, Anil Kumar, Performance of Public Undertaking Mainstream 22(48); July 28, 1984 p.p. 21

In 1984, the then Prime Minister reiterated the role of public sector and stated that "it should become more efficient to generate surpluses for investment".[12] Thus, the industrial policy of the Government had only reaffirmed from time to time, while adhering to the basic tenets laid down in 1956.

PUBLIC SECTOR AND ROLE OF PLANNING

The unique characteristic of Indian Planning is its philosophy of mixed economy. Different scholars have influenced the approach to planning at different period of time. The first plan relied on the Harrod-Domar Model; the second plan on the Mahalanobis model which was notable for its emphasis on capital goods in the context of a closed economy; the third plan stressed the importance of international trade under the influence of Ragnar Fristich and J. Sandee and subsequent plans followed progressive refinement of Leontiff's input-output model. Indian planning has been a total exercise where the interdependence of agriculture, industry, services, education etc. has all along been recognised.

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[12] Times of India, New Delhi, November 23, 1984 p.p. 8

The Second Five Year Plan which is based on Mahalonabis Four Sectors Model divided the "Indian Economy into four sectors: the capital good sector, the consumer good sector, the household consumer goods producing sector including agriculture, and the service producing sector. The basic strategy was to increase investments in heavy industries and also expenditure in service, to increase purchasing power and create fresh demands and on the other hand, to increase the supply of consumer goods by increasing investment and production as much as possible in small and household industries to meet the new demand .... planning would be there essentially a feedback process of matching a continuously increasing (planned) demand by a continuously increasing (planned) production giving rise to a steadily expanding economy".[13] The implications of the model were to create larger employment opportunities, build up a strong capital base and increase productive and technical capacity within the economy. The plan document while reiterating the mixed economy approach indicated a more specified role for the public sector.

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[13] Jhingan M. L. <u>The Economics of Development and Planning.</u> Konark Publications, New Delhi , p.p. 310 - 311

It states, "Public ownership, partial or complete, and public control or participation in management are specially required in these fields in which technological considerations of economic power and wealth".[14] The plan document, at the same time emphasises the complementary relationship of the two sectors. The third plan clearly states the role of public sector or private sectors are conceived as supplementary and complementary to each other. Simultaneously it gave rise to the notion that the "commanding heights" of economy should be with public sector and the "concentration of power and wealth" in private hands was socially undesirable.

In June 1966, the late Prime Minister Indira Gandhi declared, "we advocate a public sector for three reasons : to gain control of the commanding heights of economy:, to promote critical development in terms of social gains of strategic value rather than preliminary considerations of profits; and to provide commercial surplus with which to finance further economic development."

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[14] Bureau of Public Enterprises. <u>A Handbook of Information on Public Enterprises</u>, 1969 p. 8

In the same year Mr. Ashok Mehta, the Deputy Chairman of the Planning Commission propounded that :

"Self reliance not only means freedom from independence on foreign aid but also involves the establishment of an acceptable minimum standard of living for the masses and continuing rise in this standard. With self-reliance, therefore, has linked the capacity of self-sustaining growth. This means that the objective is not only to take the country towards freedom from dependence as external for its economic development but also to generate domestic capacities that will enable it to have a steady and satisfactory rate of economic growth without the dependence on external aid".[15]

The fourth plan document lays emphasis on prevention of concentration of economic power in the hands for a few. It states the objective as decreasing income disparities, evolving schemes for assisting weaker sections of society, correction of regional imbalances, creation of more employment opportunities in the rural and urban sectors, bringing about institutional changes to facilitate the process of development.

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[15] Speech at a meeting of the National Development Council, New Delhi, April 19, 1966

The Fifth Five Year Plan document adds two major objectives:

- removal of poverty
- attainment of self-reliance

As corollaries, these require higher growth, better distribution of income and significant set up in domestic rate of savings and investment.

The sixth, seventh and eighth plan had only reaffirmed the objectives from time to time, while adhering to the basic objectives of above plans.

The share of public sectors in the total investment has been steadily rising in each successive plan. The number of the enterprises and the investment in them since the commencement of the First Five Year Plan is shown in table - 1.

TABLE I

INVESTMENT IN PUBLIC SECTOR

	TOTAL INVESTMENT (Rs. in Crores)	No. of Enterprises
At the commencement of the First Five Year Plan 1 April 1951	29	5
At the commencement of the Second Five Year Plan 1 April 1956	81	21
At the commencement of the Third Five Year Plan 1 April 1961	953	48
At the end of the Third Five Year Plan 31st March 1966	2,415	74
At the commencement of the Fourth Five Year Plan 1 April 1969	3,902	85
At the commencement of the Fifth Five Year Plan 1 April 1974	6,237	122
Fifth Five Year Plan 31 April 1979	15,602	176
Sixth Five Year Plan 1st April 1980	18,225	185
As on 31 March 1981	21,102	186
As on 31 March 1982	24,916	205
As on 31 March 1983	30,038	209
As on 31 March 1984	35,344	214
At the commencement of Seventh Five Year Plan 1 April 1985	42,791	221
As on 31 March 1986	50,362	225
As on 31 March 1987	61,603	226
As on 31 March 1988	71,299	231

Source : Public Enterprises Survey, Bureau of Public Enterprise, Ministry of Industry, New Delhi

Table - 1 shows that the share of public sector in the total investment has been steadily rising in successive plan. If we take out the percentages it was **46.5** percent in the First Five Year Plan, **54** percent in the Second, **58.6** percent in the Third, **60.3** percent in the Fourth, and **66.0** percent in the Fifth. A total investment of Rs. 1100,000 million was made in the public sector during the Sixth Five Year Plan and allotment of Rs. 1800,000 million for the seventh plan. It shows that the public sector in India toady occupies a pre-eminent position. There were five enterprises at the beginning of the First Five Year Plan (on 1st April 1951) with a total investment of Rs. 29 crores. This rose to 231 public service enterprises with a total investment of Rs. 71,299 crores as on 31st March, 1988.

Table - 2 presents a comparative analysis of the collective performance of the manufacturing and service group enterprises separately for the year 1986-87 measured in terms of broad financial parameters. From the performance appraisal of the operating enterprises given, it shows, that the overall net profit of public enterprises had during 1986-87, not only shown a substantial increase of Rs. 596.64 crores or 50.89 percent over the overall net profit earned during 1985-86, but has touched an all time high figure of Rs. 1,796.08 crores. The ratio of the gross profit to

TABLE - 2

COLLECTIVE PERFORMANCE OF INDUSTRIES

(1985 - 86 TO 1986 - 87)

SL.No.	DETAILS	MANUFACTURING/ PRODUCTION 1986-87	MANUFACTURING/ PRODUCTION 1985-86	SERVICE ENTERPRISE 1986-87	SERVICE ENTERPRISE 1985-86	ALL ENTERPRISES 1986-87	ALL ENTERPRISES 1985-86
1.	Number of Enterprises	154	153	60	58	214	211
2.	Investment	46,476.28	38,279.36	10,925.63	7,199.45	57,401.90	45,478.81
3.	Capital Employed	35,887.08	30,238.14	16,043.77	12,726.42	51,930.85	42,964.56
4.	Turnover/Sales (Gross)	49,546.12	44,532.19	19,469.74	17,827.81	69,015.86	62,361.00
5.	Percentage of Gross Sales to Capital Employed	138.06	147.27	121.35	140.08	132.90	145.14
6.	Value of Goods Produced/ Service rendered	45,520.66	41,253.57	19,514.09	17,172.53	65,034.75	58,966.10
7.	Cost of Production/Services	44,034.56	40,164.49	19,433.47	17,856.33	63,468.03	58,020.82
8.	Gain/Loss from Operation	1,486.10	1,089.08	80.62	(-)143.80	1,566.72	945.28
9.	Add other income (6-7)	1,183.18	892.96	345.44	334.42	1,528.62	1,227.38
10.	Profit or loss before tax (8 + 9)	2,669.28	1,982.04	426.06	190.62	3,095.34	2,172.66
a)	Profit making enterprises (no. of enterprises)	4,075.81 (70)	3,382.00 (77)	727.91 (39)	474.80 (42)	4,803.72 (109)	3,856.80 (119)
b)	Loss incurring enterprises (no. of enterprises)	1,406.53 (81)	1,399.96 (75)	301.85 (19)	284.18 (15)	1,708.38 (100)	1,684.14 (90)
c)	No. of enterprises neither making profit nor loss	(3)	(1)	(2)	(1)	(5)	(2)
11.	Interest charged	2,004.38	1,791.58	1,411.93	1,323.04	3,416.31	3,114.62
12.	Provision of Tax	1,116.69	884.47	209.57	115.75	1,326.96	1,000.22
13.	Gross Profit (10+11)	4,673.66	3,773.62	1,837.99	1,513.66	6,511.66	5,287.28

SL.No.	DETAILS	MANUFACTURING/ PRODUCTION		SERVICE ENTERPRISE		ALL ENTERPRISES	
		1986-87	1985-86	1986-87	1985-86	1986-87	1985-86
14.	Percentage of gross profit capital employed	13.02	12.48	11.46	11.89	12.54	12.31
15.	Net profit/loss after tax	1,552.59	1,097.57	216.49	74.87	1,769.08	1,172.44
16.	Divident Declared	183.95	172.25	28.56	19.01	212.51	191.26
17.	Value added	15,159.70	13,117.15	-	-	15,159.70	13,117.15
18.	Export Earnings	998.86	1,268.60	2,492.92	2,553.72	3,941.78	3,822.32
19.	Number of employees including casual employees (lakh)	19.34	19.18	3.55	2.88	22.89	22.06
20.	Number of casual	0.54	0.49	0.29	0.11	0.83	0.60
21.	Average Per Capita Emoluments (Rupees) employees (lakh)	28,187.00	24,819.00	32,947.00	33,228.00	28,891.00	25.906.00

capital employment has also increased though marginally, despite an increase of Rs. 8,966.29 crores in the quantum of capital employment during 1986-87.

In the context of a balanced payment position of the country, public sector is called upon to play a major role in easing the position. The value of foreign exchange earned by the central public sector undertaking during 1986-87 was Rs. 3,942 crores. The gross internal resources generated by the public enterprises during the sixth plan period from 1980-81 to 1984-85 was Rs. 13,768 crores. The central public enterprises employed a total of 22.94 lakh persons (including casual employees) as on 31 March, 1987. The average percapita annual emoluments in the public enterprises was Rs. 28,887 in 1986-87 as against Rs. 25,887 in 1985-86.

By this time, many industrial firms managed by private owners were being deserted since they were becoming economically unviable. Many of these so called sick companies were taken over by the government for reasons of social responsibility, giving rise to a kind of government of public enterprises. Public enterprises operate in biotechnology and conventional areas; in monopoly and competitive markets; with obsolete and modern technology; in consumer and basic industry; in manufacture and service; and in conversion and knowledge industry. Some of them were established to provide support to economic and industrial development, while others to make the best of opportunities available. In such a situation a single criterion or a single approach for performance evaluation will be next to impossible. They cannot be compared with the same yardstick used for public enterprises, since the accountability and control factors are totally different.

Except for a few bright stars, the overall performance of public enterprises has not been satisfactory. The general deficiencies noticed in the Indian public enterprises are for utilisation of productivity capacity; deteriorating financial position despite a system of administered prices and operation - monopoly situations; failure to promote basic infrastructural facilities like power, transport etc. which are wholly in the public sector and lack of motivation in the employees.

There is a continuous introspection and imperial assessment of what goes wrong and what needs to be done to bring the public enterprises back to their original objectives reaching the 'commanding heights' of the economy.

While some of the drawbacks arise from general nature of the country's economic culture and certain social and political conditions, others stem from poor management practices.

"The deficiencies arise out of a formal and informal interface between public enterprise management and government are seen as principal reason for poor performance. There is an emerging ambivalence which makes the relationship between the enterprises and the government a difficult one "On the other hand there is a recognition that they should be run as business enterprises, that they should be kept at an arms length from the government and given freedom to manage".[16]

Perhaps no sector of industry or for that matter has been or can be safely made free from some sort of control by the governments of the land. The question of "autonomy" of the sector of economy is, therefore, to be viewed within the framework of these governmental involvement needs.

"Autonomy is the capacity to reason and engage in deliberate choice of action from among an existing range of alternatives alone and in collaboration with others".[17] In other words autonomy in public enterprises refers to the freedom from

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[16] Nigam R. S. (ed) Issues in public enterprises, Pragati Publications, Delhi 1980 p.p 49

[17] Patil S.M. Public Enterprise Management : Constraints and autonomy. Documentation centre for corporate and management policy research, New Delhi, 1981 p. 45

governmental rules and regulations, from governmental audits and from governmental control and managerial decision making. That means there is a need of administrative, financial and personnel autonomy. "The main objective of autonomy to public enterprises is to provide an institutional arrangement which is expected to combine the benefits of public ownership with business flexibility".[18] Public Enterprises combine public ownership, business management and public accountability for public ends. There are thus three major concepts regarding public enterprises. These are (i) autonomy, (ii) control and (iii) accountability. It is common knowledge that management needs and should enjoy a certain degree of operational autonomy, the government should in public and national interest, exercise a certain degree of control; and that both the enterprises and the government should ultimately be accountable to parliament. It has been stated in the memoranda submitted to the committee by certain eminent non-officials that "the concept of autonomy arises out of the principles of management. A basic principle of management is that those responsible for management must be given the full opportunity to manage,

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[18] Patil S. M. Public Enterprise Management : constraints and autonomy, Documentation for Corporate and Management Policy Research, New Delhi, 1981, p.p. 56

unfettered by interference of those, who do not share this responsibility. On the other hand, with massive public investments and the Ministers being answerable to the legislature for the performance of public undertakings, the government cannot divest itself of its responsibility and obligation".[19] The concept of accountability arises not merely from the fact that the owners of the undertakings, that is the people and their representatives in Parliament and government, have a right to call these undertakings to account by virtue of such ownership, but from the more practical fact that having made the investment decisions they are the best judges of the objectives of the investment and the best authorities to decide whether or not, or to what extent, the objectives are being served.

Accountability and autonomy need to be viewed as two sides of the same coin. Indeed, the two go together and what conflicts with both is control. The more detailed and extensive a system of control over the actions and discussions of the management , the less accountable the management becomes.

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[19]Thirty Second Report, COPU, 1987-1988, Eighth Lok Sabha Secretariate, August 1987, p.p - 17.

"Without degree of autonomy, there can be no real accountability; unless the undertaking and its management accept full accountability, they cannot ask for autonomy. Autonomy would not cross the limit where accountability should not be over emphasised. Such demands and desires from both the sides create a dilemma of public enterprise."[20]

The rationale of adopting the structure of statutory corporations or joint stock compromises for public sector enterprises is to ensure freedom of action for their managers in day-to-day activities.

The First Five Year Plan Document (1951-56) observes :"The drawbacks of departmental management of PEs are well known. Successful conduct of such enterprises requires a great deal of initiative and power to take quick decisions on the part of the executive in-charge, and these can hardly be secured if the enterprise is under government department."[21] Similar sentiments are conveyed in their official documents and political statements. A number of committees and commissions have been appointed to examine the functioning of public enterprise.

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[20] Shankar T. L. (ed); <u>Leading issue in the public enterprise management</u>. Himalaya Publishing House. Bombay 1965 p.p. 320-322

[21] Govt. of India, <u>First Five Year Plan</u> 1951, p.p. 19-20

A. D. Gorwal report says with reference to DVC : "All in all, if and example was needed of how not to treat an autonomous corporation, this instance furnishes it. However, if government is of view that it made a mistake in having a comparison and that it would really do the work departmentally it would be best to repeat the Act. If its view is that the present personnel of the corporation is not suitable for the work it has to do, it should replace it". [22]

The Economic Administration Reforms Committee (EARC) in its report on Government and public enterprises has observed that "it was with a view to enabling public enterprises to be run efficiently and autonomously by competent managers and technicians that the tradition of undertakings in the public sector being run departmentally was discarded and corporate entities were set up for the purpose".[23]

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[22] Gorwala A.D. The Report on Efficient Conduct of State Enterprises, Government of India, Planning Commission, August 1951 p.p. 33

[23] Economic Administrative Reforms Committee, Report on the Performance of Public Enterprise, Delhi 1982 p.p. 33

This was brought out in the Industrial Policy Resolution 1956 which stressed that speedy decisions and a willingness to assume responsibility are essential if these enterprises are to succeed. The resolution also stated that the public enterprises should have the largest possible measure of freedom.

FORMAL AND INFORMAL CONTROLS

The Arjun Sengupta Committee appointed by Government to review policy for Public Enterprises has observed that "it is recognised by all that, on paper managements of Public Enterprises enjoy large autonomy, sometimes much more than even by the private sector managements.

However, in practice, informal and formal involvement of Ministries and Departments takes place in area wholly within the decision making power of the public enterprise management".[24] The Economic Administration Reforms Committee had also recommended that Public enterprises should be distanced from the Ministries and the later confined to periodical reviews of overall performances with reference to

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[24] Sengupta Committee. Report on Public Sector, Mainstream 27(2), June 21, 1986 p. 17-18

overall objectives. The constant stream of instructions, questions, requests for information, summons to meetings, telephone calls, etc. should be drastically curtailed. The curtailed supervision of operational matters should be stopped.

The Ministry of Industry state that the public enterprises have given powers as incorporated in their Memorandum and Articles of Association . The provisions in the Articles of Association cover a number of areas within which the enterprises are free to function. Only certain powers are reserved to the president. As per the articles of Association the power for appointment and removal of Chief Executives and Functional Directors are vested with the government.

