

**CHAPTER - V**

**MANAGEMENT PATTERN OF COMPANIES IN DIFFERENT COUNTRIES**

**AND**

**THEIR INFLUENCE ON INDIAN COMPANY-MANAGEMENT**

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### MANAGEMENT PATTERN OF COMPANIES IN DIFFERENT COUNTRIES

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### THEIR INFLUENCE ON INDIAN COMPANY-MANAGEMENT

#### 5.1 Introduction :

Object of this chapter is to discuss the features of Company-Management in some of the important countries of the world specially Japan, France, the U.S.A., the U.S.S.R. and China. These countries having selected techniques of management suited to their social, economical and cultural environment and thus following that techniques or systems of management they have made tremendous progress in trade and industries. It will be seen that all these countries have directly or indirectly exerted great influence on the sphere of corporate management in India. Our discussions on this matter are relating to public companies only as envisaged in different names and styles in different countries.

As both public and private sector companies are allowed to work in India in their respective field of activities the study of the techniques of corporate managerial practices in the capitalist as well as socialist countries is important.

In this chapter the British techniques of control and management of companies as adopted there have not been discussed separately as the British Company Law and Management pattern have directly influenced the Indian Company Law and its nature

of management. The British Company Law and Indian Company Law are so interwoven that any change in the British Company Law has generally been inserted in the Indian Company Law within a very short time.

## 5.2 Japanese Technique of 'Management' :

There are two types of Joint Stock Companies in Japan :

- i) Stock Company or KABUSHIKI KAISHA - Public Limited Company and
- ii) GAIEN KAISHA - Private Limited Company.

At least seven promoters are required for the incorporation of a KABUSHIKI KAISHA. They are required to prepare and sign articles of incorporation which contain inter alia, the object, name, total number of shares authorized to be issued, the seal of the principal office and each branch office, manner in which the company is to give its public notices, full name and permanent residence of each of the promoters etc. etc. The articles of association is like our memorandum of association and this is to be attested by a notary public. The Company is entitled to issue shares having par value or shares without par value or both, the liability of a share holder being limited to the value at which he has taken his own shares. The amount of each of the shares without having par value must be equal but not less than 500 YEN, while the issue price of shares having par value must not be less than the face value. Japanese

Commercial Code lays down rules to issue both of the kind of bearer and non-bearer transferable shares.

There are three organs of the management :

- a) General Meeting of shareholders,
- b) The Board of Directors and
- c) The Auditor.

The general meeting, *inter-alia* is empowered to appoint an inspector to examine the documents submitted by the directors and the written report of the auditors. Resolutions of the meetings of the general body are passed on by a majority vote of the shareholders present, holding shares representing more than one half of the total number of the issued shares. A shareholder is precluded from voting at a general meeting on a resolution in which he has separate and particular interest.

The Commercial Code prescribes a minimum number of three directors which constitute the board and they must not be shareholders but are appointed at general meeting of shareholders for a period not more than two years at a time except the appointment of first directors who are appointed for a period not exceeding one year. Cumulative system of voting is permitted by Japanese Law for the appointment of directors.

The general meeting has the power to remove a director before the expiry of his term of office. In this case the director so removed can claim damages from the Company. The administration of the affairs of the Company is to be decided by

the Board of directors who will also have the power to appoint and remove the Company's manager. Resolutions of the Board are to be adopted by a majority of directors present but articles may prescribe stringent conditions. Under Japanese Commercial Code, an auditor may at any time inspect or make extracts from the books, records and documents of accounts or call on the directors for a report on the accounts. He is even entitled to investigate the affairs of the Company and the state of its properties. It is the duty of the auditor to examine the documents which directors propose to submit to a general meeting of shareholders and to report their opinion thereon to such general meeting. The main qualification of an auditor is that he must be sincere but need not be independent and member of a professional body of accountants. There is no disqualification except that he is not entitled to be director or employee of the Corporation. The accounting documents (Balance sheet and Profit and Loss Account, containing an inventory, business report, proposal for reserve fund, distribution of profits or interest) have to be submitted by the directors to the auditor at least two weeks before the day appointed for an ordinary general meeting. After the documents are approved by the general meeting, the directors are required to give public notice of the balance sheet without delay.

#### Lessons from Japanese system of Company-Management :

The success behind the Japanese industrial development has been stated by many authors as the existence of good relation

between the Corporation and Government.

Japanese Government officials believe that business is incapable of making satisfactory decisions by itself and that it is essential for Government to provide guidance on virtually every aspect of proposition.<sup>1</sup>

Industry accepts this leadership provided by the administrative bureaucracy for which there is, however, no legal or statutory basis, but a much stronger base which is provided by a deep sense of national patriotism, a desire which is shared equally by Government and business to bring Japan's economy abreast at the level of European economy measured in per capita income terms.<sup>2</sup> "Out of discussions between Government and private enterprises, mutually determined national targets are worked out. Private enterprise pledges to carry these out. Government, on its side, pledges special favours such as subsidies and taxation measures. Mutual consent and bilateral methods obviate the need for legal compulsion."<sup>3</sup>

The result is the emergence of a 'concerned economy' or more correctly the 'Japan incorporated'. Shri Sudhir Gulji has contributed on the subject "Government and business in

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1. Hadley, Eleanor M. "Anti-Trust in Japan", Princeton University Press, 1970, P-390.
  2. U.S. Department of Commerce, "Japan - The Government Business Relations". Quoted from essay by Dr. N.K. Sengupta in the Indian Journal of Public Administration Vol. XX, No.3, July-September, 1974, PP 565-575.
  3. Ministry of International Trade and Industry, "Japan ; A discussion of co-operative Industrial Organisation," Quoted in Hadley, Eleanor M, "Anti-Trust in Japan", Princeton University Press, 1970, P-390.

Japan in his article and observes - "an unique feature of Japan's success in corporate field".<sup>4</sup> Apart from the inter-  
 meshing of the Government and business, for the policies and  
 strategies towards achieving super ordinate goals (what has  
 become known as Japan Incorporated) due credit should be  
 given to the achievement of organisational development suited  
 to the socio-cultural milieu and traits of the Japanese, the  
 practice of basic and pragmatic business methods, and lastly  
 quality-cue-productivity scheme covering the entire manufac-  
 turing spectrum. These development of the last twenty five  
 years are due to respect of seniority, group decision making,  
 paternalism etc., over and above the features of life-time  
 employment.

Japanese business strategy is nothing more mysterious  
 "than a total commitment to working a whole lot harder at the  
 basic,"<sup>5</sup> - says Kenich Ohase.

