Do Public Enterprises Need a Corporate Strategy?

K R S Murthy

A large gap has arisen between the stated objectives of the public enterprises in India and their achievements, largely owing to inherent conflicts in their strategic decision making process.

In this article, K R S Murthy stresses that any public enterprise's strategic competence depends on the interplay among three actors (managers, bureaucrats, and politicians) with diverse motivations, careers, and systems. Team work with common values and commitment among the three actors alone can improve the low level of strategic competence. Since the prerequisites for strategic formulations are riot met in public enterprises, it is a debatable point whether they should have a corporate strategy at all.

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Do public enterprises need a corporate strategy? This question needs to be asked, firstly, because practitioners rarely do and academics assume that the answer is yes and proceed to dwell on how to prepare one. Secondly, the question whether public enterprises need a corporate strategy raises an even more important question: Why do they need one?

It is illuminating for both practitioners and academicians to ask whether and why public enterprises need a corporate strategy. In proceeding to answer them, it will be useful to define what we mean by corporate strategy.

Concept of Corporate Strategy

We may define corporate strategy as the broad pattern of major purposes, objectives, or goals, and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or the kind of company it is or is to be (Andrews, 1971).

The definition is fairly comprehensive and avoids hairsplitting distinctions between objectives and goals or between policies and plans. It is a practical definition requiring a statement on what products and services a company offers and wishes to offer to each of its customers and market segments, what basic values and coordinating policies it follows and wishes to follow in areas such as personnel, production, customer service, research, and finance, and what kind of a company it is and what kind of a company it wishes to be.

It is important to note that the major elements of corporate strategy are rarely defined a priori by the producer alone. It emerges out of a series of basic decisions taken in response to and in conjunction with the consumer and his needs.
Strategic Competence

A corporate plan with ambitious and distant targets that is vaguely or not at all intended to be practiced, although explicit, cannot be taken as the corporate strategy of the enterprise. We may distinguish, therefore, between strategy as revealed by a stream of decisions taken and policies actually adopted in resolving survival threatening dilemmas of the enterprise and a company's a priori statements.

The strategic competence of a company may be defined as its ability to keep down the gap in time and space between its a priori statement and the strategy as revealed by the sequence of its basic decisions.

Usefulness of the Concept of Strategic Competence

The reason one may wish to enhance the strategic competence of a firm is because an a priori concept of corporate strategy matched well with its level of strategic competence enables a firm to make consistent choices in the face of the vicissitudes of the market, competitors, and consumer behaviour. The concept enables an organization to perceive, early and clearly, the threats to its survival and the opportunities for growth that are consistent with its character and strengths. Such consistency, and ability to adapt, enables the organization to make better use of its irreversible investments and achieve a high level of commitment among its members to accomplish its goals.

Public Enterprise Strategy

In turning to public enterprises, it is important to note that statutory acts establishing public enterprises or their memoranda and articles of associations are not statements of corporate strategy as defined. Acts and articles of association are enabling charters for a public enterprise to undertake an activity according to specified rules. They do not by themselves define the character or quality of effort of the enterprise. They do not help resolve a conflict of objectives such as between service level for customer and the price that should be charged or the prices he is able and willing to pay. They do not help the public enterprise match a specified service level and a viable group of able and willing customers. Nor do they help determine the extent to which the state's resources should be used for sustaining a public enterprise.

One must examine the sources of threats to survival and their resolution. For most public enterprises, however, survival has more to do with personal careers, images, and reputations than organizational survival in the economic sense as in the private sector. Top management careers and reputations are, however, related to the enterprise strategic competence. This, in turn, depends on an interplay among three actors: chairman and managing director, the secretary in the administrative ministry, and the minister. These actors are usually drawn from the managerial, bureaucratic, and political processes.

