

EB-NO: 176

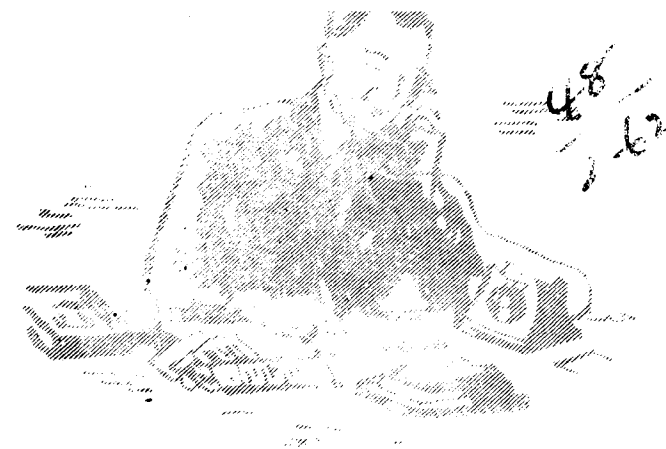
BUSINESS MANAGEMENT

VOL - 2

NO - 2

MAR. APR

1982



BUSINESS

MANAGEMENT

Vol. 2

No. 2

**March - April
1962**

ACT JUST PASSED

A MUST-BOOK FOR ALL

Tax-payer, Limited and Unlimited Companies, Partnership Concerns,
Directors, Partners, Chartered Accountants, Income tax
Officers and the Bench and the Bar.

INCOME TAX ACT, 1961

By S. K. AGGARWAL, Advocate

The New Act containing 298 sections repeals the INCOME TAX ACT of 1922 which contained 68 sections. Drastic changes have been made and wide powers have been given to the Income Tax Officers. For proper understanding reference to the old sections have been given. Select Committee Report referred to wherever necessary. Supreme Court decisions, which are laws of the country, have been noticed. To facilitate reference an exhaustive Index has been provided at the end.

Limited copies are being printed. Please place your order today.

1961 (Around 300 Pages) Price Rs. 10.00

Place your Order with Publishers:

LAW BOOK CO.,

SARDAR PATEL MARG POST BOX NO. 4 ALLAHABAD.

BRITISH INSTITUTE OF MANAGEMENT

Business Management has pleasure in announcing the commencement of its Department of Management Studies for giving postal coaching to the British Institute of Management Graduate Examination.

We offer the following services:

- (1) Exhaustive notes written in a lucid style.
- (2) Model questions
- (3) Assistance for enrolment to Student Membership.

If you are interested in a coveted opening by virtue of your qualification
Apply with Re. 1 - Postal order to:

THE DEPARTMENT OF MANAGEMENT STUDIES,

BUSINESS MANAGEMENT

40, GENERAL PATTERS ROAD, MADRAS-2

MARCH - APRIL 1962

Vol. 2 No. 2

Contents

BUSINESS

MANAGEMENT

JOURNAL FOR EFFICIENCY

EDITORIAL	3
MODERN MANAGEMENT IN A CHANGING ECONOMY	5
By Dick Carlson	
COST MODELS IN MANAGEMENT DECISION	14
By M. S. K. Eswaran	
THE ROLE OF PSYCHOLOGY IN BUSINESS MANAGEMENT	18
By K. N. Sharma	
MANAGER'S QUIZ ON INTERNAL SECURITY CONTROL	23
TRAINING FOR MANAGEMENT IN FAMILY FIRMS	25
By Theodor Wuppermann	
MADRAS RUBBER FACTORY	27
EXECUTIVES OF INDIA	30
Mr. G. L. Bansal	
Mr. H. D. Shourie	
MANAGEMENT PROBLEMS	32
LEGAL SPOTLIGHT	33
Factories Act, Income Tax	
EXECUTIVES BOOK SHELF	35

EDITOR :

V. A. KURIEN, B. COM., F. C. A.

Published by :
Efficiency Aids Private Ltd.
40, General Patters Road,
MADRAS-2.

London Representatives:
M s Publishing & Distributing
Company Ltd.,
Mitre House, 177, Regent St.,
LONDON - W. 1.

No reproduction of articles from this issue should be made without obtaining permission of the publishers. The views and opinions expressed by contributors are not necessarily those of the Publishers or Editor.

SUBSCRIPTION :

Single Copy Rs. 2/-	India Rs. 12/-	U. S. A. \$ 3	One year (six issues)
	United Kingdom Sh. 21	Burma K. 12	Malaya M\$ 8
	Pakistan Rs 12	Japan Yen 1000	Ceylon C.Rs. 12
		(Postage Extra)	Egypt Pi 250

Other "Efficiency" Publications

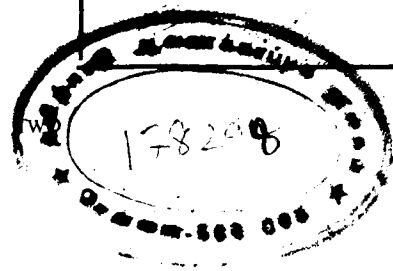
- | | |
|---|------------------------------------|
| 1. Company Law in India 1961
by M. Krishnaswamy, M. A., M. L. | Rs. 25.00 |
| 2. Company Forms & Precedents | Rs. 5.00 |
| 3. Income Tax Law in India 1961
by V. Ramachandran, Advocate. | Rs. 18-00 |
| 4. Business Lawyer
(Monthly Journal) | Rs. 18-00
(annual subscription) |

The Efficiency Aids Consultancy Services

Offer the following service on Reasonable Charges.

1. Assistance in floatation of Companies, drafting of Memorandum, Articles etc.
2. Assistance in the filing of proper returns under the Company's Act and Income Tax Act.
3. Reorganisation of accounts and stores procedures.
4. Arrangements for the maintenance of Accounts for those who do not want a separate Accounts Department.
5. Assistance in Patent and Trade Mark Registration.

The Efficiency Aids Consultancy Service
40, General Patters Road, Madras - 2



BUSINESS MANAGEMENT

MANAGEMENT AUDIT

Editorial

THE business houses in general are familiar with the audit of their financial affairs by internal as well as the statutory auditors. The latter are meant to protect the interests of the shareholders and to verify whether the financial affairs of the company have been satisfactorily carried out within the frame work of the law and the constitution of the company; the former are meant to check the accounts for the satisfaction of the management. The auditors in either case do not proceed any further to scrutinise whether decisions of the management have been right or wrong, costly or profitable, to a company. Neither the internal auditors nor the statutory auditors have the obligation or the power to so scrutinise the judgment of the managerial personnel.

Those who are entrusted with the management should not only be responsible for the money entrusted to them but also be accountable for their managerial judgments. During the course of business, a company's executive has to make a number of decisions and follow certain set procedures. In all these procedures, it is often found, when viewed critically that many things could have been done better and more efficiently. This job of reviewing could very well be entrusted to the internal audit department who should be made responsible only to the top management. This would Act as a protection against the management making thoughtless and unprofitable decisions.

In a smaller organization the top management is familiar with the various activities of the company and virtually every decision is taken by them. But as the organization grows in size, it is necessary that it should have the benefit of constructive criticism for better management.

MARCH - APRIL, 1962

THREE

STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS
ABOUT NEWSPAPER **BUSINESS MANAGEMENT**

FORM IV
(See Rule 8)

- | | | |
|---|-----|--|
| 1. Place of Publication | ... | Madras |
| 2. Periodicity of its publication | ... | Bi Monthly |
| 3. Printer's Name | ... | C. G. Kurup |
| Nationality | ... | Indian |
| Address | ... | 66, Bells Road, Madras-5 |
| 4. Publisher's Name | ... | T. J. George |
| Nationality | ... | Indian |
| Address | ... | 382, Triplicane High Road, Madras-5 |
| 5. Editors' Name | ... | V. Abraham Kurien |
| Nationality | ... | Indian |
| Address | ... | 40, General Patters Road, Madras-2 |
| 6. Names and addresses of individuals who own the newspaper and partners or share-holders holding more than one per cent of the total capital | ... | 1. Mrs. S. Abraham,
70, Velachery Road, Guindy, Madras.
2. Mrs. Lalitha Manuel, Royapuram, Madras.
3. Mr. P. O. John,
40, General Patters Road, Madras-2 |

I, T. J. George, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date 15-3-1962

T. J. GEORGE
Publisher.



By

DICK CARLSON

PART II (First part appeared in Vol II No 1)

III. DIRECTION

THE RIGHT MEN IN THE TOP JOBS

A co-operative rises or falls in almost direct proportion to its executive direction and leadership, after it is once solidly set on the right path. But of all the areas of sound management this is probably the spot where it is most difficult to establish scientific guides and controls. Individual executives successfully use different methods to get results through people most effectively.

The top executive, the number one man in each organization, can become any kind of a manager that he wants to become. All others in the organization depend on his leadership; they must conform to the management climate that he creates and maintains, and they must conform to his weaknesses and to his strengths.

Chart Gives Individual Test

The chart at the end of this section will assist you to evaluate the management leadership in your

own organization. The completed chart will give you a profile rating of your management performance in this area and will identify the areas where the organization needs to improve its management direction and leadership.