Some of the findings of Ohase are summarised below :

1. The Japanese do not rigidly adhere to pre-determined  
 long-range strategies, but pay scrupulous attention  
 to performance on a monthly or even a weekly basis per-  
 formance measured not against a three or five years  
 plan, but against budget, against return on sales, against  
 competitive performance.

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4. Miji Sudhir 'Business in India' Calcutta, March, 12, 1984.
  5. Ohase Kenich "Japan : From Stereotype to specifics."  
 The Mc Kinsey Quarterly, Spring 1982.

2. Return on sales (R O S) not return on investment (ROI) is the yardstick by which Japanese Companies measure their success. ROS rather than ROI is the measure used for investment decisions. People (or employees) are treated as fixed assets and business generates to justify their utilization. Decision on new investment is made not on the basis of ROI or payback period or discounted cash flow, but on whether the new business will be good for the Corporation as a whole, i.e. overall or aggregate ROS should sustain investment. Managerial autonomy is a concomitant of the focus on total ROS performance.
3. One of the driving forces behind corporate action is "the action of the competition" that is matching the action of competitors and out-doing it.
4. In Japan, perpetuation of the enterprise and not profit is the driving force. The slogan is that the Company is forever.' This is manifested, e.g. in ploughing back capital rather than increasing dividends; transfer of funds from one part of the company to another in order to seek future business. A conscious attempt is made to avoid an "embarrassment of profits."

In regard to manufacturing techniques, recent research by Schonberger concludes that Japan has rejected complex management prescriptions and obsession with programmes, controls,

behavioural interventions, mathematical modelling etc. Instead, they have simplified problems.<sup>6</sup>

The simplifications relates particularly to productivity and quality. The system dealing with productivity is called the Just - in - Time (JIT) system. JIT directly addresses the material cost components of productivity. In regard to quality movement, the system is that of total quality control (TQC). JIT and TQC overlap and often jointly introduced, playing a control role in Japan's strategy. JIT and TQC procedures are nurtured on the shop floor, focussing on the worker and the line management and not on or by staff advisers and specialists.

Peter F. Drucker gives much importance on 'life-time employment' and company shareholders' relation for success of Japanese Company.<sup>7</sup> He states "Life-time employment" means that the Japanese enterprise is run for the benefit of the employees.

The right of the employees to their jobs take precedence over every thing and everybody else. Equity ownership in Japan is largely a symbol of supplier-customer relationships rather than 'Property', in the legal sense. Capital itself is essentially not provided through common shares but through bank loan, which are legally considered debt. Say for example, the steel company that supplies the automobile manufacturer with steel will own 8% of the automobile company's shares; and the automo-

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6. Richard J. Schonberger - 'Japanese Manufacturing Techniques: Nine hidden Lessons in simplicity.' The Free Press Macmillan, 1982.
7. Drucker Peter F. "Management in turbulent times Heinemann: London, 1980 PP 183-194.

bile company, in turn, will own 5% of the shares of the steel company. Or the automobile company, while not owning a smaller supplier of parts, will guarantee the bank loans that constitute the supplier's capital.

In major Japanese companies, these cross-holding between customer and supplier run to collect half of the equity capital and to save very often, of the smaller Company's bank debts. Obviously, the holder of such shares is not a bit interested in the dividend; is concerned with the orders for steel he receives from the automobile company. 'Ownership' is in effect a relationship of mutual obligations rather than a right. All the rights are with the employees, who are entitled to 'lifetime employment'.

Mr. K.K. Kothari in his article 'Management-should India adopt Japanese techniques'<sup>B</sup> has given stress on the Japanese tradition and culture, - side by side life employment as the causes behind the success and achievement of Japanese enterprise.

Second feature of the secret of the Japanese success in the economic development is the correct 'role-behaviour'. The Japanese accept their place in society and their behaviour is role-bound and not spontaneous. The Japanese society has rigidly stratified the roles. Thus a wife knows exactly how her husband would behave and what her obligations towards him are and vice versa. They believe in the "Confusion" concept of

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B. Kothari K.K. - "Management - should India adopt Japanese techniques" published in the Economic Times, Calcutta, November 21, 1984.

harmony which emanates only from correct role behaviour. This role acceptance helps the Japanese relate better to their colleagues because each one knows what is expected of him. To this extent their ambitions are somewhat limited. Hence they perform better in a production system. But this role-bound behaviour does not inhibit creativity. Each individual is free to make any suggestion he likes though he can not enforce it till he discusses with all concerned and a consensus is evolved. Then it does not remain his suggestion. It is sent forward as group suggestion.

The third component is MITI - i.e. Ministry of International Trade and Industry in Japan which has tremendous contributions in production, technological and marketing in Japanese industries. It plays an important role in selection of industries with growth potential, rapid development of the textile industry in Japan in the 1950, emphasis shifted to steel in 60s, automobile in 70s and development of electronics and computers thereafter. "Not only does MITI identify projects with growth potential but also nurtures them thereafter by funding research and also brings about consensus between competing units so that resources are productivity-utilized in the best interest of Japan. Thus MITI plays a constructive and supportive role - that of a partner in growth and development of industry rather than that of a bureaucratic Government agency."<sup>9</sup> Its active role with the industrial development of the country is quite different from that of 'planning commission' in India.

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9. Op.cit. Kothari K.K. November 21, 1984.

It is sometimes, argued that as Japan is our neighbouring country and is making tremendous development of trade and industry and therefore we should follow Japanese system of management.

While inaugurating the Indian Merchant Chamber's Walchand Centre for Business Training and R.D. Birla Board room on 11th June, 1984 Dr. I.D. Patel, former Governor of the Reserve Bank of India and at present director London School of Economics, said that Japanese management style was suited to India. Harmonisation of all interests involved in the process of production by treating them as segments of one big family in the enlarged sense, as is being done in Japan, is also part of the Indian tradition for ages. The Japanese style of management, which is part of the Japanese culture<sup>and</sup> heritage can also work well in India if the system is operated as part of India's ancient heritage. The interest of consumer, workers, industry and the Government can be blended and synthesised if we decide to come together towards a common goal. It is not only an lauding outlook of co-ordination but also the whole concept of one entity has to be operated and understood in its modern concept.<sup>10</sup>

The success of business organisation would lie in showing the spirit of enterprise involving an element of risk-bearing capacity on the part of those who preside over the destiny.

There is one more glorious tradition of our national heritage - that is the pursuit of plain living and high thinking.

