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COST OF PRODUCTION

THE question of cost of production is no more a matter of mere academical debate. The Government and the manufacturers in India have come to realise the hard fact that the cost of production in India is higher than in other countries. All our efforts to export for securing the much sought for foreign exchange have hit against the inseperable rock of high costs of production, be it export of sugar, manganese or textiles. Until recently the Government was conscious of and preoccupied with only one side of the story: the poor wage structure. Now thanks to the trading experience of the Government the authorities are very much aware of the other side, high cost of production.

The cost of production has at least become a common problem that can neither be ignored by the management nor by the workers. Even to maintain the present wage structure, the turnover of each of the workers will have to be increased by up-to-date means of production, scientific management and discipline of work.

The cost consciousness and the need for higher productivity have yet to percolate among people at different levels. The Union Leaders, liaison officers and the 'interested' politicians cannot do a greater service to all concerned than to foster a general awareness to the high cost of production existing to-day.

We have pleasure in introducing this new column " Industrial India." Industrialists and businessmen could learn much from the experiences of others and we hope this column would serve its purpose. It is intended to give in this column the achievements and working of the various industries in the country. You are invited to send us the details of your industry which would be considered by our Editorial Board for publication. This article is contributed by Hindustan Machine Tools and portrays the details of its working.

Editor.

INDIAN MACHINE TOOL INDUSTRY PROGRESS & PROBLEMS

Contributed by
Hindustan Machine Tools

M. K. MATHULLA
Chairman,
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The Machine Tool Industry is the main plank on which modern industrialisation is based. In the ultimate analysis, the capital equipment required for largescale industrialisation is dependent solely on the capacity of a country's machine tool industry. In other words, it is this industry that could be called the key to any industrial progress. This can be well evidenced from the rising requirement of India's machine tools particularly after the implementation of its First Five Year Plan. Against its consumption of about Rs. 3 crores of machine tools Rs. 47.21 lakhs required indigenously, and the rest about Rs. 2.5 crores through imports — the consumption in 1960 is estimated to have reached Rs. 30 crores, of which only about Rs. 5.5 crores of graded machine tools had been available through indigenous sources, the rest having been imported.

State Initiative

As by its very nature, the machine tool industry does not hold out prospects of large and quick returns and the capital involved is substantial, the Government found private capital unwilling to invest large amounts required in the industry in the already existing 'Capital-shy' conditions in the immediate post-independence period. The Government, therefore, stepped in and entered into a technical collaboration agreement with one of the best known machine tool manufacturers in Europe, viz., Messrs. Oerlikon Machine Tool works, Buehrle & Co., for setting up a medium/heavy machine tool manufacturing unit in this country. This agreement was signed in 1949.

Lead Screw Cutting Section in the Air Conditioned Shop

The Hindustan Machine Tools Factory at Jalahalli commenced construction of the project in 1953. The period between 1953 and 1956 was however, not a very happy chapter in its history. It came in for a good deal of criticism in the Press and the Parliament. A British expert commissioned to give his views of the Project in 1954 described it as 'a dismal failure' and proceeded to predict that HMT would be 'a colossal financial failure.'

Progress of HMT

A change, however, came in the latter half of 1956. The factory's plant capacity was carefully re-assessed, and a programme of multiple shifts was worked out and implemented. Simultaneously, as a pre-requisite to planned production, a comprehensive training programme was evolved, and an enlarged training centre was set up.

As a result of these and other steps, the factory turned out 135 lathes against its target of 57 in the year 1956-57. The factory exceeded its plan targets in the subsequent years, and against its plan target of 400 for 1960-61, the factory achieved a production of 1002 machines and the output is running at the rate of 100 machines and over per month since August 1960, i. e., a rate of production of over 1200 machines per annum against the end of second Plan target of 400 machines per annum or 300 % over the target.

Simultaneously, the factory has diversified its production, and at present, it turns out a wide range of 90 different types and sizes of machines, against its original production programme for only one type of machine. It may be mentioned that since 1956 the factory has been contributing substantially to the country's machine tool industry. While it accounted for about 25% of the country's total production in that year, its contribution in the subsequent years has been of the order of almost 50 to 60 per cent. During the year 1960, it can be safely said that of the estimated production of about Rs. 5.5 crores worth of graded machine tools, HMT's contribution has been about Rs. 3.5 crores. The factory which employed 86 highly paid foreign technicians in 1956 was completely Indianised in 1959.

Expansion Programme.

The factory has already undertaken an expansion programme of building a second factory slightly larger than the original factory. Its progress since 1956 enabled it to build for itself adequate financial resources, after wiping off a heavy initial development and commissioning expenditure of nearly a crore of rupees. These resources are now being ploughed back into this second factory which will be completed without any assistance from the Government of India or other outside source in the record time of 14 months.

The total estimated expenditure in connection with this second factory will be Rs. 287.81 lakhs, of which Rs. 114 35 lakhs will be foreign exchange expenditure. The programme is already under way and when completed, the factory will be able to turn out over 2000 machines per year. Thus, the annual output of the factory is estimated to be over Rs. 7 crores with the share capital remaining at only Rs. 5.31 crores.

New Series of Machines

Very recently, the Banglore factory had one more achievement to its credit. It turned out a new High Production Turret Lathe completely designed and built FOR THE FIRST TIME IN INDIA WITHOUT ANY FOREIGN COLLABORATION. The factory will shortly go into bulk production of these Turret Lathes for the market.

This new machine, which is the first to be completely designed by HMT's engineers is to be one of a new series of turning machines which the factory proposes to design and build without any technical collaboration from abroad.

Modern in its design technique, the machine is in line with the latest machines designed and developed in Europe. The production of this machine marks the first step towards the factory's attempt at attaining self-sufficiency in design and development.

It is understood that the country absorbs about 150 machines of this type annually, rising to 300 in five years, and the production of these machines in HMT will consequently result in the saving of about Rs. 6 crores worth foreign exchange during the third plan.

Recently, the Hindustan Machines Tools concluded an agreement with the Machine Tools Division of Messrs. Renaults, a wellknown French firm and also with a number of State-owned machine tool units in East Germany for the manufacture of further types of machine tools. Consequent upon these agreements, HMT will embark upon the manufacture of special purpose machines for automatically producing components on a mass scale. These machines would be designed specially in each case.

Two more Units.

It is proposed to set up two more machines tools factories in the public sector with an ultimate capacity equal to the duplicate size of HMT i. e. each unit capable of producing 2000 machines per annum. These two units will be built and run by HMT without any foreign collaboration, entirely by Indian Engineers.

In the field of heavy machine tools manufacture, the Government has already finalised collaboration arrangement with a firm from Czechoslovakia

View of the Production Shop showing Radial Drills

which is now preparing a detailed report for a project to produce about 10,000 tons heavy machine tools per month. Similar offers have been received from U. K., West Germany, and Polland, and all these are being examined by the Government.

Wide Gap.

In spite of all these activities in the Public Sector, there will be a wide gap between the country's requirement of machine tools and indigenous production, as the demand estimated at Rs. 60 crores by 1965 is fast out-stripping the growing capacity of the domestic industry.

The industry has yet to make great leeway. Private Sector in the country will, therefore have to make similar efforts if the output is to be anywhere near its expected requirements.

Small Sector

While production in the organised sector is concentrated on the graded medium duty machines, the bulk of the output in the small-scale sector is of ungraded and lighter duty types. It would be interesting to note that while there are only about 15 units manufacturing graded medium duty machine tools, including the three undertakings in the public sector, there are about 344 units manufacturing ungraded lighter duty machine tools.

In order to make as many different types of machine tools within the country as possible, the approach of the Planners has, so far, been to canalise and encourage the manufacturers to undertake the production of different types of machines. However, in view of the increasing demand, and in the light of our rising requirements, the Government have recently decided to allow manufacture of similar machines by more than one unit.

View of the Final Assembly Hangar

The Government are prepared to consider technical collaboration agreements for all types of machines depending, however, upon the terms, particularly in regard to payments etc.,

Yet, another field in the sphere of machine tool industry is metal working machinery like rolling mills, hammers, hydraulic press, wire drawing machinery, and foundry equipment. Although there has not been much activity, at present, in this field, it is a matter of great satisfaction that some improved metal working machinery like rolling mills and other machinery needed in steel plants are proposed to be manufactured in Government's Heavy Machinery Engineering Corporation at Ranchi.

Among the private enterprises, M/s. Godrej & Boyce Ltd., and M/s. Atlas Works Ltd., have extensive plans to increase their production of sheet -metal machinery. With these plans under way, it is expected that the output of machine tools in India (including metal farming machinery) would reach the level of Rs. 30 crores per year by the end of the Third plan i. e. 1956—66, against the country's anticipated requirement of about Rs. 60 crores per year by that period.