The elimination of the causes of many management problems, and the development and the Improvement of executive direction and leadership are dependent upon: (a) Management viewpoints, (b) the application of effective techniques, and (c) continuous vigilance.

A. Management Viewpoints—Management is responsible for developing, establishing, and maintaining favourable attitudes on the part of four groups:

- (1) customers, (2) employees, (3) owners and (4) the public.

Management is responsible for the morals and the productivity of its total work force and for the maximum utilization of the highest skills, abilities, and interests of individual employees, for employee

B. Techniques—The principal factors that affect employee morale are :

- The strongest incentives management can use to develop employee morale include:

3. Pride in a job well done
4. Rewards based on performance

The techniques of conducting employee and other types of attitude surveys have been developed to the point where the results of such surveys may be used by management to identify accurately the causes of morale problems and to assist in deter-

Important steps in all attitude surveys are:

- The attitude of employees toward the executives and supervisors of the organization for which they work is about the most important factor that determines their morale and efficiency.

Research and analysis of problems of management direction and leadership reveal that the causes of many of these problems are due to a lack of skill in the use of modern management techniques; (b) lack of continuous vigilance or (c) combinations of these factors.

BUSINESS MANAGEMENT

Management is responsible for the morale and the productivity of its total work force—for employee attitudes, willingness to produce; for attaining maximum production with a maximum of stress, strain and friction; and for teamwork; loyalty and satisfaction.

1. Circumstances. Has Management created conditions and circumstances which encourage employees to maintain high productivity on their own volition?

- [illegible]

SEVEN

IV. COORDINATE CLOSELY FOR SUCCESSFUL MANAGEMENT

Coordination is a must for management if a co-operative is to have close harmony among its executives, supervisors, and employees. Only by consulting each other and by democratic participation of appropriate management groups can a smooth-working team be maintained.

To get such an organization, both people and operations must slip smoothly into their respective places.

On the human side, most effective coordination can be obtained through wise use of the techniques of consultative management. This involves a point of view on the part of top management to take employees into their confidence. It also involves skill in the use of three-way communications—down, up and across all levels of management. In this way an organization can make the maximum use of group thinking—that is, the judgment of appropriate persons—to develop plans and objectives, formulate policies, and solve problems.

But consultative management is dependent upon the expertness of the top men in the skills involved in successful conference leadership. All executives need this skill. Much of the success or failure of a problem-solving conference depends upon the manner in which the conference leader is able to recognize and develop the five basic steps listed below:

1. **The Situation**—What is the purpose of this conference? What are all the facts about the situation to be discussed? Is anything unsatisfactory in the present situation? Could it be improved?

2. **The Problem**—What causes the present situation to be unsatisfactory? What is the cause of the difficulty? What is the primary problem? A Problem clarified is half solved. What are the other Problems, in sequence of importance?

3. **Possible Solutions**—What are the possible solutions to the problem? (Get significant particulars about each proposed solution). Develop at least three practical solutions.

4. **Best Solution**—Which is the best solution to each problem? What should be done? Who should do it? When? What will be the result of the action proposed?

5. **Follow Through**—Who will review results? When? Who will maintain controls? Submit summary reports of results achieved? Recommend further improvements?

On the operating side, the primary responsibility for over-all coordination also rests on top management. The manager must establish and direct the maintenance of over-all controls necessary to guarantee that all departments work together harmoniously and effectively.

He must see that each major department carries out its full responsibility to reach the company's over-all objectives. He must be concerned that the end results conform to the approved objectives, not with departmental operating details or day-to-day activities.

In the management of the financial side of the business, for example, almost every business needs to establish and maintain definite controls and adequate coordination of operations with respect to such factors as:

1. Anticipated total—
 - a. Income
 - b. Expenditures, and
 - c. Cash requirements
2. Ratios, governing—
 - a. Current assets to current liabilities
 - b. Capital to total assets
 - c. Capital to fixed assets
 - d. Sales to fixed assets; to inventory
 - e. Gross margin to sales

- f. Net earnings to sales
- g. Expense to sales
- h. Salaries to sales

3. Inventory turnover
4. Productivity per employee, per man-hour
5. Unit costs; income and net earnings per unit
6. Number of day's sales in accounts receivable
7. Other controls as required for each organization,

Every cooperative business also needs to keep definite controls and maintain coordination on all other basic data that govern the economic health and welfare of the organization. This type of fundamental information and related trend data portrayed in graphic charts should be at the finger tips of the skilled executive.

The techniques of coordination through the use of management conferences, staff meetings, standard procedures, policy statements, inter-office relations bulletins, publications, related practices must be tailor-made for each individual organization and for each major department therein. They must be designed, tested, and improved in the light of practical experience. They should be simple; as few as possible; easy to follow, and easy to administer.

The causes of many management problems may be traced to lack of effective coordination of personal relationships on the part of top executives. The task that confronts them, therefore, is to learn to work together harmoniously, and the chief executive is finally accountable for seeing that is accomplished effectively and continuously.

The chart on the next page when completed will portray a graphic picture of many organizational needs in the major areas of coordination.

(Continued)

IV. TEN TESTS OF MANAGEMENT COORDINATION

Coordination is a must for management if an organization is to have close harmony among its executives, supervisors, and employees. Only by consulting each other and by democratic participation of appropriate management groups can a smooth-working team be created.

How satisfactorily, in your opinion, does Management maintain adequate coordination of over-all activities in our organization? Place a check mark in those spaces which indicate your true appraisal of your present attainment in each of the areas listed below.

- 1. Consultative Management. Are the principles of consultative management and good human relations carried out effectively by all key executives?
- 2. Viewpoints. Is there adequate coordination of management viewpoints regarding: objectives, policies, plans, programs, and schedules; does the Management Team "sing the same song; out of the same book; at the same time—in harmony?"
- 3. Communications. Are communications satisfactory; up and down and across all organizational levels?
- 4. Flexibility. Is the Management Team adequately equipped to adjust itself quickly to meet new conditions, trends, and/or management problems?
- 5. Interpretation. Does Management assist supervisors and employees to interpret how the impact of changes and new events affects them?
- 6. Recognition. Does Management appreciate fully the wide gap between telling employees what the aims and objectives of an organization are, and giving them an opportunity to participate in creating objectives and standards?
- 7. Self-discipline. Are Top Management Controls so designed and coordinated that they enable subordinates to detect problems and to effect corrections before it becomes necessary for Management to take remedial action?
- 8. Balance. Do department heads maintain a wholesome balance between their respective specializations and the organization as a whole?
- 9. Reports. Is adequate coordination made of all Management reports which are prepared by various executives and supervisors?
- 10. Operations. Are all functional activities and interdepartmental operation coordinated most effectively by Top Management in order to achieve the best results for the organization as a whole?

YOUR PERFORMANCE				
1. EXCELLENT				
—No Changes Needed Now				
2. ADEQUATE				
—Little Improvement Needed				
3. FAIRLY SATISFACTORY				
—Some Improvement Needed				
4. WEAK				
—Considerable Improvement Needed				
5. LACKING				
—Much Improvement Needed				
5	4	3	2	1

Date 196

V. MANAGEMENT CONTROLS ARE ESSENTIAL FOR ASSURING THE DESIRED RESULTS

The Chain of control in a well-managed cooperative moves down smoothly, linking it into a taut, well-knit organization, where Management controls are skillfully utilized as devices, techniques, and tools of modern management. They help the board of directors, the manager, and other major executives attain their objectives, standards, and schedules.

What are adequate Controls?

Adequate Management Controls should assist the Board and the President to:—

- (1) project desired results more accurately;
- (2) foresee major trends and identify problems related thereto; before they become serious;
- (3) determine needs for changes in strategy, organisation, or staffing;
- (4) detect operating problems in time to take corrective action before they become critical, and
- (5) to conserve time and effort on the part of all concerned.

A Primary Problem

A primary problem in establishing Management Controls within every organization is to identify, isolate, and determine what significant information is needed by its Board of Directors, its President, and other major executives.

For example:

What kind of decisions should (does) the Board of Directors make?

What information does the Board need with respect to each kind of decision it makes?

How can that information be presented in the

best manner, with respect to content, sequence, format, and timing?

What records are required in order to supply information needed for Board reports? How are reports used by the Board?

How should these records be maintained?

Who is accountable for what CONTROL records and reports?

It is also important to determine what information is non-essential, for Board purposes. Good Management Controls are those which permit subordinates the optimum freedom and opportunity for the utilization of their resourcefulness, abilities, and potential power in the accomplishment of the end results delegated to them by Top Management. Bad Management Controls are those which restrict freedom of action, or hamper desired end results.

The best control of controls is the exercise of personal power, insight, and true leadership on the part of the manager, and, in turn, his subordinate executives. There is no effective substitute for man-to-man chain of influence, from the top of the organization downward.

All controls should be designed to exercise the minimum of restraint necessary to avoid current mistakes and future waste. This requires a periodic review and appraisal of every record and every report and every control maintained throughout the organization. Barnacles grow on jobs as well as on ships.

Jobs tend to expand. Periodically every job, every procedure, and every control should be appraised on the basis of its contribution to the company's welfare.