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10. I.D. Patel inaugurating address to the Indian Merchant Chamber's Walchand Centre for business Training on the 11th June 1984 published in the Economic Times, Calcutta, on June 12, 1984.

treating our wealth as one that is at the service of the community. The philanthropic tradition, which is rooted in our culture, symbolises that what we earn in business is a trust for being put to use for welfare and greater good of the largest number.

Mr. Vasant Sethe, Union Minister of chemicals and fertilisers on April 22nd, 1984 at New Delhi, underlined the need for changing the traditional concepts of discipline, authority and managerial prerogative. It must be realised, he said, that self discipline was the best form of discipline; that the concept of authority devoid of moral influences and the power of expertise was outdated. He concluded that decision making by consensus was far more efficacious than vain attempts to preserve archaic notion of managerial prerogative.<sup>11</sup>

Mr. K.K. Katheri raised question whether the techniques which have paid rich dividends in Japan be successfully transplanted into India.

He answered in the following lines :

The success or failure of any managerial technique depends upon the historical and cultural background and ethos of the participating workers and managers. And in many ways India and Japan are culturally very different. To understand why certain techniques have succeeded in Japan some appreciation of their

11. Vasant Sethe - concluding session of the two day national convention "effective management for national growth" on April 22nd 1984. New Delhi published in the Economic Times, Calcutta on April 23, 1984.

culture and tradition is required. After all, history is a great teacher. The Indian culture is totally different from the Japanese culture, tradition and way of life. We should not forget that the Japanese are a martial race. After the second World War they have temporarily given up their ambitions of world domination. But these ambitions and energies have been channelised into industry and their ambitions now appear to be domination of the world markets and not political domination. Corporate strategies of Japanese Companies are strategies for dominance of global markets, and they are flooding the world market with goods.<sup>12</sup>

In conclusion he said "it has become fashionable to talk of Japanese management techniques. Many management experts are of the solemn view that the Indian industry can flourish merely by copying Japanese management techniques for getting that their culture, tradition and history have played a vital role in forging these practices. There are many things which can be learned from all races including the Japanese, but we must adopt what is relevant in the context of the prevailing environment in the country."<sup>13</sup>

### 5.3 French Technique of Management :

The law governing companies are provided in the French Commercial Code and partly in special laws. Apart from it, public Companies are governed by a special law of July 24, 1967,

12. Kothari K.K. in his article "Should India adopt Japanese techniques?" The Economic Times, Calcutta, November 21, 1984.

13. Ibid. Kothari K.K.

while the special law relating to Private Companies is to be found in a law of March 7th, 1925.

In France, there are the 'Societe Anonyme' or Public Limited Company and a 'Societe a Responsabilite' or Private Limited Company which are similar to our public or private Limited Companies. The technique of management of these Companies are discussed below :

Companies are managed by Board of Directors called COUNCIL d' ADMINISTRATION, consisting of not less than three and not more than twelve members - and they may be individuals or Companies.<sup>14</sup> The Board of Directors must appoint one of their members as managing director, DIRECTOR GENERAL and delegate to him the Board's powers to manage the Company's affairs from day to day.<sup>15</sup> The effective functions of the Board are to call meetings of shareholders, present the directors' report, recommend dividend and obtain the authority of a general meeting, for any far reaching transactions. A Company employing fifty or more workers has to form a Works Council, COMITE D' ENTERPRISE with the elected members by its employees. One or more qualified auditors, COMMISSAIRES AUX COMPTES are to be appointed for a period of three years by a general meeting of shareholders, failing which by the President of the Commercial Court for the district in which the Company is domiciled.<sup>16</sup> At least one qualified auditor, selected from

14. Law of July 24th, 1883, Arts. 22 and 25; Law of 16th November, 1940 Art. 1.

15. Law of November 16th 1940, Arts. 2 and 12.

16. Art. 40.

a list prepared by the judges of the local civil and commercial courts, is required only in the case of Companies having published a prospectus inviting the public to subscribe for its shares or bonds.<sup>17</sup>

No shares can be issued without voting rights or with diminished voting rights. Voting must be in proportion to the nominal value of shares.<sup>18</sup> Shares with double voting right may be issued provided they are registered shares which are fully paid when the Company comes into existence or which have been held by the same holder for two years.<sup>19</sup>

There are "three types of meetings of the members :

- i) The Annual General Meeting ASSEMBLEE GENERAL ORDINAIRE ANNUELLE to be held in each year on a fixed date stated in the Articles for the approval of the annual accounts and the directors' and auditors' reports, the declaration of dividends and the appointment of directors and auditors.<sup>20</sup>
- ii) the specially convened meeting, ASSEMBLEE GENERAL ORDINAIRE CONVOQUEE EXTRA ORDINAIREMENT, to deal with any other matters except those for which an extraordinary general meeting is required; and
- iii) the extraordinary general meeting, ASSEMBLEE GENERAL EXTRA ORDINAIRE, to resolve an amendment to the articles, for

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17. DECRET - Loi of 31st. August 1937, Art 1.  
 18. Law of November 1933, Art I.  
 19. Law of 13th November 1933, Art I.  
 20. Art 32.

increase and reduction of capitals, amalgamation and dissolution<sup>21</sup> and for the conversion of the public company into a private company by a simple majority of the votes passed.<sup>22</sup>

Voting at annual and specially convened general meeting is by a simple majority of the votes passed.<sup>23</sup> while at extra-ordinary general meeting the majority required is two-thirds of the votes of the shareholders present or represented,<sup>24</sup> in which case the votes of those who abstain from voting are counted as having been cast against the resolution.

The accounts including Balance Sheet and Profit and Loss Accounts must be available for inspection by shareholders at the Company's office during the fifteen days preceding the Annual General Meeting together with the reports of the directors and auditors.<sup>25</sup>

Until one tenth of the Company's capital is accumulated, dividend can not be declared. One twentieth of the year's profit is to be transferred to the legal reserve fund from profit before dividend is declared.<sup>26</sup>

Lessons from French system of Company Management :

- a) Vital role taken by the Works' Council in Company management;

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21. Art 31  
 22. Law of 7th March, 1925 Art 1.  
 23. Art 28.  
 24. Art 31.  
 25. Art.12  
 26. Law of 7th March, 1925, Art 33.

- b) shares of double voting right may be issued under some specific conditions;
- c) in extra-ordinary general meeting, those members who abstain from voting are counted as having been cast against the resolution;
- d) mainly, traditional type of board as in U.K. and India is in vogue.