Some Problems

The industry has quite some problems to face. Apart from the usual difficulties like shortage of foreign exchange, technical and managerial personnel, the other difficulties are

i) Finance:

Industries require heavy initial investment with slow pace of returns:

(ii) Replacement Needs:

For India's machine tool units, to turn out quality products, it is essential that they are able to replace their machinery at reasonably regular intervals;

(iii) Tool Room Capacity.

In the case of most of the machine tool units, for manufacturers of tooling e.g., Jigs, Fixtures, special Tools etc., Tool Room Capacity is inadequate, and in some cases even unsuitable. It may take years before any of these equipments could be made indigenously. The only source, therefore, to acquire such equipment, is imports, which in turn is dependent on the availability of foreign exchange.

(iv) Availability of ferrous and non-ferrous metals:

Machine tool production requires a large variety of ferrous and non-ferrous metals, Grey Iron Castings constitute about 70 to 80 per cent in terms of weight in each machine tool. Pig Iron is the most important raw material for Foundries producing grey iron castings; and

(v) Another difficulty which is currently experienced is the bottleneck in regard to the supply of hard coke. In fact, low ash-content coke has been a bottleneck during the Second Plan period. The situation is expected to improve before long when the total carbonisation capacity of the country is stepped up.

It can be expected that with the setting up of manufacturing units for high strength low alloy steels, construction alloy steels, alloy tool steels, stainless steels, and heat resisting steels, many of the difficulties experienced by the Indian Machine Tools Industry would be removed.

From the foregoing, it will be obvious that although the Indian Machine Tool Industry has expanded quite fast and has been able to step up its production, it has to meet a great challenge.

With further plans for country's industrialisation, its requirement of machine tools will be growing, and the machine tool industry has to do its best to reach the stage of near self-sufficiency, if not self-sufficiency. The Machine Tool Industry's main task is to relieve the country of its main bottleneck to rapid progress, namely the foreign exchange shortage by building the mother machines that build all other machinery needed by our increasing number of factories for manufacture of all the goods and services required to raise the standard of living of our rising population.

STATISTICS REGARDING THE PRODUCTION OF MACHINE TOOLS IN INDIA FOR THE PERIOD 1951 - 1960.

Calendar year	Annual production In Lakhs	Production at HMT In Lakhs	Indication in terms of points with 100 in 1951 as the Base Year	Increase in indigenous production without consideration to H.M.T's production.	Rise in terms of points on account of production at HMT.
1951	47.31	—	100	—	—
1952	44 37	—	94	—	—
1953	44.08	—	93	—	—
1954	50.02	—	106	—	—
1955	74.40	—	157	—	—
1956	120.22	28.80	254	193	61
1957	250.84	124.00	530	268	262
1958	376.00	195.20	795	382	413
1959	439 00	246.40	928	407	521
1960	550.00	306.20	1163	361	802
		(948 Machines)			

With 100 points in 1951 as the Base Year, the increase in indigenous production of machine tools by the end of 1959 works out at 928 and has gone to 1163 in 1960.

HMT's production accounts for over 50 per cent of India's indigenous production from the calendar year 1957.

If HMT's production is not taken into account, the ultimate rise in indigenous production by 1960 would be only 361 points.

PROGRESS AT A GLANCE.

	1956-57	1957-58	1958-59	1959-60	1960-61
		(No. of Machines)			
I. PRODUCTION:					
a) Second Plan Target	57	131	238	314	400
b) Actual Production	135	402	552	702	1000
c) Percentage increase over Target	237%	300%	232%	223%	250%
II. DIVERSIFICATION:					
a) High Precision Lathes	135	313	240	240	137
b) Milling Machines	—	89	262	253	310
c) Radial Drills	—	—	50	78	204
d) Low Priced Lathes	—	—	—	131	317
e) Grinders	—	—	—	—	30
f) Turret Lathes	—	—	—	—	2
g) Special Machines	—	—	—	—	2
TOTAL	135	402	552	702	1002
III. DESPATCHES:					
a) High Precision Lathes	119	299	256	235	212
b) Milling Machines	—	86	238	274	305
c) Radial Drills	—	—	35	69	172
d) Low Priced Lathes	—	—	—	124	287
e) Grinders	—	—	—	—	29
f) Special Machines	—	—	—	1	2
TOTAL	119	385	529	703	1007
IV. NET PROFIT AFTER DEPRECIATION AND TAX LIABILITIES BUT BEFORE RETURN ON SHARE AND LOAN CAPITAL OF THE GOVERNMENT.			(Rupees in Lakhs)		
	7.91	30.70	41.96	47.37	NA.
PERCENTAGE OF NET PROFIT ON SHARE CAPITAL.	1.02%	5.54%	7.15%	8.22%	NA.
V. INCREASE IN WAGE LEVEL:					
a) No. of employees (1st April).	1,373	2,123	2,756	2,643	4,200
b) Minimum earning of lowest paid employee per month	Rs. 32	Rs. 64	Rs. 84	Rs. 94	Rs. 101
				(Plus subsidised Housing, Subsidised Transport, Subsidised Canteen meals, and free clothing).	
c) Average Earnings	Rs. 116	Rs. 121	Rs. 136	Rs. 160	Rs. 165

GETTING READY - YOU AND YOUR SUBORDINATE

What is expected

1. As the first step in getting ready for a performance review, it is necessary that you and each of your subordinates be agreed upon what is expected in terms of results. For each management position there should be a statement of conditions which exist when a high level of satisfactory performance has been attained.

2. This statement should be developed jointly by the supervisor and incumbent and meet the following criteria:

   a. Fix accountability and responsibility in writing.

   b. Expected results should be attainable and expressed in terms of quantity, quality, service, expense and time.

   c. Cover significant factors (12-15) which really matter and are within the control of the incumbent.

   d. Enable measurement by the incumbent and by the supervisor.

   e. Establish priorities.

   f. Establish dates for completion and follow-up.

   g. Used continuously in communication of what is expected, what is being accomplished in terms of results, and how improvement can be attained.

Considering how we are doing

3. Using this statement of objectives, ask your subordinate to prepare for the discussion by thinking through the results which he is getting a few areas in which he can do even better, what will be required for this improvement, and what you can do, refrain from doing, or do differently which will help him improve his results.

4. Schedule a time and place that will be convenient, private and comfortable for the actual performance review. Allow plenty of time for the discussion and avoid interruptions. Only you and the subordinate should be present.

5. Think through in objective terms what you expect of him on his present job. What results do you expect in each of the management areas for which he is responsible? What measures do you and he have to determine how well he is doing? Review the man's job description, factors of accountability, performance standards, job objectives, and related operating records.

6. What results is this man getting? How is he doing on each area of responsibility? Are there areas in which he is doing too well to the neglect of other important functions? Make notes of specific examples for discussion of accomplishments and areas for improvement.

7. Think through what you are doing to help him improve performance. What more can you do in delegation, communications, coaching, facilities, stimulation, and recognition? What are you doing that impairs his performance?

8. Determine what needs to be said during the discussion: The opening, the most effective approaches, the possible reactions (yours and his). Tailor your approach to the man and the situation. Get ready to listen with interest and understanding.

Discussion of Performance and Plans for Improved Results

1. Most managers and employees want to improve their performance. Let the person know that you consider this discussion important. Be sincere, natural, and businesslike.

2. Seek understanding of yourself, the man, your mutual relationship, objectives, goals, and responsibilites. Consider accomplishments, problems, and areas for improvement. What results are being obtained? How fully have the established objectives and goals been met? How effective and realistic were the objectives and measures?

3. Listen attentively. Encourage him to talk and to ask questions. Make the person's current performance the central subject.

4. Ask him to discuss the four or five management areas as functions which he has selected for improvement. Have him discuss how he plans to improve on each. Later, ask him how he thinks you can help him improve. When you both agree on what can and should be done, make notes of the plans, goals, objectives and measures for your and his use later.

5. Ask him what you as his supervisor could do, refrain from doing, or do differently which would help him do an even better job. Don't ask him what is wrong with you. Don't go on the defensive or argue. Look to the future, not the past. Nearly every subordinate has ideas concerning how his supervisor could help him, but if he does not express them, wait a while and then try some questions that may bring out suggestions; for example "How could I improve on recognizing jobs well done?" "What additional authority do you need to meet your responsibilites?

6. Discuss your impressions of his performance on each group of his management responsibilities. Start with those where improvement is needed. End with those on which he is doing an outstanding job. Use examples. You may find it desirable to alternate between functions on which improvement is needed and the ones which have been outstanding. Concentrate on a few areas for improvement. Avoid the "fine, but...." technique.

7. Avoid using the terms "weaknesses," "faults," and "shortcomings." Concentrate on result and actions and minimize discussion of personality traits, peculiarities, and attitudes. Especially avoid dwelling on isolated incidents or mistakes of by-gone years.