Three Actors and Processes

To understand the nature of the interactions involved, some typical characteristics of these actors are shown in Table 1. The methods and characteristics of these actors differ widely and conflict on some. The managerial method of operating through individual responsibility conflicts with
### Table 1: Typical Characteristics of Three Actors in Public Enterprise Decision Making

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Manager</th>
<th>Bureaucrat</th>
<th>Politician</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>Gain autonomy for self and public enterprise (PE) by performing as expected</td>
<td>Keep control of PE, stay out of trouble</td>
<td>Stay in power; patronize supporters</td>
</tr>
<tr>
<td><strong>Sources of power</strong></td>
<td>Technical and managerial control of PE</td>
<td>Access to power; position in hierarchy</td>
<td>Strength of constituency; image within party</td>
</tr>
<tr>
<td><strong>Information systems used</strong></td>
<td>Enterprise market and technical data</td>
<td>Policies, procedures, and knowledge of political situation</td>
<td>Party position, dissenters, lobbyists, change-seekers</td>
</tr>
<tr>
<td><strong>Operating methods</strong></td>
<td>Expendency: individual responsibility</td>
<td>Committees and diffusion of responsibility; behind-scene influence</td>
<td>Visibility: defend status quo or mobilize support for change sensing where potential support lies</td>
</tr>
<tr>
<td><strong>Sources of anxiety</strong></td>
<td>Career in PE system: accountability to rules; inability to convey his exigencies to managers, employees, and outsiders</td>
<td>Loss of influence such as when direct relationship develops between the other two actors</td>
<td>Loss of position or access to power or bases of power</td>
</tr>
<tr>
<td><strong>Commitment to public enterprise</strong></td>
<td>Total for PE</td>
<td>Partial and tenure-based</td>
<td>As a medium for mobilizing strength</td>
</tr>
</tbody>
</table>

The bureaucratic method of diffusion of responsibility through committees. The bureaucrat's behind-the-scene attempt to keep control of the public enterprise conflicts with the visible change-seeking behaviour of the politician. The visible operating method and the desire to maintain access to power centres of the politician conflicts with the boundary management and autonomy-seeking behaviour of the manager. Efficient action taken by a manager to achieve results may conflict with rules and procedures required by the bureaucratic process.

The characteristics identified in Table 1 are indicative of the backgrounds and the processes typical of the three actors. Individual actors can be quite atypical. For example, a politician may behave like a super bureaucrat working quietly through the system while another may want to deal with the chief executive directly (Patil, 1981). A bureaucrat in his attempt to keep control of the public enterprise may exercise all power by plan or default. A chief executive may be a manager politician judging and initiating change to gain political support for his objectives. Individual personality and situational factors make generalization difficult, although certain dominant modes can be identified that distinguish the few successful public enterprises from the large number of unsuccessful enterprises.

### Political Process Dominates the Hierarchy

Experience over the last few decades shows that the political process is the decisive factor. However, the relative weights for the three actors vary widely. They are specific to a system of government whether totalitarian, authoritarian, or democratic. Even in a democratic set-up it depends not only on whether the parliamentary or presidential form of governance is used but also
on the conventions followed. For example, the convention in the Westminster model precludes a minister from taking decisions in individual cases limiting him to policy formulation, approval of guidelines for implementing policy, and supervision (Nehru, 1987). The Indian convention, although parliamentary in form and based on the same Westminster model, is quite the opposite. The civil servant formulates the policy and guidelines while the minister and the political process of decision making dominates the actual decisions affecting the enterprise and the personal careers, images, and reputations of those involved. The strategic competence of a public enterprise dominated by such a political process is generally low and depends on the extent to which political parties in competition are able to pressurize each other to reduce the gap between promises and performance.

**Ambitious Goals and Poor Commitments**

What are the survival threatening dilemmas and how do they get resolved in a public enterprise?

The most fundamental dilemma underlying strategic competence of an enterprise is in the formulation of its objectives and goals, or in strategy formulation. The basic dilemma, here, is between the extent of challenge and ambition in goal setting versus the ability to mobilize the commitments for achieving them over the required time period.