#### 5.4 American Techniques of 'Management' :

There are six types of business associations in the United States of America. They are -

- i) The partnership firm.
- ii) The Statutory Limited Partnership.
- iii) Common Law Joint Stock Companies which are unincorporated Companies established by contract providing for centralised administration and management but enjoy no legal entity;
- iv) Statutory Joint Stock Companies - which are unlike the Joint Stock Companies of Great Britain, enjoy many attributes of the Corporation in some States, including limited liability<sup>27</sup> but do not enjoy the benefit of the fiction of citizenship as conferred on the corporations of U.S.A. for the purpose of federal jurisdiction. Therefore Statutory Joint Stock Companies are not popular in U.S.A.

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27. Pennsylvania Comp. Stat (1874)

- v) **Business Trusts** are created by trust agreement to perform business activities. All the powers of management are vested to the trustees, the beneficiaries being passive investors with transferable certificates for shares or units of interest.
- vi) There are two types of Corporations - Private and Public. Private Corporations are voluntary associations of individuals with a contractual relationship between the Corporation and its members. On the contrary, public corporations are those which are created for some public purpose may or may not exercise Governmental powers, but are controlled by the Government. These corporations are created by State Government. State laws are not similar. So, many of these State Corporation Acts are based on the model recommended by the Commissioners on Uniform State Laws in 1928.

"Although there is no general federal Corporation Act or compulsory federal system of licensing of Corporations in conduct of inter-state business, the corporations are regulated for a long time by the American Congress through important statutes relating to particular fields which need regulation, e.g. the Inter-State Commerce Act of 1887 which established among other federal administrative control authorities, the Inter-State Rail roads; The Securities Exchange Act of 1933, etc. These federal corporation statutes have been described as a

system of legislative and administrative checks on corporation management rather than of share holder control."<sup>28</sup>

Rules regarding formation of Corporations varies from one State to another. If incorporated in particular State, the Corporation must follow its rules regarding its business activities. In some states the rules are flexible, e.g. Statutes of the State of Delaware which appears to have a number of advantages such as, there is no 'blue sky law' like the requirement of resident director. It is not compulsory for the incorporators to subscribe for shares or stock, the meetings of share-holders and directors need not be held in Delaware and the formation of the Company can be arranged by an incorporating Company within twenty four hours without any publicity.<sup>29</sup>

In the articles, various matters including name, object, domicile, number of directors, name of resident agent and post office address, the amount of minimum subscription (some states follow these rules) whether the existence is perpetual or for limited period of time etc. are to be stated. Apart from the generalities, many states require other formalities.

The general administration and management are vested in the hands of the Board of Directors which is the supreme authority in such matter. The power to make fundamental changes

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28. Dodd, E.M., The Modern Corporation, Private Property and Recent Federal Legislation, No.54, *Harv.L.Rev.*917, PP 930-948.

29. *Ibid.* Dodd E.M. The Modern Corporation, PP 917, 930-948.

in the organization is, however, given by statute to the shareholders.<sup>30</sup> In the U.S.A. distinction is made between directors acting as permanent managers and those who only take part in decisions on policy and in general direction. The main executive is designated as President. His deputies are the executive vice-presidents. There is also a post of chairman in some corporations who presides over the meetings of the Board of Directors. Unless statutes or by-laws provide otherwise, the general meeting of shareholders are to be called by the directors. Notice of the special meetings is required by law but not for regular or annual meetings. Unless statute or by-laws provide otherwise, laws do not deprive members from voting on matters in which they may be interested.

The most important feature of the Corporations' shareholding is the voting Trust to which several shareholders agree with one or more trustees to transfer the legal ownership of their shares in order to enable them to exercise at the discretion of such trustees the voting rights attached to such shares. The beneficiary ownership is reserved to the transferrors, particularly the right of dividends and other distributions. After the termination of the trust agreement, the shares are reconveyed to the holders of the certificates. There are several criticisms against this system.

The Corporations of U.S.A. are not compelled to issue

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30. Ballantine, Henry Winthrop 'on Corporations', Callaghan & Chicago (1946) P-19.

share certificates. If the articles provide for issue of share certificates, members can insist on the issue of such certificates. The transfer of shares may be done by endorsement even in blank in which case the possessor of the share certificate is entitled to insert his own name in it. The capital of the corporations is known as share capital while shares are termed as stock. There is also provisions to acquire additional finance by means of issuing redeemable bond or debentures.

By the introduction of Federal Securities Act of 1933 and other statutes and regulations, it has become compulsory on the part of the Corporations to publish financial statements with proper valuation of assets and liabilities. Many questions entrusted to the Security Exchange Commission, in the U.S.A. e.g. the solicitation of proxies may also be regulated by the Commission and Corporations are required to disclose the holdings of directors, officers and all persons who own beneficially 10 per cent or more of stock and all so-called equities in general, the statement being filed with the Securities Exchange with a copy to the Commission, any change in the ownership of such holdings to be reported monthly. Profit made by purchase and sale of Corporation's equity securities within six months of the purchase by the directors and officers are required to be disclosed and may be recovered from them by the Corporation.<sup>31</sup> Considerable reserve is created for variety of purposes.

31. Levy A.B., 'Private Corporation and their control' Vol. I & II, Routledge and Kegan Paul Ltd. London, 1950, P-193.

Lessons from American system of Company Management :

The greatest feature of U.S.A. Corporation is that there is complete separation of ownership from management. There are several causes of it, primarily, in the U.S.A. statutes, there is no compulsion on the directors to call general meetings, although in practice, meetings are regularly held. The salaried managers, directors and officers hold the managerial power while the shareholders have become passive owners and absentee profit sharers.