8. Compare each man's performance with the objectives, goals, and standards for his present job. In discussions do not compare one man with another. Avoid using yourself as an example. Judge operating results.

9. Discuss potential, career, and promotability in a seperate interview.

10. Be careful in giving advice. Avoid such approaches as "If I were you..." or "If you did this..." or "Why don't you..." Encourage each person to work out his own plan for improvement. Help him develop insight into the reasons for his behavior and the consequences of his actions. Use questions that stimulate thinking, but avoid leading questions.

11. Be cautious in making promises. Keep the ones you make.

12. Review the points agreed upon. Be sure you have made notes of the important points, particularly plans for improvement, objectives, measures, and targets. Whenever possible, let the man put the conclusions in his own words, with each of you having a copy for follow-up. End the discussion on an encouraging note of confidence. Schedule a follow-up meeting and make it clear that you will be looking forward to further discussion and improvement.

THE FOLLOW-UP

1. If anything comes up during a performance review which is beyod your authority or ability to handle, report the facts to your supervisor.

2. Continually capitalize on every one of your performance reviews by putting into effect the agreed-upon plans for improvement, by following-up on all plans frequently, and by re-planning whenever necessary.

3. Keep currently informed concerning what each of your immediate subordinates want

to do can do, and is doing. Represent each of your employees upstairs to your supervisor.

4. Recognize progress and keep interest alive. Keep having informal discussions of performance, progress, and results as often as possible. Try meeting at the other person's place of work or at least on neutral ground. As progress is made and conditions change revise the goals, objectives, and measures.

5. Face up to failures.

6. Generally you get what you *inspect* rather than what you just expect.

7. Continually strive for higher standards of performance for your self and for the individuals in your group. Keep yourself and your group improvement-minded and stretching toward definite objectives.

8. Set an example by your own performance and by your methods of managing.

→Plan

→Replan →Objectives

CONTINUOUS →Results Expected

→Discuss MANAGEMENT

IMPROVEMENT

→Yardsticks

Diagnose← Measure←

What Successful Managers Do

Every member of management, regardless of level, performs certain functions in getting results through others. Research indicates that the following list of 93 functions, which are grouped under eight headings, are performed by most managers. Other important functions could be added for individual positions, but the list has proven useful as a check for discussions and analyses of improved performance.

Experience in the use of the list indicates generally that individual supervisors perform the majority of the 93 functions satisfactorily. Each does a substantial number of the activities outstandingly well, and many managers do certain functions even too well to the neglect of other important requirments. Each supervisor should, and could, improve his performance of a relatively few (four or five) functions. Agreement between the incumbent and his supervisor on these functions to be improved, planning the necessary action, and systematic follow-up could do much to improve management effectiveness.

Management Functions

A - Planning and Organizing

1 — He understands clearly his job, responsibilities and authority.

2 — He formulates realistic plans and schedules to carry out his job.

3 — He plans ahead on what he and his people should be doing.

4 — He classifies the work to be done, divides it in to components.

5 — He groups components and jobs into orderly and productive arrangements.

6 — He utilizes his resources (manpower and other) productively.

7 — He establishes priorities for work to be done, by himself and his people.

8 — He minimizes the necessity for over-time.

9 — He sees that the responsibility and authority of each person is clearly understood.

10 — He Plans and conducts effective meetings as required, avoiding unnecessary meetings.

11 — He shows his people how each job fits into the total picture.

12 — He lets his people know what and how much is expected of them.

13 — He sees that his people have the equipment and materials they need.

14 — He gives attention to planning and organizing his manpower resources as well as planning for facilities and finances.

B - Initiating

1 — He recognizes situations which need improvement and corrects them.

2 — He originates new approaches to problems.

3 — He makes the most of a promising new plan or ideas.

4 — He puts into operation worth-while suggestions made by his people.

5 — He encourages his employees to try new methods and ideas.

6 — He encourages his employees to show initiative.

7 — He faces up to situations.

C - Delegating, Integrating and Motivating

1 — He effectively delegates responsibility and authority.

2 — He avoids trespassing on responsibilities, once delegated.

3 — He periodically checks performance on delegated responsibilities.

4 — He encourages his people to make decisions at the lowest possible level.

5 — He concerns himself with a minimum of detail.

6 — He defines jobs for his people that provide greatest challenge and opportunity.

7 — He inspires in his people the willingness to work toward objectives.

8 — He makes full use of the skills and abilities of his employees.

9 — He provides the necessary know-how for his people as required.

10 — He has his employees participate in setting work objectives and schedules.

11 — He gets group reaction on important matters before going ahead.

12 — He carries out policies enthusiastically.

13 — He shows that he enjoys working with his people and with his associates.

14 — He does things which make it pleasant to be a member of his group.

15 — He generates a sense of belonging.

16 — He encourages cooperation with others.

17 — He backs up his employees and goes to bat for them when necessary.

18 — He maintains a proper balance of interest between his work group and the other departments and divisions.

D - Decision-Making

1 — His decisions are consistent with policies, procedures and objectives

2 — His decisions are consistent with the economic social and political climate.

3 — He keeps within the bounds of his authority and ability in making decisions.

4 — He considers and interprets correctly all important facts in solving a problem.

5 — He uses his own and the experience of others in reaching conclusions.

6 — He accepts responsibility for his decisions, even when he has consulted others.

7 — He makes decisions promptly, but not hastily.

8 — He makes decisions that are realistic and clear-cut.

9 — He considers carefully the long-term effects of his decisions.

10 — He takes calculated risks, based on sound decision-making.

11 — He converts his decisions into effective and decisive action.

E - Communicating (3-way)

1 — He keeps informed on how his people are thinking and feeling about things.

2 — He encourages his employees to express their ideas and opinions.

3 — He listens with understanding and purpose.

4 — He responds intelligently to criticisms of his own actions.

5 — He handles questions satisfactorily.

6 — He keeps his people informed on changes in policies and procedures.

7 — He keeps his people informed on all other matters affecting their work.

8 — He recognizes good work and expresses appreciation.

9 — He explains the "why" of his decisions.

10 — He makes effective use of meetings as needed.

11 — He makes significant contributions in meetings, both in listening and in speaking.

12 — He expresses himself clearly and effectively-in writing, speaking and manner.

13 — He keeps higher levels of management properly informed.

F - Developing People

1 — He selects properly qualified people for the jobs that have to be done.

2 — He helps new employees make adjustments to the job and the group.

3 — He provides opportunity for people to improve their skills and abilities.

4 — He creates in people a desire to do a better job.

5 — He systematically evaluates the performance of each of his people.

6 — He keeps people informed on how they are doing.

7 — He uses constructive criticism, reflecting a helpful attitude.

8 — He discusses with his people their career opportunities.

9 — He recommends for promotion the best qualified people when vacancies occur.

10 — He faces up to his personal failures and corrects them.

11 — He himself follows a program of self-improvement and development.

12 — He maintains or improves his own physical and mental fitness.

G - Relationships with others

1 — He is firm and fair in dealing with his people and his associates.

2 — He is able to "take it' when the going is rough.

3 — He shows that he enjoys his work and his associates.

4 — He makes it easy for people to talk to him

5 — He visits his people and his associates in their offices and work places.

6 — He interests himself in the personal well-being of others.

7 — He participates suitably in community activities.

8 — He understands both the on-the-job and of-the-job problems of his people.

9 — He recognizes the off-the-job accomplishments of his people.

10 — He tactfully adjusts to personalities and circumstances.

H - Establishing Standards & Measuring Results

1 — He uses systematic methods to measure, performance productivity and progress.

2 — He and his people jointly develop their objectives and standards of performance.

3 — He regularly uses his system of measuring to evaluate the effectiveness of his own and his employees' performance on basic managerial functions.

4 — He evaluates continually to re-adjust the organization and work standards of his group.

5 — He subjects his own standards to continuous review and revises them as needed.

6 — He sees that standard operating practices are followed by his people.

7 — He fixes accountabilty.

8 — He faces up to failures in meetings standard.

Beginnings of Scientific Management

(Managerial Science in the Making I)

Dr. S. R. RANGANATHAN,
President, Madras Library Association.

Dr. S. R. Ranganathan was educated at the University College, London. In 1948 Delhi University Conferred upon him the Hon. Degree of D. Litt. During his career he has held many important posts. To point out a few he was - Head of the Library School Madras, Prof. of Library Science Benares Hindu University, Hon. Vice President, British Library Association, Member of the International Advisory Committee of Library Experts of U N., Member of the International Bibliography Committee UNESCO. At present he is the Chairman of the Course Committee on Library Science appointed by the University Grants Commission. He has written several books of importance and is an authority on Library Science.