As regards enterprises registered under the Companies Act are applicable to them to the extent specified in the Act. "In the case of undertaking established under specific enactments of parliament, the provisions of such Acts would apply. Let us now outline the various methods of exercising influence over public enterprises open to parliament. Some are methods of control e.g. approval of budgets, while others e.g. receipt of annual reports, questions and parliamentary committee are methods of promoting accountability. In fact the latter have the certain effect of influencing the managers o of the enterprises in long runs although their actions are not thereby preregulated".[25]

The following chart suggests a helpful classification.

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[25] Narain Laxmi, Principles and Practice of Public Enterprise Management, S. Chand & Co., New Delhi 1982 p.p. 51

Parliamentary Control

- Direct Control
  - Questions in Parliament
  - Submission of Annual Reports to Parliament
  - Approval of budgets, Subventions outlays etc.
  - Inquiries by Committees (e.g. estimate, public Accounts spl. committees
- indirect control
  - Ministerial executive accountability to parliament
    - Directives
    - Informal interventions
  - Board Meetings
  - Through the govt. audit system
  - By appointment of adhoc Commissions of enquiry

On the question of informal methods of control, the scope stated in a memorandum submitted to the COPU that the informal inventions in matters of promotion, transfer and appointment of personnel, awards of contracts was indeed a daily routine affair. It was necessary to lay down ground rules to restrict government directions only to matters of policy without trangressing in the sphere of detailed administration. Very often the government refrained from issuing directives, but took recourse to other modes of communication like demo-official letters, official memos, government orders and so on. Though these communications were prima facie in the nature of an advice but in actual practice they were treated as orders from the Government. It was necessary that the instructions should be restricted because they blurred the autonomy and accountability.

BUREAU OF PUBLIC ENTERPRISE (BPE)

The relationship of public enterprise with Government and parliament will not be judged completely without reference to the role performed by BPE. The BPE was set up in 1965 to act as a service coordination and evaluation agency for public enterprises under the control of Government of India. It is located in the in the Ministry of Finance. Its main functions are to provide a central point of reference and consultation on important aspects of management, explore avenues of economy in the capital costs, devise steps to improve profitability, periodically review the working of public undertakings and present reports of their working to the Government and to parliament. Thus the Bureau acts as a very close link between the public enterprises and the Government.

ORGANISATIONAL MATTERS

Appointment to Top Level Posts :

At present the Public Enterprises Selection Board is changed with the responsibilities of selection to all Board Level posts in Public Sector Enterprises owned or managed by central government. However, purely financial institutions are excluded from the purview of the PESB. Thus the PESB makes recommendations in respect of (i) Top level appointments of part-time chairman, full time chairman, chairman-cum-managing director and managing director as well as of (ii) Second level appointments of all full time executives/functional directors on the board.

The appointments are made with the approval of the appointment committee of the Cabinet. The Chairman & member of the Public Enterprises Selection Board have a tenure of three years and they are eligible for re-appointment.

In these matters the committee of public undertaking desired to know whether any guidelines have been issued to PESB regarding the criteria to be followed for the selection to top posts. The Ministry of Industry stated in a written reply that the guidelines issued in August 1977 provided that:

a) Unless markedly better candidates are available from outside, vacancies will be filled by promotions from within a public enterprise.

b) If internal candidates are not available, preference will be given to candidates working in other public sector undertakings.

c) Failing availability of suitable candidates from (a) and (b) above, selections would be made from other sources like Government and private sectors etc."

On being enquired as how it was ensured that the persons selected for the top posts have faith in the public sector and commitment for social welfare, the witness replied :-

"There is a selection process by which these appointments are made. . . . there is a PESB consisting of experienced people ..... it is a high powered body consisting of experienced manager as the chairman. They go through the bio-data of the candidates, they see the internal candidates also by giving a kind of preference to them ...... There is a data bank. This data bank contains a large number of experienced people..... Therefore, after a great deal of thought and scrutiny the Public Enterprises Selection Board recommends a panel and that is how the selection process takes palace".

TENURE

According to guidelines on top posts in public enterprises issued in August 1977, recommendations for appointments to top posts would be made normally for a period of five years or till superannuation, whichever is earlier. However, appointments to the posts of chief executives/functional directors in the public enterprises were being initially approved by the Appointments Committee of the Cabinet (ACC) for a period of two years. The COPU (1981-82) also recommended in their 49th report that frequent changes of chief executives should be avoided and there should be minimum tenure of 5 years subject of course to satisfactory performance.

In this connection, the Sengupta Committee which was appointed by Government to review the policy for public enterprises also recommended in their report presented to Government in December 1984 that :

"With a view to improve organisational efficiency, it is recommended that the tenure of the chief executives and full-time directors should be 5 years subject to a probationary period of one year and removal of three months notice for unsatisfactory performance. The top management of public enterprises must have the security of knowing that, provided that perform well, they will have a tenure long enough to show results. We would also suggest that non-confirmation on dismissal of a chief executives on functional directors should be decided by the Appointments Committee of the Cabinet (ACC) only after taking into account the views of the PESB. In the case of resignation by functional directors/chief executives, acceptance thereof will be with the approval of the ACC."

The Government has decided this recommendation and since May 1986 it has been decided that the chief executive/functional directors in public undertakings will be considered for appointment for a period of 5 years, on contract basis, with the provision that the Government will have option to terminate the services with three months notice.

In general three kinds of directors are there in the Board of Directors of Public Enterprises viz. (i) Full time functional directors, (ii) part-time Government directors nominated normally from the Administrative Ministry and the Finance

Ministry and (iii) part-time non official directors.
The practice of appointing Government directors to the Board of Public Enterprises has turned out to be a potent device for the Ministries to erode their autonomy and impost their will on the enterprises. There is a tendency to do or propose not to do. What an enterprise really needs, but what Government desires. This is so because Government Directors in spite of being in a minority are in a position more often than not, to veto all decisions which do not accord with their views, thought in theory all directors are equal.

The question thus becomes one of how best to increase the degree of autonomy of the public enterprises, enforce accountability and thereby improve their performance.

There are four major areas which require attention. Those are :

1. The organisation structure of enterprise and its relation with the Government.

2. Procedures which determine the degree of autonomy.

3. The system of performance evaluation and accountability and attitude of the various organisations.

4. Agencies monitoring the performance of the enterprise on behalf of the Government.

According to Arjun Sengupta Committee, it is recognised by all that, on paper, managements of public enterprises enjoy large autonomy, sometimes much more than even by the private sector management. However, in practice, informal and formal environment of ministries and departments takes place in areas wholly within the decision making power of public enterprise management. It has also emphasised the need to work out an organisational pattern which would reduce the points of intervention by the Government in the management of the enterprises, without minimising the Government's right to have needed information for evaluating performance. There would be clear division of responsibility between the Government and the management of these enterprises.

The ministry should be responsible for formulation of policy and the management for the implementation of that policy. The interaction between them should be such as to facilitate the exercise of overall Government supervision without impairing the efficiency of the operation of the enterprise. Such an organisational structure should keep the operations of an enterprise at 'arms length' from the Government and promote decentralised decision making within the enterprise. Considering these aspects the committee felt that the holding company form of company organisation would meet these specifications. The logic of holding company structure is to introduce an intermediate level of management i.e. the Board of holding company between the ministries and companies, reconstituted as subsidiary companies. The Board of the holding company would also take up the job of coordination between the subsidiary companies. As a result, the interface between the ministry and the companies would be minimised, without sacrificing the essential need for a coordination of operation of the companies.

The setting up of holding companies for iron and steel sectors in our country is a major project. Taking up the SAIL (Steel Authority of India Limited) as the best alternative for HSL and other private steel sector (Except TISCO) has brought about a significant change in the field of industrial development as well as of managerial and administrative reforms. It is the creation of new model which has provided the answer to the many of the managerial problems that we used to face in each and every public sector. But we must realise that it is a new approach and no approach will bring about a total and radical change in administrative and so it should be judged by the manner it works and then modifications can be done.

1. What are the advantages of holding companies especially in steel sectors ?

2. What is the motive behind the establishment of SAIL ?

3. And is it a successful step ?

An analysis about the steel industry starting from establishment to the incorporation of holding company approach will help us to remove the queries about the steel sector with holding companies. It is discussed in the following chapter.

CHAPTER II

STEEL INDUSTRY IN INDIA

Steel forms a backbone of the economy, especially of an industrial country. It has strong backward and forward linkages, which make steel indispensable. The quantum of steel which goes into the production of different industries per unit of their production, would be reflective of the true significance of steel to the development of the economy, from time to time.

DEVELOPMENT

India had gone in for planned development as a deliberate policy for lifting the country from the ages of slumber and make it an advanced industrialised nation. Enormous resources have been pumped into the economy during the plan periods. An idea of the magnitude of plan outlays and the annual compound growth rates of steel achieved during the plan years is provided by the data shown in Table-1.

TABLE - I

PLAN OUTLAYS AND ANNUAL COMPOUND GROWTH RATES

Plan Period	Overall allocation Rs. in crores	GNP at factor cost Current	Constant
First	3,760	12.0	3.6
Second	7,720	7.6	4.0
Third	12,671	9.3	2.5
Fourth	24,759	12.0	3.5
Fifth	67,145	10.2	5.2
Sixth	172,210	13.9	5.1
Seventh	348,148	-	-

NOTE : Excluding annual plans 1966-69 and 1979-80

SOURCE : Statistics for Iron and Steel Industry in India, Steel Authority of India Limited, New Delhi, 1988, p. 388 Economic Survey 1988-89 .

The total outlay during the seven plan periods, excluding annual plans, have amounted to a staggering sum of Rs. 636,413 crores. The annual growth rate in GNP has reached 5 percent during the fifth and sixth plan periods. It is anticipated that the rate would be higher than the earlier figure during the seventh plan period.

The first plan period of 1951 to 1956 was decisive in laying the firm foundation for establishment of the steel industry in the public sector in India. The earlier efforts of the government had amply borne out the rising demand for steel in the wake of the emerging industrial picture of the country. The iron and steel (major) panel had placed the steel demand at about 3 million tons by 1960. Hence, there was urgent need to set up fresh capacity in the country. In the first plan, one project was included in the public sector, at an estimated cost of Rs. 80 crores, to produce about 350,000 tons of pig iron by 1955-56 but it did not materialize. "It concedes the logic that it was easier to expand existing steel plants, the private sector was given permission for limited expansion. But the main chunk of fresh capacity was reserved for the public sector, in the view of deliberate policy which the government had adopted earlier".[1] The need of technology and finance made the Ministry of Production scout for collaboration abroad.

At the suggestion of the World Bank, the government appointed a Technical Mission in 1952, to assess the then existing and future demand of steel in India. The ,government was in a hurry and without waiting for the report of the Commission decided to go ahead with the setting up of an integrated steel plant in the public sector. "Attempts made at attracting interests from the United States and United Kingdom were unsuccessful. Therefore, A. K. Chanda, Secretary to the Ministry of Production, went to West Germany to explore the possibility of securing assistance. An agreement was reached in 1953, between the government of India and the West German combine, Kupp-Demag, representing the steel firms of Fried Krupp, Essen and Demag Aktcengeselschaft, Duisbur. The agreement provided for the

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[1] Jaiswal S. L. Public Sector in India Asia publishing house, Delhi, 1981, p.p 181

setting up of an integrated steel plant at Rourkela, with an initial capacity of 500,000 tonnes of steel, at an estimated cost of Rs. 90.5 crores".[2] A preliminary report was received from Krupp-Demag in May 1954, and was followed by a detailed project report in January 1955. It was decided to increase the plant capacity to one million tonnes per annum, as a result of which a supplementary agreement was signed on July 21, 1955.

While the government was busy with the first public sector steel plant at Rourkela, the report of the technical mission was received. It estimated the demand in the country by 1960-61 at 6.0 million tonnes of ingot steel, corresponding to about 4.5 million tonnes to finish products. The estimate was substantially higher than the earlier one and taking into account the existing capacity, revealed a gap of about 4 million tonnes of ingot steel. This led the government to the urgency of establishing more steel plants in the country.

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[2] Wadud Khan M. A., Steel problems of production and distribution, <u>Round table weekly</u>, May 20,1973, p.p. 22

MINISTRY

In the establishment of the public sector steel industry in India, the first landmark was the creation of the Ministry of Iron and Steel on 15th June 1955. consequent to the Presidential order dated May 28, 1955, T. T. Krishnamachari, who was close to Nehru in thinking, assumed the office as the first minister, with S. Boothalingam as Secretary. It was the dynamism which TTK imparted to the portfolio that was responsible for the construction of three steel plants in record time. In fact, the construction time of 4.5 years from the date of agreement to final completion, as witnessed at Bhilai at the million tonnes stage has never been matched in any steel plant construction in later years in India, of course necessitated by variety of circumstances.

Jawaharlal Nehru firmly believed that rapid industrialisation was the only panacea for the economic ills of the country and for making progress towards a new order. He was convinced that industrialisation ultimately depended upon heavy industries, with steel as the base. He was a stout champion of the cause of the steel industry and had defended it in parliament and other forums. He regretted not having put up a steel plant in India during the first plan period itself.

Nehru drew pointed attention to this fact at National Development Council meeting on January 7, 1956, when he stated :

"we have been talking of having three new steel plants but nothing was done in the First Five Year Plan. Even if we had put up one plant then, what a tremendous difference it would have made and what a saving of foreign exchange ! we are now buying steel from all over the world ! Is it not better to be prepared? I do not want the same kind of lag to occur in regard to the machine making industry?".[3]

The construction of three one million tonnes steel plants on green field sites, at the same time, required indomitable courage on the part of the government, which was supplied by the vision of Nehru and the drive of T. T. Krishnamachari. This was by any standard a unique experiment in development and unmatched by any nation in the world, either in the capitalistic, socialistic or the developing countries.

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[3] Industrial Times, October 30, 1972, Planning for Steel - A new concept.

This fact received particular approbation from the Estimates Committee of Parliament 1958-1959, headed by Balwantray Mehta. The committee in its report of 25th February 1959 had recorded. The Committee in its report had recommended, on the working of (Hindustan Steel Limited), that the construction of three ten lakh steel plants (Rourkela, Durgapur and Bhilai) undertaken almost the same time was a stupendous task. On the completion, the country would be producing for the first time the current steel requirements, thus reducing the dependence on the foreign countries and saving the country nearly Rs. 200 crores in foreign exchange, by not exporting task".[4]

HINDUSTAN STEEL LIMITED (HSL)

Hindustan Steel Limited was formed on January 19, 1954 at New Delhi, as a private joint stock company under the Indian Companies Act, 1913, to construct and manage the steel plant at Rourkela, in pursuance of the agreement between the government of India and West Germany combine of Kupp-Demag.

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[4] Estimates Committee, Report on Rourkela, Bhilai and Durgapur Steel Project, New Delhi - 1958 p.p. 11

The combine was to contribute Rs. 9.5 crores to the share capital so as to have representation on the Board of Directors but the government took over the share in December 1956.

The authorised capital was Rs. 100 crores, of which Rs. 5 lakhs were paid up capital. A. K. Chanda was appointed Chairman and S. N. Mazumdar as Managing Director".[5]

The Bhilai and Durgapur projects were under the direct control of the Ministry of Iron and Steel. The government of India were considering a re-examination of India's administrative system, with particular reference to the administration of the government's industrial and commercial enterprise. A. D. Gorewala (1957) and Paul H. Appleby (1953 & 1956) had submitted reports on the subject. In his report of 1956, Appleby recommended that there should be a "persistent movement of consolidation of all special organisations, according to a scheme of coherent mission. The Planning Commission, in accepting this view, anticipated functioning broadly in the same field"[6] As a direct

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[5] <u>Inaugural speech in Seminar on Performance of Public Sector</u>, Akbar Hotel, New Delhi, 27-29, July 1972.

[6] Balakrishnan G., <u>Steel Strategy for the future</u>, The Economic Times, New Delhi December 30, 1973 p. 8

consequence, the Bhilai and Durgapur projects were merged with HSL on April 1, 1957. Thus, HSL came to be responsible for construction and management of all the three steel plants in the public sector. S. S. Khera assumed office as first Chairman of the HSL. Consequent to this merger, the authorised capital of the company was raised to Rs. 300 crores, according to the revised Articles of Association of the Company (AAC).

Land acquisition had to be done well in advance of commencement of work. This was the responsibility of the state governments, who had also to ensure the proper resettlement of the displaced persons. THe extent of land requirement and the cost of land at the three project sites is shown in the Table - 2

TABLE - 2

LAND REQUIREMENT AND VALUE

	Extent (Hectares)	Value (Rs. Cr.)
Rourkela	9,811.40	1.98
Bhilai	9,634.60	1.16
Durgapur	6,568.20	1.97

SOURCE : Estimates Committee of Parliament

33rd Report 1958-59, on HSL, New Delhi, 1959, p. 91

It would be noted that for plants of similar capacity and townships, Rourkela and Bhilai had required nearly 10,000 hectares each, while Durgapur felt adequate with nearly two thirds. However, land value at Durgapur was the highest among the three. After the formation of HSL in 1954, it took over the management of the three one million tonnes steel plant at Rourkela, Bhilai and Durgapur in 1957. With the establishment of Alloy Steel Plant (ASP), Durgapur, it also came under HSL on the formation of SAIL on January 24, 1973, HSL continued to remain on paper only and the management of all the operating steel plants came under the purview of SAIL. Therefore, the effective period of HSL could be reckoned as 19 years, when it was really in business and thus accountable for its performance. The near two decades of HSL's existence were characterised, in its external environment, by a recessional trend in the national economy in the mid sixties, which had its repercussion on the market for steel. Serious industrial relations problem of late sixties and early 1970, left a permanent scar on the industry and charges at the ministerial level, which induced far reaching policy changes in managerial style, with its effect on plant level functioning. There were several changes at the top in HSL itself, which were not highly conducive to organisational stability.

PERFORMANCE OF HSL, AN ERA OF LOSSES (1966-67 TO 1972-73)

From the given Table - 3, it can be made out very well that, HSL suffered from losses for several years and the size of losses mounted up from year to year.