Even in the board, there may be some representatives of the shareholders but they are becoming inactive day by day. Prof. Alfred D. Chandler, Jr. in his book 'The visible Hand : The Managerial Revolution in American business' stated "by 1917, representatives of an entrepreneurial family, a banking house also almost never took part in middle management decision on prices, output, deliveries, wages and employment required in the co-ordinating of current flows. Even in top management decisions concerning the allocation of resources, their power remain essentially negative. They could say no, but unless they themselves were trained managers with long experience in the same industry and even the same company, they had neither the information nor experience to propose positive alternative course of action. Nevertheless, members of the entrepreneurial family rarely became active in top management unless they themselves were trained as professional managers. Since the profit

of the family enterprise usually assured them of a large personal income, they had little financial incentive to spend years working up the managerial ladder. Therefore, in only a few of the large American business enterprises did family members continue to participate for more than two generations in the management, of the Companies they owned. The descendant of the founders of the early investors in such industrial enterprises continue to reap the profits of successful administrative coordination. Indeed, the majority of the American fortunes came from the building and operation of modern business enterprises. These families remain the primary beneficiaries of managerial capitalism, but they were no longer involved in the operation of its central institution. By mid twentieth century, few had only direct say in the decisions concerning current flows and future allocations so essential to the operation of the American economy. By mid century the legal fiction of outside control was beginning to disappear. A study of the 200 longest non-financial companies in 1963 indicates that in none of these firms did an individual, family, or group hold over 50 per cent of the stock. None were still privately owned. In only 5 of the 200 did a family or group have a majority control by owning as much as 50 per cent of the stock. In 26 others a family or group had majority control by holding more than 10 per cent of the stock (but less than 50) or by using a holding company or other legal device. In 1963 then, 170 or 84.5 per cent of the largest longest non-financial companies were management controlled. In 5 of these firms,

families did still have influence, but because they were professional, full-time salaried executives, not because of stock they held. Thus, by the 1950s the managerial firm had become the standard form of modern business enterprise in major sector of American economy. In those sector where modern multi-unit enterprises had come to dominate, managerial capitalism had gained ascendancy over family and financial capitalism."<sup>32</sup>

John Kenneth Galbraith stated that the technocrats are holding power in the management of Corporations. They are professionals and experts.

This professionalisation and managerialism have probably exerted influence in the management structure of companies in India.

In the language of John Kenneth Galbraith "The Corporation allows the adaptation of organization to need. As the need is different for different purposes, so is the resulting adaptation. The modern large Corporation is adapted to the needs of advanced technology and the large amount of capital and comprehensive planning which this requires. It reflects the need of its techno-structure for freedom from outside interference. It wins this freedom in various ways, including the provision to itself of its own supply of capital."<sup>33</sup>

### 5.5 General Techniques of 'Management' :

There are three types of company -

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32. Chandler D. Alfred Jr. "The visible Hand : The Managerial Revolution in American Business" Harvard University Press 1977 PP 491-493.
33. Galbraith John Kenneth 'The New Industrial State', 3rd Edn. 1978, Houghton Mifflin Co. Boston, Chapter VIII P-91.

- 1) AKTIENGESELLSCHAFT (AG), the incorporated Public Company;
- 2) GESELLSCHAFT MIT BESCHRANKTER HAFTUNG, the incorporated Private Company (GmbH) and
- 3) KOMMANDITGESELLSCHAFT AUF AKTIEN (KGaA), the incorporated public company, the directors of which are personally liable for its debts. Out of these, AG and GmbH are common and prominent in Germany.

The Law governing German Companies is partly to be found in the German Commercial Code and in special laws and partly in the German Civil Code, viz., the BGB, where the Commercial Laws are silent on any point, the gaps are to be filled by the provision in the BGB. Thus, the AG and the KGaA are primarily governed by a special Act, the AKTIENGESETZ of 1937, while the GmbH is governed by special Acts of 1882 and 1898, the GmbH GESETZ. AG is just like public company can be incorporated by five promoters by executing contracts for its formation i.e. SATZUNG corresponding to our Memorandum and Articles of Association, before a Judge or Notary. The SATZUNG must set in, the name of the Company, the domicile of the company, the nature of company's business, the amount of the company's share capital which must be at least DM 100,000 to be divided into shares the nominal value of which is to be at least DM 100; the classes into which the Company's shares are divided and the rights attached to each class, the number of directors to be appointed, the newspapers in which the company will publish notices about its

affairs. Major changes occurred by the introduction of Companies Act of 1937 are, bearer shares with plural voting rights can be issued with the previous permission of the Government in the interest of the welfare of the company or in the national interest. German laws also recognize the issue of shares with necessary duties requiring the shareholder to perform certain additional duties for the company which is obligatory, otherwise penalties are imposed by the articles for non-observance of such duties.<sup>34</sup>

The right of a single shareholder to ask for information is recognised in principle by the Act of 1937.<sup>35</sup>

The new company Law of 1966 has put the shareholder in a stronger position by empowering them to place their case before the Court of the district when they are of the opinion that their question should have been answered. Shares may be lodged by German shareholders with a bank under a contract permitting the bank to exercise voting rights in respect of those shares for 15 months at a time. In order to check the misuse of power the new company law of 1966 makes provision that the bank is required to inform the shareholders in what way it intends to vote and to ask the shareholders whether he has any other instruction.<sup>36</sup>

Shares may be issued by the company in favour of a named person or to bearer. In practice, bearer bonds are issued entitling the holders to convert them into shares. After the

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34. AKTG See 81

35. AKTG See 112

36. Economic Times, Calcutta, August 26, 1965.

completion of a year from the date of its formation an AG may apply for permission for its shares or bonds to be dealt in on a stock exchange, unless the Government permits, it will apply earlier. Stock exchanges in West Germany are regulated by a special law directly under the supervision of the State.

There is a two-tier board for the administration of AG:

- 1) The Board of Directors known as the VORSTAND, and
- 2) The Committee of Supervision, called the AUFSICHSRAT. The Board of Directors is also referred to as the Board of Management. The Committee of supervision is sometimes referred to as the council of supervision. The VORSTAND i.e. the Board of Directors is required to act for the company and to represent it against third parties and public authorities, while the AUFSICHSRAT i.e. Council of supervision is entrusted to supervise the management.

Although originally it was the intention that the Committee of Supervision should have supremacy over business policy and that the Board of Management should run the business and act as its executive organ, in practice, the trend was the reverse. One significant provision of German Law is that one-third of the Committee of Supervision is appointed by the company's employees over eighteen years of age.<sup>37</sup>

To Co-determination Act of 1976 makes supervisory board

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37. Madan D.P. Kherkhed - 'Management of Corporations', Progressive Corporations Private Ltd., Bombay I, First published 1971, P-107.

compulsory in every company and provides that the supervisory board must have half of its strength from employee representatives instead of the one-third proportion that existed before for major companies outside the Coal and Steel Industries.<sup>38</sup>

Though powers of a general meeting of shareholders i.e. HAUPTVERSAMLUNG is strong enough, yet the company's annual accounts must be audited by qualified auditors known as the ABSCHLUSSPRUFER who are to be appointed in a general meeting.<sup>39</sup> The Annual Balance sheet and Profit & Loss Accounts are required to be prepared by the Board of directors and can not be placed, before the general meeting unless the Council of Supervision, does not approve them or if the Committee and the Board decide to submit them to the shareholders.<sup>40</sup>

But there are various provisions for the protection of the minority shareholders. There have been considerable changes regarding the position of shareholders by the reforms introduced in 1966 by the Act of 1965 including fuller disclosures by the Board to the shareholders who now have a greater say in Company affairs.<sup>41</sup>

Every year statutory reserve fund, the GESETZLICHE RUCKLAGE is to be created by one twentieth of the profit until the adding figure becomes equal to one-tenth of the capital. The reserve

38. Sengupta Dr. N.K. Changing Patterns of Corporate Management' Vikas Publishing House Pvt. Ltd., New Delhi, 2nd revised Edn. (1983) PP 273-274.