In public enterprises, the resolution of this critical dilemma undermines the strategic competence. The political process, which dominates, usually pushes for ambitious and visible goals while leaving the needed mobilization and commitment of resources to subsequent bureaucratic processes. Promises and ambitious targets take precedence over results in the political process. Such promises have to be simple and catch the political mood. A plan so thorough as to specify all the caveats would be inconceivable, costly, and dull. They would not serve the political process well. Some of the resources and commitments required may be beyond the scope of the government, or an individual ministry, or minister. This is especially so in public enterprises in the core steel and coal sector. The physical and financial resources required may be contingent on the changing priorities of the government, the ministry of railways for transport, or the ministry of energy for power.

**Example from Steel Industry**

The steel industry provides a good example of the process. In May 1976, the Ministry of Steel and Mines, Department of Steel, presented to Parliament a white paper on the steel industry. In a chapter on Long Term Planning the paper said: "SAIL (Steel Authority of India Ltd.) has been entrusted with the task of preparing a 25-year plan for the steel industry. A tentative target of establishing steel making capacity of about 75 million tonnes has also been predicated."

The affirmation about 75 million tonnes by the turn of the century was a scaling down of an earlier statement by the minister that the target should be 100 million tonnes. The worrying questions about the strategic competence of SAIL to achieve the target can be inferred from the following statement from the same white paper reaffirming the goals set: "The tentative target of 75 million tonnes of steel production capacity by the turn of the century cannot therefore be considered as overambitious."

Notwithstanding such predications, the 75 million tonne target remains a distant dream. The current production is less than 9 million tonnes and the current dream may put the figure utmost at 20 million tonnes, if not lower.

The extent to which such exercises hurt the operations of the enterprise varies. The history of the Vizag Steel Plant is an illustration of the extreme impact of political promises on project implementation, costs, and managerial morale and reputation of public enterprises. In most cases, such exercises as long term planning in steel tend to divert the energies of the managers, and weaken the close relationship between strategy formulation and implementation, or between promises and performance, that ought to exist for a high level of strategic competence.

**Implementation**

A high level of strategic competence goes beyond the stage of preparation of project proposal, or even its sanction. It extends over several plan periods and levels of hierarchy. For, strategic competence is the process of narrowing down in implementation the gap between the stated pattern of objectives and policies and those derived from a stream of actual decisions. The tendency in public enterprise strategy is to widen this gap.

Vikalpa
This tendency which compromises the boundary management function of the chief executive and the enterprise itself is best illustrated by the SAIL example. Just four years ago, SAIL, which was also the canalizing agency for import of steel, was pressurized to import an excessive quantity of steel, leading to heavy inventory, high working capital costs, and unbearable losses. The heterogeneous nature of steel products, the existence of a lobby for each type, the recession in world industry, and the political process of decision making led to excessive imports. According to those involved, SAIL had to campaign for almost a year for stopping its own suicidal imports.

In both long term planning and in reversing the tendency for imports, SAIL was responding more to its internal processes of decision making and its own survival not so much in the economic sense of bankruptcy but in terms of the survival of its key actors, their needs, and reputations. The damage done to the confidence and morale of the managers and the reputation of the firm was incalculable and far more harmful than the financial losses.

Anxieties in the Process of Formulation of Strategy

The process of strategy formulation itself brings out the sources of anxiety among the three actors. It may generate avoidable stresses.

If the chief executive of a public enterprise commits himself to ambitious goals knowing fully well that the commitments needed to achieve them are not likely to be forthcoming, he risks becoming political and loses his credibility with his senior managers. He also increases his dependence on the bureaucratic process for mobilizing the financial and policy supports, such as in reorganization of his board or exceptional recognition of a resource critical for achieving the goals which may be a functional group of employees or an individual manager.

The bureaucrat, on his part, would lose all control and influence on the enterprise if he simply facilitates what the chief executive needs or if he pleads his inability to provide any support. He has to interfere to retain control. He has to be a party to the goal setting process. In the bureaucratic process of policy formulation, rules and procedures take precedence over goals. In the well established rules and procedures, he has to be involved even if he has little substantive to contribute. As far as any exceptions to rules are concerned, the bureaucratic process requires sanction of the minister any way. So the bureaucrat's role is essentially in implementation where also he loses formal control, if implementation is routinized or made too simple.