TABLE - 3

Financial Performance of the HSL (in crores of Rs.)

1966-67	67-68	68-69	69-70	70-71	71-72	72-73
-23.0	-40.1	-39.9	-10.4	-5.4	-45.6	-27.8

SOURCE : HSL 21st Annual Report, 1974-75

The above figures show the loss increased from Rs. 23 crores to 1966-67 to Rs. 27.8 crores in 1972-73. The cumulative loss of the company stood at Rs. 246 crores at the end of 1973-74. Out of this the Durgapur's share was over Rs. 216 crores. Several explanations were offered by HSL for the continuous losses over the years. It must be conceded the major factor management system and organisational structure followed by that unremunerative steel pricing also".[7]

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[7] <u>21st Annual Report</u>, SAIL, 1974-75 p. 2

MANAGEMENT

After having established the public sector steel industry, the government of India had a direct stake in its management,government had little experience in running

ordinance factories but they were pygmies compared to giant steel plants. The Indian Railways were run as a commercial undertaking and the government had a control over them, through the Railway Board. The Indian Audit and Accounts Service had rich experience in financial control and audit work. The government had able administrators, who had vast experience of running well-oiled bureaucratic machinery. Thus, when the top managerial needs arose in the emerging public sector steel industry, the government chose tried men of the ICS and IAS cadres as General Managers and Deputy General Managers to administer the steel plant. Similarly top level engineers came either from the Railways or the PWDs and the IAAs gave its share of senior most officers to deal

with the finances of steel projects. Further, initial operational heads of departments were drawn from the two private sector units.

Thus the top functionaries were assembled at the projects but the sheer magnitude of the jobs battled them, though they wouldn't confess it. Again the styles of management adopted in their own parent establishments were also widely different".[8] Yet, all in all, they worked in tandem in a national endeavor of building the public sector base, occasional differences notwithstanding.

PERIODS

In taking a historical perspective of the management of HSL during its near two decades of active existence, certain patterns become desirable. Based on these, the management of and in the HSL could be conveniently grouped under four distinctive periods were the :

Formative period	1954-57
Period of trial	1957-63
Period of consolidation	1963-68
Period of reappraisal	1968-73

With the formation of SAIL in 1973, HSL witnessed a phase of diminishing establishment, till its merger with SAIL in 1978.

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[8] Joshi Navin Chandra "Strengthening Indian Steel Industry", Yojna, September 16-30, 1982 p. 21

STRUCTURE OF PUBLIC SECTOR

(BEFORE HOLDING COMPANY)

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                SHARE HOLDER REPRESENTED BY
                    PRESIDENT OF INDIA
                            |
                 ACTS       |      THROUGH
                            |
    ----------------------------------------------------
    |                                                  |
  GOVERNMENT                                      PARLIAMENT
    |                                                  |
  MINISTER                                          MINISTER
    |                                                  |
  ------------------------------------------------------
  |                  |                                 |
  MINISTRY           |                   ---------------
  |      OTHER GOVT. DEPTTS.             |
  |                                      |
  --------------------                   |
                     |                   |
          BOARD OF DIRECTORS       TOP MANAGEMENT
                     |                   |
                     ---------------------
                               |
                          MANAGEMENT
                               |
                     ---------------------
                     |                   |
                 OFFICIALS          SUPERVISORS
                     |                   |
                     ---------------------
                               |
                            WORKMEN
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FORMATIVE PERIOD

HSL was managed by a potency Board, consisting of a full time Managing Director and part-time Chairman and Directors. During the three initial years of HSL, there were three Chairmen and three changes in the location of the head office. The changes in the chairman were necessitated because the secretary of the Ministry of Iron and Steel used to be the ex-officio chairman of HSL. " The exercise of bureaucratic administration was inducted into running a business organisations and this had continued for long in HSL. The results were delays and an eye on the observance of procedures rather than the achievements of results".[9]

PERIOD OF TRIAL

Since assuming direct responsibility for the management of three steel projects, the Board of Directors of HSL were reconstituted and the three general managers of projects were seated on the Board. As a sequel to a government decision of April 1958 that the secretary of a department of the government should not be a chairman of an undertaking under

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[9] Srinivas N. R. The corporate story of SAIL. Steel Authority of India Limited, New Delhi - 1990 p. 69

his control. The post of a deputy chairman was abolished in 1960, only to be reintroduced later on. The plants were already in production and with their general managers on the Board, HSL management took on a functional character.

A significant feature of this era was the introduction of the concept of the Committee of the Management (COM) in August 1959. The COM comprised the Chairman and full time directors and conducted functions of the Board. But, the general managers were not members of the COM and this resulted in a sense of alienation by them, in not being at the centre of things. It was not all a successful innovation and was given an unsung burial after a few years.

PERIOD OF CONSOLIDATION

There was a phase in the management of HSL, when the policy Board was revived. The general managers were given full powers in the field of personnel and purchase and the reorganisation of HSL came into effect on July , 1962. Autonomy was given to the plants to encourage decision making at different levels. As a direct consequence, a new atmosphere began to pervade the plants. The next big step in decentralisation came, in a sequel to a policy statement made by the then minister of steel and Heavy Engineering, C. Subramaniam, in Parliament on 20th September 1963 and came into force in all plants within one month. The cardinal features of the decentralisation scheme were the grant of full powers to the general managers in matter relating to recruitment, manpower planning and financial control of products on requirements".[10] The head office received no powers in day-to-day management to itself but was content with overall policy making, arrangement for funds for capital needs and presentation of budget and accounts. This policy Board lasted for about five years and proved to be very effective in terms of producing results, namely production and profit.

PERIODS OF REAPPRAISALS

In the light of COPU (Committee on Public Undertaking), Pande Committee and the Administrative Reforms commission report, the Minister of Steel, Mines and Metals, Dr. M. Channa Reddy announced in Parliament on 20th March 1968, reversing the policy of HSL to have a strong functional board. The circumstances necessitating the change were explained as the recession in industry, the need to have a vigorous approach

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[10] Srinivas N. R. The Saga of Steel, Steel Authority of India Limited, New Delhi - 1983 p. 62

to sale and maximum profits. The general managers were brought back on the board to impart a sense of purpose and urgency to the deliberations. As a result, the headquarters of HSL at Ranchi were strengthened with directors of personnel, production, finance and commercial. A new dynamism pervaded Ranchi and the principles of "Management by Objectives" was introduced in February 1970. The period accounted for enhanced production, productivity, profit and export earnings. For the first time, HSL gained a positive image from the public and government. In February 1972 they went in for decentralisation of control from the head office. HSL lost its moorings. A new birth was given to HSL under the grab of SAIL, which emerged in 1973. In 1978 an Act was passed in the Lok Sabha according to which, Durgapur Ispat, Rourkela Ispat, Bhilai Ispat, Durgapur Mishra Ispat, Bokaro Steel and Salem Steel would function as units of SAIL by merging them in SAIL. In the new set up SAIL acted has a holding company.

HOLDING COMPANY APPROACH

The formation of a number of Holding Companies for control of all the public sector enterprises by suitable classification taking into account for the economic sector, the viability of various public sector enterprises with a view of the type of business and scale of operations but are essentials for the overall development of the economy. Most striking examples in this regard can be seen in Italy, where the ENTE NAZIONALE IDROCARBURCENI (ENI) performs the role of a holding company, providing enterprenuership as well as a broad control at the strategic decision making level for a vast number of enterprises. Motive behind the creation of holding company was, it would oversee and coordinate the performance of subsidiaries. The ministry is supposed to deal with the holding company and not with the subsidiary units. The late union minister, S. Mohan Kumaramangalam, was a great advocate of this form of management. His basic ideas in having a holding company was "substitution of the culture of industry for the culture of the civil service". A holding company he explained has two principal objectives : "the first advisers to the ministers were to be drawn from amongst technocrats, and second, the mode of taking decision would be those adopted in the service".[11]

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[11] Dutt R. C. Nigam, Raj K, Towards Commanding Heights. SCOPE, CHANDRALOK, New Delhi , 1983 , p. 2

Several other authorities have also advocated the holding company concept. David Combes while discussing the subjects says "The idea seems to be relevant for existing nationalised industries (as PSEs are called in UK) from two points of view. First, a public holding company on companies would be expected to provide better coordination among the different boards in the same sector than government departments are able to do. Secondly, they would offer a means of separating minister's responsibility for financial results for the making of social economic policy and would also ensure that this responsibility was exercised by people with a business rather than service background. .... Finally as consequence of these features, it might be a means of making the boards more independent of ministers".[12]

A characteristic feature worth noting about a holding company is that the individual operating companies from separate entities. This is therefore to be distinguished from the concept of a sector corporation as proposed by Administrative Reforms Commission - not happily agreed to be government -

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[12] Coombes, David, <u>State Enterprises - Business or Politics?</u> PEP Publications, England, 1971 , p.p. 23-24

where a company such as Hindustan Steel would have several individual plants a large size working within it, but not as independent and competing corporate entities.

According to the administrative system secretariat was acting as the supervising authority of the public sector and on the top of the secretariat, the Ministers. "The consequence was the emergence of two principal weaknesses. First, non technical persons with no experience in industry or management became decisive authorities in matters of industrial development. Secondly, non-industrial procedures, civil service procedures, both in relation to take of operational decisions as well as reviewing the performance of these undertakings, were superimposed on public sector undertaking".[13] The decisions taking in industrial sectors may not be always purely administrative decisions, such as appointment of subdivisional officers on a collector in a district.

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[13] Kumaramangalam S. Mohan, New Models for governmental administration of Industry in R. C. Dutt & Raj K. Nigam (ed). "Commanding Heights", SCOPE, New Delhi 1975, p. 5

CULTURE OF INDUSTRY FOR CULTURE OF CIVIL SERVICE

To vest the power to take decisions in technical/managerial/ industrial leaders rather than civil servants, in essence involves the substitution of the culture of industry for the culture of civil service. The civil servants are good in work for which they have been trained and for which the culture, their mode of work, the procedures they employ, are appropriate.

But why should we consider that are the men for all types of work and in particular for the management of industry which has become more and more specialised during recent years?

The aim of the government in setting up the holding company for the management of all its industries in the area of iron and steel is essentially to reform the administrative structure for the management of iron and steel industry in our country instead of the Department of Steel being principal adviser to the Minister in the administration of iron and steel industry, the holding company and its board headed by its Chairman will now become his principal adviser. The two principal objectives of holding company are :

First, the advisers to the Minister will be drawn from the technocrats, from industrial managers, and secondly, the mode of taking decisions and arriving at conclusions will be those adopted in industry rather than those that are adopted in the civil service".[14]

It is well known that where as the civil service is essentially procedure oriented, industry is result oriented. For the civil servant what is vital is whether the correct procedure has been followed and whether the correct rules have been observed.

The result is not important so long as all the rules that should have been followed have been followed. But in industry, the criteria that has to be adopted in judging the correctness of the decisions are different. In industry it is the results, that are different. If results have not been achieved, however correct the procedure were, wide was the consultation prior to take the decision, if the decision was wrong the man or men who were responsible for taking of that decision would have to answer for his or their failures.

And even in assessment of the working of an undertaking,

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[14] Singh, Ajit, The Holding Company and the public sector, Lok Udyog, July 4, 1979 p.p. 18-19

there is a crucial difference between the manner in which that assessment is made in industry and that made in th civil service. For, there again, the judgement as to whether or not a particular decision is right will depend on the civil service on whether sanction has been obtained and the rules have been observed.

In an article on the formation of the British Airways Group, published in the magazine - Airline Management, Michael Donne has examined in detail the basis for formation of this group; a principal aim, he comments will definitely be to get the structure of the airlines.... away from the clogging envelope of the civil service machine".

He writes :

The argument is that in the past, government ownership has been allowed to run riot over the state airlines, with the result that no clear thinking has been allowed to develop for fear of upsetting the civil servants in Whitehall, no new policy initiatives have been possible, and no really innovative developments have been allowed to bear fruit but rather have been stifled at birth.

Now it is argued, the objectives must be for the government to leave the airways board alone to run the show - after all, if it makes a mess of it, the government can sack it and and find a regular policy meeting, for example, on matters of finance.

The introduction of the Chairman of the Holding Company into the structure of the government, the heart of the government, as Secretary to the Department of Steel is, in a sense, the key to the understanding of the reform that is proposed. The Chairman of the Holding Company by virtue of his position as secretary of the Department of Steel now becomes the chief advisor to the Minister of Steel on all questions pertaining to the area covered by the holding company and in effect by the Department of Steel. It is to the Chairman/Secretary that the Minister will turn when he needs an answer to a question on advise on a problem. And equally once the board of the holding company, presided over by the Chairman has arrived at any particular decision then so far as it is concerned with the department of Steel, the matter is over and the decision of the Holding company will go straight to the Minister for his approval or for his disapproval. And if the Minister of Steel approves, then it will go probably to the Finance Ministry where necessary, but ultimately to the Cabinet. The crucial point is that should be emphasised that no longer will the Department of Steel, headed by a Secretary from the Civil Service, sit on judgement on the solutions suggested to the industrial problems by the board of the holding company which one must always expect, will be composed of eminent men who are competent, perhaps the most competent in the country, to take decisions on such questions".[15]

"The holding company, therefore, in a sense, replaces the secretariat in its relationship with the minister. All the decisions of the subsidiaries of holding company will come up before the board for approval and through the board to the minister, this is in contrast to today's position when such decisions come up first from the Board to the secretariat, and only after being vetted and approved by the Secretariate will reach the minister, thus the substitution of the holding company for the secretariat becomes complete. For achieving the industrial objectives, for the introduction of an

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[15] "H.S.L. - The Management Lag", the Economic and Political weekly. February 8, 1979, p. 24

industrial culture, in terms of men, methods of work and control of decision making operations, the holding company is the answer".[16]

DIscussing the organisational structure of the public enterprises in India, the Arjun Sengupta Committee report also suggested in December 1984 " a holding company form widely practiced in many European Countries". The logic of holding company structure", says the report, "is to introduce an intermediate level of management i.e. the board of holding company between the ministry and the companies reconstituted as subsidiary companies. The board of the holding company also takes up the job of coordination between the subsidiary companies. As a result, the interface between the government and the subsidiary companies is minimised without sacrificing the essential need for coordination of the operation of companies. The sectors such as steel, coal, power, fertilizers and petroleum should be recognized into holding companies functioning under the administrative control of the concerned sectoral ministries of a single sectoral holding company becomes too large it may be necessary to set more than one such holding company".

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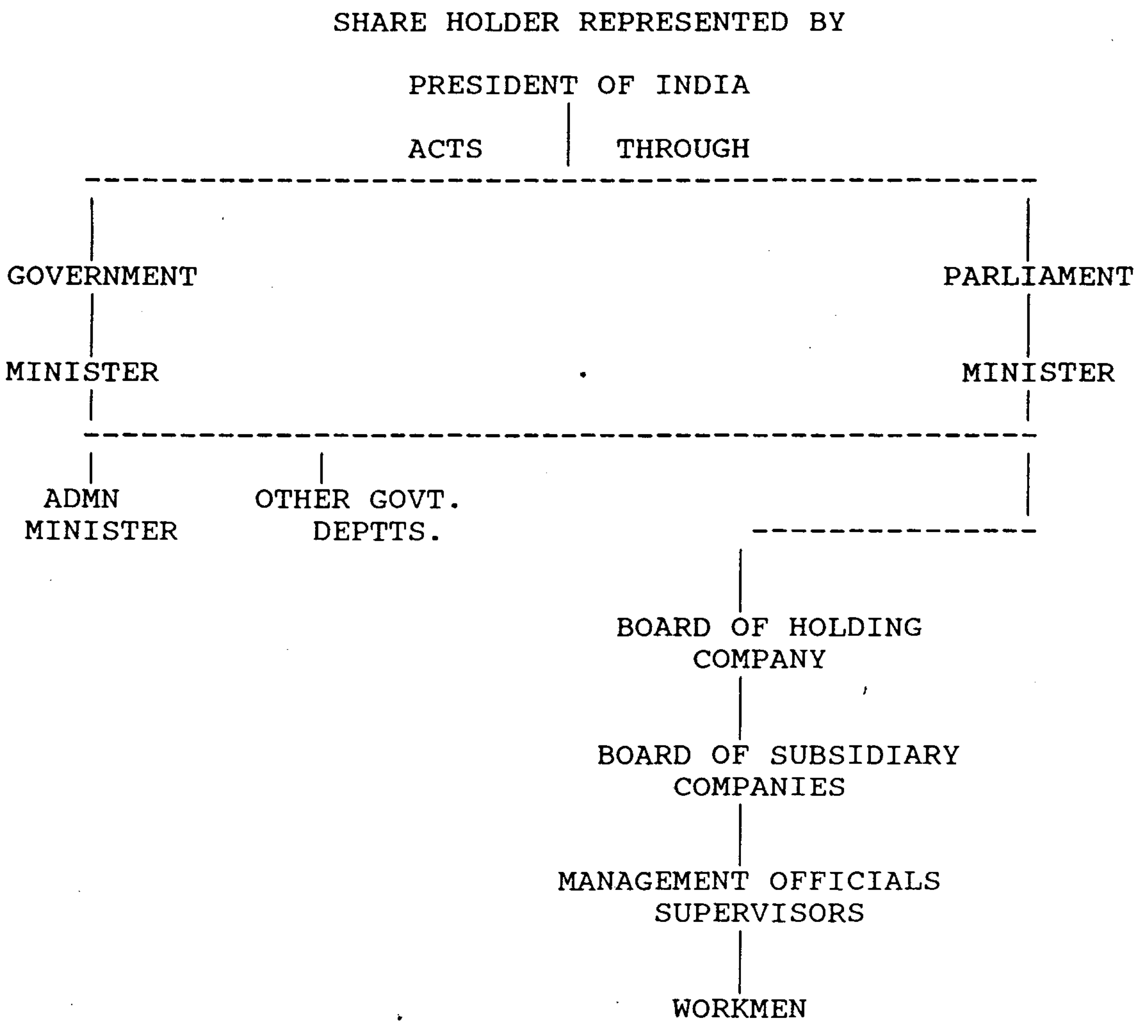
[16] " H. S. L. - The Management Lag", The Economic and Political Weekly, February 8, 1979, p. 26

The holding company would also facilitates developments of the enterprise in management of industries sector wise and R&D funding in areas of thrust industries. The holding companies would also relieve government of raising resources for finding investment either through government loans or formation in view of their financial clout and forming part of these large companies. Another major advantage of having holding companies is that responsibility of ministries of the government for the overseeing of the management of a large number of units which require enterprise in industrial management is transferred to an organisation which will have this enterprise and the extent of this responsibility will be substantially reduced to match the expertise available.

