

P R E F A C E

The subject "Company-Management" is of grave national importance as the economic and social well-being of the country depends, to a considerable extent, on the successful management of companies. However, as a subject of study, Company Management has been comparatively neglected, and only a few Indian scholars have come forth to explore the intricacies of the subject. Company Management involves multifarious activities - which are to be performed within a proper time by co-ordinated effort with the full co-operation, control and guidance of the top management. By "top management" is meant here the Board of Directors, Chief Executives and the other top level managerial personnel on the decision of whom the management of a company is formulated and actualized. The Top Management provides the leadership required to run the company in a desirable direction i.e. towards result-oriented functions with profit-active on the one hand and public welfare on the other. In order to achieve both of these ends, it is necessary to consider the company as a social institution - an instrument for social benefit. Everything depends upon persons constituting the top management. But the vital question that requires to be answered before entrusting persons to perform social benefits is what type of persons have got interest in the company? The activities of a company should be directed to serve the interest of all who are involved in it - such as shareholders, borrowers, customers, suppliers, banks, workers/employees, the society at large,

and the Government. Therefore, representatives from all the constituents should be on the Board of Directors of companies.

In law, though a company is regarded as an autonomous body having a separate legal personality, in fact, mostly it is managed by a board representing big powerful groups to serve their interest. As a result, the board fails to serve the interests of many. Perfect democratisation of the company management is necessary within which professionalisation in the true sense of the term is to be introduced. Our endeavour has been to suggest modalities by which the present system of the constitution of the board may be reconstructed. In our view, if the structure of the company management is reconstituted by initiating a concept of a Multiple Two-Tier Board, a company will be a perfect social institution capable of doing public good and welfare. In India, there is ample scope for such an innovation since a substantial amount of money of public financial institutions and nationalised banks are invested in private sectors. These institutions and banks are now thinking of being involved in the management of borrowing companies for the greater welfare of the country. But the concept of Workers' participation in management, the propriety of which has been specifically mentioned in our constitution and recommended by different committees like the Escher Committee and experimented successfully in different countries of the world, is still neglected in the sphere of company management in our country. The initiative that has been taken by the present Government

regarding this issue is certainly praiseworthy. In order to serve public interests—especially to serve the interests of the consumers and suppliers, Government-representation on the Board is necessary. In our recommendation of a Two-Tier Board system of management, the first board has been termed as "Policy Board" which will be constituted of representatives of different ingredients on the basis of proportionate shareholding. This Board should be mainly responsible for the formulation of broad policy. The second board - known as "Executive Board" is to be constituted of professional employees responsible for the execution of the policies decided upon by the Policy Board. We have named this system of management a Multiple Two-Tier-Board. Such a Board will encourage professionalization, greater extent of public accountability, and develop companies as social institutions - instruments for the economic development and the social uplift of India. Businessmen of India should change their attitudes and exert their entrepreneur expertise, efficiency and energy to work wholeheartedly for the development of companies, vis-a-vis the country.

I owe a debt to Dr. N.K. Sengupta who in his book, Changing Patterns of Corporate Management has shown that the private sector has by and large accepted public accountability and social responsibility. Professional management has gained general acceptance in the private sector, as many of the traditional business houses find that families can no longer cope with

the enormity and complexity of the tasks involved in the face of vast expansion and technological advancement. Professional and technical people have got into the echelons of top management. Over and above this, Government control and other development has forced the dispersal of shareholding, professionalisation of management and improved corporate management practices. Dr. L.C. Gupta's Corporate Management and Accountability : Towards Joint Sector and the recommendations of Sachar Committee have developed the concept of corporate management and helped us to develop the new structure of corporate management i.e., Multiple Two-Tier-Board.

Our study shows the sea-changes that have recently taken place in the corporate management of the private sector in India. From the beginning of company legislation in India, the 'Managing Agency' had a tremendous influence on Corporate Management. Through the Companies Act of 1956, active efforts were made to give prominence to the long eclipsed 'Board of Directors'. This was a progressive step, but afterwards, it was found that the Board of Directors, became rubber stamps of those visible or invisible powerful economic interests which they represented and many problems crept up. Thus it has become urgently necessary to bring companies out of the powerful influence of these economic group/groups, - otherwise it will be impossible for the companies to be active enough to perform their welfare functions as expected from them.

Our review of seventy-five companies shows signs of changes in the structure of companies as well as in their functions. But we must be bold enough to initiate some new trends, such as workers' participation, proportionate representation according to shareholding, Governmental representation on the Board, as well as a Two-Tier form of management with professionalisation in the true sense of the term. In order to translate these into practice, it is necessary to amend the present Companies Act.

In our study we have discussed features of corporate management of some of the most developed countries of the world. It is advisable that some of the key features which have led to the development of companies in such countries, and which suit our environment should be considered in the structure of corporate management in India.

In our view, if we are bold enough to introduce the Multiple Two-Tier-Board system alongwith the ideas of Gandhiji's trusteeship, problems regarding the transferability of shares, social responsibilities of the companies, workers' participation in management, accountability of the companies, investment by non-resident Indians, sickness of industries under the management of companies and last but not the least, the struggle between public and private sectors etc. will be eliminated for ever. At the same time, the companies as viable social institution, will perform their true role in the economic development of the

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country for the progress and prosperity of the people.

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