Ambivalent Bureaucracy

The ambivalent and yet powerful position of the bureaucracy can be seen from a recent survey on corporate planning of 146 central public enterprises (Bhat, 1985). The enterprises attached the highest importance to discussions with the secretary, followed by almost equal importance for discussions with other officials in the administrative ministry. The level of discussion with the minister was not rigorous or detailed.

What is important, however, is that only five of the 55 enterprises which had approached the government for approval of the corporate plans they had submitted received formal written approval. Nearly half, or 28 enterprises, had received "informal acceptance."

National and Public Enterprise Planning

The problem of not having firm-level plans is particularly serious for core sector public enterprises which have to link their corporate plans with national five year plans. National planning is sectoral while corporate planning has to concern itself with all products and markets. A big gap in strategic competence can remain unbridged even with national planning either because national plans, as illustrated in the case of steel, are removed from realities or because the linkages of sectoral plans with products and markets remain unplanned. In capital-intensive core industries, technological infeasibilities may restrict the enterprise's dynamic adaptation to changing market needs if detailed plans arid coordinated inputs are not made in advance.
An enterprise which attempted to take on a difficult exercise of bridging the gap between national plans and its own found that the bureaucratic process could not assure the necessary support, whether infrastructure or personal. The exercise aroused anxieties and worries in those managers, who were willing to make the commitments and move the enterprise in the nationally desired direction. There were differences among managers on the implications of the lack of support from the bureaucracy. They were worried that the governmental decision processes would be too slow and too open for drawing a successful competitive strategy. The anxieties raised were so high that the planning process dragged on for years.

The lack of mutual support among the three actors and their systems was the biggest hurdle for strategy formulation in that exercise.

Unspecified Criteria for Review of Results

Other problems arise for a chief executive who is willing to take the risk of committing himself and the careers of his managers to ambitious goals in the face of uncertain support to achieve them. Even if he is willing to increase his dependence on an uncertain bureaucracy, he runs the risk of exposing himself, his managers, and the public enterprise to attack and criticism for failure to achieve the stated goals. Would the caveats, or ifs and buts, that he would have definitely made, while committing himself and his managers to the ambitious plans, save him? That again would depend entirely on the needs of the politician and the political mood at the time such a review of achievements is undertaken.

Both the timing of such reviews and the criteria to be used can create anxiety and stress. Many public enterprise executives are unsure of the criteria that would be used. They are helpless when the system of evaluation emerges from the political process. This system as it has developed is not based on evaluation of results and associated explanations for shortfalls on agreed-upon criteria as a part of corporate strategy, but by the images, support bases, and controversies that are created and demolished, in the press and elsewhere. It is the political process that dominates reviews as well. Reviews are steps to achieve preconceived results of actors, each using his own process.

Insecurities

The gradual shortening of the tenures of chief executives in the late 1970s and early 1980s is symptomatic of this game. The divergence and inherent conflicts in the political and managerial processes are the root cause. Except the chief executive of the Cement Corporation of India who was stated to have been dismissed because of the inefficiency and general decline in the working of the company over two years, there have been no explanations for most other resignations, dismissals, extensions, and new appointments. They are matters of political patronage or convenience (Murthy, 1977; 1982). When such critical decisions related to leadership are taken to suit the convenience of the actors themselves instead of relating them to the need to achieve the goals of the enterprise, strategic competence of the enterprise is bound to suffer.

The insecurity in the political process and its continued disregard of the need to match goals with the necessary commitments to achieve them over an appropriate period have percolated to the bureaucratic and the managerial processes as well, seriously weakening the strategic competence of the public enterprise system as a whole. In a comparative survey of perceptions of operating managers of public and private sectors, Sinha (1973) found that public enterprise managers had a low esteem of their own organization's responsibility for results and ability to reward "sincere and hard work." The main reasons were "political interference with appointments" and "the relationship of the firms to the government and the political leaders at the helm of power."