STRUCTURE OF THE PUBLIC SECTOR

(WITH HOLDING COMPANY)



RELATIONSHIP WITH PARLIAMENT

What is the relationship and what it should be between the holding company and parliament? This is a matter of very great importance because accountability is essential. It is the government ultimately that is accountable to parliament and to the nation for the working of a public sector undertaking and, hence, a public sector undertaking must be accountable to government for its own working. But our aim must be to enforce effective accountability in terms of performance and not accountability in terms of an individual right or wrong decision.

Under the decision of government regarding the Holding company for the iron and steel industry, it will be the duty of the Holding company (SAIL) to submit detailed biannual reports to government about its functioning and that of subsidiaries, and justify the operation of these companies. And it will equally be the duty of the government to scan these reports with care and to take measures to see that those who are incharge are held accountable for their work.

Still, at present, there is a tendency both in parliament and in the government to get involved in checking minor operational decisions that have been made, forgetting that the real need is for supervision of policies and results.

This is not the proper way to judge the working of the undertaking. The most appropriate manner to judge its working is by its results. The introduction of the procedure by which the Holding company will report to government every six months will provide a proper basis for enforcing better supervision, ensuring proper accountability.

The government, broadly speaking, confines itself to draw up national policy guidelines, issuing general directions to the Holding companies and exercising minimum supervision over the actual operational working of the Holding companies and their subsidiaries. There is adequate reporting to government, like the biannual report proposed with regard to the Holding company for steel; but there is much more close and continuous informal contact through government representatives on board of directors and frequent discussions and exchange of views on important issues. This leaves a comparatively large degree of autonomy to the companies which have complete operational freedom in their day-to-day functioning. But it also means that even on operational matters there is an exchange of ideas, with the decision making authority being clearly vested in the public sector undertakings.

PUBLIC SECTOR UNDERTAKING

The broad features of organisation of SAIL are as follows: The chairman of the board of SAIL will be appointed by the president, but in consultation with the chairman of SAIL.

Four full time directors have been appointed incharge of functional areas, namely finance, technical, personnel and commercial to provide necessary guidance to its units and to organise research and development programming in the units under its control. The chairman of some of the units have also been appointed to the Board of SAIL. In order to promote effective coordination between public sector financial institutions and the SAIL. One representative on a rational basis has been made a member of the board.

The Board may also have some external directors not exceeding one fifth of the total membership of the Board. These directors will be persons of experience to contribute their wise counsels to the Board whose experience and standing will be of special value to the work of SAIL. The government has also appointed the finance secretary and the secretary planning commission as directors to the Board of SAIL in order to streamline the process of decision making, to reduce the need for making cross reference between SAIL and other concerned ministries.

PERFORMANCE OF SAIL

A brief summation is presented in Table-3 of relevant figures leading to the collective performance of SAIL for the year 1979-80 to 19987-88.

The financial health of the company (Which is a major factor for the overall performance in terms of profitability declined gradually from a net profit of about one crore in 1980-81 and there was a pickup in 1981-82 to about 39 crores. The next two years were very poor for SAIL, in that the cumulative loss in 1982-84 came to about 320 crores. The adverse turn in the financial results of SAIL started in 1982-83. 1984-85 witnessed SAIL coming out of the red and ending the year on a positive note, though with a small net profit of 4 crores. In 1985-86, there was a pick up to about 1,59.50 crores and in 1986-87 there was a profit of 52.81 crores. Year 1987-88 witnessed a fairly amount of profit of 83 crores.

The main reason for this fluctuation in profit making is the inefficiency of management. The SAIL may improve efficiency in management increase production provided there is a clear demarcation of power and functions between the ministry of steel and the SAIL on the other. According to Mr. Ajit Singh, "Unless the political and civil service wing of the

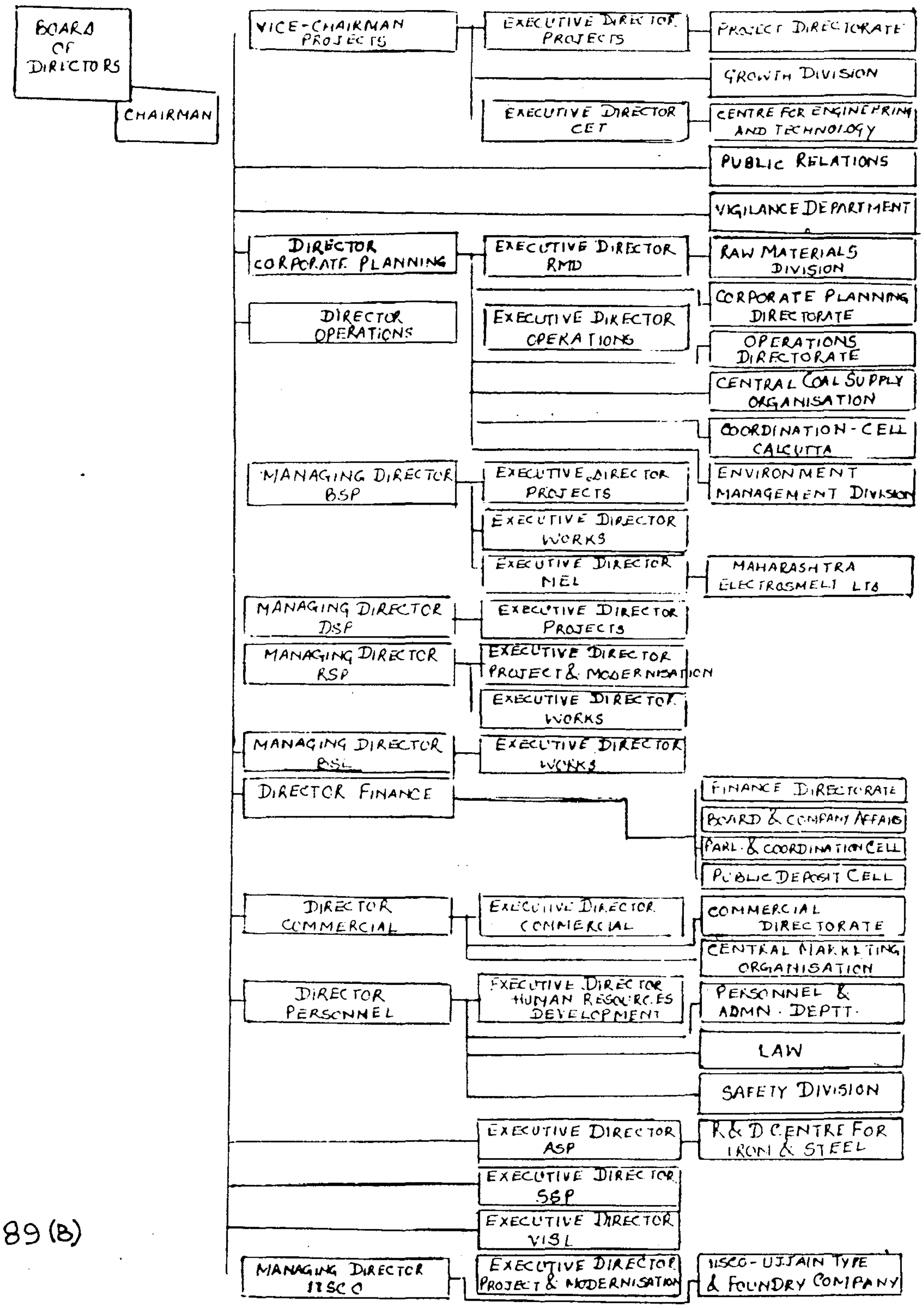
TABLE - 4

COLLECTIVE PERFORMANCE OF SAIL (FROM 1979 -80, 1987-88)

FOR THE YEAR	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80
Sale of Products	5036.23	4282.26	4469.50	3722.10	3108.22	3032.66	2641.25	2005.72	1873.79
Cost of Goods sold	4390.96	3701.61	3774.96	3368.42	3049.84	2825.05	2402.16	1813.21	1674.18
Gross Margin	645.27	580.65	694.54	353.68	58.38	208.61	239.09	192.51	199.61
Interest	196.92	206.13	213.58	131.21	139.47	189.07	87.82	89.16	64.48
Cash Profit (+) Loss (-)	448.44	374.52	480.96	222.47	- 21.09	19.54	151.27	103.35	135.13
Depreciation									
Net Profit (+) Loss(-) before tax	63.27	52.81	159.50	4.10	- 214.16	- 105.77	39.11	0.96	31.09
Equity	3972.48	3937.56	3923.96	3913.65	3439.56	3238.31	3221.09	2801.71	2490.75
Reserves and Surplus	64.87	76.19	77.17	73.18	72.81	72.24	71.52	69.09	67.64
Loans (excluding interest accrued)									
- longterm	2572.71	2473.05	2370.27	2207.51	1940.37	1660.11	1452.59	1183.49	884.71
- shortterm	1016.48	901.04	581.43	473.64	703.51	851.20	322.33	150.63	169.70
Net fixed assets (Excluding work-in -progress	4050.58	3560.13	3361.89	2814.35	1984.05	1921.58	1747.37	1528.55	1419.28
Current Assets Loans & Advances	3079.47	2744.11	2510.60	2347.14	2315.46	2497.85	2204.30	1715.83	1482.12
Current Liabilities & Provisions	1473.12	1435.40	1374.14	1461.66	1300.93	1175.83	1127.98	968.03	773.18
Working Capital	1606.35	1308.71	1136.46	885.48	1014.53	1322.02	1076.32	747.80	708.94
Capital Employed	5656.93	4868.84	4498.35	3699.83	2998.58	3243.60	2823.69	2276.35	2128.22
Net Worth	3955.53	3875.62	3809.01	3431.92	3160.11	3170.60	3263.50	2807.25	2442.12

Ratios									
Gross Margin to Capital Employed(%)	11.41	11.93	15.44	9.56	1.95	6.43	8.47	8.46	9.38
Cash Profit to Capital Employment(%)	7.93	7.96	10.69	6.01	- ive	0.60	5.36	4.54	6.35
Net profit as a percentage of Sales	1.26	1.23	3.56	0.11	- ive	- ive	1.48	0.05	1.66
Debt to net worth	0.65: 1	0.64: 1	0.62: 1	0.64: 1	0.61: 1	0.52: 1	0.45: 1	0.42: 1	0.36: 1
			207839	206711	205236	205626	202317	197154	191395

ORGANISATION STRUCTURE OF SAIL



government forgo certain functions and decision making power, the holding company experiment is doomed to be a failure in India".[17]

Our steel plants in the public sector are over administered and under managed. The Economic Administration Reforms Commissions headed by Mr. L. K. Jha therefore rightly suggested that our public enterprises are kept in armslength from ministries and the constant stream of instructions, summons to meetings, telephone calls etc. are drastically reduced. In other words the administrative ministries should stop the detail supervision of operational matters.

The plethora of regulations and procedures, which the general managers are now bound to observe also give rise to red tapism or bureaucracy that stand on the way of quick decisions. In order to secure greater production the general managers, must therefore be freed from meaningless procedures. For this the political interference must be minimum because it is not through more monitoring from the top but through more autonomy for management will help to increase the production in the SAIL.

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[17] Sing Ajit, <u>The holding company and the public sector</u>, Lok Udyog, July 4, 1979 p. 23

MOU (Memorandum of Understanding)

SAIL was the first large public sector enterprise to enter in the MOU with the government. It became operational in SAIL from 1987-88. This french system provides for a contract between the management board and the government to ensure that the PSEs are gradually emancipated from government controls, leading to greater flexibility in operation and improvement in performance. The introduction if the concept of MOU by Arjun Sengupta committee in mid 1985 gave a number of powers to the Board. After becoming operational in SAIL, it gave the SAIL board the power to sanction expenditure up to 50 crores. The power to transfer MDs was given to the chairman.

Within the year of signing the first MOU with SAIL, government has signed another one, spelling out it's long term objectives. The second MOU was on 7th April 1988.

It states, "The spirit of MOU is one of shared responsibility where SAIL achieves the performance levels specified in the plan and the government fulfills the commitment made to SAIL in MOU and creats conditions to enable SAIL to achieve optimum level of efficiency."[18]

In the delegation of power, apart from the freedom given to the earlier MOU, SAIL has been given the freedom to raise resources by borrowing from other public sector undertakings and capital market subject to statutory requirements being compiled with, keeping the government informed. The other powers regarding project expenditure, annual bulk allocation of foreign exchange, incentive scheme and transfer of directors remains unaltered.

DELEGATION OF POWER

To enable attainment of the aims and objectives of this MOU, following powers are delegated to SAIL:

1. **Capital Investment:**

(A) For replacement and renewal of assets due to wear and tear, SAIL is delegated powers to sanction expenditure upto 50 crores in each case.

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[18] Financial Express, 30th June, 1988, p. 1

(B) Board of directors of SAIL will be authorized to sanction capital investments proposals for additional and new projects upto a value of 50 crores each as against the currently delegated powers of 20 crores of each proposal.

2. **Transfer of Functional directors:**

Chairman, SAIL is empowered to transfer functions and responsibilities as between full time directors, in consultation with the Secretary, ministry of Iron and steel, and with prior approval of the minister in charge.

3. **Deputation Abroad:**

Chairman, SAIL is authorized to approve official tours by all the full time directors of the corporation. However the chairman of the corporation will undertake such tours only with prior approval of the administrative ministry.

4. **Incentives, Rewards and Other schemes:**

SAIL is empowered to sanction proposals relating to wage revision and incentives scheme within the broad guidelines laid down by BPE from time to time. Subject to the condition that the total expenditure incurred in payment of ex-gratia and productivity linked incentives together will not exceed 35 % of the wages.

All decisions pertaining to voluntary retirement scheme, retrenchment scheme etc. are delegated to Board of directors of SAIL.

SAIL has authority to introduce 'REWARDS' and sharing of gains scheme subject to the condition that payment to the employees under such scheme will not exceed 50% of the savings in manpower cost arising out of such schemes.

PERSONNEL

Preamble to the document explained that the workers are the greatest assets of SAIL, who had a common objective of production and that the target should be atleast 10 million saleable steel by 1989 to benefit the national economy.

On the formation of SAIL in 1973, it had a total number of employees of 182,906 which included the subsidiaries as well. In the beginning of 1988 SAIL had an employee strength of 2,05,623.

Review of human resources management says that human resource planning, making use of training and redeployment, resulted in better utilisation of manpower. The thrust was on preparing the workforce for modernization to enable them to operate and modernize the plants simultaneously.

The manpower strength as on 31st march 1989 was comprising of 17,974 executives, who play a great role in functioning of personnel policies. Personnel policies are the guide towards accepted goals and objectives. They decide the line of action and give liberty to the management at all levels to take decisions regarding personnel matters. That's why personnel management has always received great attention at SAIL and has shown concern for employees at all levels. The function had been represented at the Board of directors and executives (personnel) from the inception of the company. These functions have been represented through the personnel policies like recruitment, salary structure, promotion and training in development of SAIL and subsidiaries.

CHAPTER III

PERSONNEL POLICIES OF BOKARO STEEL LIMITED

(Recruitment, Salary & Promotion)

PRELIMINARIES

INTRODUCTION OF BOKARO STEEL LIMITED (BSL)

Bokaro Steel plant was incorporated in January 1964 and established in 25th January 1965 under financial aid and technical collaboration with USSR Government. The company was formed with the main objective of construction and owning an integrated Iron and steel work with an initial capacity of 1.5 MT to 2 MT. This is the fourth in the series among the public sector enterprises and the most ambitious in India.

The plant is all set to fulfill the huge task, though the actual construction work for the plant began after 4 years of incorporation i.e., in April 1968 when the late Prime Minister Smt. Indira Gandhi laid the foundation of the First Blast Furnace.

With the commissioning of this Blast Furnace in October 1972, the plant went into production. The first steel making started in December, 1973 and the slabbing Mill started production in December 1974. The Hot Strip Mill started Mail runs in December 1975. The 1st May 1976 was significant day in the history of Bokaro Steel when the metallurgical cycle was completed with the commissioning of the Hot Strip Mill by then Prime Minister.