1. Management-In-Action.

Management-in-action has been in existence from pre-historic times. Here is an early example on record. The Svanta-Sutra (-literature on Vedic Rituals) reveals systematisation of the meticulous details in regard to location, lay-out, work-flow personnel, division of labour and organisation as a whole. In fact, management has been always in action. Only, it has often been taken as a natural skill. There has been little of conscious attempt to evolve a managerial science. There has been no attempt at collating managerial experiences of diverse kinds and distilling empirical laws out of them. Still more then there has been no attempt at collating empirical laws of management and distilling out of them normative principles of fundamental laws as the basis for the deductive development of the science of management. This has been due to the smallness of the scale of every enterprise. Any slight increase in scale was met by the method of trial and error. This state of affairs continued till the advent of the industrial revolution in the nineteenth century.

2. Missed Upportunity.

Early in the nineteenth century, several enterprises began to assume great dimensions. Along with them, management also assumed great dimensions. It went beyond the capacity of the purely pragmatic method of trial and error. And yet thought was not turned on scientific management. This was due to an adventitous circumstance. Industrial revolution happened only in a few countries in a state of wakefulness. Many countries were then in the resting phase of their culture. These countries easily lent themselves to be colonised by the wakeful industrialised ones. Therefore the economy of these latter countries was one of expansive exploitation. This circumstance allowed the art of management to depend for its necessary growth and improvement solely on the innate flair of exceptional men. It further allowed wastefulness in the management-in-action. This state of affairs continued throughout the nineteenth century. That century was thus a century of missed opportunity. This statement implies no under valuation of the achievement of a few stray commercial and industrial houses haveing put their management-in-action along helpful lines by the force of sheer instinct.

3. First Classic.

By common consent, the first classic to turn attention to management as a scientific discipline is taken to be F. W. Taylor's *Principles and Methods of Scientific Management (1911)*. Taylor started at the lowest level of industrial hierarchy-the single worker at the lathe. He began with the simple problem of co-ordinating the man and the tool with maximum efficiency. He ultimately covered all the factors affecting, however remotely, the worker's capacity to give his best and the efficiency of the enterprise as a whole. The seed sown by Taylor has now grown into a huge complex of techniques. These cover the anatomy, the physiology, the patholoy, the prophylactics, and the psychology of the worker. The time and motion study, the therbligs, the ecology of work place, the housing and transport of workers, the social amenities, the care of emotional make-up, and every other development in personnel management, work-study, layout, study and operational research are the latest fruits of the Taylorian tree of managerial science.

4. Other Classics.

The second classic on management as a scientific discipline is taken to be H. Fayol's Industrial and general administration, forecasting, planning, organisation, command, control (French edition 1925 and English edition 1922). Fayol started at the topmost level of the industrial hierarchy-the general manager. He too ultimately covered all the lower levels. The ever-lasting play of the spiral of scientific method on management was pictured by Mary P. Follett in a series of papers presented between 1924 and 1933. Years later these were brought out by H. C Meteaif and L. Urwick under the title Dynamic Administration (1945). These three classics touched off a precipitation of new thought on management as a science.

5. Delay in Deductive Growth.

The author's book on Library Administration (1935) based its theory of management on a set of normative principles. This was possible on account of its restriction of the theory of management to one particular field of application-viz., management of libraries. It was possible to deduce much of its matter from the Five Laws of Library Science formulated by the author in 1928 and published in 1931. Similarly, it should be possible to base the theory of management restricted to any other field of application on the normative principles or fundamental laws germane to that particular field. These attempts will, however, amount only to a first approximation to the science of management in its purity. An important, piece of work yet to be done is the formulation of the fundamental laws for the pure science of management. It is only their formulation that will push management into the full spiral of scientific method. It is only then that deductive growth will become possible. Till then, we should depend only on empirical growth. Since world War II, a considerable growth has been taking place in management as an empirical science. In fact the current annual output of micro thought on it has justified the maintenance of the Management abstracts. Since 1947, a perusal of this abstracting periodical brings out the persistence of the dominance of industrial and commercial management in the universe of published papers. Other fields of management figure only occasionally. And yet, scientific management is equally necessary in several other fields such as hospitals, hotels, schools, colleges, Universities, Government Secretariates, Newspaper Offices, Printing Houses, Publishing House, and even private homes. Scientific managent can give better results than drifting along even in the work of a writer or a thinker in spite of its being an intellectual activity with apparently little dependence on materials appurtenances. The increasing population pressure calls for elimination of waste in materials, time, physical and physiological energy, man-power be it manual or mental. In other words, it calls for scientific management to enter every field of human activity involving the production of commodities, services, and even creative thinking. Scientific management is indeed ubiquitous.

THE ROLE OF PSYCHOLOGY IN BUSINESS MANAGEMENT

K. N. SHARMA

K. N. SHARMA. **Psychologist, Indian Statistical Institute, Calcutta has carried on fundamental and applied research in psychology and has studied extensively the problems of Industrial Psychology, Marketing Research, Psychometrics, Psychophysics, and Psychological Testing. Has contributed a number of research papers and articles dealing with Industrial Relations, Industrial Supervision, Job-analysis, Marketing, Advertising and Consumer Researches, Psychophysical Methods, Psychological Testing, etc., which have appeared in different scientific and professional journals and Magazines. Is actively associated, at present, with a project on devising ways and means of scientifically appraising worker-efficiency at different levels. His Doctoral disertation deals with the application of psychology to Business and Industry.**

INTRODUCTION

A critical analysis of labour unrest ranging from simple on-the-job griping to crippling, plant wide strikes will reveal that the causes are not necessarily the result of low wages but the management has failed in its primary functions: proper selection, optimum utilization of labour force for the particular work to be done, understanding the behaviour and reactions of the labourers, etc. These problems are the results of the increasing complexities of modern business. The relations between workers and the management and among fellow workers are becoming more and more complex. The physical sciences and technology, which have helped the business and industry in machine designing, material handling, production processing, product designing, etc., are not able to assist the top executives in understanding the causes of conflict between workers and management, i. e., understanding of human relations. Here psychology comes to help the business executives. Psychology, as the scientific study of behaviour seeks to understand, explain and predict human behaviour. Thus it is clear that the management of a business has two aspects: one is machines and materials and the other, which is more important, is man, the labourer. Efficient management is the active utilization of men and materials to attain a given objective. The basic purpose of all management and administration is that of securing maximum productive efficiency from the man-power involved. The goal of management is the maximum use of personnel accompanied by maximum worker satisfaction. This goal cannot be in conflict with that of labour since worker satisfaction implies adequate wages, recognition, security, mutual understanding and interesting work under good conditions. Applied social scientists especially psychologists have been focussing their interst on management more and more since the war, with correspondingly less emphasis on the organization and motivation of hourly worker. Business-men's decisions, like other people's are usually based on some combination of fact and theory, the theories of human behaviour that business-men hold seem also to be much more diverse than their economic and engineering theories, perhaps because they are much more private property of individual executives. To understand clearly the importance of psychology in the modern business management it seems necessary to evaluate the developmental stages of the conception of labour and thus it would not be out of the way if a brief account of the historical development of management-labour relations is included here.

Historical Background of management-Labour Relations

Before the Industrial Revolution the labour was hardly able to earn the bare means of livelihood. Rarely he thought about improving his lot as there was work for all and in plenty. Such condition was followed by the spirit of small tradesmanship and house hold industry, the age of small workshop. Then came the Industrial Revolution with great industrial development based upon the application of steam power to mechanical devices. Home production and small shop gave way to the factory. Business - men were learning that by grouping workers together in large numbers and standardizing their activities, production and distribution could be tremendously increased and cost reduced.

But soon misunderstanding began to undermine the sympathy and cooperation that had previously existed between employer and employee. Previously the employer used to consider the employees his friends and associates but when they increased in number it became almost impossible for him to know their faces, their names, their weaknesses and strengths, their interests and ambitions, their hobbies and follies. etc. They were now merely a group of workers, a collective thing whose labour must be bought in the market. This attitude of the management gave rise to the **Commodity Conception** of labour. The labour, affected by the law of supply and demand was considered as a commodity, the price of which was determined by the supply and demand for it.

The commodity conception did not take into consideration the fact that the employer, disinterested in the workers personally was likewise disinterested in their problems as such. He determined the value of labour by goods it brought and thought only in these terms, i. e., he regarded the labourer only as operating or organising machines capable of certain amount of output. This theory of labour has been termed as the '**Machinery Conception**' of labour.

Neither in commodity concept nor in machinery concept the labourer was considered as a volitional being and it resulted in unhappiness and inefficiency which gave rise to welfare movement. Most of the employers began to realise that something was lacking in the relationships between management and workers and that the welfare of their employees had a direct effect upon their productivity. This line of thought is known as the '**Good-Will Conception**' of labour. Safety, first aid, lunchrooms, bulletin boards, visiting nurses, etc., were introduced. But this attitude of management was not taken in good faith by the labourers and they thought that the costs of the safety devices and other facilities are affecting in lowering their wages and as a result new disturbing factors were created in stead of solving the management problems.