Effective controls portray, preferably in graphic charts, significant facts to top management as they are needed currently for management purposes.

- (1) prompt availability when and as needed by management ;
- (2) elimination of all non-essential data ;
- (3) ease of comparison for conformity with established objectives, budgets, and other goals, and
- (4) ease of interpretation, filing, and current use.

The Need for Skill

It is axiomatic in industrial engineering that "he who does his job the best does it with the least possible effort." That is, the skilled worker attains maximum results with a minimum of expended energy.

This is exemplified dramatically in the difference between the performance and the results of the professional golfer and the "duffer"; the expert typist and the "hunt-and-peck" artist; the skilled artisan in the use of "sharp tools," and the unskilled workmen in the use of "dull tools." Management Controls involve both the science and the art of management, and the skills of administration.

It is imperative that professional golfers master certain techniques required in golfing. Today, it is no less imperative that every executive (professional manager) in a growing organisation be skilled in the techniques of modern management. The performance of any organisation is no better than the management skills of its key executives and their ability to work together as a team.

Summary :

What an organisation does ; how well it performs, and the results it achieves, is dependent upon the adequacy of its management team. The kind of management an organisation maintains is dependent upon the attitudes and actions of its Board of Directors in providing the circumstances

(controls) which motivate dynamic leadership and effective performance in a rapidly changing economy.

A successful economic job alone is not enough:

The result of the total operation for which management is responsible, in each organisation, must be satisfying to :

- (a) Customers—

Goods, services, prices—high quality at the lowest possible costs.

- (b) Employees—

Security—pride of belonging
Adventure—opportunity for growth
Expression—release of emotional pressures
Recognition—incentives, rewards, satisfactions.

- (c) Owners—

Dividends, security, continuity

- (d) The Public—

Community health and welfare, taxes, leadership.

Management is accountable to people for its stewardship: for the satisfactions and the dissatisfactions that accrue to people as a result of the manner in which management carries out its responsibilities and authorities; for the manner in which it solves the problems of management.

This can be done only as we review our performance and improve our skills in planning, organising, directing, co-ordinating and controlling the management activities of our respective organisations.

The following chart when completed will portray a profile of improvements that need to be made in the area of management controls.

V. TEN TESTS OF MANAGEMENT CONTROLS

Management controls are essential devices, techniques, and tools of modern management. They help the board of directors, the president, managers, and other major executives attain results in conformity with approved objectives, standards and schedules. The primary problem is to identify, isolate, and determine what significant controls the board of directors and executives need.

How satisfactorily, in your opinion, are effective management controls designed and administered in your organization? Place a check mark in those spaces which indicate your true appraisal of your present attainment in each of the areas listed below.

1. **Coverage.** Does Management maintain all the essential controls necessary to assure the accomplishment of the objectives and schedules established by the Board of Directors?
2. **Accountability.** Are all Management Controls and Reports directly related to established objectives and standards, for the organization as a whole and for each functional department, for which *a single executive* is held finally accountable.
3. **Sequence.** Have all Management Controls been arranged in the sequence of their importance for the achievement of the organization's over-all objectives and policies?
4. **Few In Number.** Have the number of Management Controls and related reports been reduced to the fewest possible number?
5. **Simple in Design.** Are all Management Controls currently in operation simple in design; easy to use; easy to understand; easy to administer, and easy to maintain?
6. **Periodic Appraisal.** Does Top Management periodically appraise and question every control, every record, and every report that it requires and eliminate everything possible?
7. **Form.** Are all Management Controls and related record and reports prepared and maintained in the best form for correlation, ease of comparison, interpretation, and filing?
8. **Procedures.** Are the most efficient methods and procedures employed in the preparation and maintenance of Management Controls/related reports and records?
9. **Cost.** Are all controls and reports which are now maintained of sufficient value to justify their cost?
10. **Interests.** Do current controls assure a proper management balance of interests between owners and/or members, customers, employees, and the general public?

YOUR PERFORMANCE				
1. EXCELLENT				
—No Changes Needed Now				
2. ADEQUATE				
—Little Improvement Needed				
3. FAIRLY SATISFACTORY				
—Some Improvement Needed				
4. WEAK				
—Considerable Improvement Needed				
5. LACKING				
—Much Improvement Needed				

Date _____

196

COST MODELS IN MANAGEMENT DECISION

By

M. S. K. ESWARAN

Mr. M. S. K. Eswaran is a graduate in Mathematics, Commerce, and has a post graduate Diploma in Statistics. He has specialised in all the systems of Punched Card - Accounting and Statistical Quality Control. He was a Technical Officer in the Indian Statistical Institute at Calcutta in the National Sample Survey Department for five years from 1955-1959. Mr. Eswaran joined the JK Organization in 1959 and is now in-charge of Costing and Statistics Department of the JK Business Machines Limited. He has an aptitude for systems and procedure work and has contributed articles on interesting topics connected with business management in 'The Cost Accountant', 'The Manager' and 'The Productivity Journal'.

Decision Theory :

A decision is the final product emanating from a continuous process of thinking. It is the outcome of the interaction of several factors governing a particular situation. It is a managerial product. Management functions can be classified into two distinct levels of activity: One of these is co-ordination and the other is supervision. The co-ordination function is that of decision making—the process of selecting one action from two or more alternative course of action. The executive function, from the co-ordination stand point of view, becomes one of making choices or decisions that will provide the most efficient means of attaining a desired end.

Broader Classifications :

Decisions are being made at different levels. It is a function of authority. For a general understanding they can be classified into two types (1) ordinary (executive decisions) and (2) strategic (Management decisions). The first type of decisions relate to the day to day activities of an organisation and is limited to the boundaries of the established systems and procedures. The strategic decisions relate to higher managerial functions. Decisions may cover (1) a particular area, or (2) a period of time. They may (1) be in relation to the existing laws, or (2) cover a particular risk.

Basic steps in Decision Making :

The following procedure should be adopted to

evolve a proper decision.

- a) Enunciating the problem.
- b) Analysing the factors of the problems.
- c) Examining alternative solutions.
- d) Selecting the best solution.
- e) Putting the decision into effect.
- f) Following up the decision.

A Cost Model for each Decision :

Many of the technical problems can be solved by developing a mathematical model from which the proper decision can be arrived. The use of cost models—mathematical equations expressing cost relationships—for purposes of decision making, involves the process of deriving quantitative relationships between variables in order to study the effect of cost factors on two or more alternative cost centres. The use to which the model is put will depend upon the users' understanding of its construction and its underlying principles. A Cost Model may be simple or complex. For the purpose of analysis it is probably the most useful type. It should be related explicitly to the measure of effectiveness. It should be precise. A particular Cost Model will apply only to a particular situation contemplated. A particular formula developed cannot be used for certain other situations governed by different factors.

Minimum cost studies :

It is a known fact that the cost of procuring or operating a machine are affected by one or more variables. Thus the costs are functions of one or more variables defined. This situation leads to two types of economy studies of considerable importance in the selection of alternatives.

When a common variable affects the cost of two methods, there may be a certain value of the variable for which the costs for both methods will be equal. This value of the variable is known as the break even point. Break-even analysis is useful for both planning and reporting. Linear programming might be looked upon as an extension of break-even analysis.

Tools for Decision Making :

- a. 1) Total value analysis.
- 2) Incremental analysis.
- 3) Break-even Theory.
- 4) Statistical variance analysis.
- 5) Linear programming.

In this article an attempt is made to develop a Cost Model and to use the break-even theory to arrive at a decision when alternate course is available.

Break-even point Theory

Break-even studies involves two or more situations which are affected by a common variable. Consider the costs of two situations x & y.

$$C_x = f_1(a) \text{ and } C_y = f_2(a)$$

C_x = a specified cost such as an annual cost, total cost, cost per day, or cost per piece of component, applicable to a situation designated X.

C_y = a specified cost applicable to a situation designated y and comparable to that under consideration in situation X.

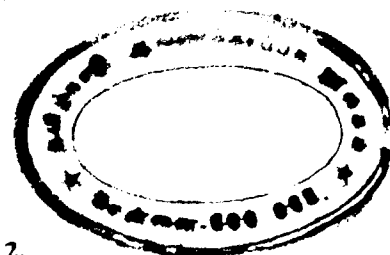
'a' = a variable affecting C_x and C_y . To find

the value of 'a' for which C_x and C_y are equal, let $C_x = C_y$. The break-even point is where C_x and C_y are equal. For this condition $f_1(a) = f_2(a)$. By solving this functional relation for 'a', the break-even point may be determined.

Illustration :

A 20. H. P. unit is needed to drive a pump to remove water for a factory. The number of hours that the power unit will operate is a dependent factor. The power unit will be used for four years.

Two alternative plans are to be considered to arrive at a decision.



Factors.	Plan No. 1.	Plan No. 2.
Total Cost.	Rs 7,000	Rs. 2,750.
Salvage value at the end of 4 years.	Rs. 1,000	Nil.
Life of the equipment.	4 years.	4 years.
Maintenance Cost.	Rs. 600 per year	Rs. 0.75 per hr.
Interest.	10%	10%
Cost of current-fuel oil per hr.	Rs. 4.20 (current per hr.)	Rs. 2.10 (cost of oil per hr.)
Hourly wage per operator.	—	Rs. 4.00

Plan 1 relates to the construction of a power-line and the purchase of an electric Motor.