The Keynote in the planning and construction of Bokaro Steel plant has been indegenisation. The stress has been through out on Indian skills, materials and equipment. during the first stage, only 39.5 percent of the equipment was imported. In the second stage it was being reduced to 22 percent particularly all the major public sector manufacturing units such as Heavy Engineering corporation, Mining and Allied Machinery corporation, Garden Reach Workshop Ltd., instrumentalio Ltd. etc. had a major share in supply of equipment for Bokaro Steel plant. Hindustan Steelworks construction Ltd., has been the main contractor handling the most complicated construction and erection works. While in the first stage, M/s Gipromez, USSR have been the principal consultants, in the expansion stages. This in all spheres, whether supply of equipment, construction work on design work, the stress at Bokaro has been towards increasing self-reliance. In this sense, Bokaro Steel may be called a truly 'Swedeshi' plant."[1]

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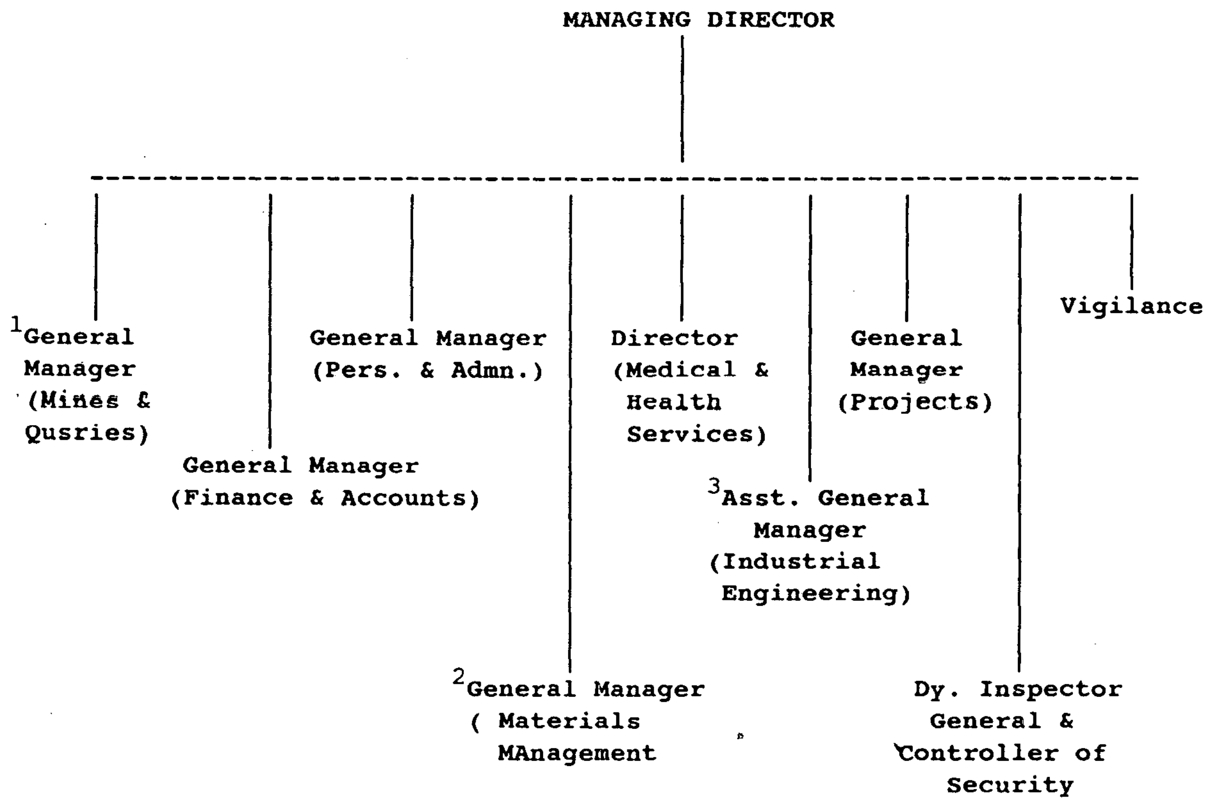
[1] Smarapurgavan s, Bokaro : "<u>Hope for new steel Age</u>" in Dr. Raj K Nigam , <u>Break Through</u> to <u>Brighter Days</u>, Scope, New Delhi, 1976 P.P. 32

ORGANISATION CHART - BOKARO STEEL LIMITED

DIRECT REPORTING OFFICER



1. Covers the activities of prospecting also

2. Covers the activities of purchase, stores & inspection

3. Covers the activities of SQC, O & M etc. also.

GENERAL MANAGER (PERSONNEL & ADMINISTRATION)

- Chief Personnel Manager (PErsonnel & Indl. Relations)
  - Addl Chief Personnel Manager (works)
  - Addl. Chief Personnel Manager (Non-works Construction Mines and Township)
- Town Administration
- Chief Superintendent (Training)
- Chief (Liasion and Admn.)

PERFORMANCE OF BOKARO STEEL LIMITED (PRODUCTION WISE)

TABLE - 1

Year	Thousand tonne Ingot Steel
1973-74	18
1974-75	122
1975-76	342
1976-77	956
1977-78	933
1978-79	1195
1979-80	1426
1980-81	923
1981-82	1792
1982-83	1829
1983-84	1681
1884-85	1925
1985-86	2003
1986-87	2056
1987-88	2418
1988-89	2771

SOURCE : STATISTICS OF IRON AND STEEL. SAIL, Various Teams.

This table - 1 compares the production figures in between the year 1973-1974 to 1988-1989. Production of ingot steel went up from to thousand tonne from 1973-74 to 2771 thousand tonnes in 1988-89. But the years 1977-78, 1980-81 and 1983-84 witnessed a degradation in production. There is no constant increase in production.

MODERNISATION :

The Government of India has approved in principle, a techno-economic offer submitted by soviets, to introduce continuous casting and also simultaneously modernise the Hot-Strip Mill at Bokaro. The investment proposal is under process for Government's approval. The following benefits are envisaged after modernisation

- Liquid steel production will increase from 408 Mt/yr to 4.5 Mt/yr.

- Increase in production of slabs by 0.86 Mt/yr by introduction of concast and increase in salable steel by 0.84 Mt/yr.

- Savings in energy by elimination of slabbing Mill.

The total project is expected to be completed in four and half year after signing of the contract. It is envisaged that whole project would be executed by soviets on a total Turnkey "basis".[2]

The productivity of all resources material, machines and money and the profit of the organisation - ultimately depends on the men and women, the employees of the organisation. what is more important is the attitude of the people at all levels in the organisation towards productivity. Secondly, there is a requirement is high sense of discipline in the organisation. It is true that for historical reasons, as a large organisation, it has its own constraints and limitations. but the effectiveness of Bokaro steel will depend on how well it cope up with these constraint and raise the productivity.

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[2] Statistics of Iron and Steel, Modernisation, SAIL 1990, P.P. 245

The efficient working of the plant depends to a large extent on the direction and guidance provided by the personnel policies."[3] so personnel manages occupies an important place in the organisation of an public enterprise. Edwin Flippo has defined personnel management as "The personnel function which is concerned" with the procurement, development, compensation, integration and maintenance of the personnel of an organisation for the purpose for contributing towards the accomplishment of that organisations major goals on objectives. Therefore, personnel management is the planning, organising directing and controlling of the performance of these operative functions."[4]

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[3] Seminar on Performance of Public Sector Undertaking, Akbar Hotel, New Delhi, 27-29 July 1972 IPE, Hyderabad P.P. 157

[4] Edwin B. Flippo, <u>Principles of Personnel Managers</u> McGnaw-Hill Kogakusha Ltd. Tokyo, 1980 P.P. 25,

The Institute of Personnel Management (UK) has provided us with a good definition of this term. This definition reads as "Personnel Management is an integral but distinctive part of management concerned with people at work and their relation with the enterprise enabling each to make his own best contribution to its success; both as an individual and as a member of a working group. It seeks to provide relationships with in the enterprise that are conductive both to effective work and human satisfaction." This definition has also been adopted by the Indian Institute of Personnel Management."[5]

Broadly speaking the team personnel management includes the following activities which are generally carried out by a separate department known as Personnel Department on Employment Relations Department, the specific title vary from enterprise to enterprise. The department of personnel act as an adviser and coordination in Bokaro Steel Limited, in addition to maintain records and provide certain activities.

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[5] Indian Institute of Personnel Management, Personnel Management in India, Calcutta P.P. 31

To attain high stands in quality of work, worklife and productivity through people the Mission of Personnel of Bokaro Steel Limited has played a significant role.

OBJECTIVE OF THE MISSION

To create and sustain a productive environment where each employee develops to his/her full potential and is committed to continuous improvement of the organisation's performance through his/her effort."[6]

ROLE OF THE MISSION:

The role of the Mission of Personnel of bokaro Steel Limited are given below :

1. To select the right kind of people so that the individual strengths, aptitudes and competencies meet the organisations needs.

2. To provide suitable compensation package to attract and retain the talent required for the organisation.

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[6] Priorities for Action in BSL, Steel Authority of India Limited, New Delhi P.P. 2

3. To train and develop employees to acquire competencies required to meet the current and further requirement of the job and the company, and to attain international standard of proficiency.

4. To develop suitable reward system to motivate employees and treat them with courtesy fairness and respect.

5. To encourage employee participation on major organisational issues and value their ideas and suggestions.

6. To create safe and healthy working environment.

7. To create environment to promote teamwork.

8. To facilitate vertical and horizontal communication.

9. To develop appropriate organisational structure and role descriptions to suit the requirements of the organisation.

10. To build challenge in to jobs to ensure job satisfaction.

11. To identify and develop potential leaders in the organisation.

12. To establish an environment where personal, Technological and organisational discipline is the hallmark of every operation.

13. To plan continuously for optimal utilisation of human resources.

14. To manage external environment to attain it to organisational requirement.

15. To be sensitive to the internal and external organisational dynamics and plans for organisational interventions

16. To strive continuously for modernisation of minds to meet the charging requirement of technology.

17. To bring about productive and proactive intervention in areas relating to man-management and industrial relations.

18. To promote healthy competition and innovation to achieve excellence.

19. To strive continuously to scale peaks of excellence in individual team and organisational performance."[7]

From the above long listed roles, it shows that the department of Personnel of Bokaro Steel LImited is an unique department for the fulfillment of the overall objectives and social responsibility of the steel sector. The efficient

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[7] Priorities for Action in BSL, Steel Authority of India Limited, New Delhi, P.P. 4-5

working of the department and implementation of correct personnel policies depends, to a large extent depends upon the guidance and role play by the chief executive and Board of directors of the plant. Frequent charges of these offenses are not therefore, desirable and might prove costly. On these considerations, continuity in top managerial posts is very much essential, as was agreed to by the representative of the corporation as well as Ministry. The committee have earlier suggested the development of suitable personnel for these posts. Till such time as the corporation is able to throw up suitable managerial talent from within the organisation, incumbents of these posts should be selected with due care, based inter area on their experience in industrial undertakings. further a minimum tenure of at least 5 years for chief executives should be fined for the incumbents of these posts."[8]

While growth in size in Bokaro Steel Limited and social objectives can be achieved by massive investments, reasonable ·eturns on investments, are possible only through a high

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Report of the study group for Heavy Engineering, ! Commission on Labour, Government of India, 15 degree of efficient and cost conscious conduct of operations and a highly dedicated team work and coordination between the government and the concerned public enterprise at all levels of management with full involvement of employees. the latter is, therefore, the obvious important area of the discussion. It is in the content that the working of the board of directors of company is to be examined."[9]

The working of the Board of directors is closely related to the functions assigned/discharged, the structure of the Board, method of selection, tenure and commitment of directors and the mechanism of control/review of the working of the company etc. Majority of these aspects are regulated by provisions of the companies act and the articles of association of the company.

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[9] Raza Moosa, "Working of Board of Directors in Dynamics of Management of Public Enterprises", SCOPE, New Delhi 1989, P.P. 375

BOARD OF DIRECTORS:

(Generally quoted from Act and Articles of Association of the company)

The business of the company shall be managed by a Board of Directors.

Number of Directors :

a) The president shall from time to time determine the number of directors of the company which shall be not less than sin and not more than twenty-one

b) The Directors shall not be required to hold any qualification shares.

Appointment of Board :

i) a) The chairman shall be appointed by of Directors the president and the terms and conditions of his appointment shall be by the president.

b) The president shall appoint all the members of the board of Directors including one or more vice-chairman, Managing Directors or wholetime functional directors in consultation with the chairman of the company. No such consultation will be necessary for appointment of Directors representing the Government.

c) i) The Directors shall be paid such remuneration as the president may terms and conditions of appointment of wholetime directors including vice-chairman, Managing Directors shall also be determined by the President. Subject to the provisions of section 314 of the Act, such reasonable additional remuneration as may be fixed by the president may be paid to anyone or more of the Directors for extra or special service rendered by him on them or otherwise.

ii) The Directors other than chairman, Vice-chairman/Managing/whole-time Directors or Director representing Government shall be appointed for a period not exceeding three years at time one-third of such directors shall retire by rotation at every Annual General Meeting of the company. the directors to retire by rotation shall be those who have been longest in office since their last appointment, but as between persons who becomes directors on the same date, those who are to retire shall be determined by the president in consultation with the chairman of the company. A retiring director shall be eligible for reappointment.

iii) The president may from time to time or at any time remove any part-time Director from office at his absolute direction. Chairman, Vice Chairman, Managing Director and whole-time Director may be removed from office in accordance with the terms of appointment or if no such terms are specified, on the expiry of 3 months notice issued in writing by the President or with immediate effect on payment of the pay in lieu of the notice period.

iv) The President shall have the right to fill any vacancy in the office of the Directors caused by removal, resignation, death or otherwise.

Alternate Directors :

In Place of the Director who is out of India or is about to go out of India or who expects to be absent for not less than three months from the state in which meetings of the Directors are ordinarily held, the President may appoint, in consultation with the Chairman of the company, any person to be an Alternate Director during his absence out of India on his absence of not less than three months from the state in which the meetings of the Board are ordinarily held and such appointee, whilst he holds office as Alternate Director, shall be entitled to notice of meetings of the Board and to attend and to vote there at accordingly.

Subject to the provision of section 292 and 293 of the Act, the Board may, from time to time, entrust and confer upon the Chairman, Managing Director, Director or a departmental head for the time being such of the powers as they think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and may, from time to time revoke, withdraw, alter or vary all on any such powers.

Power of Chairman :

a) The Chairman shall reserve for decision of the President, any proposals on duration of the Board of Directors on any matter brought before the Board which raises, in the opinion of the Chairman, an important issue and which is on that account fit to be reserved for the decision of the President and no decision on such an important issue shall be taken in the absence of the Chairman appointed by the President.

b) Without prejudice to the generality of the above provision, the Board shall reserve for the decision of the President - Any matter relating to :

i) Programme of capital expenditure for replacement or renewal of assets due to normal wear and tear for as amount which exceeds Rs. 50 crores and other programmes of capital expenditure for an amount which exceeds Rs. 20 crores in cases which do not form part of sanctioned estimates, provided that within any financial year the funds required will be found within the budget allocation for the project and provided also that the expenditure on such project in subsequent years would be first call on the respective budget allocation, provided further that in cases where the detailed project reports have been prepared with estimates of different component parts of the projects and where such reports have been approved by the President, it shall not be necessary for the Board to obtain the President's sanction to the incurrent of capital expenditure and the Board of Directors shall have the power to sanction the same, subject to the provision in the sanctioned estimates, for each component part and limits mentioned above shall not apply provided further that in cases of variations in approved estimates which are not more than 10% for any particular part, the Board of Directors shall be competent to proceed with the work without further reference to the President provided there is no substantial variation in the scope of the project.

ii) Agreements involving foreign collaboration proposed to be entered in to the company.

iii) The company's revenue budget in case there is an element to deficit which is proposed to be met by obtaining funds from the Government.

iv) The Five year and annual plan of development and the company's capital budget.

v) Winding up the company.

vi) Promotion of wholly or partly owned company(ies) including participation in their share capital, provided the operations such companies are to be financed from other than the internal resources of the company.

vii) Sales, lease, disposal or otherwise of the whole or substantially the whole of the undertaking of the company.

viii) Appointment in the company other than foreign technical personnel, who has attained the age of 58 years where the pay (including pension and/or pensionery equivalent or retirement benefits) proposed to be fixed for such person exceeds Rs. 2500/- per mensem or where the minimum of the pay scale proposed to be given is Rs. 2500/- or more.

No action shall be taken by the company in respect of any proposal or decision of the Directors reserved for the approval of the President until his approval to the same has been obtained. The President shall have the power to modify or reject such proposal or decisions of the Directors.

Power of President to issue directives :

Not withstanding anything contained in all these articles the president may from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner many vary and annual any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers :

i) To give directives to the company as to the exercise and performance of its functions in matters involving national security on substantial public interest;

ii) To call for such returns, accounts and other information with respect to the property and activities of company as may be required from time to time.

iii) To determine in consultation with the Board annual, short and long term financial and economic objectives of the company.

Provided that all the directives issued by the President shall be in writing addressed to the Chairman. The Board shall, except where the President considers that the interest of the national security requires otherwise, incorporate the contents of directives issued by the President in the annual report of the company and also indicate its impact on the financial position of the company.

Directors may be Directors of companies promoted by the Company:

A director of this company may be, or become, a director of any company promoted by this company on in which it may be interested as a vendor, member or otherwise and no such Director shall be accountable for any benefits received as Director on member of such company.

Omission to give notice :

The accidental omission to give notice of any meeting of the Directors to a Director shall not invalidate any resolution passed at any meeting.

Question at Board meeting how decided :

A director may at anytime convene a meeting of the Directors. Questions arising at any meeting shall be decided to a majority of votes and in case of an equality of votes, the Chairman shall have second or casting vote.

Who is to preside at meeting of the Board :

All meetings of the Directors shall be presided over by the Chairman if present on in his absence by the Vice-Chairman if present. If at any meeting both the Chairman and the Vice-Chairman are not present at the time appointed for holding the same, the Directors shall choose one of the Directors then present to preside at the meeting.

Board may set up Committee :

The Board may, subject to the provision of section 292 of the Act, delegate any of the powers to Committees consisting of such members of their body as they think fit, and they may from time to time revoke such delegations. Any Committee so formed shall in the exercise of the powers so delegated confirm to any regulations that may from time to time be imposed on it by the Directors. the proceedings of such a Committee shall be placed before the Board of Directors at its next meeting.

Meeting of Committees how to be governed

The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions of the Act for regulating the meetings and proceedings of the Directors, so far as the same are applicable there to and are not superseded by any regulations made by the Directors under the last proceeding Article.