39. AKTG SECTION 135 and 136 (1)

40. AKTG Section 125.

41. Knensberg N.C.O. "German Company Law Turns Left" The Chartered Secretary, Vol.VII, No.6, June 1967, PP 245-48.

fund is not to be used to cover a single loss by a surplus of all liabilities over all assets.<sup>42</sup>

Lessons from German system of Company Management :

- a) Two-Tier Board of management delimitating the functions of each;
- b) Workers' participation in policy or supervisory board and their successful role having equal status of other directors;
- c) the involvement of banks' representatives in the board of directors.
- d) creation of reserve fund which is compulsory in order to make a company to be more independent and viable.

5.6 Socialist Countries' Techniques of 'Management' :

In fact, the subject management under socialism is a multilevel and multi-component system of bodies and individual participating in management.<sup>43</sup>

The main principle of socialist management is the principle of democratic centralism. Its essence lies in ensuring an organic unity of integral, planned, and centralized management of all the social institutions and processes and of the local initiative and creative activity, the responsibility of each

42. Akt G Section 130.

43. Stolyarenko A - 'The psychology of Management of Labour collectivities' - Progress Publishers, Moscow (1978) P-26.

state body and official for carrying out their duties. It is a unity of two principles - centralism and democracy.

Socialist society encourages not only the development of management science but also the raising of practice to a scientific level. Lenin paid great attention to the development of the science of management. He wrote "This is the most difficult task, because it is a matter of organising in a new way the most despoiled, the economic foundation of life of scores of millions of people. And it is the most gratifying task because only after it has been fulfilled will it be possible to say that Russia has become not only a Soviet, but also a socialist republic."<sup>44</sup> He stated again "The raising of the productivity of labour first of all requires that the material basis of large-scale industry shall be assured, namely, the development of the production of fuel, iron, the engineering and chemical industries. Another condition for raising the productivity of labour is, firstly, the raising of the educational and cultural level of the mass of population. Secondly, a condition for economic revival is the raising of the working people's discipline, their skill, the effectiveness and intensity of labour and its better organisation."<sup>45</sup>

On the basis of the above principles we shall try to discuss the history of the management of enterprises in Socialist Economy.

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44. Lenin V.I. "The immediate tasks of the Soviet Govt." Collective work, Moscow, Vol.27 1985, PP 242-243.
45. Ibid. Lenin V.I. "The immediate tasks of the Soviet Government, PP 257-258.

In order to make all round development and to solve different problems including unemployment, at the initial stage both Russia and China exerted their fullest energy for the development of industries. The factories were rigidly controlled by the state enterprises and the performances were closely monitored providing funds for setting up and running the factories from state budget and all receipts were taken over by the state. Targets in minute details were laid down for each enterprise in respect of items to be produced and utilized. Every item of expenses, whether for purchase of materials, payment of wages and other expenses were predetermined by the state authorities and banks and financial institutions released the budgeted funds. Enterprise administrators enjoyed very little, if any, flexibility in the matter of either investment decisions or day to day operation of the enterprises. As capital funds were provided by the state, the depreciation fund was to be deposited with the state banks and could be utilized only for specific purpose of repairs and replacement of assets. The enterprises were granted to and integrated with governmental system of accounts emphasizing on keeping the actual inputs within the bounds of budgeted outlays. As the enterprises were not autonomous, there was no question of maintaining separate accounting and control system for each enterprise which were considered as parts of the vast state machinery. The enterprises need not required to maintain and render accounts as they had been under strict control of state authorities. Funds for construction of the factories and establishments of

the enterprises having come from the state budget, the capital investments made in the enterprises were considered 'free' in the sense that no liability accrued to enterprise managements either to repay monetary investments or to show that the investment have been worth its outlay. The day to day running and management of the enterprises being under close scrutiny, need for any separate, overall evaluation of the effectiveness of the investments actually made in the enterprises were not felt. This system produced very efficient result with extensive phase of development. The variety and complexity of industrial enterprises became such that an elaborate hierarchically-structured machinery of the Government became necessary for exercising the type of rigid control to which the enterprises had been subjected so long. Apart from the fact that the control system became evidently self defeating, it had disfunctional effects on enterprise managements. The motive of the enterprise management became somehow to reach to the target neglecting the quality of production.

Historical experience confirms that the system of management by the sectoral principle is in full correspondence with the organisational forms of large scale industry. However, flaws in the implementation of cost accounting and the slow development of economic methods of management became responsible for parochial barriers between enterprises subordinated to different ministries, which harmed specialisation of production and arrested the rates of technical progress. In 1957, manage-

ment in industry construction of the U.S.S.R. was re-organised on a territorial basis. From then onward, industry was administered by economic councils. The industrial ministries were abolished and the enterprises they had been in charge of were put under the control of these councils. With time, however, there appeared major flaws in the economic council system of management. Over and above, funds for continued development and diversification of industry could no longer be provided except by squeezing other sectors of the economy or depriving the people of high standard of living. The existing enterprises were required to generate more surplus fund from internal sources through higher productivity of labour, capital and other sources of production. The administrative system by which enterprises had so long been supervised and controlled were found wanting in the changed context. Therefore, fundamental changes, under the prevailing circumstances, in the management of socialist state enterprises had to be initiated by providing wide measure of autonomy in matters of day to day administration of the enterprises. Higher organs of the state content themselves by setting a few key targets and overall indicators of efficiency in consonance with the national economic plans and projections.