Plan 2: calls for the purchase of a Gasoline Motor.

A mathematical equation can be set up to work at a decision.

Plan No. 1.

Let: C_A = Annual cost of the Plan 1.

$C_{D.I.}$ = Cost of depreciation and interest.

C_M = Cost of Maintenance.

C_E = Cost of Electricity per hour.

N = Number of hours of operation per year.

$$C_A = C_{D.I.} + C_M + NC_E$$

$C_{D.I.}$ = Rs. 1990.

C_M = Rs. 600.

Plan No. 2.

C'_A = Annual cost of Plan No. 2.

$C'_{D.I.}$ = Annual cost of depreciation and Interest.

NC'_M = Annual Maintenance cost.

NC'_F = Annual cost of Fuel.

NC'_O = Annual operational cost.

N = The number of hours of operation per year.

$$C'_A = C'_{D.I.} + NC'_M + NC'_F + NC'_O$$

$C'_{D.I.}$ = Rs. 866.

$$C'_M + C'_F + C'_O = 0.75 + 2.10 + 4.00 = \text{Rs. 6.85.}$$

From break-even theory it can be stated that there must be a value for N for which costs of the two plans should be equal. It can be written from the equation that for plan 1 = Plan 2.

$$C_{D.I.} + C_M + NC_E = C'_{D.I.} + N(C'_M + C'_F + C'_O)$$

$$N = \frac{C_{D.I.} - (C'_{D.I.} + C_M)}{C_E - (C'_M + C'_F + C'_O)}$$

Substituting the values given above for the several terms.

$$N = \frac{866 - (1990 + 600)}{4.20 - 6.85} = \frac{866 - 2590}{-2.65} = \frac{-1724}{-2.65} = 650.5 \text{ hours.}$$

The value of Plan No. 1 and 2, for 650.5 hours of annual operation works out to Rs. 5342. From this it can be stated that for an annual usage of 650.5 hours the plans are equally good. When the usage amounts to less than 650.5 hours, the section of Gasoline Motor is preferred. When the annual utilisation hours exceeds 650.5 hours, the electric Motor will work more economically.

Setting the break-even point graphically.

Annual Hours of Operation:	Annual cost of Rs.	Plan 1.	Plan 2.
200		3430	2236
300		3850	2921
400		4270	3606
500		4690	4291
600		5110	4976
700		5550	5661
800		5950	6346
900		6370	7031
1000		6790	7716

Conclusion :

Similar studies can be undertaken in order to decide the economic use of jigs and fixtures, under two different situations, the selection of automats which will result in economic working for the production of screws etc. But it should be remembered, that each situation warrants some assumptions and are governed by certain factors. In order to get the proper decision, all the factors should be taken into consideration, of however minor importance these factors may be in the situation. Otherwise the analysis may be biased and the result may not lead to proper decision.

WHAT MAKES A MANAGER?

Understanding the art of delegation
The practical application of this art
Training a successor to his job
Practising good employee relationships
Establishing good working conditions
Being a leader
Being able to sort the necessary from the unnecessary
Knowing when to set or to improve policy
Knowing how to set or improve policy
Knowing when to deviate from policy
Knowing how to use proper communications
Knowing how to criticize
Being able to criticize himself as well as others
Giving praise where due

Being able to recognize a profit-making situation
Having the desire and knowledge to develop people
Having an understanding of the behaviour of people
Foreseeing the future
Being a wise counsellor
Calculating calculated risks-and knowing when to take them
Having the desire to impart knowledge
Knowing how to organize
Knowing how to plan
Knowing how to put over a plan
Knowing how to use statistics
Knowing how to use committees
Knowing how to budget
Studying the job of his immediate superior

Of course there are other qualities too, but may be these will suffice for the moment
(From a recent address to Union of Shop, Distributive and Allied Workers by Mr. P. D. Galvani)

Courtesy "The Manager"

THE ROLE OF PSYCHOLOGY IN BUSINESS MANAGEMENT

(Continued)

(Part III)

MANAGEMENT DEVELOPMENT, PUBLIC RELATIONS RESEARCH, HUMAN ENGINEERING

K. N. SHARMA
(Indian Statistical Institute)

MANAGEMENT DEVELOPMENT :-

In the past, when industrial or administrative units were small and virtually non-competitive, a manager could run his enterprise effectively on the basis of experience or hunch. To, day, with the new and widening dimensions of management arising out of a complex, socio-economic and technological environment, management has almost turned into a profession, requiring specialised knowledge and skills. Mere experience is not enough. No longer is it believed that manager are born and not made or that managerial competence is necessarily transmitted through heredity. It requires extensive training and continuous improvement in methods of management to bring out good executives.

Management science has grown into a specialised field and the rule of thumb methods of the proprietary managers have been replaced by scientific approach to all problems. The progress in every other science such as statistics, analysis and experimental methods, has had its impact on the management science. This aspect of business management is termed as 'Management Development'.

The term 'Management Development' has come into use only since World War II. It envisages a carefully thought out policy of selection of potential training. It involves also review of existing managerial posts and planned succession, or replacement of senior men as they retire. It is based on the conviction that planned manage-

ment training can produce managers of a higher calibre and with a broader outlook than the old haphazard learning on the job.

Management development objectives have undergone several changes from time to time. Current emphasis has shifted from identifying a small group of high potential men for intensified training toward rapid promotion-to that of helping every member of management team to be most effective in his current assignment, as well as preparing him for future responsibilities. Management development is the primary responsibility of the executives who are also responsible for achieving the company's operating and profit goals.

A management development programme involves not only a wide field of training, embodying all aspects and functions of management; it also involves much less tangible things and is much more concerned with ideas and with the changing of attitudes on the part of everyone concerned in industry and especially those at the head of industry whether public or private. Management development programmes should be based on the faith in a continuous improvement and should include a progressive process designed to affect economy and effective utilisation of the resources. In drawing such programmes, it is necessary to study the problems of the companies relating to recruitment, selection, training and promotion of managers at various levels. A systematic approach to management training should take into account a projection into future demand. Reaction of the managerial personnel to promotion policies and also the provision of opportunities for initiative and exercise of talent are important factors to be considered in the development programmes.

Management development depends upon many factors such as size, degree of centralisation and technical knowledge requirements. A sound management development programme should include:

(i) Provision of education and training facilities of existing and potential managers by encouraging their participation in short term and long term programmes;

(ii) Establishment of a department of training that would pay attention to the supervisory and foreman training and also training for all levels of management with a view to increasing efficiency and productivity;

(iii) Coordinating the efforts of individual enterprises with those of the institutions and the universities that are having short term and long term programmes of training management personnel. The universities that are providing Management courses should so design there courses as would add certain amount of practical value to the theoretical education.

In the management development the psychologist serves as an adviser and a coordinator of the programme; he becomes the catalyst, helping to realise a company's objectives for management development. The psychologists' contribution to the management development may be evaluated in the following way : (i) he assists in analysing the development needs; (ii) he devises new techniques for both appraisal and training so that managers get help in objective self-evaluation as well as guidance for self-improvement, (iii) he develops research methods for evaluating the change that occurs in people as a result of the programme.

In any programme of planned industrial progress, management development enjoys a pride of place. Without a rational and carefully designed management development plan, neither productivity nor industry can expect to make much headway. The goal of a sound management development programme is to increase the effectiveness of the executive group by helping each individual manager develop his strengths and improve his areas of weakness. Development efforts should be continued lest the initial ground work be dissipated by time.

Public Relations Research :

With the growth in the size of the business unit and advancement of technology the problems of relations between a company and its public have become more complex. 'How to build a favourable company image and how to translate good feeling into consumer purchasing' have become the questions

of vital importance to the present day management. An organisation is well on the way if it realises, the need to protect its reputation. When there is lack of good will for the company the trouble often lies not in one of the departments, but at executive or board level, for it is from here that everyone in the organisation derives his attitudes to the work, the customer and others outside. Good internal relations result in good public relations. Whether relations with public are good or bad is determined by all the things the company does or fails to do and by the attitudes and actions of its executives, employees and representatives.

In any modern business, good public relations must be built in as they are as vital to business success as good engineering, good manufacturing, careful maintenance of production standards and efficient distribution. A company will enjoy a sound position in the public if it has established sound public relations. Heightened public esteem facilitates sales whereas lowered public esteem, resulting from neglected public relations, retards sales and invites the inroads of competitors. With good public relations, a company provides itself with a valuable form of insurance for future corporate prosperity. When a company has maintained good public relations consistently, a single error on its part can be very easily rectified. Good public relations provide a measure of protection against the imposition of governmental restrictions and help an enterprise's credit standing. A company whose contracts with the public have been conducted on a high plan over a long period of time is less vulnerable to opportunistic pressures set in motion against by self-seeking politicians, rabble-rousers, or biased labour leaders. It is easy to arouse public sentiment against a business or industry that has revealed a disregard for public well-being, on the other hand it is much more difficult to arouse the public against a business that, for a long time, has shown evidence of willingness to accept its responsibility and to give the public fair value and its employees decent working conditions and equitable take-home pay, and consistently has made these facts known.