Chairman of meeting of Committees :

A committee may elect a Chairman of its meetings. If no such Chairman is elected, or if at any meeting the Chairman is not present within 15 minutes after the time appointed for holding the same, the members present may choose one of their member to be Chairman of the meeting.

General powers of the Board :

The board of Directors may pay all the expenditure incurred in setting up and registering the Company.

Specific power given to Directors :

Subject to the provisions of the Act and without prejudice to the general powers conferred by the Act and the other powers conferred by these Articles, the Directors shall have the following powers, that is to say powers :

To make by laws :

To make, vary vary and reappear from time to time bye-laws for the regulation of the business of the company, its officers and servants.

To pay and charge interest etc. :

To pay and charge to the capital account of the company and interest law fully payable thereout under the provisions of the Act.

To acquire property :

To purchase, take on lease or otherwise acquire for the company property rights or privileges which the company is authorised to acquire at such price and generally on such terms and conditions as they think fit.

To pay for property in debenture etc. :

To pay for any property or rights acquired by on services rendered to the company, either wholly or partially in cash, or in shares, bonds, debentures, debenture stock or shares that may be issued either specifically charged upon all or any part of the property of the company and its uncalled capital or not so called.

To ensure contracts by mortgage :

To secure the fulfillment of any contracts or engagements entered into by the company by mortgage or change of all or any of the property of the company and its unpaid capital for the time being on in such other manner as they think fit.

To refer to arbitration :

To refer any claim or demand by or against the company to arbitration and observe and perform the awards

To invest money :

To invest in the Reserve Bank of India or in such securities as may be approved by the President and deal with any of the moneys of the company upon such investments authorised by the Memorandum of Association of the company (not being shares in the company) and in such manner as they think fit, and, from time to time, to vary and realise such investments.

To give percentage :

To give to any Director, Officer or other person employed by the company an interest in any particular business or transaction either by way of commission on the gross expenditure thereon or otherwise or a share in the general profits of the company, an such interest, commission or share of profits shall be treated as a part of the working expenses of the company.

To give bonus

To provide for the welfare of the employees or ex-employees of the company or of its predecessors in business and wives, widows and families or the dependents or connections of such employees or ex-employees, by building or contributing to the building of houses, dwellings, or chawls or by grants of money, allowances, bonuses, profit sharing bonuses or benefit of any other kind, or by creating and from time to time subscribing or contributing to provident fund and other associations, institutions, funds, profits sharing or other schemes or trusts or by providing or subscribing or contributing towards places of institutions and recreation, hospitals and dispensaries, medical and other attendances and any other form of assistance, welfare or relief as the Directors shall think fit.

To subscribe to other funds :

To subscribe or otherwise to assist on to guarantee money to scientific institutions or objects.

To create depreciation and other funds :

To set aside before recommending any dividend out of the profit of the company such sums as they may think proper for depreciation or to depreciation fund, reserve or to reserve fund to meet contingencies or insurance fund or any special or other fund to meet contingencies or to repay redeemable preference shares, debentures or debenture stock or for special dividend and for equalising dividends and for repairing, improving, extending and maintaining any part of the property of the company and for such other purposes.

To create posts :

To create such posts, other than those to which appointment is made by the President, as they may consider necessary for the efficient conduct of the company's affairs and to determine the scale of pay and other terms thereof.

To appoint officer :

Subject to Article 36(b)(viii), to appoint and at their discretion remove or suspend such Managers, Secretaries, Officers, Clerks, Agents and Servants for permanent, temporary and special service, as the may from time to time, think fit and to determine their powers and duties and fix their salaries or emoluments and require security in such instances and to such amounts as they may think fit and also without prejudice as aforesaid, from time to time provide for the Management and transaction of the affairs of the company in any specified locality in India in such manner as they think fit.

Subject to section 292 of the Act, to subdelegage all or any of the powers, authorities and discretions for the time being vested in the Directors, subject however to the ultimate control and authority being retained by them.

Authority to sub-delegate powers :

Any such delegate or aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

METHOD OF SELECTION AND TENURE OF DIRECTORS AND CHIEF EXECUTIVES

The government have constituted a Public Enterprise Selection Board (PESB) for the selection of CMDs/MDs and full time Directors for the company. The Board is headed by a Chairman, D.G. BPE is an ex-officio member secretary of the Board and secretariat services to the Board are also provided by BPE. Secretary, Ministry of Industry, Govt. of India, and Chief Executives of two public sector enterprises are permanent members, secretary of the administrative ministry and expert in the concerned field and CMD of the enterprise for which the director is to be selected are co-opted as members of the Board."[9] In the case of holding companies like SAIL, the CMD of holding company is co-opted as member of selection of CMD OF ITS subsidiary plant like Bokaro Steel Limited as well as directors of both the holding company and BSL."[10]

The PESB recommends a panel of 2-3 names to the Minister in charge/Ministry and final approval for appointment is given by the Appointments Committee of th Cabinet. The guidelines of the PESB provides that unless distinctly better candidates available from outside, preference should be given to the executives working in the organisation.

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[9] Benerji Sujit,"Key issues in the management of Public Enterprises in India, in Dynamic of Management of Public Enterprises", SCOPE, New Delhi, P.P.359.

[10] Economic Times : 24th December 1977 (New Delhi)

No specific criteria for selection appears to have been laid down for the PESB. The selection is made on the basis of bank data with BPE and recommendations made by the administrative ministries. In the interviews annual confidential reports of the individual which quite often are not fool proof, play a major role though personality, knowledge and experience also get due consideration. The present system of selection of directors and chief executives for the enterprises however, appears to be inadequate to meet the requirements as it is only recommendatory."[11] Moreover, the selection body does not have any say when such senior executives selected with a lot of care are removed summarily without even consulting the Board thereby implying aspersions on the entire process of selection. Another flaw of the present system is that inspite of efforts made, it does not

permit continuity and succession planning either by the enterprise itself or the PESB." Further PESB's function and responsibility also perhaps do not specifically cover successful planning for posts of directors and MDs/CMDs for

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[11] Virmani, M. R. "Autonomy and Accountability of Public Sector Enterprises in India", Lok Udyog, Vol. XIV, no. 4, July 1980 P.P. 21.

the enterprise. The number of the posts of Directors as their placement is decided by the Government. The removal and transfer of Directors from one subsidiary to other also requires government approval on the ground that the directors are presidential appointees."[12]

Government is firmly committed to professionalisation of the management of the enterprise and to give the Managers maximum of autonomy to enable them to run the enterprise for realising the objectives for which it has been set up."[13] Serious efforts have also been made by the Government to develop the facilities of technical education in a big way, and to encourage and insist on well organised training programmes and seminars for senior executives of BSL. Efforts to build a cadre of professional managers have made substantial progress, but has still not been possible to

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[12] Mishra, B.B., "Evolution of the concept of Accountability", <u>IJPA</u>, Vol. XXIX, July-Sept. No. 3,p.p.435

[13] Annual report on Performance of Public Enterprise, BPE, The Bureau, New Delhi, p.p. 12.

professionalise the management to a significant degree largely due to the existing systems and environmental constraints, quipped by one senior executives of BSL.

BSL is subject to administrative control by government and through the administrative ministry to the parliament. the parliament also exercises a measures of direct control on it.

QUESTION OF AUTONOMY

According to a senior most executive of Bokaro Steel Limited, when the question of autonomy arises, he says -

"In private sector company, Board of Directors enjoy full powers a stipulated under the Indian Companies Act and Articles of Association. the Board in turn generally delegates all or most of the operational powers to the Chief Executive. Chief Executive is any a time a major shareholder and has a major say in appointment of the other Directors of the Board, though legally they are required to be and are appointed by the Shareholders. The primary concerns of the general shareholders is return on their investment and not exercising control on the working of the company. The board of Directors' primary objective is thus absolutely clear. There is normally one meting, the annual general meeting of the shareholders, e.g. retirement of the Directors, appointment of Directors, declaration of dividend, approval the annual accounts and reports etc. is transacted. The whole system thus provides for a clear-cut objective, appointment of a coherent team at the Board level, substantial delegation of powers to Chief Executive and little interference in the day to day management of the company by the shareholders. In case of unsatisfactory performance by any member of the team, the system also provides quick replacement. As against the above position in the public enterprises like BSL the objectives themselves are a complex mixture of social nd financial objectives without any intense prioritisation policies, strategies and investment decisions generally lie outside the public enterprises control. system of selection of Directors and their appointment to the Board is such which neither provides for continuity and succession planning nor ensure team work and sense of involvement or belongingness. The official directors of the company Board in general neither have the industrial/business/commercial background and experience nor the requisite stakes, yet by virtue of their position and accountability, they have dominant say in the working of the Boards. Even otherwise, the system does not ensure the rightful status and position to the top executives and directors of company viz-a-viz their counterparts in the administrative ministry and other government departments.

The status, dignity, selection, tenure, security and removal systems are such that they can hardly induce any motivation or sense of involvement, not to talk of commitment. Huge investments are placed under their charge and yet the demoralised top managers are left hanging in the air worrying with psychosis of fear, insecurity and uncertainty and have thus to spend their valuable time and energies in pleasing others to retain their jobs rather than concentrate on the tasks."

On the other hand, all employees below the board level are over protected by law and their trade unions/staff associations. It is almost impossible to remove a delinquent employee below the Board level.

Problems related to Recruitment and Selection

The personnel and recruitment policy of the BSL is formulated by their respective management with approval of Board of Directors concerned on matters of general importance, guidelines are issued by the Government. In technical sense recruitment means attracting the proper and suitable type of candidate for the post to be filled up."[14] Proper selection

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[14] Krishnamurthy K.S., "Industrial Relations in India", Indian Management, Vol. IV, No. 7, 1977, PP 44.

of suitable personnel in a fair and impartial manner is very significant for and undertaking like BSL, which needs highly specialised technical workmen. "The employer suffers if he does not get the men best suited for a particular job, the worker suffers if he can not find a job for which he is best suited and the community suffers as ma result of low productivity and dissatisfaction among workers as employers."[15] Thus proper recruitment and right placement form an important part of scientific method of management.

In BSL, recruitment of all categories of employees is centralised. The recruitment in all the plants and departments under the headquarters are made by the Recruitment section of the Headquarters as and when demands are projected by the plants."[16]

PROBLEMS OF PROMOTION

Promotions are transfers to higher positions with better emoluments and are results of recognisation of merit, experience and excellent performance. In any organisation proper avenues for promotion act as incentives for better

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[15] Part 5.C, Indian Labour Problems, chaitanya Publishing House, Allahabad 1979, P.P 13.

[16] Establishment, Manual of SAIL, Administrative & Personnel Division, New Delhi, April 1976 P.P. 14.

work. These are necessary for maintaining in them will to work and capacity for work and stimulating them to earn merit. Thus promotion policy is an important aspect of personnel management.

The usual criteria of promotion are seniority and merit. Seniority counts much in promotion policy of the Government departments. In big private commercial and industrial concerns merit is given weightage in promotion. It is unfortunate that in India in commercial undertakings, promotions are based on more on personnel choice than on merit and competition. Such despotic choice for promotion has not place in nationalised industry."[17]

It is observed that merit and seniority both are taken into account while deciding of promotions. However, example of favoritism and deliberate attempt of inducing outsiders neglecting the claim of suitable candidates available in the concerned enterprise, are not lacking. Even the persons trained in foreign countries at the expense of the plant have been compelled to leave the concern in absence of promotional avenues."[18]

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[17] **Administrative Reforms Commission Report on Public** Sector undertakings, Govt. of India, New Delhi 1969, p.p. 79.

[18] Industrial Relations, Vol. XIX, No. 5, Indian Institute of Personnel Management, Calcutta, Sep-Oct 1979, p.p. 196.

The promotion policy followed in BSL, is not different from other Public Enterprises. For finalising promotions departmental promotion committees are constituted. The departmental promotion committees consider the qualifications, experience, record of performance of the suitable candidates and the nature of work of the posts to be filled up in assessing the stability of the candidates."[19]
A panel of candidates suitable for promotion is prepared by the committee and it is valid for one yea. In certain categories trade test is also prescribed. The departmental promotion committee meet twice in a year.

SALARY ADMINISTRATION

It has been decided to revise the salary structure and benefits of Executives of SAIL with effect from 1st August 1982. The details are given in the following paragraphs :

Scope and Coverage :

Revision of scales of pay and allowances will cover all executives of steel plant/units of SAIL. This is applicable to BSL also. Executives, who have been deputed to other

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[19] Promotion Policy Manual of SAIL, Steel Authority of India Ltd., New Delhi, 199, p.p. 21

organisations on the scales of pay of the borrowing organisations are not covered in this revision.

Revise pay scales and other benefits :

The revised and existing scales of pay of the posts equivalent to scheduled posts are given below in Table-I. The other revised benefits, viz. local traveling expenses/conveyance allowance, life cover scheme and leave travel concession are also given in Table II.

TABLE - II

Existing Pay Scale	Revised Pay Scale
2250-100-2650	3300-100-3500
2350-100-2750	3100-100-3700
2750/- (Fixed)	3700/- (Fixed)
2500-100-3000	3500-100-4000
2600-100-3100	3600-100-4100
3000-125-3500	4000-125-4500

TABLE - III

Other Revised Benefits :

S.No.	Item	Revised
1.	Reimbursement of local traveling expenses/conveyance allowance :	
	1.1 Moped	Rs. 125/- p.m.
	1.2 Scooter/Motorcycle	Rs. 225/- p.m.
	1.3 Cycle	
	1.3.1 Lower Slab (Rs. 1500-2099 basic)	Rs. 750/- p.m.
	1,3.2 Higher Slab (Rs. 2100 & above)	Rs. 800/- p.m.
2.	Life cover scheme	The amount of cover cover shall be 15,000/
3.	Leave Travel Concession	In respect of LTC, executives will be entitled to leave travel concession upto a distance of 750 kms each way in lieu of home town and also to inclusion of dependent parents for this purpose for LTC to be claimed in future.

Date of Annual Increment :

The anniversary date of increment of executives in the revised scales of pay will remain the same as hitherto.

Dearness Allowance (DA) :

Dearness Allowance on 1st August 1982 will be Rs. 477/- per month linked with All India Consumer price index 459 (Base 1960-100) for Industrial workers present DA is Rs. 1130.40 p.m. linked with 658 CPI (Consumer Price Index). DA will be adjusted quarterly with the rate of 1.65 per point rise or fall in the neutralization formula for DA is agreed to by the Government of India, the rate of DA neutralization shall also be revised accordingly.

Incentive Bonus or Reward Scheme :

Wherever the Incentive Bonus Scheme or Reward Scheme is linked with the basic pay or the executives, the quantum of incentive or reward will not increase merely because of the increase in the basic pay by this pay revision.

The main problem of personnel management in Bokaro Plant is creating and sustaining autonomy at a sufficiently high level in order to secure the achievement of goals. What is needed is sufficient attention to recruitment, training and salary etc. the various motivational factors discussed above.

The most important relates to the selection of top managerial personnel for the organisation, on which the most of the above factors depends. The Government has or many occasions come in for severe criticism for making wrong selections, putting servicing or retired senior civil and military men at the top of the managerial pyramids in organisation. The Government has also been criticised for letting top positions remain vacant for prologued periods. It is, however, a matter of some relief that the PESB has now streamlined the procedure for selections of top and below top personnel for public enterprises within a considerably time gap and that it has also instituted a system of intimation of likely vacancies] well ahead of the time.

Again the short tenure of the executives made it impossible an extent where the organisation identifies itself with the individual and the values he cherished, there are quite a few individuals who have stayed long enough to make an indelible imprint on the section they served with distinction and dedication. And, there are several chief executives who did not have to be bemoan about the lack of autonomy because they are high enough for the shoes into which they stepped in and possessed the grit and determination to withstand pressures and stand on their own.

In fact in case of SAIL which has earned a reputation of being well-run Public Enterprises (since 3 years), the chief executives and directors ranked as towering personalities. Their contributions are much talked about and there is public acknowledgment of it. There may have been cases where some of these high flair chief executives received brickbats from certain, most affected quarters. the criticism against some of the successful chief executives may be partly inspired and partly genuine. All effective directors are not popular with everyone. Similarly, no one individual could be considered as mere paragons of all virtues. Basically they are people. If we realise this, we consider the total person and take an overall view.

The need of the hour in SAIL is for more efficient personnel. Personnel who have the professional acumen and expertise with a commitment and moral coverage that inspires themselves and others to do.

CHAPTER - IV

TRAINING AND DEVELOPMENT IN BOKARO

Every organisation needs to have well trained and experienced people to perform the activities that have to be done. The administrative activities have become so complex and specialised that mere common sense is not enough to carry them out. Hence there arises the necessity of both in-service and post-entry training. However, training has not been given due importance till recently. In the words of Nigro, "Even not it is still generally considered one of the lesser developed areas of personnel administration - on in which much remains to be done."[1]

William G. Torpey defines Training as "the process of developing skills, habits, knowledge and attitudes in employees for the purpose of increasing the effectiveness of employees in their present government positions as well as preparing employees for future government positions."[2]

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[1] Nigro, Felin A, "Public Personnel Administration" wordsworth, London, 1959, P.P. 226.

[2] Torpey, W.G., "Public Personnel Management" wordsworth, London, 1959, P.P. 154

Training in industry is vital from various points of view. It is one of the most successful means of reducing waste and improving the quality of the products. Absenteeism and turnover can also be reduced if people are trained properly and assigned proper jobs. It has been found that training has a very good effect on morale and creates job satisfaction. Training sometimes proves more valuable for developing a special skill in an employee than more experience. It makes employees familiar with jobs in less time and from the very beginning helps them to be more efficient in their work. Moreover some organisation like SAIL, BHEL, ONGC have specific problems requiring special training. such problems arise out of the introduction of new lines of production, changes in design, demands of competition and economy, quality of material processed, individual maladjustments, promotions, career development and various other situations. Schools and colleges provide theoretical background in detail but a practical outlook has to be given by proper training. Industries have to carry out this vital responsibility.[3]

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[3] Marie R.F., Psychology in Industry, George Harray & Co. Ltd., London, 1978 P.P. 320.

