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A Glimpse Into Factual Success Mantras Of Business

Management - Public & Private Sectors

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THE thought came across, while visiting a PSU recently when invited to a conclave as a subject matter expert, that what sets apart these behemoth public sector units from private sector units in their styles of management and dealing with business matters. The Public Sector Units, PSUs, as they are known in popular language are very large investment units and they are not visible in MSME segment at all, and the MSME segment is where bulk of our business units are active in our economic environment.

PSUs came into existence post-independence when the country needed the proverbial Big-push to create the momentum to spur growth of the economy in the country, and to take the first steps towards rebuilding an extremely weak industrial base. At the stage of independence our industrial strength was limited to a few units that were set up very judiciously and rather audaciously by some Indian entrepreneurs who deserve credit for having set up profitable business ventures in very challenging circumstances in the pre-independence era. Post-independence, the government arranged for funds from whatever sources and set up industrial projects for provision of basic infrastructure and also to manufacture basic materials to serve as inputs for downstream industries. As an example not-for-profit investments like the Bhakra Nangal Dam project was targeted to generate power for the agricultural sector in the Aravalli plains, plus many roads and bridges, water treatment and power plants across the country. In addition there were the industrial PSUs like steel plants, non-ferrous metal plants like Hindustan Copper & NALCO, heavy engineering industries like BHEL, electronic units like BEL, aircraft manufacturing HAL etc that were set up as commercial ventures.

The latter segment of "commercial" ventures were also more strategic in nature rather than for profiteering in monetary terms. In the midst of these grass-root developments there were "take-overs" where the Oil industry was nationalised, the Coal industry was nationalised, the banking sector was nationalised, Air India was nationalised as few extremely major nationalisations that were done overnight. The reasons stated were again of 'strategic' nature as against monetary benefit to the government. These nationalisations created a lot of debate and discussion as to their justification, but I do not wish to get into the debate in this article. This was in the era within the first 3 decades of our independence when our economy was fledgling and a closed economy, in the pre liberalisation era, and India was just trying to learn governance of the largest democracy of the world. A few wrong decisions are generally permissible during a learning curve.

Moving ahead another few decades, from the 90s to the current times, the comparison between the PSUs and Private Sector becomes quite interesting. The treatment of PSUs by the government has also seen an evolution in the last few decades, as one time they were seen as victims of governmental interference at each and every functional level, to a changing scenario where there is increased accountability on the management for profitable performance which in turn encourages them to fight for management independence to a high-

er degree. I could see changes over my professional career when I started working for a PSU in 1982, interfacing with a lot of them for business in the interim years, to attending conclave in the last few days. In the recent years PSUs have been spun off to private players, Air India as the most recent example.

Public impression about a PSU is generally heard to be negative, with hardly a few handing our words of praise to them. Private sector persons reserve the words of praise for their own sector and are very critical about the PSUs for their inefficiency and feel that the people are laid back and don't work hard. They say that PSUs don't make profits and many are surviving because the government is pouring in tax-payers money to keep them afloat. I would like to question the readers to enumerate the number of PSUs that have failed in the past decade, and compare it with the failures in the Private Sector? The number of NPAs that have been reported by the banks in the past few years has been absolutely alarming. Not only that, we have seen branches of flourishing industrial houses bite the dust simply due to lack of management skills. While one branch survived, the other one equally strong branch has failed. One has to question the fact that the NPAs that have been written off have been financed by banks, and the financial impacts have been borne from public money. So why single out the PSUs as failures? On the contrary, majority of the PSUs have been churning out prof-

its despite all odds and challenges. Systems and processes in PSUs are very robust, very well developed and the plethora of checks and balances that have been built into the systems and processes get quite overwhelming for the operating managers. There are strict rules, many types of Audits and the overriding "Vigilance" that has sweeping powers to look and comment on any and every activity. The GEM (Government e Marketplace) portal that been implemented recently has been a major initiative towards weeding out malpractices and bring in efficiency in procurement, and like that there are several standards that have to be complied with prior to any decision making step. They add to operational complexities and there is hardly any option for the operational team but to comply with these directives. These systems become very easy targets for criticism by the masses, and create pressures in work flow. Having said the above, even if their reported profitability is lower than their peers in the Private sector, I can see that the number of failures are also lower. PSUs give their returns on a sustained basis, while their counterparts in the private sector may be reporting higher operating margins but with higher risk of failure, as seen from the elaborate list of high values NPAs.

So, if I view it in an investor language, I would list PSUs in category of Bonds that give lower returns with higher levels of capital protection, while Private Sectors as equity with better returns and higher risk profiles.

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