Lack of Knowledge

A factor that compounds the situation is lack of adequate knowledge of the business and its technologies among the three actors. Many chief executives too switch from one enterprise to another and have not risen in the sector of business of their
enterprise. The intricate relationships between the components of a business may not be fully appreciated by the actors. This is, however, not yet a serious factor because the motivational and processual factors that affect the strategic competence of the enterprise outweigh to a great extent the knowledge factor.

Strategy formulation does not require complete knowledge. The inadequacies that are inevitable in planning for future can be rectified in practice so as to maintain a high level of strategic competence, if a common set of values guides goal setting and implementation.

Values and Goal Setting

Goals cannot be set without acknowledging a set of beliefs or values. Conflicts in the values of the three actors and the systems that govern their approaches to resolution of conflicts are a fundamental problem in public enterprises. Without an alignment of these values, with reasonable consistency in them over time, effective strategy formulation for public enterprises is not possible. Nor can the energies of the three actors and the systems they supervise be channelled towards the achievement of goals set for public enterprises.

As can be seen from Table 1, while the chief executive of the enterprise is the only one fully committed to the public enterprise, the values that determine strategic competence are derived from the bureaucratic and political process. Only if leadership to enhance the strategic competence of the enterprise emerges from one of the three processes and infuses appropriate values in the two actors and processes can the enterprise develop a corporate strategy with the confidence and competence necessary to accomplish it.

In the absence of such leadership, a public enterprise does not need a corporate strategy. Formulating a strategy, when the strategic competence is known to be low, weakens the confidence in the system and heightens the anxieties of those involved. The processes of decision making in public enterprises have reduced the strategic competence of the system, because of the lack of a linkage between such competence and the careers of the actors involved.

Moral Basis of Decisions

Further, the moral basis of decisions is known to have deteriorated. There has been a proliferation of practices in buying and selling involving dubious agents and arrangements. While the extent of deterioration is not known, the cancerous infection to all levels is visible. The number of vigilance cases against senior executives is known to have gone up considerably.

Dissipation of Surpluses

The damage the context of planning does to the strategic competence of public enterprises can be judged in the planning of surpluses from public enterprises.

The Administrative Reforms Commission regretted in 1967 that the planned surplus of Rs 300 crore during the Third Plan period (1961-66) from public undertakings, other than the Railways, was an ad hoc amount fixed without consulting or setting targets for individual public enterprises. Instead of generating a surplus, the public enterprises actually survived on budgetary support.

The situation remains unchanged today because the processes have largely remained unchanged. The Seventh Plan (1985-90) counts on the availability of Rs 31,500 crore as surplus (depreciation and retained profits) from central enterprises, other than the Railways and Posts and Telegraphs. Neither the experience of the Sixth Plan period which generated hardly one-third the anticipated figure nor the record so far in the Seventh Plan justifies the planning of such a high level of resource generation. One of the main reasons for low resource generation is the inability of the public enterprise decision making process to protect the strategic competence and interests of the enterprise in taking pricing, purchase, and sales decisions.

As Raj (1973) puts it:

A common experience is that the more 'basic' the investment undertaken by the State, the lower generally is expected to be the price charged for the product relatively to the price that might be fixed by the usual economic criteria. This is a reflection of the biases of the ruling class in the sense that it tends to judge the comparative advantages of the system to a large extent in terms of prices alone—more particularly, in relation to the prices
that might otherwise be charged in a private capitalist economy. Whether it is irrigation, water, electricity or steel the main argument against the higher price is that it would hurt 'the small man' (even when it is the large enterprises that are the main beneficiaries).

**Prerequisites for a Strategy**

The prerequisites for formulating a corporate strategy for public enterprises may be laid down as follows:

- past record of reasonable strategic competence
- common set of overriding values among key decision makers that can form the basis for leadership and goal setting
- processes that are consistent and conducive to achieving the goals set
- continuity in these values and processes over the period required for the implementation of the goals set.

It is only when these prerequisites are satisfied that a chief executive of a public enterprise, the secretary in charge of the administrative ministry, or the minister, or the three together can initiate or even feel the need for the formulation of a strategy for a public enterprise.