Public sector industries in India now realizing their responsibility in this respect. The Management of BSL (Bokaro Steel Limited) has been quite aware of this problem. In fact, training facilities provided by SAIL in all the plants have been one of the most efficient managerial functions. In its early stages, i.e. during 1973-75, BSL met its large initial requirements of technical personnel by training men in outside plants including steel works in India and abroad. Almost the entire requirement of supervisory personnel has been met by training in the steel industries of countries such as U.S.A., the U.S.S.R., the U.K., West Germany and Australia. Key personnel for Bokaro Steel Plant were trained in U.S.S.R. and some were trained at Jamshedpur, Bhadrawati and Burnpur."[4]

At first there was no other alternative for the company than to get its people trained in existing steel plants in India and abroad. But this could not be made a permanent feature. A growing organisation like Bokaro Steel Limited can not depend upon outside sources. Like all other big industrial enterprises it has to develop its own training programme. Training of skilled workers and operatives was started at Bokaro Steel Limited at the end of 1974.

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[4] Srinivasan N.R. "<u>The History of Bokaro</u>" Steel Authority of India Limited, New Delhi 1987, P.P. 127-128.

The main objective of training the personnel is to improve upon the functional efficiency of the work force in their present job and train them for shouldering higher responsibilities to improve upon the skill and attitudes of the managers, supervisors and others and develop them in professional competence. "It is in the nature of the development of people and is continuous requirement in most enterprises, private or the public."[5] With this objective BSL had started its training programme.

Thus the training programmes are very useful and valuable from the point of individual employees as well as the plant. "Training is an investment in human resources; it is an important means of improving the human potential and increasing the efficiency of the personnel."[6] "It makes the worker more disciplined and creates the possibility of running an industry economically."[7]

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[5] Lotia C. "Managerial problems of the public section in India, P.C. Manektala & Sons (P) Ltd., Bombay-1, 1977, P.P. 156.

[6] Jain Ratan Kumar, Management of public Enterprise in India, P. C. manaktala & Sons pvt. Ltd. Bombay, 1978, p.p 218

[7] Ibid. p.p 222

"Training may be even unconscious in the sense that people can learn without being aware that they are doing so."[8] But one can not depend on such a chance factor. In modern days, therefore, training is to be carefully planned and arranged.

"With the expansion of steel sector, the need for a planned and thought out training plan programme became an urgent necessity. The Estimate Committee has also observed that in all nationalised undertakings there should be a liberal policy for providing an opportunity for training, even though it may not be needed for the undertaking itself."[9]

The training facilities provided by BSL can be divided in to four broad categories:

(i) Management Training
(ii) Supervisory Training
(iii) Training skilled personnel
(iv) Other training facilities.

We are here more concerned with Management Training.

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[8] Yoden. Dale, <u>Personnel management & industrial relations</u>, Prentice hall of India Pvt. Ltd., New Delhi, 1978, p.p 68

[9] Estimate Committee, <u>Fourtyone Report on Steel Sector</u>, 1956-57, Lok Sabha Secretariate, New Delhi, p.p 39

MANAGEMENT TRAINING :

Management Training is the most basic phase of managerial control. In an industry the key to all productivity is managerial efficiency, and all techniques and methods for improvement in productivity ultimately depend upon this. Management, is in fact, the organisation and control of human activity directed towards certain ends. A good management is the intangible, invisible, indefinable ingredient of success. Without it no amount of inspired engineering, energetic salesmanship or abundant finance suffice. In the Bokaro Steel Plant, which is more than 15 years old in India but in which a major percentage of present capacity has come up only in the last 5 years, the vast magnitude of managerial problems can easily be imagined. It has been felt in all the fields - construction production, finance and much more in the field of manpower organisation and management. A large number of industrial disputes and problems created by mismanagement of the labour force clearly point towards these problems. In fact it has been realised that training facilities for managerial personnel are not only necessary to fill up the blanks but essential for the very survival of such a big industrial enterprise of the size of BSL which is constantly growing and expanding.

Training required for preparing managerial personnel is not strictly a type of specialised training in one branch of knowledge. It has necessarily to be management oriented, which implies that the trainees are given a broad-based knowledge to enable them to tackle the different types of problems faced by managerial personnel at higher positions.

As a result of this compelling situation a large number of Industrial Training Institutes were established. Apprentice Act was passed in 1961. As a consequence, the Management Training Institute was set up at Ranchi in 1962, specially designed programmes were evolved for functional requirements, with expert outside facility. MTI over the years had been rendered valuable service towards improved performance and prevention of managerial obsolescence."[10]

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10. Annual Report of H.S.L., 1971, P.P. 21

M.T.I. (MANAGEMENT TRAINING INSTITUTE)

Technology is advancing fast in the world steel industry and computerised process control and automation have come to stay. Modernisation of SAIL as well as the unit BSL envisage incorporation of new technologies. For manning the new units trained executives and skilled workers are necessary. Besides, the art of management has undergone rapid strides, introducing training programmes on various aspects of management and for various levels of officers appear to be the forte of many. In the various programmes, the participants were drawn from all disciplines and at all levels, which only goes to show that everybody would stand to benefit from exposure. Some of the themes tackled include human resource management, market management, material management, leadership, computer managed maintenance, energy management, commissioning of new assets, productivity, communication and finance. There was a special programme for executives of the fair sex.

In order to review the current HRD system and training in BSL and to suggest ways for improvement, the British Steel Overseas Services (BSCOS) consultants were commissioned by SAIL. The work involved carrying out three inter-related studies simultaneously commencing from November 1987. MTI provided the facilities for the study teams of seven consultants. The studies were on upgradation of HRD system and training support to the modernisation of Bokaro Steel Plant and training of SAIL engineers abroad. The consultants made two presentations abroad before the Training Advisory Board on 21st January 1989 presided over by the Chairman, SAIL and the other by the Vice Chairman on 6th February 1989.

TABLE - I

Number of Employees of BSL trained Abroad

(from 1985-85 to 1988-89)

Year	Number of employees trained abroad
1984-85	9
1985-86	15
1986-87	36
1987-88	25
1988-89	68

Source : Statistics of Iron & Steel, SAIL, 1990, p.p.247

Apart from initial training, it is indispensable for executives to keep abreast of current developments not only in technology but more so in management. It is often all the successful manager who can deliver the goods. Therefore, human resources management and especially training in it has assumed immense significance; especially in the context of the needs of SAIL, currently and in the future. In recognition of the cardinal needs of management training SAIL has given a new thrust to MTI, with a new big campus and an Executive Director in change of it."[12] Incidentally, "it might be remarked that S.N.Das, who took over in May 1987, has been designated as E.D. (HRD), which is the first human resources designation in SAIL."[13] The role and goal of MTI has been crisply put by S.N. Das thus "we at MTI have set for ourselves the task of directing our efforts to the personal growth of individuals to work as teams, which will inevitably lead to the growth of organisation."[14]

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[11] Srinivasan N. R. "The saga of Steel, SAIL, New Delhi, 1983, p.p. 172-73.

[12] Srinivas N. R. "The corporate story of SAIL, SAIL, 1983, p.p. 181.

[13] Annual Report, SAIL, 1987, p.p. 18.

[14] Sinha R.N. "Productivity in SAIL plants", Economic Times, September 23, 1988.

To this end, MTI conducts a large number of programmes with its in-house faculty and augmented by experts from outside. While it would not be possible here to catalogue the programmes conducted, a random sample would show the range, depth and coverage.

"It would be the best to begin at the top, because there is a general feeling that it is junior and middle level executives who need exposure to training. Advanced management programmes were organised to cover the top executives in the level of E.D, GM and Dy. G.M through the centre for organisation development, Hyderabad."[15] The programme was designed to focus on time management, development of self and subordinates, management of change and team work. It is hoped that top executives would have learnt a lesson or two in the time management.

The training function is also known as 'development function.' Immediately after recruitment or after sometime, personnel of the enterprise needs to provide adequate training to keep them aware of the recent development on to increase their

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[15] Steel Industry Survey Report, SAIL, New Delhi, 1987, p.p 18-19

is required for proper job performance. In Limited, this activity is of great importance continuing to grow with increased demands of ıd adoptation of new scientific technology. has been realised that efficiency can be the office as well as plant) or increased by r training.

o Steel Limited

objectives before BSL are :

nd marketing high quality of saleable projects.
nissioning of expansion and modernisation projects.
g productivity of workforce.
work culture amongst the employees.
ctive operations.
orientation.

Contribution of Training and Development Function

In terms of fulfilling the goals of BSL, the Training and Development function can assist in the following areas :

i) Bring out a change in the attitude of employees to promote a new work ethos conducive to productivity. (attitudinal charge)

ii) Ensure optimal utilisation of the existing manpower.

iii) Develop human resources for implementing modernisation.

iv) Enhance efficiency of human resources.

v) Ensure continuity of skill and operation.

vi) Impart proper orientation.

ATTITUDINAL CHANGE :

Current scenario of BSL shows that the thrust to bring out a proper attitudinal orientation of employees was initiated with workshops on priorities for action, through the corporate cadre.

The future thrust ensures that a new organisational culture is developed and imbibed by all.

The role of Training in Attitudinal Charge

* Formal training packages and workshops focusing on attitudinal changes are to be designed. Training Department is to develop and incorporate specific training modules on the priority areas, e.g. cost reduction, safety, organisational discipline, operational efficiency etc. in the in-house training programme.
* Relevant talks/lectures/film shows are to be organised at regular intervals at the work place.
* 400-500 change agents from various levels are to be identified and trained to help in bringing about attitudinal change amongst employees.
* Groups of employees are to be systematically exposed to the prevailing culture in areas of excellence within the organisation.

OPTIMAL UTILISATION OF MAN POWER

In BSL, the manpower freeze has been in force with effect from 31.3.1985 and the surplus manpower has been identified in certain areas like construction, mines etc.

Future thrust is to see that the surplus manpower has to be redeployed to areas identified, for optimal utilisation of existing work-force.

Secondly, redeployment of manpower would also facilitate inter-departmental mobility.

Thirdly, to use new techniques of operation, must become an essential prerequisite to redeployment.

The role of training for optimal utilisation of manpower is to:

* Develop training packages to retain employees ear-marked for identified areas of operation.
* Ensure that all employees are exposed to these training packages before they are posted to their new position.
* To educate workers to breakaway from unproductive practices and accept the challenges posed by new techniques/technology.
* Prepare employees for redeployment envisaged with the modernisation/expansion project.

MODERNISATION AND EXPANSION

Bokaro Steel Limited has already planned for modernisation involving change in technology. It is one of the most successful step towards achieving the goal. Plant expansion to 4MT has already taken place. New techniques of operation like Integrated Control System (INCOS) are being introduced to increase productivity. The important step is the technological innovation, in addition to modernisation are taking place.

Future thrust is to train the manpower to manage new technology. Secondly adopt to and implement new techniques. Thirdly, develop manpower for expansion of plan and lastly inculcate a culture to be innovative.

The role of training is :

* As per manpower requirements of the expansion/ modernisation projects, equip Training Department to impart training to -

    a) Redeployed employees

    b) New entrants in the field of -

        i) New technology introduced

        ii) New techniques of operation

        iii) Innovative approach to working

* Equip Training Department in terms of developing :

    a) Suitable training packages

    b) Chalking out detailed training plans to ensure that training is imparted to both redeployed employees and new entrants before they take charge of their postings.

    c) Suitable faculty

    d) Requisite physical facilities

* Involvement in the project formulation stage to get an idea regarding the extent and type of training that may be required.

ENHANCE EFFICIENCY

The current scenario of BSL is that the existing assets are not utilised optimally. Simultaneously the labour productivity stagnant is highly prevailed over two decades and lowering of standard of personnel, organisational and technological discipline.

The future thrust is to help in increasing the contribution of human resources and assist employees in achieving excellence in all operations. the most important thrust is to motivate employees for self-development.
The role of training in fulfilling the above thrust is given below :

* Ensure need-based training to all executives at least once in 3 years. This implies exposure to approximately 1000 executives every year both through in-house and external development programmes.
* All the other employees to be exposed systematically to training in their areas of need, integrated with organisational needs.

* Skilled category should be exposed to special training at regular intervals.
* Training programmes conducted in-house must be designed to cater to specific functional needs of the employees. Programme input should match need profile of the employees and the organisation.
* Develop training modules for identified high performers and train them at least once every two years.
* Develop training modules for identified low performers and develop them as per their attitude.

Make training imperative for all career advancement, should be the long term objective. This goal should be attained in stages by identifying key positions and categories, where a training input is essential before advancement to the same. Suitable training modules should be developed and implemented for these categories.

CONTINUITY IN SKILL AND OPERATION

There is a number of retirements are taking place every year and it is really difficult for one-to-one replacement. Gaps may occur in different areas at various levels if replacement is not carefully planned from within.

Planning for replacement is to ensure :

a) No loss of skill

b) No gaps in any area of operation

c) No gaps at any level in the hierarchy which can affect effectively.

The role training is to :

* Collaborate in identification of skilled categories that would need to be recouped and develop substitutes in the even of wastages to take their place as and when required.

* Ensure adequately trained manpower in areas/disciplines where gaps are likely to arise.

* Integrate the training function with an overall succession planning model.

ORIENTATION OF NEW ENTRANTS

In BSL plant side as well as in the office, due to heavy superannuation and the oncoming expansion, some recruitment would be necessary. The plant has already projected its additional manpower requirement year wise for the next few years. For that recruitment will be imperative in areas of specialisation where internal expertise is not available and injection of new blood will be necessary to correct the age-mix.

The future thrust of plant is to keep the number of recruited personnel to the minimum but improve the quality of new entrants and all new entrants must imbibe the organisational philosophy. They should be developed that they function efficiently in their area of operation.

In this case, the role of training is like this :

* Induction should be an ongoing exercise for all fresh entrants both on recruitment and on transfer.
* Review periodically the training schemes for junior operative trainees, senior operative trainees and management trainees.
* Ensure that the new entrants get proper on-the-job training through the training engineers.
* Link performance in training to career development.

ORGANISATIONAL SET UP

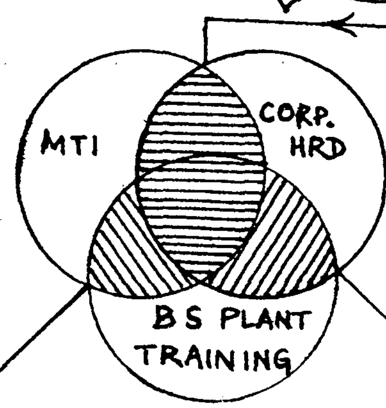
MTI

* Develop Training Packages and conducting programmes for supdt. and above
* Developing training packages to suit organisational needs
* Create database research orientation and provide internal consultancy

Corporate HRD

* Training policy
* Training schemes
* Annual Training place
* Organisational training need analysis
* Training needs analysis of corporate cadre
* Foreign training plans

Corporate cadre



* Training need profile of supdt. at plants
* Specialised functional taining

Monitoring Implementation

Plant Training

* Training needs analysis of supdts. and below
* Training need analysis of the plants
* Develop and conduct training pgms. only for managers and below
* Sponser for inhouse,MTI and external Programmer

SHIFT IN TRAINING EMPHASIS

The focus of the training function need a shift to enable training to contribute in the manner envisaged :

	From	To
1.	Activity oriented	Result oriented
2.	Quantity	Quality
3.	Very broad based training input	Specific/functional programmes
4.	Individual need based	Organisation need based
5.	Sponsoring to external agencies	In-house and MTI training
6.	Individual sponsored for pre-designed repetitive in-house training	Training packages to be designed after need analysis
7.	Mediocre faculty	Qualified experienced faculty
8.	Permanent faculty	Floating faculty on deputation
9.	Class room training	On the job practical training using case studies and other new techniques.
10.	Training packages/plans prepared by personnel/ training section	More interaction with works departmental heads, advisory committee, GM(W) before finalising training plans.
11.	Little evaluation of training effectiveness	Formal or informal evaluation of training effectiveness.

The role and function of the three training agencies, viz. :

i) Corporate HRD :

Training policy, planning and monitoring group.

ii) Management Training Institute:

Plant Training Centres should be such that their efforts reinforce each other in the fulfillment of the overall training objectives.

CORPORATE HRD GROUP :

a) Formulation of overall training objectives.

b) Formulation of the company's training policies.

c) Formulation and review of the central training schemes, e.g. Management Training Scheme, the pre-selection training, the non-executive to executive training schemes etc.

d) Identification of areas of organisational needs.

e) Formulation of policy regarding foreign training.

f) Monitoring training efforts of the plants and units as well as MTI.

g) Constitution of an apex Training Advisory Board to give an overall assessment of SAIL's training needs, effectiveness of the in-house programmes and for laying down board directions in the area of training.

MANAGEMENT TRAINING INSTITUTE :

a) Development of training plan for the superintendents and above based on the individual need analysis. Training of all superintendents and above as per their needs once in a every two years.

b) Development and organisation of training programmes for superintendent and above in the areas of organisational needs.

c) Development of suitable induction and orientation module and integration of it with the total training package for the Management trainees.

d) Formulation of system of evaluating effectiveness of programmes (conducted by MTI) related to on the job performance.

e) Based on the free-back evaluation, review of contents and techniques of the training programme at regular intervals.

f) Creation of data base, research orientation and providing internal consultancy.

g) Training the trainees, organising seminars and conferences for them.