Mr. Sanjib Kumar Senyal in his article "Evolution of 'Cost-Accounting' enterprises in Socialist Economics" stated that the enterprises have been accorded the status of independent business units such in the same as corporate enterprises are in capital economies. The socialist state enterprises are encouraged

to maintain their own, independent accounting systems and prepare periodical operating statements and balance sheets. These make the enterprises accountable for the funds placed at its disposal, money value of the investment is credited to a "business fund" which is akin to "equity capital" of capitalist corporate enterprises. The business funds invested in the enterprises comprise those made in capital equipments, plant and machinery and in the permanent working capital which the enterprises would be required to carry irrespective of their fluctuating volumes of business. Interest - bearing loan from banks and financial institutions are made available to the enterprises for financing incremental working capital requirements and for minor additions to plant and machinery. Higher organs of the state ceased to lay down rigid targets and budgets for each and every items of receipts and payment, for every physical and other activities of the enterprises. The enterprises enjoy the authority to organise and re-organise the production plan, plant layout, organization structure, supervisory levels etc. In short, managements are given a free run of the enterprises so long as they do not violate the laws of the land and succeed in reaching the targets. They enjoy the authority to 'hire and fire workmen; a capitalist encroachment upon and inroad into a socialist bastion. The enterprises are permitted to use their surplus or reserve capacity for producing items upon which the state has no claim; these could be sold by bilateral agreements and the profit enjoyed by the enterprises

and their employees.<sup>46</sup>

The most important matter as a result of the structural changes is that responsibility reposed on the enterprise management to pay for the resources at its disposal. Differential rents had to be paid by enterprises enjoying the advantages somewhat expanded the possibilities for intersectoral specialisation and co-operation in industry within the economic regions. The September 1965 Plenary Meeting of C.P.S.U. Central Committee admitted that "industrial management on a territorial basis simultaneously retarded the development of sectoral specialisation and national production ties among enterprises in different economic regions, weakened the ties between science and production, led to the fractionalisation and pacification of industrial management and the decline of administrative efficiency."<sup>47</sup>

Outlining the main features of the new system of industrial management, the September, 1965 Plenary Session stressed that the measures taken to improve the organisation of management combine single state planning with complete self-support of enterprises, centralised sectoral management with broad republican and local initiative, and principle of one-man management with the growing role of production personnel.<sup>48</sup>

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46. Sanjib Kumar Senyal - article "Evolution of Cost-Accounting Enterprises in Socialist Economies" published in the 'Management Accountant' Vol.18, No.6, June 1964 from the Institute of cost and works Accountants of India, Calcutta, P-318.
47. Yefimov A - 'Soviet Industry', Progress Publishers, Moscow, 1968, P-220.
48. Ibid Yefimov - 'Soviet Industry' PP 212-221.

The management structure now operating in the U.S.S.R. is made up of State (administrative) management bodies and bodies managing production at the enterprises and in associations on cost-accounting principles. The state bodies in their turn can be sub-divided into bodies for the management of the economy as a whole (the U.S.S.R. Council of Ministers, the U.S.S.R. State Planning Committee, etc.) and into specialised bodies of industrial management (Ministries State Committees and Boards). There are three stages (links) in the industrial management of production: Union and Union republican control management bodies, republican management bodies and local bodies of industrial management.

"The enterprise is headed by the director who organises all economic activity and is fully responsible for the conditions at the enterprise and the results of the work. The director is appointed and relieved of his duties by the enterprise's superior body.\* The director of an enterprise in all institutions and organisations, disposes of its funds in accordance with the law, enters into agreements, issues powers of attorney, opens current and other accounts with banks."<sup>49</sup>

The director has to be ever responsible to the suggestions and criticisms of the different categories of employees' representatives acting as watch-dogs on his activities.

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49. Yefimov, A - 'Soviet Industry' - Progress Publishers, Moscow (1968) P-231.

\* Superior body - means the U.S.S.R. Council of Ministers and All Union Central Council of Trade Unions.

The participation of the masses, that is, of the non-managerial workers, in the administration of industry is a key Soviet theoretic doctrine. Mass participation in industry takes into four forms. One of these is supervision by the workers in a firm over the work of the management and their strict criticism of all its deficiencies. A second is the offering of suggestions particularly through employee conferences. A third is the direct performance of administrative tasks by workers, who do this in addition to their regular work. Last one is the movement upward of the rank-and-file workers into posts in management. Mass participation is not an experiment tried only in times of prosperity but it is also put to use in times of difficulty.

The association of vast numbers of the rank and file of the employees with management is established through 'production conference' and 'productive actives' which is constituted of a highly select group.

For additional capital, enterprises are entitled to take loan from banks which is to be invested properly so that additional income derived from it would be sufficient to refund the principle and interest thereof at an agreed time.

The surplus earned by the enterprises, after payments of interest and rents, are shared between the state and the enterprises. A portion of the surplus remaining with the enterprise is used as incentive or bonus payment to the employees and

managers. Higher the surplus, greater shall be the share of the employees as material incentives.

Enterprises which are thus, treated as independent business accounting units with accountability to the state authorities for its overall performance are called 'Cost Accounting' in socialist literature.

### New Chinese Model :

Den Xiaoping, the Chinese supreme, has brought about some radical changes in China's industry. In substance the reforms amount to a "dismantling of the central planned system in favour of a free market structure."

The Chinese reforms aim at releasing over a million state owned enterprises from central planning and state control. These enterprises are now made to compete for survival in the western market sense with all the attendant free market facilities like managerial independence and powers to decide on a pricing formula based on supply and demand. These state-units are now free to plan their own production schedules, marketing strategies and wages structures (including bonus). More significantly, the managers would have the right to 'use or remove personnel' in the best interest of the business. The control of Government Departments over these enterprises is being lifted. However, these enterprises will be responsible for their profits and losses. In other words, the plant manager will be accountable

for their decisions. These units will come under "guidance planning" as opposed to "central planning" which would apply to the commanding sectors of the economy like steel, energy, cement and fertilizer. Perhaps, a sea-change would come over China's price structure, when subsidies which eat-up a quarter of the national budget now, are eliminated once for all. Under the new price structure, the Government would fix up as few prices as are necessary. The prices of a majority of commodities "will be allowed to float." Even the state administered prices would be so adjusted as to reflect market forces. The document emphasizes that every care would be taken to prevent a "general and spiralling price rise" while making out a case for collective and individual business enterprises. The documents have proposed that some small state-owned units may be leased to the individual businessmen or run by them on contract. All in all, it is not incorrect to characterize the change as the introduction of mixed economy, a concept familiar in this country.<sup>50</sup>

#### Lessons from socialist system of Company Management :

1. In socialist countries management in industrial enterprises is considered as 'a matter of organising in a new way the most deep rooted, the economic foundation of life of scores of millions of people.'