These disturbing factors forced the management to analyse the labour-behaviour with the help of the psychologists and to find out the root causes. Certain enlightened employers emphasised the need of cooperation between management and labour for efficient production. Thus came into existence the '**Human Conception**' of labour. It made the declaration that the minds of the workers as well as their bodies must be considered in management and that the state of their minds had much to do with the value of their services. It held that all men, whether employers or employees, are equal in the sense that they have much the same impulses and reactions and have certain rights as human beings which the business should recognise.

Then came the '**Citizenship Conception**' of labour. In this conception the workers, apart from being human, are also a part of industry to which they have sold their labour. They are the citizens of the industry in which they are employed and are entitled to have a voice in determining the rules and regulations under which they work. Like political democracy industrial democracy should be considered selfgovernment by the people, determining the mutual relationships of employer and employee, terms of employment, conditions of labour, rules and regulations affecting employees, and the relationships of the employees to each other.

Closely related to the citizenship idea of labour is the concept of mutuality of interests or the partnership relationships between management and labour. '**Partnership Conception**' of labour implies mutual responsibilities as well as the sharing of the fruits of the joint endeavours. This concept of labour has been criticised on the grounds that there can not be any mutuality of interests between owners who are seeking large profits and workers who desire high wages and these two interests are incompatible and cannot be reconciled. For the short run schemes these criticisms are sound but in the long run, which is more important to both management and labour, their interests are identical Enlightened management fully recognsise that the management and labour are mutually interested in producing a product that will meet with public approval and that can be sold at a price which will result in volume production. It is beyond doubt that the partnership conception of labour implies mutual confidence and respect and contributes materially to the realization of the ultimate business objectives of the owners, workers and consumers.

Each of the various conceptions of labour has a germ of truth in it and contributes something to an '**Eclectic Conception**' of labour which strives to appropriate the truth in any of the various conceptions of labour. Scientific management has taken into consideration various points of view, e.g., physiological, psychological, social and economic, in arriving at a rational conception of labour which will solve the problem of individual and group relationships. At present the citizenship and partnership conceptions are playing important roles in industrial relations.

Place of Psychology in Business Management

The development of the relations between management and workers, as reviewed above, shows that there has always been a stress on understanding the behaviour of the workers, their limitations and reactions in order to obtain the ultimate aim of management, i.e. maximum utilization of labour force. The understanding of behaviour pattern is not possible without the knowledge of psychology which is popularly known as the science of behaviour. For this knowledge it is not necessary that one holds a degree in psychology*. However it may be mentioned that a business executive, if he holds a degree in psychology will save his time which he will be required to spend in reading psychology books if he has not studied it so far. Since most form of psychological work in business and industry requires contacts with people, the psychologists so engaged must have reasonably acceptable personalities, but they should not be expected to have everything. For any psychologist, however, the objective and scientific point of view is of prime importance. The psychologist is not a mind reader, as common misconception prevails, nor he has any mystic power. He is a scientist equipped with limited instruments that sometimes yield knowledge and sometimes prove unproductive. The psychologist does not have a 'bag of tricks' or quick remedies that will solve any and all problems He has a discipline that consists of observed data about human beha-

* In United States doctoral degree in Psychology is considered a credential for a consultant psychologist in industry

viour, some highly important hypothesis that are still being tested and a scientific method of research into the ways people respond to their environement.

Several business executives do not hesitate to admit that they are encumbered by blind spots or personal faults that hinder their effectiveness in human relations. They also admit that they know how to handle things but yet to learn how to handle people. In a broad sense, everyone practices psychology, good or bad, in dealing with other people. The marks of a good psychologist are an open mind and willingness to work in the line of understanding the human behaviour. For a business executive also these two factors are very important. Psychology, as an effective tool for business management, can be used in the sense of a technology and in the sense a practical art. The chief elements of an executive's work, for example, are planning, making decisions, carrying the burden of responsibility and getting things done through team-work. Through the use of psychology he may find better data upon which to base many of his decisions involving human behaviour, to develop his own insight, his personal efficiency, his own philosophy of life and his character. In any event the best meeting ground for practical experience and scientific procedure, as determined by the psychological tools, in business consists of presentation of specific management problems and the formulation of feasible plans for systematic attack on them. The plan should be suited to both practical view point of an executive and the theoritical view point of a psychologist as practice without theory is blind and theory without practice is empty. Thus it is clear that the business executive will be able to run the business smoothly if he takes the help of psychology in formulating the business policies, rules and regulations. Now we shall examine the various aspects of business in which the application of psychology has brought good fruits or can bring.

Application of Psychology

There is hardly any process in the modern business and industry where psychology does not play its role. As the aim of the present article is not the discussion of the various areas of business where psychology finds a place we shall briefly mention the broad outlines about the application of psychology. The major areas of business and industry in which a psychologist functions are as follows:

1. Selection and Testing including extent and measurement of individual differences
2. Management Development
3. Counselling
4. Employee Motivation
5. Human Engineering
6. Marketting and Advertising Research
7. Public Relations Research
8. Job Evaluation and Appraisal
9. Job Satisfaction and Morale

The psychological application to the above mentioned areas of business have been found to have yielded satisfactory and notable results. But it is unfortunate that the findings of several psychologists busy in business and industry are not fully known to neither public for businessmen. This is because of several factors like pressure of work and as a result of lack of time to write, keeping the findings confidential lest the particular industry should lose the competitive advantage that might be derived. If the findings of all these psychologists are made known, the business as a whole will be gaining more than what it gains at present.

Concluding Remarks

From the above discussion it is evident that psychology can be of great help to business management as a whole. For smooth running of any business it is essential to study and understand the workers' behaviour, their reactions to a particular situation which some times present very accute problems for the management, and this is possible only with the help of psychology. As a tool for the use of the executives, psychology presents the following possibilities:

1. More consistent and intelligent use of its objective, cause-and-effect-seeking point of view.
2. More effective collaboration with professional psychologists in using its techniques and methods of research.
3. Better self-management through acquiring more knowledge of its principles and theories and developing personnel skill in their use.

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The application of the principles of psychology to the different aspects of business and industry will be detailed in the two articles to follow. (Ed.)

EXECUTIVES OF INDIA

H. K. S. LINDSAY

PERSONAL DATA

Born in 1915

Vice President :	All India Management Association
Chairman :	Calcutta Management Association
Member :	National Council for Training in Vocational Trades
,,	Committee of the Indian Engineering Association
Director :	Rotary Club of Calcutta
Member :	Dr. B. C. Roy's Planning Committee for the Indian Institute of Management

Has been Vice-President of Calcutta Productivity Council.

In 1934 he joined Metal Box in the U. K. as P. A. to Managing Director. After factory training he went to the Sales Development Department and in 1936 was in charge of the Company's editorial publicity. After 18 months was sent in 1937 to India for "two years overseas experience" The war intervened and it took him 7½ years to get back to England. By then India was in his blood and he has now been here for 22 years, with a gap of 1 year's work in London in 1948. At that time he spent three months at the newly installed Administrative Staff College's second session.

After eight years as manager of Metal Box's Calcutta operations he was appointed General Manager in 1949, Commercial Director in 1951: Deputy Managing Director in 1959, Managing Director in 1961.

P. N. KRISHNA PILLAI

Education :

Graduated in economics from Arts College, Trivandrum.
Graduated in Law from Law College, Trivandrum.

Present Position :

Personnel Manager, Indian Aluminium Company Limited - Calcutta

Career :

Started as a journalist and after taking law degree practised law. Mr. Pillai was associated with the formation of Trade Union movement in Travancore and he was President of Travancore Coir Factory Workers Union and Motor Boat Crew Association. He was also Vice-President of the Kerala Provincial Trade Union Congress. He represented Labour in the former Travancore Legislature. He was also a member representing labour in the George Committee in 1939 which investigated into labour conditions in Coir factories.

In 1946 when labour department was formed in Travancore, he joined the department as Assistant Labour Commissioner In the same year he left India for training abroad and had training under the Ministry of Labour and National Service in the U. K. and the Federal Department of Labour in the U. S. A. He spent six months in I. L. C. office in Geneva.

After his return to India he was the Labour Commissioner of Travancore-Cochin State. He resigned this post in 1952 and joined the Indian Aluminium Company as its Personnel Manager in the head office. In his capacity as Personnel Manager of Indaluco he has established a record in its achieving industrial peace through long term collective agreements in its five factories and bauxite mines in the various state in India.

He is a Governor in the Board of Governors of the Xavier Labour Relations Insitute, Jamshedpur. He was elected as the President of the Indian Institute of Personnel Management this year.

Secretary's page

COMPANY SECRETARY

In the United Kingdom, the Companies Act 1948 has made it imperative on the part of every company to have a Secretary.