**Record so Far**

The experience of public enterprises during the last four decades shows that public enterprises in mixed economy, democratically governed countries in general, and in India in particular, are unable to meet these preconditions adequately. They have left and continue to leave a large gap unfilled between stated objectives and achievements because of inherent conflicts in their strategic decision making processes. They have also not been able to satisfy knowledgeable experts that consistent and committed efforts were made to achieve them. They have accumulated a record of low strategic competence.

There have been instances and short periods when these conditions were fulfilled and successful strategies were developed. Well-known examples are those of Hindustan Machine Tools in the 1960s and Bharat Heavy Electrical Ltd. (BHEL) in the early 1970s. The ministers, the secretaries, the chief executives concerned, and the governmental and managerial systems were able to bring to bear on the goal setting of these enterprises overriding common values, mutual confidence, and support for achieving the objectives set. BHEL was able to bring out a corporate plan in 1974 and build upon the momentum of trust and confidence. It was able to enhance the morale and pride of its employees, besides initiating the evolution of appropriate systems and culture both within the enterprise and outside in its various constituencies.

These have been exceptions rather than the rule. Even in these, the situation did not last for BHEL all through the 1970s. Subsequent events leading to the controversy over the BHEL-Siemens umbrella agreement show how the conditions are not necessarily fulfilled for an adequately long period for the evolution of a consistent strategy. The political, bureaucratic, and managerial systems for BHEL did not evolve a stable pattern for the development of a consistent corporate strategy in practice.

**Lack of Clear Objectives**

One of the persistent complaints of chief executives of public enterprises in the last two decades, both in official forums such as those addressed by the Prime Minister periodically and in unofficial forums, is that they have not been given clear objectives. The Administrative Reforms Commission recommended, as early as 1967, that the government should lay down a statement of its objectives for public enterprises. The government accepted the recommendation. Individual public enterprises were asked to submit their financial and non-financial objectives for approval by the government. The exercises ended up as a bureaucratic requirement to be satisfied by the public enterprises. The government did not place before Parliament a white paper on objectives as was promised. Although this is not the best way of evolving corporate strategies for public enterprises, even that did not succeed.

The system as it works now is unable to articulate detailed enterprise-specific strategies.

**Summing Up**

This analysis shows that the strategic competence of public enterprises is low. Without a change or an improvement in this competence, the need for meaningful strategy formulation is unlikely to be
felt. It has also been argued that the strategic competence of public enterprises is undermined by complex processes of decision making among three widely different actors with diverse motivations, careers, and systems.

**What Needs to be Done?**

If this analysis is correct, then the recommendations would have to ensure an alignment of the interest of these actors towards achievement of the national goals set for public enterprises. Several committees and commissions have attempted finding solutions to the problems of public enterprises. The more recent ones are the Arjun Sen Gupta Committee to review policy for public enterprises and the Jha Commission on Economic Administration Reforms. They have made a number of suggestions such as adopting the holding company structure, financing of public enterprises through capital markets rather than the government, longer-duration tenured appointments for chief executives, termination and removal of chief executives only with the approval of the appointments committee of the cabinet, evaluation of chief executives on agreed parameters, and five-year memoranda of understanding between the administrative ministry and the holding or apex company which details the mutual obligations of the ministry and the enterprise.

**Can Power be Put Behind Public Enterprise Goals?**

These are mainly structural and procedural recommendations which will not alter the processes of decision making in a substantial way. The problem of low strategic competence of public enterprises is because of the processes of interaction among the three actors. They are propelled by different motivations with an increasingly inverse relationship, in recent times, between the extent of power of an actor and the narrowness of his interests in public enterprises. The extent of power is somewhat formally or constitutionally defined while the narrowness of the interests is a function of the political processes and the leadership they throw up.

Even the present system has shown a capacity to overcome legal or procedural obstacles when the right leadership of one of the three actors received the active cooperation and support of the other two. This has been true of all successful experiences (see Patil, 1981, for HMT; Ramamurti, 1982, for BHEL). With right leadership, the system has been able to overcome the insecurities and narrowness of interests of those who interact with public enterprises. The reverse has been true in the case of unsuccessful enterprises (Kulkarni, 1979). How to bring the right personalities in a greater measure to the system is one of the most complex issues facing the public enterprises system.