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50. Editorial in the Economic Times, Calcutta, October 26th, 1984 on the 'The Chinese Communist Party Central Committee document' issued on September 19, 1984.

2. The enterprises have been accorded with the status of independent business units much in the same as corporate enterprises are in capital economics - but they are run under the strict control of state regulation, of course free from bureaucratic net.
3. The enterprises are to pay the dues to the state fund and to the banks for money taken as loan including interest.
4. In every level of management workers' participation is effectively encouraged although singleman manager remains primarily responsible to run an enterprise.
5. The enterprises are allotted to utilise surplus or reserve capacity for producing items upon which the state has no claim and the profit so earned is enjoyed by the enterprises and their employees. It clearly indicates that the monetary incentive is still the primary means to encourage the working force for production.

Some of these lessons can be gainfully adopted in the management of companies in our country, both in public and private sector for utilising faculty of the vast working force engaged in companies.

#### 5.7 Influence of different techniques of management of the companies, co-operations and enterprises on the management of companies in India :

It is true that the technique of management-practice in

One country can not be transplanted in another country as it would not suit the soil, environment, culture and social milieu of another country but definitely best techniques followed in one country can be suitably applied in another country with profit. As for example, two-tier system of board as practised in Company Law of West Germany very efficiently and with certain modification followed in other European Countries and Workers' participation in Management in two-tier board have influenced the Company Management in India. The administrative Reform Commission, in its report on economic administration, recommended that consideration should be given to this important issue in keeping with the trend in democratic countries or by giving workers a sense of participation in Management. Those who are against it argue that the demand of such representation does not appear to be strong and that trade unions are, in fact against it. There is also a talk about the need for homogeneity in the composition of the board of directors which can not be maintained by worker directors as they are bound to disclose the secret decision of the board. They may often influence the board to serve their interest at the cost of the interest of the company. On the other hand, the fact remains substantive that most of the continental countries have provided for employees' participation in all spheres of management with effective result.

Professionalism and managerialism, with the objective of social responsiveness as practised in the U.S.A., the UK and Japan very efficiently in company management of large companies,

are still important issues for consideration as regards their applicability in the company management in India after considering their suitability and adaptability and above all, the attitude of Indian businessmen in these respects. The attitude of the Indian businessmen regarding professionals has been amply stated by Umash Anand in PANORAMA - THE MODERN MARWARIS : 'Professionals are needed as trusted lieutenants, for keeping the wheels of growing empires greased and moving. By decisions on expansion and survival, aggression and tactical retreat are still the domain of the malik with his uncanny intuition honed over generations in the topsyturvy future markets of Rajasthan.'<sup>51</sup> This attitude of the Indian businessmen should be changed, otherwise they will not be able to cope with the changing circumstances which are bound to appear.

Professionalisation of management is pre-conditioned to the fact that the professionals should take the tasks of implementing social responsibility and intellectual leadership. Indian top corporate manager, Arbind Ray stated the fact that "Top management has many personal examples to set before the Indian population. Its first function is to breed professionalism, and to do this it must be basically equipped to understand the language of the specialists in the new sciences emerging in business."<sup>52</sup> The policy of whole-life-employment, vendor-customer

51. Articles by Anand, Umash, Panorama, The Modern Marwaris, The Telegraph, Calcutta, 23rd September 1964, P-5.

52. Ray Arbind, The Indian Manager in search of style, Bombay, Edn. 1970, P-13.

relationship between company's issuing shares and purchase of shares, the perfect desirable relationship and application of advanced technological discoveries, the seniority - oriented value system, the complete consensus in taking decisions are some of the key aspects for advancement of Japanese Companies. The question remains whether these could be applicable to Indian Company Management considering the fact that Japan is our neighbouring country situated in the Asian Continent.

Involvement of banks' representative to the board of directors as practised in German Companies as authorized by shareholders, or double voting rights of the shareholders in the extra-ordinary general meeting of French Companies, or traditional single board management with amendments and changes according to the needs of the circumstances in the company management of the U.K. and French - are some of the causes for the success of company management in those countries. It has become necessary to examine whether these could be applied in the management of Indian Companies considering the developments that have already occurred in management scenery of Indian Companies. Even the system of proportionate representation as practised in Japan, the U.S.A. and Canada regarding election of directors of the Companies has exerted influence on company management in India. All these techniques and procedures are casting shadow on the Indian corporate management scene.

If, without considering the effect and suitability of the

management practices of abroad are hurriedly imposed on the Indian management, it may be detrimental in effect. An observer in this respect states :

"Imported practices may sometimes so violently clash with the values and beliefs of people working in an organisation as to cause serious dysfunction. After all, whatever decision is taken has to be put into effect by people. And if a decision is traditionally and culturally unacceptable to the individuals who are going to implement it, that decision is bound to fail, regardless of how technically perfect it is."<sup>53</sup> Really it has become urgently needed to develop our own tradition and we should bring in as many foreign techniques as will suit our culture and heritage. In this respect opinion of a scholar is relevant to mention :

Indian organisations have shown a remarkable insensibility to the attitudes and values of their people. On the one hand, they have tried to impose upon them borrowed organisational models evolved in the western social context; and on the other hand, they have made no attempts to equip their people' with the attitude and values required by these modern organisations. The lack of congruence between the Indian ethos and the requirement of modern organisation, and the absence of conscious attempts to bridge this gap has already caused considerable havoc. It has not merely prevented us from using the positive elements in our psycho

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53. Basu K.S. 'Tradition and Modernity - Problem of Management', The Economic Times, Calcutta, the 22nd October, 1971.

cultural heritage, but on the contrary has led us to a situation of value erosion, alienation and loss of commitment.<sup>54</sup>

But we firmly believe that how far a technique of management is adaptable to another depends upon the degree of adjustments made between the guest and the host. It is just like a marriage adjustment to lead a happy conjugal life. The bride comes from a completely different culture and environment to the family of the bridegroom which has its own culture and tradition. Here, both the parties have to sacrifice some of their culture and heritage and a new culture is born. In this way happiness of the conjugal life is fostered. The same truth lies in case of the import of foreign techniques of management in Indian management culture.

Therefore, it is very important to grasp an idea about the echelon of top management of Indian companies. In the next chapter we shall try to review and analyse some of the representative companies in India to get an idea of development and changes in the top management scene of Indian Companies.

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54. Mahendra Ashok 'Value erosion and management Alienation in Indian Organisation', Business India, Bombay, January 14th to 27th, 1985.