Modern business is not concerned with only one set of people i.e., consumer, but with a number of people.

They are :

- I. The employees, including supervisory and managing executives,
- II. The general public, the customers and potential customers ;
- III. Local community, the people of the community in which the business is situated ;
- IV. Stock holders—those who hold a financial stake in the company's present-day welfare and its prospects for the future;
- V. Suppliers—those who sell raw materials and other products necessary to the company's operation ;
- VI. Agents and distributors through whom the company sells its products ;
- VII. Special groups like labour organisations, farm groups, religious groups, veterans organizations, youth groups, and so on;
- VIII. Persons operating the media for disseminating information ;
- IX. Government and local bodies.

From the management's point of view there are two aspects of public relations, the internal and the external. In a small firm every worker knows his chief, but in a large organization, sometimes scattered in different plants and offices, even fairly senior members of the staff may feel that they are working for the anonymous 'they'. Thus arises the need for internal public relations which can be achieved in one or more of many ways, say, by a house journal, bulletin boards, talks to staff, etc.. For maintaining the external public relations the widely used media are newspapers, magazines, trade papers, radio speeches, lectures, informal talks and visual presentation including photographs, films, television, exhibitions, window displays, and other pictorial aids.

Public relations are influenced by public opinion which is in constant flux. Public opinion represents

the cumulative total of the individual views of a great many people. The impressions, acquired from such varied sources as formal education, experience, observation, exposure to various environment, from known facts and from reactions to conscious as well as unconscious sensations determine the individual views which in turn, affect public opinion. As the public opinion constantly changes, the conclusions drawn today may not be applicable tomorrow. Thus it needs constant research to study the public's views which can be modified and even completely reversed. Moulding public opinion and directing it into desired channels are the tasks that call for skill and understanding of human behaviour.

Understanding of human behaviour which is the basis for maintaining good public relations can best be obtained by the knowledge of psychology. Fundamentally, the maintenance of a company's public relations is the responsibility of the top management. It establishes the over-all public relations policies and participates in the formulation of the programme of public relations. But the actual execution of the public relations programme is assigned to some individual who is expected to understand the human behaviour. He is designated 'public relations director' or 'public relations officer'. The duties of this officer are directed towards improving employee relations within the plant and also improve relations between the plant and the people of the community in which the plant is situated and above all the relations between the company and its customers and potential customers. Obviously he needs some knowledge of psychology to understand the behaviour of the public, i. e. people in management, employees of the company, customers, etc., involved in the public relations programme. He needs to know why people behave as they do.

Every growing business enterprise needs a sound public relations programme and basically it must operate at the policy-making level. From the top-management it must flow outward for good public relations consists of two major components, (i) good corporate conduct ; and (ii) for that conduct, getting public credit. Good public relations will bring satis-

faction to all types of public enumerated above and the company will enjoy a sound position and will be looked upon with esteem by the public.

Human Engineering :

Human engineering is that branch of modern technology which deals with designing and laying out of equipment, keeping in mind the abilities and limitations of human operator, to get the greatest efficiency in the man-machine system. It is concerned with the engineering of machines for human use and the engineering of human tasks for operating machines. It is based upon the adaptation of human tasks and working environment to the sensory, perceptual mental, physical and other attributes of people. To make it more clear let us consider the total-man-machine system. A man-machine system is created to accomplish a specific purpose. In order to accomplish this purpose, certain functions need to be performed, collectively, by a system. It is the allocation of functions to operators vs. machines, that is of current interest. A decision of this allocation clearly influences the design of the equipment. As a general rule, equipment should be so designed that it takes advantage of fundamental human abilities and complements human failings, so that the purposes or objectives of the system may best be achieved.

Human engineering is as old as the machine itself. Machines have always been designed for human use, with more or less success but the actual difficulties of matching men and machines started with industrial revolution and have continued with increasing complexity upto our atomic age. It was World War II that provided the impetus for setting off this area of technology as a separate discipline with a name of its own, i.e., human engineering. In their efforts to match machine to their human counter parts, engineers found it necessary to seek the advice and counsel of many different kinds of biological scientists. An ideal human engineering team will include individuals from such profession as industrial engineering, mechanical engineering, electrical engineering, physics, physiology, medicine, anthropology, climatology, statistics and psychology.

The main goals of human engineering are those of human economy, or efficiency, in work activities of so creating situations in which human activities are carried on, that the objectives of the activities are accomplished adequately with reasonable human costs. Specifically it may be mentioned that the human engineering studies have aimed at: (i) providing facts on which to base decisions for improving design, and thus minimizing the last minute changes; (ii) increasing job satisfaction among users of equipment and increasing the sales of the products by ensuring effective and comfortable use; and (iii) reducing the operator's training time and the costly accidents due to human factor.

Human engineering research is increasingly attracting the attention of the industrial engineers and industrial psychologists. Experimental studies that are conducted in the field of human engineering are focussed towards the study of environment, instrument design, equipment control and work place layout. Environmental studies are aimed at the protection of the worker by minimising the hazards to his personal safety and efficiency. The purpose of the instrument designing is to make sure that the individual operating the machine will receive the right type and amount of information as clearly as possible. In equipment controls attention is focussed on the size, shape, gearing and direction of movement of different types of controls so as to eliminate confusion and improve performance. Work place layout is designed to fit the physical dimensions of people, to permit them to see all displays and to make operation of all controls efficient.

Psychologists have concerned themselves with human engineering because of their intrinsic interest in human beings, because of the knowledge of human abilities and limitations, and because of their facility in research dealing with human beings. To do his job well the design engineer needs to have data and measurement of all kinds of human capacities, abilities and limitations and this information he can get only from a psychologist. The psychologist, first determines what information the operator will need, the speed with which machine must be presented and the degree of accuracy required and then considers the senses to which it is to be presented-visual, aural, tactual, or perhaps some combination, and finally he examines the precise design. Besides this the psychologist gives his recommendations on the matters of equipment controls and workplace layout. To put it briefly it may be said that engineering psychologists are not concerned with the whole range of modern machine redesign but also with more complicated aspects of human performance: man's ability to control complex systems which are constantly changing; man's ability to monitor tasks; and man's ability to make decisions.

From telephone hand-sets to air pilots' controls, engineering psychologists have played a large part in conforming machines to people. A typical result is so simple a device as an improved display board, designed to facilitate presentation of information. Many of the improvements in consumer goods, such as automatic laundry dyers or electric stoves, have been the result of study of the house wife's normal habits.

MANAGER'S QUIZ ON INTERNAL SECURITY CONTROL

(Extracted from Office Executive September 1961)

By answering "yes" or "no" to the 20 questions listed below you can determine how sound your company's policies are on the prevention of theft, pilfering, embezzlement, and forgery. Method for scoring your replies is shown in the chart on the next page.

1. Do you audit your cash accounts periodically at unscheduled times?
2. Do you have your books audited regularly by either a disinterested employee (other than the one who keeps the records) or a firm of certified public accountants?
3. Are employee exits monitored by supervisors or guards during the peak traffic periods?
4. Are stationery supplies, small tools, expendable supplies, raw materials stock stores, and small merchandise stores under inventory control and an employee charge-out system?
5. Are employee parking lots, shipping and receiving areas or loading docks separated from the general work or display areas by physical barriers or by controlled entrances?
6. Have all supervisors and management personnel been properly briefed within the past year as to their responsibilities in preventing theft?
7. Are all visitors, salesmen, vendors, etc., escorted by responsible employees when allowed in areas with high pilferage vulnerability?
8. Have you changed the combinations to safes and vaults since the termination or retirement of an employee who knew the combination?
9. Are all employees who handle or control money or other valuable merchandise placed under a surety bond?
10. Can you account for all keys to your buildings, storage areas, equipment and supply areas?
11. Are all employment applicants required to complete a personal history statement which covers at least the last 10 years of employment and residence, and do you conduct a pre-employment check on the applicant prior to employing him?

12. Are your current records (and other valuable records) stored in a fire-and burglar-resistant file, safe, or vault when not in use?
13. Are your blank-check supplies and check-writing machine locked up when not in use?
14. Are procurement personnel authorised to negotiate sole-source purchases without review by management-level personnel?
15. Have you published a policy statement to the effect that falsification of company records or unauthorized removal of company property shall be considered sufficient cause for immediate dismissal and/or prosecution if the circumstances warrant?
16. Have you determined that none of your personnel have business interests which conflict with the interests of the firm?
17. Have you conducted an industrial security survey of your firm and its operations at least once each year?
18. Do you know the telephone numbers of your local police and fire department, and are these numbers displayed prominently in key locations throughout the premises?
19. Have you determined that your premises are not being used by your personnel for the purpose of manufacturing products for their own use or for resale, or that they are not using your facilities to carry on a private business venture?
20. Have personnel been assigned specific responsibility for looking all internal storage areas and the premises prior to the close of business each day? If night watchmen are used, are their activities monitored by watch-clock station's or by a similar device?