**Fewer Ministers with Few Holding Companies**

According to the allocation of business rules of the central government, there were, in early 1983, 212 enterprises under 23 ministries ranging from one to twenty-six enterprises under a ministry. The involvement of such a large number of ministers and deputy ministers in the context of the convention of leaving the case by case decisions to the ministers (Nehru, 1987) seriously compromises the public enterprises system as indicated earlier. It has also created a wide range of narrow politically vested interests in public enterprises affecting the fulfillment of their nationally assigned development roles. A gradual change towards assigning policy role for the political system should be initiated.

A recommendation that follows, from this analysis, is to limit the exposure of public enterprises at the top to only a few ministers with a small number of large companies. The ministers should be in a position to align the support of their party to the long term achievements of the public enterprises they supervise. The holding company concept carries merit only if such enlightened leadership can encourage and support enterprise initiative at the holding company level and develop healthier decision making processes.

Another merit of this suggestion is that the number of enlightened political leaders that have to be found with such qualities is reduced. For, the availability of such leaders at the top, in the present political context, is indeed low. What is required is not only a combining of public enterprises
but also of departments in the government, at least as far as the responsibility for supervision of the enterprises is concerned. A few senior ministers who have commitment for long term results can make a far greater difference to public enterprises than any number of changes in procedures. The holding company concept carries merit only in this spirit.

The streamlining of the holding of public enterprises by the government will relieve certain bottlenecks in the associated systems as well. For example, the Parliamentary Committee on Public Undertakings is unable to fulfil its supervisory role because of the proliferation in public enterprises. It is not able to cover all the 200-odd public enterprises even once in five years. The pressures on the Comptroller and Auditor General have also increased. They would not, however, give up their constitutional rights to audit. They are unable to audit all the enterprises, with the result that they are, with respect to many enterprises, an audit bureaucracy commenting on the audit done by chartered accountants required under Company Law.

**Professional Careers for Economic Bureaucracy**

Another recommendation that flows from our analysis is regarding the bureaucracy that so powerfully mediates between the enterprises and the political administration without taking full responsibility for enterprise performance. Although the bureaucrats occupy such an important position, their careers are not aligned at present with the achievements of the public enterprise. Commitment, continuity, and experience in top management is essential for enhancing the strategic competence of public enterprises. The term top management, it should be clear from this analysis, includes not only the chief executive and his functional directors, but also the bureaucrats and the political heads. They have to take joint responsibility for all basic decisions. Only if all these three actors and their systems are anxious to achieve the strategy of the public enterprise and are worried about the consequences of failure of public enterprises to their own careers and reputations will the public enterprise system be successful. A better alignment is needed for those civil servants who opt for the few ministries, as recommended above, that would supervise most of the public enterprises. The training, the duration of posting in any one of these ministries, the criteria for evaluation of performance, and the prospects for promotion have to be redefined so as to pin down their responsibility for public enterprise performance in clear and unambiguous terms. The tendency to swing with the political process under refuge of the public administration tradition, that the bureaucracy are merely advisers to or implementory of politics of others, should be curbed, at least as far as the manufacturing and business enterprises of the government are concerned.

**Context of Joint Responsibility**

A context has to be created where the political leadership in charge of the concerned ministry, the bureaucracy, and the public enterprise executives view themselves as a joint team in that order as far as responsibility for performance of public enterprises is concerned. The present tendency is for politicians to blame the chief executives of public enterprises for poor performance. The chief executives in turn complain about interference, lack of clear objectives, or autonomy. The bureaucrats prefer to be silent in the traditions of civil service while having important powers and controls over the system.

Far quicker results can be achieved if the political system can mobilize a few right people at the top and create a context of joint responsibility of all the three groups of actors than by elaborate structural or procedural reforms without common overriding values among the three actors. Team work with common values and commitments alone can improve the low level of strategic competence of the public enterprise system. Only when the conditions and context for high strategic competence are met will public enterprises need a corporate strategy.
References