PLANT TRAINING CENTRES :

a) Training need analysis of the superintendents and below on the basis of the appraisal reports. Forwarding the training need analysis of superintendents to MTI.

b) Development and implementation of suitable training packages for managers and below in the executive cadre based on individual need analysis.

c) Identification of functional training needs of the various departments/zones and the plant as a whole Development and implementation of training packages for different levels/categories of executives based on the identified functional needs.

d) Development and implementation of training modules for executives in the specific problem areas, e.g. track time, energy conservation etc.

e) Development of training programmes and plans for planned redeployment.

f) Constituting and reactivating the Training Advisory Committees headed by GM (works)/Managing Director.

g) Creation of data base for training.

INTERFACE BETWEEN THE TRAINING AGENCIES :

The areas of interface between the agencies should be such that there is no duplication of efforts on the ambiguity of operation.

THE CORPORATE HRD (training policy, planning and monitoring group) would interface with MTI in the areas of :

a) Corporate cadre training :

MTI would develop training packages for corporate cadre based on the need analysis conducted by the policy planning group.

b) Organisational needs :

MTI would develop and implement/organise programmes to suit the organisational needs of the company as identified by the policy planning group.

c) Monitoring :

Corporate HRD would monitor the implementation of the corporate plan by MTI and based on the effectiveness of the programmes, plan for the future.

MTI AND PLANT TRAINING CENTRE would interface in the areas of :

a) Training need for superintendents :

The need analysis to be done at the plant level and MTI to develop packages and implement programmes based on the need analysis.

b) Internal Consultancy :

MTI to provide enterprise to plant (Bokaro) training centre, when required, in developing specialised training packages.

c) Faculty Development :

Bokaro Plant training centre to chalk out the development/training plans for all trainers, in consultation with MTI.

d) Training Module for the Management Trainees :

Both the agencies to ensure that the module developed is implemented as per schedule so as to provide community to the scheme.

e) Training Evaluation :

MTI to take help of local training centres to evaluate the effectiveness of training, based on the performance of employees trained.

f) Data Base :

Plant data base, case-studies, films etc. to serve as an input for the MTI data creation and research activities.

CORPORATE HRD AND BOKARO PLANT TRAINING CENTRE would interface in the areas of :

a) Monitoring :

Monitoring implementation of the corporate policies and schemes.

b) Annual Plans :

Monitoring the implementation of the annual plans specially with respect to redeployment training, skill and attitude development, technical upgradation etc.

(Figure 2 shows the training needs can be broadly classified into 3 categories) :

Figure 2

Training Needs

Individual needs	Functional needs of the organisation/ operational needs	Organisational needs to meet future changes

The individual needs of the organisation can not be done from the executives self appraisal report as well as from the managerial performance and appraisal reports. For operational needs analysis, the departmental heads to identify training need for skilled and supervisory category and the middle/senior management. The Training Advisory

Committee (TAC) to decide/review every quarter, the type of functional training needed to promote the efficiency of the organisation.

But the organisational need to be identified by the head of the corporate HRD on the basis of :

* Changing policies and practices
* Changing priorities
* Changing technology
* Need to give direction

EVALUATION OF TRAINING EFFECTIVENESS

* A system is to be devised for formal evaluation of all training programmes conducted by the various training institutes as well as MTI - by MTI in consultation with the Plant Training Centres.

* A system is to develop to get feed back from all employees being sponsored for external programmes regarding the quality, context, coverage etc. of the programme. It could be seen whether the existing system of collecting feedback can be improved and implemented in a better way.

* A system to obtain feedback from the reporting officers regarding the effect of training on the employees efficiency on attitude needs to be developed.

* Biannual meetings to be conducted by MTI and training heads to review the effectiveness of the training programme conducted and suggest way to improve the same.

* A Training Advisory Committee (TAC) and the Training Advisory Board is to periodically review the overall effectiveness of the training function.

CONCLUSION

Public enterprises have become the principal tool for accelerated development and diversification of the indian economy. The successive Five year plans and Industrial policy resolutions of 1948 and 1956 envisaged not only a growing role, but expected the public sector literally achieve the commanding heights of the economy. It did happen in a big way. In addition to public ownership in traditional areas like Railways, ports posts and telegraphs and telephones, broadcasting, ordnance factories and irrigation and power, the government has virtual monopoly in life and general insurance and commercial banking, fuel, basic metals, electric equipments etc. Today, public sector accounts for two third of capital sector, 47 percent of plan outlays, and one - fifth of national income and savings.

The major objectives of the public sector in India have changed over time. Today the public sector serve:

- employment generation and development welfare
- balanced regional development
- using resources productively and giving adequate return on investments
- raising the level of technology in the country through upgradation

- training and education of workers to raise level of awareness

But the physical growth of public sector does not satisfy is because of its performance by and large, tend to be way behind all normal expectations. It all starts with faulty planning and execution leading to delays in time cost and vicious circle continues. Low capacity utilisation, perpetual increases in operational costs and negative or low returns in investments. Only a handful of public enterprises earn surplus to besallowed by many limping concerns.

So a country benefits a great deal by the public sector enterprises only when they are managed efficiently. It loses a great deal on the other hand, if scarce financial resources and managerial talents are wasted. In India, great enthusiasm is seen at the time of allocating resources to the industrial and commercial projects in the public sector but the bitter truth is that sufficient attention is not paid to the efficient management thereof. Millions of rupees have been invested in public sector projects but unfortunately their performance is far from satisfactory. The Neyveli power project in the south, Heavy engineering industries corporation at Ranchi, Steel plants at Rourkela, Bhilai, Durgapur and Bokaro etc. are some examples. The poor performance of some of these can be attributed to inadequate assessment of demand but most of them could run efficiently and earn sizable profits if certain problems are looked into immediately.

The success of any enterprise, Whether in a private sector or public sector, depends on two things:

(a) Organisation and structure of the enterprise

(b) Quality of personnel

The Organisation and structure of the enterprise should be conducive to its efficient management and the quality of it personnel should be the best available. Both these things are necessary. To quote Alfred chandler," 'form' follows 'function' and 'structure' follows 'strategy'. If the strategy is clear, structure can be evolved easily. If the strategy is hazy, structure can be clumsy."

While some of the maladies arise from the general nature of the economic structure and certain social and political considerations, others stem from poor managerial practices within the enterprise. The deficiencies arise out of the formal and informal interfaces between the public enterprise management and the government are seen as the principal reason for the poor performance of these enterprises. A government in business must have a different outlook and different methods of dealing with the public enterprises.

Different forms have been adopted mainly to determine the degree of autonomy and extent of control by the government. But in practice, there is hardly any differences among different forms of organisation since the government treats all the enterprises at par in exercising its control. In their case, the concerned government plays a role of entrepreneur-cum-investor as well as that of Banker-cum-super manager.

To enable public enterprises on their activities on commercial lines, to free from rigid rules and regulations of government departments and to give more autonomy to enterprise except to conclude who man it matter more than the structure itself.

Again Public enterprises have to function within the framework of national planning and in many areas are the principal instruments for the realisation of the objective set by the government. Hence the relationship between the departments of the government and enterprises cannot be reduced to the usual annual interaction between shareholders and corporate management. A more active interaction between the government and the enterprise it unavoidable in critical areas like strategy planning, investment priorities and formulation of large projects.

Each public sector enterprise comes under one or other of the administrative ministries of the government of india or the state government. The concerned ministry is answerable to the legislature for the performance of the enterprise. Moreover, the Ministry as the agency responsible for the development and regulation of the concerned sector of the economy or the industry, its interest is more concerned with the public enterprises, is more than one way. Along with the administrative ministry, ministry of finance, planning commission, bureau of public enterprises are also interested and related to the public enterprises.

The relationship and interaction between the Government and Public Enterprise has been the subject matter of discussion, seminars and criticisms since long time. Probably the final word has not been said. But barring those who take an extreme view from a sectarian or partial view all the others would agree that the relationship between the Government and public enterprises is something special and different from that between the Government and other private enterprise. In the former case, the Government is the owner, planner, investor, bankers and ultimately answerable agency to the legislature and the public in general. None of these functions could be wished away. But all of them to be coordinated logically.

For this purpose, Articles of Association of public enterprises normally have provisions for certain kinds of Government approval, directions, or interference. By convention and administrative aders investment proposals of the public enterprises have to be approved by the respective Governments. The public enterprises also depend on budgetary support from the Government. The Government also controls constitution of the Board of Directors, appointment of chief executives and removal, determining their salary, approving wage agreements and promotion etc.

Over and above the roles, the government has also got a super managerial role which it exercises through monitoring and reviewing.

The steel industry has been taken up for studies because in India it is regarded as a prestige industry and large sums have been invested in the public sector for the development of this industry since the beginning of the second Five Year Plan based on Mahalanobis's four sector model. Being associated with planning commission, Mahalanobis knew that the minimum funds available for net investment during the second Five Year Plan would be approximately Rs. 5.600/- crores and the aim was to provide additional employment to 10-12 million people. To these, he added a 5 percent per annum increase in national income during the plan period.

But it is a pity that the performance is most unsatisfactory.

Between 1966-74 and 1972-73, the steel plants in public sector in India incurred losses. The losses were attributed to poor production performance and high cost of producing

steel poor production was caused by labour unrest, shortages of right quality of inputs and efficiency in management. In order to increase steel production there is, therefore, the need for improving efficiency in management.

A paradox in SAIL with special reference to Bokaro Steel Limited, situation is that they have succeeded in building a cadre of professional managers, but not ensuring professional management. In the initial years, the dearth of professional managers was sought to be overcome by creating an industrial management pool. But the half-hearted experiment soon because abortive. The Government invested huge sums of money to create a vast reservoir of well-trained managers' with training in management skills.

While growth in size and social objectives can be achieved by massive investment, reasonable returns on investments are possible only through a high degree of efficient and cost conscious conduct of operations and highly dedicated team work and coordination between the government and SAIL and at all levels of management with full involvement of employees.

It is in this context the working of the board of directors of SAIL has been examined because in law. Board of directors is the ultimate authority for deciding the manner in which the company is to run.

The working of the Board of directors is closely related to the functions assigned/discharged, the structure of the Board, method of selection, tenure and commitment of directors and the mechanism for control/review of the working of the company etc. Majority of these aspects are regulated by provisions of the Companies Act and the Articles of Association of the Company.

Moreover, public enterprises are not islands unto themselves decisions taken in one affects the fortune of another. Therefore, some coordination is necessary for transferring experiences from one enterprise to another.

Thus, it has been seen an ambivalence which makes the relationship between the company and the government tenuous. On the one hand the recognition is that they should be run as business enterprises and that they should be kept in arms length from the government and given freedom to manage.On the otherhand, consequences of their operations on economy result in continuing governmental interest and involvement in the functioning of the company.

Evolution of the public enterprises and then relationship with the respective Government has not been uniform. They have been moving forward and backward. Certain amount of ambivalence and even a doubt could be noticed while on one hand, Government wants the public enterprises to function autonomously, a long business lines and remain at arm's distance from the Government, other times they want them to function like a subordinate Government department. The movement takes place in both direction from time to time.

The Public Enterprises have got two important aspects viz., the public aspect in which it has the close affinity with the government and the 'enterprise' aspect in which it is entitled to autonomy. The ultimate solution should be a good coordination and compromise between the both. There is a need to find the right balance between autonomy and accountability of the enterprise. Autonomy, in the context of management's ability to take decisions finally based on economic considerations, on matters for which they are to be held responsible. Accountability in the context of a well defined performance criterion and degree of success in the fulfillment of specific tasks assigned to the enterprise. Autonomy gets eroded by numerous instructions and interventions, formal or informal by the government and to that extent accountability is eroded.

In the case of all the public enterprises the Boards are constituted by the respective governments. There has been a debate as to whether government representatives should be there in the Board and whether the role is contradictory. Of course in certain state level enterprises, the constitution of the Board is at the other extreme where they are packed with non-officials and non-professionals. While such an extreme position may not be justifiable, having compact and functional boards with functional factors from the enterprise, government representatives and professionally qualified outsiders will be very helpful. The presence of the government directors always helps the public enterprises who have move to do with the government than others.

In case of Bokaro Steel Limited, it has been clearly observed that with the increasing size of family of the company, coordination becomes necessary. From all the discussions it is now thought that there is a need for a nodal agency on central coordinating agency for the company, which can serve the purpose of interpreting government policies and informing the government, introduction of Holding Companies approach is a major step towards success. Steel Authority of India Limited is a bright example of that.

Audit is another relationship between the government and the public enterprise. The pattern in India is that all the Public Enterprises are subjected to audit by the Chattered Accountants like any other private enterprise. Over and above this, a supplementary on a super-audit is conducted by the comptroller and Auditor General of India. The audit by comptroller and Auditor General involves both a check of adequacy of the audit done by the commercial auditors and a supplement of that audit by way of additional checks. He communicates his comments on the accounts, comments on individual transactions and his review of the schemes.

The studies and discussions on personnel policies of Bokaro Steel Limited have shown that the recommendations of the board have no binding force and it is left to the government either to select any one of the persons recommended by the Board for a particular appointment on to ask the board for a fresh panel of names. This inevitable often leads to delay in the final selection of top managers as a part from the time taken by the board in processing its recommendations, the final appointment also requires approval of the government at the highest level. In the process, the system does not ensure selection of the most suitable person and leaves considerable scope for exercise of political patronage to the detriment running of the company. In many times delay selection leaves company topless. "The delay in selection is also caused by the fact that PESB itself is burdened with workload and the members working on a part time basis are not able to devote adequate time," quipped by one of the Deputy Manager of Bokaro Steel Limited. It is, therefore, being felt that the present PESB body should be replaced by a statutory body with full time members whose recommendations will be of a binding nature and not subjected to any extraneous considerations in the government. The members of the statutory body should have fined tenure.

Continuity in management of BSL is vital for their efficient and profitable functioning. Too frequent changes at the tip have had a very deletexious effect on many enterprise is not always inducted from the same sector, he inevitably brings his own perceptions and work - methods which can lead to violent changes in the functioning and decision making process within the organisation. This has led to confusion and lack of direction within the various levels of supervisory and management personnel in an enterprise.

It is felt that responsibility for management development of managerial personnel in public enterprises cannot and should not rest with any external agency. Any enlightened management should realise that good managers should come from within and a sustained programme for fostering development of managerial skills is mounted so as to ensure a smooth and progressive succession, as for as possible up to chief executives levels. This will, on the one hand, promote a sense of pride and belonging to an organisation and ripening of an internal operative culture fully in tune with the nature of activities of an enterprise. These imperatives are in the growth and development of an enterprise must be recognised by those responsible for top appointments in BSL.

A long discussion with the tip level officials and executives of BSL has shown that they so not have any dissatisfaction on complain about their salary and their promotion policy. But when the employees were asked to empress their opinion on the basis of promotion, there is practically no difference between non executives and executives at junior level, who regard 'favouritism' and 'good relation with supervisions' as the main basic of promotion. But top level executives, however, feel that 'technical/administrative competence' and 'academic qualification' form the main bases of promotion.

Training schemes for the development of technical/personnel skills are fast catching up in most of the large enterprises only a few enterprises seem to have initiated supervisory and management training programmes (e.g Hindustan Steel and

Indian Telephone Industries). Now for BSL including other units of SAIL Management Training Institute is doing a fine job of work in its own way.

From the perspective of the skills which managerial personnel of our enterprises must possess it seems desirable to make special arrangements for two types of training programmes : training in human relations and training in organisational skills.

As to human relations skills one of the biggest challenges for the enterprises is how to develop a purposive and dynamic group of managerial personnel into a real team 'team' so that they act effectively and enthusiastically with one another, pull for the enterprise and not merely each for himself. How can they be led to understand their joint as well as their individual functions in the enterprise so that responsibility is best met and authority most effectively exercised. And how, finally can this be achieved in terms of managerial control and carrying out programmatic goals of an enterprise.

The human relation skills can be best developed among the managerial personnel by exposing them to sensitivity training. Sensitivity training is very different from classroom instructions and seminars, etc. The subject matter of sensitivity training is essentially experienced. It encourages the participant to examine his own behavior and to experiment with new ways of relating to others; it is attempts to make the executive aware that he must understand as much about human feelings, sentiments, values and attitudes as he does about facts.

The organisational skills are concerned with coordinating and integrating all the activities and interests of the enterprise common objectives. It is called power of observation, diagnosis, analysis, synthesis and overall integration. Organisation skill requires a firm and fuller understanding of the whole as well as the parts ; it is inability to rise above rule oriented thinking, as a result of dynamic ideas initially derived from the spontaneity of unhindered non-rational aspects of human thought; it is the ability to discern problems, devise solutions, analyse data, and exercise judgment. A sharpening and deepening of organisational skill is a matter of exposure to varied situations.

So it has been established from the above discussion that the training and promotion prospects have been found to be important variables in the satisfaction of the employees of Bokaro Steel Limited.

To sum up autonomy of public enterprises has mainly taken the shape of ministerial control. None of the norms and techniques of autonomy has been adequately established. The indirect agency of accountability have not been appropriately used. The accountability is adhoc in nature and restrictive of managerial autonomy. But the above studies about Bokaro Steel Limited can not give a proper solution for the overall developments of public enterprises in India. It is the only one unit of SAIL. The others i.e. Bhilai, Durgapur etc. could not have taken because of in accessibility of time and data.

So this is only a base and this gives rise to further studies about autonomy of public enterprises on the whole. It has neither been in the best interest of the public enterprise nor have assured their autonomy but good autonomy in management level.

It is only through directions by objectives and autonomy by results that operational autonomy and accountability can be reconciled. In this regard, both operational autonomy and accountability of board of directors can be simultaneously

enhanced. Public confidence will return with the assurance that the public enterprises are being managed effectively if those are held accountable for performance and results. More autonomy can be secured if it is not for individual actions and decisions but for results. To achieve this in stead of hierarchical bureaucratic and uni-directional control, there should be a more managerial autonomy, which lays stress on harmonious relationship, unity of action based on common purpose and mutuality of influence amongst controlling agencies and public enterprises in the formulation of personnel policies and their implementation.

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