Although the appointment of a Company Secretary has yet to be made mandatory in India, the recent Companies Amendment Act 1960 has taken the provisions nearer that stage than ever before. A notification published by the Government not long ago announced the appointment of an Advisory Board to assist in standardising the basic qualifications for appointment as Company Secretaries and for holding the qualifying examination. The important place of a Secretary in the frame work of the Company administration has been well recognised by most of the established companies in India. It may, therefore, be helpful to analyse here the recognition given to the Companies Secretary by the Companies Act 1956 as amended by the Companies Amendment Act 1960.

The Companies Act 1956 defined the office of Secretary as follows:

"Secretary means the person if any who is appointed to perform the duties which may be performed by a Secretary under the Act." The Amendment Act has improved it a great deal. The term "Secretary" under the amended Act means any individual firm or body corporate appointed to perform the duties which may be performed by a Secretary under this Act and any other purely ministerial or administrative duties."

The term "Officer" has also been defined to include a Secretary. The Secretary however is not included as one of the managerial personnel. It is evident from section198 that it has placed a ceiling on overall maximum managerial remuneration in which remuneration payable to the secretary is not included. Secretary is not however an ordinary officer of company as there are certain duties which are statutorily recognised as may be performed by a secretary under the Act. Under Rule 2 of the Companies (Central Government's) General Rules & Forms 1956 'responsible officer' has been defined to include a secretary and managerial personnel. One aspect that affords a clue to assess the importance enjoyed by a person is the status enjoyed in the organisation by the appointing and removing authority of that person. The substantial Act has not included any provision in this regard, but Article 82 of the Table A in Schedule I provides (1) A Manager or secretary may be appointed by the Board for such term at such remuneration and upon such conditions as it may think fit and any manager or

secretary so appointed may be removed by the Board. (2)A director may be appointed as Manager or Secretary. Thus both the Manager and Secretary of a company enjoy the same status with reference to the authority empowered to appoint or remove them, but this provision can vary from company to company according to the status afforded in the Articles of the company concerned.

The appointment of a manager in a public company or in a private company which is a subsidiary of a public company requires the approval of the Central Government (Sec.269). The particulars regarding the secretary is one of the items included in the Annual Return by the Amendment Act 1960 (Sections 159 and 160). Any change effected in the personnel by the appointment or removal of a secretary should be notified to the Registrar within 28 days from the happening thereof and any change in the particulars of the secretary such as the residential address etc., should be sent to the Registrar within 28 days of the close of the year during which the change occurred, i.e. before the 28th January of the following year (Sec. 303).

The statutory report shall also include the name and address of the secretary and the changes which have occurred in such names and addresses since the date of the incorporation of the company.

Having so far analysed the recognition received by a secretary under the companies Act, it is equally important to understand the duties expected of a secretary under the Act. The Managerial personnel of a company are those in whom are vested substantial powers of management. A secretary is defined to mean one who has duties which may be performed by a secretary under the Act and any other ministerial or administrative duties. The former refers to managerial functions while the latter is confined to ministerial or administrative duties that may be performed by him under the Act or as entrusted to him otherwise.

What then are the duties that may be performed by a secretary under the Act?

1. Declaration of compliance with the requirements of the Companies Act on application for registration of company pursuant to Sec. 33(2) may be made by a person named in the Articles as a secretary of the company.

2. Return of allotments: Whenever a company makes any allotment of its shares, the company shall within one month file with the Registrar a return of the allotments in the prescribed form. If default is made every officer of the company who is in default is punishable with fine. The Secretary and the managerial personnel are authorised and expected to file the said return in time.

3. The particulars of contract relating to shares allotted otherwise than for cash, a return of shares so allotted in a prescribed form should be filed within one month of such allotment (Sec. 75). This return too may be signed by the secretary and therefore failure to file it in time will make him an 'officer in default' attracting the penal provision.

4. The notice of consolidation of shares into stock etc., may be attested by the Secretary (Sec. 95)

5. The Memorandum of satisfaction of charge under Sec. 138 will have to be signed by a director and the Secretary.

6. Notice of change in situation of registered office under Sec. 146; declaration of compliance with the formation of the company under section 149; notice of rectification of register of members under section 156; registration of resolutions and agreements under section 192, application to Central Government for increasing the number of directors under section 259, application to Government for appointment or reappointment of the managerial personnel under section 269, application to the Central Government for increasing remuneration of a director, application for approval of changing the constitution of the managing agents/secretaries and treasurers under sections 346 and 379; the authentication of balance sheet under section 215, particulars of first directors, managerial personnel and secretary under section 303 and alteration in the same and formalities connected with the appointment of Receiver or Liquidator

symptoms and has been only taking a decoction of some leaves. You and he may not be having the same trouble really, and what is good for him may not be good for you.

Once you have seen your doctor and you find yourself a 'HYPERTENSION' patient do not get disheartened and do not feel you have one foot in the grave from henceforth. Remember that the figure shown in the SPYHYGMOMANOMETER (in simpler words the instrument used for recording the Blood pressure) is not as important, as is the way you learn to live with your newly acquired 'Blood Pressure'. Many a physician feels that the instrument is more a curse than a boon, especially from the patient's point of view. What is important is, that you get a hold on yourself and follow a few simple rules. 'Moderation' in every thing is the key word.

1. Work, play and eat with zest but not too hard.
2. Do not run up the stairs, when you can walk.
3. Take a short nap or a quiet half hour after lunch. It may be a life saver.
4. Eat four or five light meals rather than three heavy meals.
5. Limit your coffee drinking. Do not use coffee for spurring you on to do more work.

   The tired feeling is nature's warning to take it easy. Don't neglect it.
6. Go to bed before 11 p.m.
7. Take moderate exercise.
8. Stick to suitable work which keeps you happy and contented but do not overtire yourself. If you must retire from your work on medical grounds do so gracefully and cheerfully and cultivate some hobby. Philanthropy is a good hobby and you might do more good to your self than to the poor by taking it up.
9. Cultivate a calm mind.
10. Watch your weight. Obesity is not only ugly to look at but it is dangerous. According to statistics the death rate increases by eight percent in ten pounds overweight men, by eighteen percent in twenty pounds overweight men and by fifty percent in fifty pounds overweight men. If you are overweight do not reduce by too much vigorous exercise, but do so, by moderate exercise and proper nonfatty diet. A two and half mile walk burns up only 120 calories which is equivalent in calories to one thick slice of bread so it is wise to refuse that extra slice of bread the next time you have breakfast.

Here are some weights desirable for men.

HEIGHT		WEIGHT IN POUNDS.					
Feet	Inches	Small frame		Medium frame		Large frame	
5	2	116 to	125	124 to	133	131 to	142
5	3	119	128	127	136	133	144
5	4	122	132	130	140	137	149
5	5	126	136	134	144	141	153
5	6	129	139	137	147	145	157
5	7	133	143	141	151	149	162
5	8	136	147	145	156	153	166
5	9	140	151	149	160	157	170
5	10	144	155	153	164	161	175
5	11	148	159	157	168	165	180
6	—	152	164	161	173	169	185
6	1	157	169	166	178	174	190
6	2	163	175	171	184	179	196
6	3	168	180	176	189	184	202

BUSINESSMAN'S LAWYER

DISTINGUISHING FEATURES AMONG MANAGING DIRECTOR: DIRECTOR - MANAGER; WHOLE TIME DIRECTOR: DIRECTOR-IN-CHARGE.

Are the above designations mere labels? If so, the distinction one seeks to make will be nothing more than a mere pun. On the other hand, if each of the labels denotes a distinct category and connotes a set of features attributable to that particular category, the distinguishing aspects of law deserve more than a mere passing consideration.

The Companies Act does not compel a Company to designate an Officer in a particular manner. The option is freely exercisable by the Company. Under the definition clause the persons occupying the office of either, Director or Manager or Managing Director shall be deemed to be so whether they are called by that name or not. "........ by whatever name called" is a chorus of each of the stanzas defining the managerial personnel. Therefore by merely designing one a "Governor", a Company cannot bypass the rules that should be observed. However, in case the department of Company Law Administration seeks to take action for not observing the rules in regard to the appointment of one of the above categories it may be possible to argue that Mr. 'X' is not a Managing Director but only a Manager for the purpose of the Companies Act. The argument cannot be resorted to as a matter of course as, prima facie those who administer law have a right to take a designation on its face value. Labeling is a prima facie evidence though not conclusive proof. It is therefore, always advisable, to design an Officer appropriately fully conscious of the legal implications of the office so labelled.

Director - Manager

Interesting questions arise often whether a Director appointed as a Manager is necessarily a Managing Director. Although there are common provisions applicable to both Managing Director and Director - Manager, in as much as there are provisions which are not similar to both, the law envisages the two offices to be distinct and separate. The definition of the term "Manager" makes it clear that the Office of Manager can be held by a Director also.