HOW TO DETERMINE YOUR SCORE ON MANAGER'S QUIZ

For each of the "yes" answers you gave on the 20 questions listed in the chart on the previous page, allow five points. Compare your total number of points with those given below.

80-100, Management is aware of the basic problems and has implemented a common-sense program of theft prevention. If your score was less than 100, the obvious deficiencies can be corrected by using counter-measures indicated by the questions you answered incorrectly.

50-80, Management is only partially aware of its potential loss factors and should take action immediately. A survey and analysis of the problem is the first logical step, with counter-measures keyed to the operational and financial requirements of the business to follow as soon as possible. Keep in mind that overzealous safeguards can be as much a problem as the theft losses when determining proper safeguards for the company's interests.

0-50 Your firm is in business by the grace of God and extraordinary luck, both of which may fail to protect you at any moment. It is suggested you present this "quiz" at your next management meeting and take action immediately to protect your firm's interests in the future. Questions 2, 6, 8, 9, 11, 12, 13, 15, 16, and 19 are vital key questions. A "no" answer should be cause for remedial action.

A word of caution if you ended the quiz with a fairly high score. More than 60 per cent of the management officials who were asked these basic questions by industrial security consultants were surprised to learn that their "yes" answers were based on the assumption that their subordinates had carried out instructions.

Training for Management in Family Firms

By

A. THEODOR WUPPERMANN

Dr. Rer. Pol

(Reproduced from Volume No. 39 of the European Productivity)

(This is a problem of great importance to India. Majority of the industries are managed by family firms and it is highly essential that proper training should be afforded to its members. This article should be of interest to many of our readers—Ed).

The family firm always owes its origin to the business talents of an individual. As later generations succeed, however, the business will only retain its character if the family is able to produce young people with sound intelligence and a talent for business, and if, moreover, it devises means to ensure that the family control presents the appearance of continuity. Family firms differ so widely in their size, capital assets, activities and growth that there is no such thing as a representative type. It follows that the methods of securing the above desiderata must differ also. Nevertheless there are certain number of principles which should be respected—addition to the general rules of management training—to ensure suitable succession in family firms.

It must not be thought that when succeeding generations carry on the family firm with ability and success, this is attributable solely to the experience handed down from the father to son, to native talent, or even to chance. While it is true that experience transmitted by one's elders is an enormous help in running a business, a carefully thought out and systematic period of training is absolutely necessary before control of the firm is handed over, irrespective of the size of the family concern.

We must not dismiss the likelihood that inherited characteristics probably do, in many cases, play a part in fitting a man for management, but the very best qualities are useless unless they are trained and exercised. To recognise whether a child is, or is not, fitted to take over the firm is the responsibility of its parents, who must also ensure that the child is properly brought up and receives the right education, not merely by themselves setting a good example, but also by discussing the child and its needs objectively with the teachers. Parents often misunderstand this important, indeed essential, task, being led by misguided affection to think their children more gifted than in fact they are. Nor are the virtues of thrift always incalculated. On the other hand, of course, we all know the type of father, particularly among the most active and dominating heads of firms, who fails to realise that his son has grown into a man with a personality of his own—though not necessarily the same as the father's. A sound, happy, family life is the best basis for bringing up future heads of the family firm. It is, however, obvious that the most important aptitudes for taking over the business are a native flair and the necessary degree of intelligence. So training for the future job begins with the upbringing in the family.

Of equal importance is the type of schooling; the boy's talents and inclinations must be recognised at an early stage and guided along the right lines. At the right moment, and preferably early on, the boy should be brought into contact with young foreigners of the same age, so that he becomes familiar with foreign languages; by the end of his studies he should be completely fluent in at least two.

In the larger firms which employ men and women with academic qualifications, the future director must have the same kind of studies behind him. However, before going to a university or technical high school, he should spend at least one year doing practical work in the office or factory. Young people who go straight from school to university lack the practical background which would enable them to interpret the theoretical education they receive in the light of actual managerial situations. When selecting a course of study, preference should be given to disciplines which inculcate logical thinking; the study of law is particularly suitable from this point of view and has the added advantage that it teaches one to use language correctly—no bad thing in itself.

The future technician learns his logical thinking from mathematics. But for our purposes a course in one of the engineering branches is quite inadequate, even if he entitles one to attach a few letters to one's name. Modern industrial life requires that everyone in a top management position, even if he is primarily a technician, must have a clear understanding of industrial economics and a grasp of economics in general. Today the need for co-ordination at the top, even in technical fields, carries one into almost every sphere of human activity and demands a correspondingly wide basis of knowledge. Even law studies alone will not suffice and this is why German universities require a certificate of attendance at economic lectures before a student can take his law degree. The period of practical work to be put in during the university years should be selected with a view to his future position. If a student has already made good progress with foreign languages, he should do his practical work abroad.

As a general rule practical work in the family firm during the years of education and training is not to be recommended. It is usually very difficult for the other people in the firm to maintain a completely neutral attitude towards the "crown prince". For the same reason, when he has finished his studies the successor to the head of the firm should spend a considerable time working in other concerns. This period should consist of real practical work, starting at the bottom. It will be useful to divide this period of practical work between the home country and foreign countries, each period being fixed in the light of the nature and requirements of the family firm. It may, for example, be extremely useful for the boy to do this practical training in firms which are the customers of the family concern.

The young man should take an early opportunity of learning something about home politics. Everywhere there are plenty of facilities for political education and for participation in the activities of employer groups. In Western Germany, for example, he can join the junior branch of the "Arbeitsgemeinschaft selbstständiger Unternehmer", which represents the interests of independent employers and is consequently involved in a variety of economic and social tasks. The junior branch has every opportunity to play an active part and in this way its members gradually grow familiar with managerial preoccupations through contact with the older employers they meet.

In every country there will be other activities in which the young man can usefully take part and about which he can learn by subscribing to the leading economic and management journals.

How the next stage of training is to proceed will depend on the type of family business he is to enter. As a general rule, it will be advisable to let him gradually grow into the top position. It may be convenient to put him first into a subordinate managerial job, since this will necessarily supply all the contacts he needs inside the firm and will also give him a feeling for management and organisation. In this way, combined with the contacts he is making outside the firm and with his

(Contd. on page 28)

MADRAS RUBBER FACTORY

A JOINT INDIAN-AMERICAN ENTERPRISE

From production of toy balloons to truck tyres undoubtedly is considerable progress for a rubber factory in the space of 16 years. This is what the Madras Rubber Factory is on the threshold of achieving. Thanks to its farsighted entrepreneurship and recently initiated happy collaboration with a reputed American tyre manufacturer, the Mansfield Tyre and Rubber Company of Mansfield, Ohio, U. S. A.

In a fast developing industrial complex, some 10 miles north of Madras, is located the Madras Rubber Factory plant, which is at present busy enlarging its premises, equipment, and facilities to produce one thousand tyres and one thousand tubes of assorted sizes each day. This will be in addition to its considerable production of tread rubber.

By the time the tyre plant goes into commercial production this July, it will be among the leading producers of automobile tyres in this country. A sprawling factory of 140,000 square feet of floor space

is fast nearing completion to house some of the most up-to-date machinery for tyre and tread rubber manufacture, the bulk of which is shipped by the U. S. collaborators.

The Mansfield Tyre and Rubber Company, with its eight plants in the United States and one in Canada, has a total installed capacity for turning out 25,000 tyres a day. The firm is the largest tyre producer in the United States. It has built a tyre factory in Alexandria, Egypt, and is operating it with local collaboration.

With this considerable experience in developing tyres, Mansfield hopes to produce tyres in Madras of "good quality, good production, and good cost," according to the head of the technical team now in Madras, Mr. M. L. Bayer. He is Assistant to the President of Mansfield and has headed the operations in Alexandria.

Since last October, Mr. Bayer and two other associates, Messrs. R. E. Schife and H. F. Leppert—

all with over 25 years of experience in tyre production with Mansfield—have been at the Madras factory. They have installed a pilot tyre plant, which now turns out 20 to 30 tyres a day. These tyres are being subjected to a series of road and laboratory tests to ensure proper specifications of durability and performance.

Meanwhile, the Americans have taken times off to tour widely in the country to observe road conditions and to familiarise themselves with the indigenous tyre industry and raw material processing and production in order to develop the best possible product in the Madras plant.

The pilot plant is proving to be an efficient training centre, with the American team filling in as teaching faculty. Such training obviously meets a most vital need for technicians to man the new factory, tyre manufacture being a new field of production in India.

According to the youthful managing director of the factory, Mr. K. M. Mammen Mappillai, the American team members are excellent teachers and are training a group of technicians to be on hand for the start of commercial production.

Besides providing training facilities, the pilot plant production will enable the factory to go into full commercial production almost immediately after the entire machinery has been installed as the time-consuming tests and trial runs will have been mostly completed by then, Mr. Mammen Mappillai pointed out.

(Contd. from page 26)

work in employer's associations, management groups and so on, the young man should be able to build up a nicely rounded basis of experience.

