

ORGANISATION AND OWNERSHIP

*A Comparative Study of General Management Functions
in Domestic Private Sector, Public Sector and
Multinational Companies in India*

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To My Parents

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Preface

This book deals with the effect of ownership on the management and functioning of an organisation. It is based on a doctoral research study conducted by me during 1977-76 at the Indian Institute of Management, Ahmedabad.

There have been powerful compulsions for taking up research in such an unexplored and complicated area. In management literature the aspect of ownership has remained ignored and the implications and magnitude of ownership influence on the functioning and management of an organisation have not been realised. There have been very few, stray and piecemeal attempts in this direction. Such attempts, based on individual experiences or through the study of very small sample sizes do not give enough of an idea of ownership influence. On the other hand, there has been adequate discussion of comparative performance, at least in India, with the object of proving that one or the other type of ownership (namely, the public sector and the private sector) makes a difference in organisational performance, indicating that ownership is a potent organisational variable.

Such discussions may be good for some purposes, but they do not help much the management of an organisation or the policy makers. For effective policy making and effective management, what is required is a knowledge of where, why and how the ownership influences the organisation, and with what consequences. The interlinkages among various organisational variables are so complex that the results of analysis of a single function or issue, like inventory management, may be difficult to generalise. Further, small sample sizes may not be adequate for such an analysis. What is called for is a comprehensive study conducted on a fairly large number of companies to get at least a broad idea of ownership influence. While we have very little knowledge of ownership influence, there are wide-

spread stereotypes and preconceived notions attached to sectoral management. The need for a study like this cannot be over-emphasised if such stereotypes and myths are to be rejected.

The study described here is virtually in two parts. It starts with a comparison of twenty-three companies pertaining to three different types of ownership. Nine of these belong to the domestic private sector, seven to the public sector and the rest are Indian subsidiaries of multinational companies. Comparisons were made on the general management variables classified into three categories, namely, the strategic variables (covering organisation objectives, business strategies and top management styles), the structural variables (covering the superstructure of the organisation, delegation of authority and the planning, controlling and coordinating systems), and the motivational variables (covering the degree of need satisfaction, instrumentality of the efforts to rewards and the organisational motivational climate). The companies varied in terms of sales from approximately Rs 10 crore to Rs 100 crore in 1976. The companies represent three different industries, namely, the electrical equipment and cables, the chemicals and fertilisers and the engineering industries. The first part of the study is descriptive, highlighting sectoral differences in management.

The second part of the study is explanatory and tries to explain how such sectoral differences in management arise because of differences in the types of ownership. Besides explaining many of the sectoral differences observed (as described in the first part), the second part of the study also helps in identification of several ownership-related factors which are responsible for the differences in the way organisations with different types of ownership are managed. Indeed, different types of ownership are generally associated with these factors in a particular way. For example, public sector companies are marked by a shorter tenure of the top management executives in office than domestic private sector companies, resulting in a comparatively less stable top management power-structure in the former, compared to the latter. This leads to implications in managerial styles. Since different ownership types differ on these factors, their management also differs. The understanding of these factors also enables one to realise why intrasectoral differences exist and why all the companies in any particular

sector are also not alike. The study therefore emphasises the need to consider ownership as a multifaceted concept. In terms of organisation theory it should be viewed as a multidimensional variable. The full implication of ownership for any organisation or set of organisations would be realised only if ownership is understood in these terms, rather than in terms of who owns or controls a particular organisation or company, as is done at present:

The book has been divided into five chapters. Chapter 1 introduces and describes the problem, gives the conceptual framework for research design and a brief description of the research methodology. Chapter 2 gives details of design, the operational measures of variables, the development of questionnaires, etc. This chapter would be of interest basically to researchers in the policy, organisational behaviour, and organisation theory areas; practising managers and policy makers might well skip this chapter. Chapter 3 highlights the variables on which sectoral differences have been noticed. The actual scores of various companies on variables in which no sectoral differences were noticed are also given in the appendix for those who might like to explore further. This chapter should be of interest to all readers who are interested in the realities of sectoral management, as it might help in overcoming stereotypes and myths, if any. Chapter 4 provides explanations as to why and how sectoral differences arise. This chapter would be of interest to both policy makers and organisation analysts as it illustrates the underlying processes of ownership influence on the management of an organisation. Researchers in the discipline of management would benefit considerably by this chapter as it also provides a few hypotheses that can be tested. Besides, it also exposes them to a potential area of research if they want to probe further on the basis of leads given in the chapter. Chapter 5, the final chapter, gives a summary of the findings and the implications thereof. I may add here that the implications of the study as prescribed in this chapter for a different set of readers are at the most indicative and in no case should these be assumed to be exhaustive. I have purposely refrained from dwelling on the implications as I do not want to constrain the readers from doing so in their own specific situations as well as in the global situation.

xii *Preface*

The presentation has intentionally been kept brief so as to enable the reader to finish the book at one stretch without losing continuity and interest. A compromise had to be made with elaboration and detailing on this count, although care has been taken to ensure that it does not lead to any confusion which is very likely in such a complex area of discussion.

Ahmedabad
12 March 1982

KRISHNA KUMAR

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