Further reading of Section 318 shows that the law envisages the Managing Director and Director who is a Manager as two distinct categories of personnel. Following are some of the provisions which are not common to both the offices among others.

Qualifications:–

Section 267 prescribes more stringent qualifications for Managing Director than the qualifications applicable to Manager under Section 385.

(a) For example a person who at any time has been adjudged an insolvent can never be appointed a Managing Director. But he can be appointed a Manager 5 years after he had been adjudged an insolvent. Further, a person convicted of an offence involving moral turpitude by a Foreign Court or by an Indian Court is debarred from acting as Manager or Wholetime Director. Whereas conviction by an Indian Court for such an offence alone disqualifies a person from working as Manager. Thus the person convicted by a Foreign Court for an offence involving moral turpitude can be appointed as Manager but not as Managing Director of a Company incorporated under the Indian Companies Act.

Registration with the Registrar.

If a person is appointed a Managing Director, the resolution making an appointment should be registered with Registrar within 15 days from the date of the resolution as required under Section 192, which does not apply to the appointment of a Director - Manager.

Disclosure of the terms of Appointment.

The terms of a contract for the appointment of Managing Director or variation of such contracts shall be sent to every member of the Company within 21 days from the date of the contract or the variation thereof as required under Section 302. On the other hand an abstract of the terms of the contract of variation is required to be sent in the case of a Manager or Director - Manager only if a Director of the Company is in any way directly or indirectly concerned or interested in such an appointment.

The provisions governing remuneration, appointment, variation of terms of appointment, increase in remuneration, the number of companies in which such offices can be held, the tenure of office and compensation for loss of office are applicable in the same manner to the Managing Director as to Director—Manager.

"Substantial Powers of Management"

The most important factor that will determine a person either as Managing Director or Director–Manager is that the Managerial powers assigned or delegated to them under a contract or by virtue of the Articles of the Company should be substantial. If, on an examination of the powers exercisable by them they are found not to hold substantial powers, they shall not be considered as either Managing Director or Manager or Director-in-Charge irrespective of the designation given to them. It is futile to argue whether a Manager or a Managing Director is more important than the other, as it will entirely depend upon the powers exercisable by them, which will vary from Company to Company. It is possible for the Manager of a Company to exercise more powers than the Managing Director in another Company. It may be, however, added that the law envisages the Managing Director to hold a more important office than a Director-Manager, in as much as the qualifications prescribed for the former are more stringent than the qualifications prescribed for a Manager or Director-Manager. The appointment of a Managing Director and the terms of the appointment too should be intimated to the members. To that extent the Managing Director becomes directly responsible to the members but both are subject to the superintendence control and direction of the Board of Directors. Thus when a Company or the Board wish to assign or delegate a great measure of powers, a Managing Director is appointed but when it is desired to delegate a lesser measure of power, a Manager or Director-Manager is appointed.

The Whole Time Director

The term "whole time Director" is not defined but it occurs in quite a few places in the Companies Act. Obviously, the term denotes a Director, who gives his whole time to the affairs of the Company.

However, the Companies Act includes a number of provisions which are applicable to both the Managing Director and wholetime Director and they are as follows:

1. The qualifications prescribed under Section 267 are applicable to both Managing Director and whole time director (Sec. 269)
2. The provisions requiring Governments approval for the appointment or reappointment are applicable to both the offices (Sec. 269)
3. The provision requiring approval of the Government for varying the terms of appointment are applicable to both the offices (Sec. 268)
4. The provisions governing the maximum remuneration payable for both the offices are prescribed in Section 309.

5. The provision permitting compensation for loss of office are applicable to both the Managing and whole time Director.

The following provisions are not similar:

(1) The resolution appointing a Managing Director is required to be registered with the Registrar within 15 days thereof. There is no corresponding requirements in respect of the wholetime Director (Sec. 192)

(2) The requirement requiring the disclosure of the terms of the appointment of a Managing Director and any Director's interest in any such contract does not apply to the appointment of whole time Director (Section 302)

(3) A Director is prohibited from holding an office or place of profit except that of a Managing Director. Therefore unless the whole time Director is appointed on whole time basis either as Managing Director or as Managing Agent or as Secretaries and Treasurers or as Manager or as legal and technical advisers or as banker or Trustee for holders of debentures the appointment shall be attracted by Sec. 314 in case, the office so held carries a total monthly remuneration of Rs. 500/- or more.

It is very important to be conscious of Sec 314 as otherwise the contravention of it may lead to the vacation of office by the Director concerned. (Sec 314 (2)

(4) The rule limiting a number of Companies to which one person may be appointed a Managing Director to two does not apply to whole time Director. It ts obvious that one cannot be a whole time Director for more than one Company (Sec. 316)

(5) The provision limiting the appointment of Managing Director for a period of not more than 5 years at a time does not apply to a whole time Director.

The Director - in Charge.

Some Companies choose to manage the affairs of the Company by appointing a Director-in-charge. The first annual report of the Department of Company Law Administration sought to interpret that the Director-in-charge is in the same position as a Managing Director, even if he does not give the whole time to the management of the Company. However it is difficult to say why such a Director should be equated with a Managing Director and not with Director - Manager. The distinction is material as the law applicable to both offices is not coextensive.

If the formalities applicable to a Managing Director are complied with, the person appointed as Director-in-charge may be treated as Managing Director but otherwise it is only appropriate he is equated with Director-Manager.

It is not always possible to discern the logic behind the distinctions. If the unnecessary distinctions are removed and a uniform set of qualifications and regulations are prescribed, the Company Law becomes simple than what it is now.

LEGAL SPOTLIGHT

COMPANYLAW

Can every default of the company be deemed to be a default knowingly and wilfully authorised by the Directors?

Registrar of Companies vs. K. R. Gopala Pillai (1961 K. L. T. 382)

FACTS

All the three accused in the above case were the directors of a company and the charges against them were the failure to file before the Registrar copies of the annual balance sheet of the company, to hold a general meeting during a year and failure to file the annual return.

DIRECTORS' CONTENTION

The prosecution had not proved that the accused had knowingly and wilfully authorised or permitted defaults and they were entitled to an acquittal.

REGISTRAR'S CONTENTION

Since the business of a company is to be managed by its directors they must be presumed to know the duties cast upon the company by law. Every default of the company must be deemed to be the default knowingly and wilfully authorised or permitted by the Directors.

BENCH DECISION

The question is whether in a particular case a director was a knowing and wilful party to the default, will depend on the facts of that case. A presumption against the directors that they know the details may be raised but it does not mean that every breach of duty can be made a criminal offence regardless of an appropriate *mens rea*. The prescribed *mens rea* comprehends both ingredients 'knowingly' and 'wilfully' and they must relate to either authorising or permitting the default. Therefore in the circumstances of the case the order of acquittal by the learned Magistrate need not be interfered with.

Can the transferee company which has acquired 90% of the shares of a company compel the sale of the rest of the shares?

In re: Bugle Press Limited C. C. Vol. XXXI (1961) 369

FACTS

In 1950, Bugle Press Ltd., was incorporated to carry on the business of booksellers. The authorised and issued share capital of the company was 10,000 shares of £ 1/- each of which 9000 was held in equal parts by Shaw & Jackson. The remaining 1000 shares were held by one Treby. In 1958, a company Jackson & Shaw Ltd., formed another company. The new company informed Treby of the new company's offer to purchase the shares of the 1st company at 10 £ a share as valued by experts and therefore gave the minority shareholder notice that it itends to exercise its statutory rights of compulsory acquisition under Sec. 209 of the English Companies Act

TRANSFEREE COMPANY'S CONTENTION

It was conceded that the mechanism of the section has been invoked by means of the incorporation of a new company. Neverthless in the result the case does fall within the strict language of the enabling section and therefore the consequences must follow.

MINORITY SHAREHOLDER'S CONTENTION

The transferee company was neither entitled to nor bound to acquire his shares in the transferor company on the terms of the scheme of contract notwithstanding that it had been approved by the majority of the shareholders.

DECISION OF THE COURT OF APPEAL

The section has been invoked not for the purpose of any scheme or contract but for the quite different purpose of enabling majority share holders to expropriate or evict the minority for which the court ought not to allow the section to be invoked unless it were shown that there was some good reason for example the minority acting in a destructive manner. It is a barefaced attempt to evade that fundamental rule which forbids the majority, unless the articles so provide to expropriate a minority. Such a device cannot receive the Courts approval. In these circumstances it was held that the minority ought not to be compelled to sell their shares at the proposed price.

SALES TAX

How to determine whether a transaction constitutes a hire-purchase agreement or contract for purchase on system of deferred payments?