One essential principle must be observed: the only thing that counts is aptitude for management; mere heredity by itself should constitute no claim to a position in the family firm. In fact, family businesses should lay down this rule very clearly and for preference include it in the articles of the firm. For a family firm to flourish, a long-term

As part of technical collaboration, the Mansfield Tire and Rubber Company also trains Madras personnel such as works managers, engineers, chemists, and cost accountants in its U. S. plants. Half a dozen of them have already undergone such training for a period of three to six months. Another batch will take similar in-plant training soon at Mansfield.

Mr. Bayer said his association with the enthusiastic staff of the Madras factory during the last three months has convinced him of their ability to meet the targets and to produce quality tyres.

The Madras factory's history is also an earnest of its future performance. Started as a small venture to produce small items of rubber goods in 1946 by the late K. C. Mammen Mappillai, a businessman and journalist of Kerala, the Madras Rubber Factory has now become a large and reputed producer of tread rubber. Its 'Camelback' is now marketed in 14 countries.

The expansion plans with the collaboration of Mansfield also include increasing the production of tread rubber to 10 million pounds a year to cope with the production and demand lag for this product.

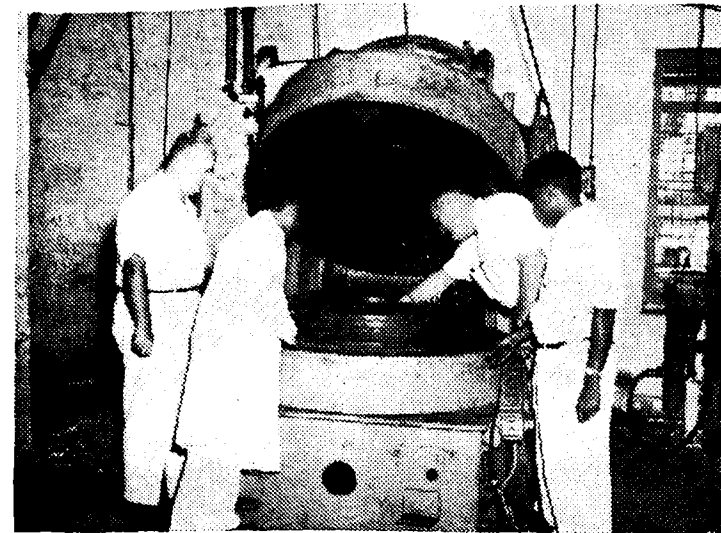
Besides providing technical know-how and machinery, Mansfield also participates with a one-fourth share in the equity capital. The U.S. government has allotted Rs. 5 lakhs as a loan to this joint venture from its Public Law 480 funds.

policy, supported by the united will of the family, must be followed in a continuous manner. Such a business must never become an almshouse for members of the family; rather does it constitute a responsibility towards the national economy.

Whatever methods of education and further training are adopted, the essential factor remains the promotion of an entrepreneur personality. Here in the family firm is the answer to the anonymity of power and the mass civilisation of our age. It is more necessary to day than ever before.

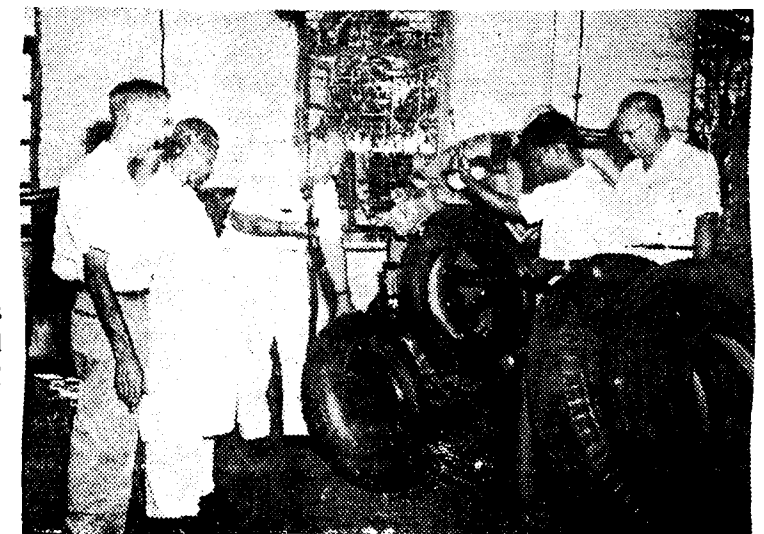
PILOT TYRE PLANT GOES INTO PRODUCTION IN MADRAS

As an Indian-American joint venture, the Madras Rubber Factory has started operating a pilot tyre plant in Madras.



1. Picture shows American and Indian technical personnel inspecting a tyre in the automatic curing press. Left to right: M. L. Bayer, head of the technical team representing the Mansfield Tyre and Rubber Company, Kuruvilla Lukose, production manager, Madras Rubber Factory, R. E. Schifer of Mansfield, and K. George, works engineer, Madras Rubber Factory.

2. Picture shows American and Indian technical personnel inspecting the operation of a debagger. Left to right: H. F. Leppert of the Mansfield Tyre and Rubber Company, Kuruvilla Lukose, production manager, Madras Rubber Factory, R. E. Schifer of Mansfield, K. George, works engineer, Madras Rubber Factory, and M. L. Bayer, head of the Mansfield technical team.



EXECUTIVES



Shri. G. L. BANSAL

Shri Ghamandi Lal Bansal, joined the Federation of Indian Chambers of Commerce and Industry as an Assistant Secretary in 1942, rose to Secretaryship in 1949 and is now its Secretary-General since August 1954. He is also the Secretary-General of the All-India Organisation of Industrial Employers and the Indian National Committee of the International Chamber of Commerce which are allied bodies of the Federation.

Shri Bansal represented the International Chamber of Commerce at the Fifth Session of the Economic Commission for Asia and the Far East in 1949; attended the International Labour Conference, Geneva, as a Member of the Indian Employers' Delegation in 1950 and 1951; in 1953 visited the United States of America as a Leader-Specialist on an invitation from the Government of that country; attended the 8th and 9th Sessions of the GATT, Geneva, as a Member of the Government of India's Delegation in 1953, and 1954 and the 17th Session in 1960; the 15th Congress of the International Chamber of Commerce in Tokyo in May 1955; the 12th Session of the ECAFE held in Bangalore in February 1956 as the Government of India's Delegate; and the Fifth Session of CAFE-ICC in Bandung in April 1956. He was a member of the Indian Industrial Delegation which visited Europe, America and Canada in 1957; visited Cairo twice in 1958 in connection with the Afro-Asian Economic Conference, and then again in 1960. He also represented India in Bandung at the Consultative Committee meeting of the Afro-Asian Economic Organisation.

OF INDIA



Mr. H. D. SHOURIE

Mr. H. D. Shourie started his career as a Civil Service officer of Punjab State. He worked in various capacities as Magistrate, Executive of Municipal Administration, and an Executive of Civil Supplies. In the Indian Administrative Service he has held important charges as Deputy Commissioner Relief, Director of Urban Rehabilitation, Deputy Commissioner of a District, and Director of Industries of Punjab State.

He was a member of the 1st Productivity Study Team which was sponsored by the Government of India to study the productivity drive in Japan. On the return of this Team he was given the assignment to promote the establishment of the National Productivity Council for launching productivity drive in the country. Since then he has been associated with the National Productivity Council in the capacity of Executive Director. In his capacity as Executive Director of the National Productivity Council he is a member of the Council of All-India Management Association, All-India Technical Education Council, All-India Board of Management Studies, and has been nominated on the Governing Body of the All-India Institute of Management Calcutta, All-India Institute of Management Ahmedabad, the proposed National Institute for Training in Industrial Engineering, etc.

MANAGEMENT PROBLEMS

The average business house cannot afford to retain any Management Consultants to solve their day to day Management problems. We have retained a panel of experts who would be happy to solve your problems. Subscribers are invited to send their Queries addressed to the Editor.

I. Question

It is quite ideal to give proper training to one's staff to make them better administrators. Bigger institutions could afford to have their own training wing. How would the smaller firm solve the problem of training their personnel?

Answer

The smaller firms could form themselves into a group either industry-wise or otherwise and have a joint training programme whereby the expenses and responsibilities are divided.

II. Question

On a proper appraisal of the personnel many companies are aware of the fact that they have in their staff people who are not upto the standard and whom in the opinion of the management could not be improved. What is the best method to deal with them, whether to dispense with their services or whether to allow things to drift as it is.

Answer

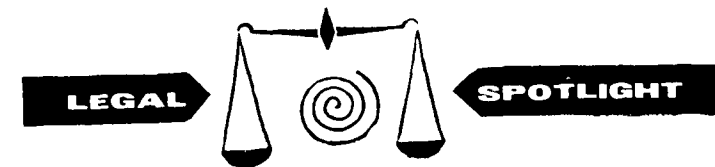
It is not correct to come to hasty conclusions. A person who is not fit for one job might with proper and careful training be able to do another job with satisfaction. If ample care is taken at the selection stage itself such contingency could have been avoided to a great extent.

III. Question

During the career of a junior executive he is constantly watched and his progress reviewed. Is it advisable to discuss with him his drawbacks and weaknesses.

Answer

It is certainly preferable to discuss with the candidate himself the progress he has made and his drawbacks so that he could devote more attention to that part of the activity where development is required.