The Damodar Valley Corporation vs. The State of Bihar A. I. R. 1961—(Supreme Court 441)

FACTS

The Corporation entered into an agreement with the Hind Construction Ltd., and another for the construction of a Dam. The Corporation made available to the contractor such equipments as were necessary and charged them the actual price and expenses excluding salestax. One group of machinery was to be taken over from the contractor by the Corporation after the completion of the work at their residual value. The question for determination is whether it was a mere contract for hiring or a sale or a hire purchase.

CORPORATION'S CONTENTION

It was not liable to pay the tax in respect of the machinery supplied to the contractor as the Corporation had merely hired the equipments.

DEPARTMENT'S CONTENTION

The supply of equipments amounted to a sale and was not a hire. The taking over of the equipment after the completion of the work on certain conditions was in essence a repurchase.

SUPREME COURT'S DECISION

One of the tests to determine the question whether particular agreement is a contract of mere hiring or a contract of purchase on a system of deferred payments is whether there is any binding obligation on the hirer to purchase the goods. Another useful test is whether there is a right reserved to the hirer to return the goods at any time during the subsistance of the contract. Applying these two tests, the transaction under consideration is a case of sale with a condition of repurchase on certain conditions. The stipulation that the contractors themselves should supply spare parts and upkeep the machinery go to show that the title had passed to the contractors and hence the court held that the transaction was a sale on deferred payments with an option to repurchase and therefore the Corporation was liable to apy salestax.

INCOME TAX

Is payment made to an ex-employee as a token of affection and regard exempt from tax?

Mahesh Anantrai Pattani vs. Incometax Officer, Bombay.

Taxation 1961 — page 221.

FACTS

Mr. Anantrai was appointed in 1937 as the Chief Dewan of Bhavnagar State. In 1948 the post was abolished and the Maharaja granted a monthly pension of Rs. 2000/-. Again in 1950 the ex-Dewan was paid five lakhs as gift in consideration of the loyal and meritorious services rendered by him. The amount was debited to the Maharaja's personal expense account. The Maharaja in 1953 confirmed that he gave five lakhs as a gift as a token of his affection and regard to the ex-Diwan.

DEPARTMENT'S CONTENTION

The contemporaneous document reveals that the payment was made for valuable services and therefore taxable under Sec. 7(1) read with Explanation 2. The consideration was stated to be past service and therefore could not be treated as a mere gift.

ASSESSEE'S CONTENTION

In appreciation of the ex-Dewan's services, a pension of Rs. 2000/- was ordered, but when the latter payment was made the Donor was not even the Ruling Chief and clarified that the 5 lakhs was paid as a gift in token of Maharaja's affection and regard to the assessee.

SUPREME COURT'S DECISION

The document written six months after the payment cannot termed as contemporaneous and therefore on that ground the latter letter cannot be rejected. The test is whether payment was made in appreciation of the personality and character of the assessee or in appreciation of the services rendered by him. In these circumstances, the Court held that the payment of Rs. 5 lakhs was not made in token of appreciation for the services rendered as a Dewan, but as a personal gift for the personal esteem and therefore the amount was not taxable.

LABOUR

How to determine whether an activity is an Industry within the meaning of the Industrial Dispute Act?

The Ahmedabad Textile Industry's Association vs. The State of Bombay A. I. R. 1961—Supreme Court 483.

FACTS

There was a dispute between the Association and its workmen regarding wage scale and dearness allowance which was referred by the Government for adjudication. The question was whether the Association is included within the definition of the word 'Industry' Industry is defined in Sec. 2(j) as meaning any business, trade, undertaking including any calling, service etc. Therefore the question was whether the Assocation was an undertaking.

ASSOCIATION'S CONTENTION

The association is a research centre and is in the nature of educational activity and therefore has no analogy with an activity in the nature of trade or business.

WORKERS'S CONTENTION

Though the object of the association was research, it was directed with the idea of helping the member mills to improve methods of production in order to secure greater efficiency, rationalisation and reduction of costs. The manner in which it is organised shows that the undertaking as a whole is in the nature of a business and trade.

SUPREME COURT'S DECISION

The activity is being carried on with the help of employees; it is organised in a manner in which a trade or business is organised; it postulates cooperation between employees and employers and the object is to render material service with a view to secure greater efficiency. Therefore the court held that the Association carries on an activity which comes within the definition of the word 'industry' and hence when a dispute arises between it and the employees it is an industrial dispute which could be referred for adjudication.

CONTRACT

Is not an agreement between parties that suits arising from a contract should be filed in Bombay void and unenforceable ?

1961 K. L. T. 314 — Hassani Stores vs. Larsen & Toubro Ltd.,

FACTS

The plaintiff carries on business in Ernakulam. The plaintiff placed an order for the supply of dry cleaning machine with the defendant having head office at Bombay and a branch at Cochin. Having not satisfied with the machine, a suit was filed for damages.

PLAINTIFF'S CONTENTION

The cause of action has arisen at Cochin where the defendant through their Cochin Branch is carrying on business and where the cause of action arose. The provision in the contract regarding the institution of suit does not prohibit institution of a suit in a court of law having competent jurisdiction. Further such a provision in a contract is void and unenforceable as it offends Sec. 28 of the Contract Act.

DEFENDANT'S CONTENTION

Under the contract, "all disputes must be referred to the head office in Bombay for settlement and no legal proceedings shall be taken to enforce any claim except. In Bombay and therefore the suit should not have been filed in Cochin. Both Bombay and Cochin have jurisdiction to deal with the suit and the parties were within their rights to agree that suit should be filed in Bombay.

BENCH DECISION

It is a well settled proposition of law that parties cannot restrict the right to enforce one's rights in the ordinary Tribunals does not apply to a selection of one of those ordinary tribunals in which ordinarily a suit would be filed. An agreement to that effect is not hit by the Contract Act. Hence the finding that the Ernakulam Sub Court has no jurisdiction to try the suit was upheld by the Bench decision.

NEWS & NOTES

HEAVY MACHINE TOOLS PLANT.

In November 1960, the Government of India entrusted the Heavy Engineering Corporation with the responsibility of setting up a Heavy Machine Tools Plant near Ranchi in the vicinity of the Heavy Machine Building Plant and the Foundry Forge Plant. The Plant is being set up in technical collaboration and with loan assistance from Czechoslovakia. This is the third project to be set up near Ranchi under the Heavy Engineering Corporation.

The Plant is being designed to produce annually 10,000 tons of certain diverse types of Heavy Machine Tools in sizes and types different from those which have so far been produced in the country or those undertaken by any other agency. Machine Tools of these larger sizes and capacities will be produced for the first time in the country. According to preliminary reports, the Plant is expected to manufacture, when in full production, approximately 278 complete machines per annum – the average weight of each machine being 25/30 tons. The maximum weight of an individual Machine Tool is expected to be approximately 180 tons; the maximum weight of a single component being 50 tons. According to preliminary production programme, the Plant is expected to manufacture seven different groups of Machine Tools with 22 different capacity models. The Project will draw its needs of basic castings and forgings from the Foundry Forge Plant, which is also being set up at Hatia near Ranchi.

The capital outlay on the Plant (excluding the cost of quarters for the staff and workers) is expected to be approximately Rs. 15 crores. The total value of the output of the plant, when in full production, is estimated at about Rs. 8 crores. The Plan is expected to go into trial production by 1965-66. When in full production, it will provide employment to more than 2,000 workers.

The site of the Project, measuring an area of 60 acres to the North of the Heavy Machine Building Project and the Naktinala has been finalised.

A agreement was signed on 31st May 1961 between the Heavy Engineering Corporation and M/s. Technoexport of Prague for the preparation of the Detailed Project Report for this plant. The Project Report is expected to be ready by first week of December this year. According to the provisions of the Agreement, Indian engineers may visit Czechoslovakia to participate in the preparation of the Project Report.

The advice received by a successful businessman from his successful father.

" Money is like Manure — If you spread it, it does a lot of good. But if you pile it up in one place, it stinks like hell "

(Time June 16, 1961)

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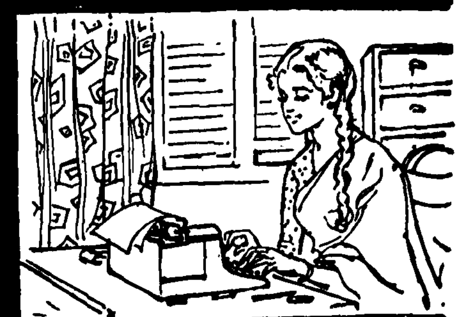

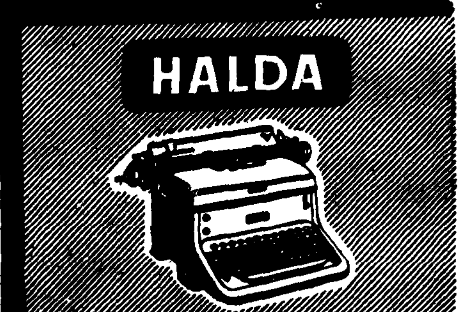

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