FACTORIES ACT

QUESTION :

Whether a "mere open land" without a building where a manufacturing process is being carried on comes within the definition of "factory" under the Factories Act (1948) ?

NAME OF THE CASE :

Ardeshir H. Bhiwandiwalla
Vs.
State of Bombay.

FACTS OF THE CASE :

This is an appeal by special leave by Ardeshir H. Bhiwandiwalla against the order of the High Court of Bombay allowing an appeal by the State against the acquittal of the appellant of an offence under Section 92 of the Factories Act 1948 for his working a Salt Works without obtaining a licence. The salt works extended over an area of about two hundred and fifty acres. The only building on this land were some temporary shelter constituted for resident labour and office.

CONTENTION OF THE PETITIONER:

Clause (m) of Section 2 of the Factories Act reads as follows "factory" means any premises including the precincts thereof..... It was contended for the petitioner that the expression "premises" or the definition of the word "factory" means "buildings" that "mere open land" is not covered by the word "premises" and as there was no building except temporary sheds on the salt works, the Salt Works cannot be said to be a "factory". It was contended that the various provisions of the Act cannot be applicable to salt works where the process of converting sea water into salt is carried on. The expression "premises including precincts", it has been urged, clearly indicates that in the context of definition of the word "factory" premises meant only buildings as buildings alone can have precincts of any open land.

CONTENTION OF THE STATE:

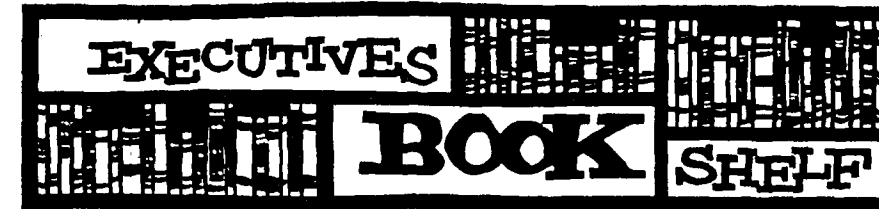
The expression "Premises including Precincts" does not necessarily mean that premises must always have precincts. Even a building need not have precincts. There is internal evidence in the Act itself to show that the word "premises" is not to be confined in its meaning to building alone. For example, Sub Clause (bb) of Section 7 of the Act requires the occupier of a factory to mention in the return to the Chief Inspector before his occupying or using any premises as a factory, the name and address of the owner of the premises or building including the precinct thereof referred to in Section 93. This sufficiently indicates that the word "premises" is not restricted in scope to buildings alone.

JUDGMENT .

The contentions of the appellant cannot be sustained. The word premises has now come to refer either to land or building or to both depending upon the context. The word premises is a general term meaning open land or land with building alone. The word "including" is not a term restricting the meaning of the word "premises" but it is a term which enlarges the scope of the word premises. So the Salt Works would come within the meaning of the expression "premises" in the definition of "Factory" and would be a factory if the work carried on there comes within the definition of manufacturing process.

INCOME TAX

QUESTION :	Whether in the case of a non-resident assessee, the depreciation allowance can be carried forward against the total world income of the assessee?
NAME OF THE CASE :	The Hukamchand Mills Ltd. Indore Vs. The C.I.T. Bombay City and Suburban District, Bombay.
FACTS OF THE CASE :	The assessee was a limited liability company incorporated in the State of Indore. The income earned by the company in British India in the assessment years 1940-41 and 1941-42 being more than the income earned by it outside British India, the assessee company was treated as resident for the purpose of assessment under Income-tax Act. The result was that the assessee company's total world income, that is, income earned in British India as well as in Indore State was treated as its total income. That amount of the depreciation determined for those years could not be completely set off against the profit of those years. The unabsorbed depreciation amount was carried forward to the next assessment year 1942-43. In that year the income earned in Indore State was higher than that of British India with the result for this assessment year the assessee was treated as non-resident. The prayer that the depreciation allowance can be adjusted only against the total income, this is against the income earned in British India was negatived by Tribunal. Hence the reference to the High Court.
CONTENTION OF THE ASSESSEE :	The assessee company having been treated as a non-resident on its total income is that which is earned in British India and the depreciation allowances can be deducted only from the total income and not from the total world income.
CONTENTION OF THE DEPARTMENT :	Sec 10 of the Act enumerates various heads of deductions in respect of which allowances, were allowed in computation of profits and gains of business profession or vocation. On a proper construction of the proviso clause (b) of section 10 (2) (VI) it can be easily seen that the depreciation deducted from allowance can be total world income.
JUDGEMENT :	Their Lordships referred to the provisions of clause (b) of the provisions to Section 10 (2) (VI) and expressed the opinion that the amount of unabsorbed depreciation allowance of the previous year assumed the same character and colour of the depreciation amount determined in the assessment and the question whether unabsorbed depreciation amount of the previous year was to be adjusted against the total world income would depend upon the determination of the question as to whether the depreciation amount for the assessment year was deductible against the world income or total income. It was not in dispute in the present case the depreciation amount determined for the assessment year 1942-43 was deductible against the world income of the assessee, and that being the position in Their Lordships opinion the depreciation allowance can be carried forward against the total world income.



By

J. L. Enos

Visiting Associate Professor Indian Institute of Management, Calcutta.

MANAGEMENT AND CORPORATIONS 1985

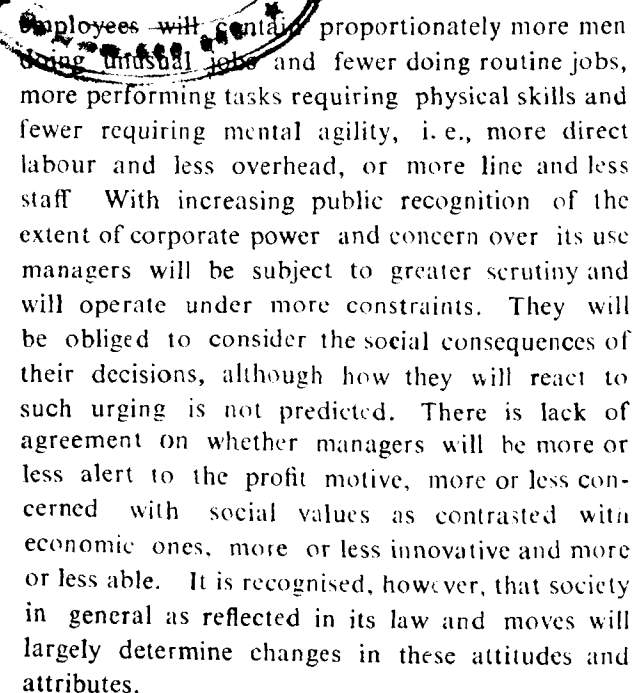
Management and Corporations 1985 (published by Mc Graw-Hill Book Company) consists of six papers and additional remarks delivered at a Symposium celebrating the Tenth Anniversary of the of the Graduate School of Industrial Administration at Carnegie Institute of Technology. In the Introduction, Dean G. L. Bach, one of the two editors of the volume, states its purpose:

"The business corporation has become a major power center in our society. This power — not only economic but social and political as well — raises serious questions in the minds of many observers, since the corporation is a private institution, subject to only partial controls designed to protect the public interest. How much of this power is necessary so that corporations can discharge effectively their major functions is a subject of substantial disagreement — as, indeed, is the broader question of just what is the appropriate range of corporate action, both vis-a-vis the

market and society at large and vis-a-vis the people who make up the corporation itself.

Thus, on what terms will corporations take their place in a democratic society? What will be their position vis-a-vis government and the public generally? Who will exercise the vast powers of the corporations? How will powers, rights, responsibilities, duties be assigned and be assured in performance? How should they be assigned and assured? To whom will the corporation and its managers be responsible in the world of 1985? To whom should they be responsible?"

The authors of the papers in attempting to answer these questions, draw a picture of corporations in the future that does not differ radically from that of the present. If the self-searching of the schools of business is any indication of their will to improve management education, the future manager will be better equipped intellectually for his job. With automation the ranks of industrial



As far as Indian management is concerned, the issue is whether **Management of the 1980s** is a logical extrapolation of present allowance — i.e., science fiction — or a collection of unproven hypotheses — i.e., prophesy. In other words, does the volume present a picture of things to come in India or is it merely an entertaining industrial fiction?

Certainly Indian management today bears little resemblance to its American counterpart. In general American managers are men of no particular family wealth and background, educated professionally, usually in Business Management but occasionally in the Law or Engineering; employed by private corporations with limited liability and

widely diversified ownership; granted almost complete authority over, and responsibility for the activities of their firms; and enjoying all the prerogatives, the obligations and the status of any professional class in society. Management is their avocation. The marks of a good manager are a respect for an encouragement of his subordinates, a realization of the strengths and weakness of his associates, an understanding of the industry and an ability to initiate change. Just as doctors work to become better doctors, rather than to start pharmaceutical companies, so the goal of American Managers is to become better managers, rather than to start their own firms. The business manager is other people's businesses. Success falls to the most capable and is measured not much in terms of income as of rank and influence.

Since Indian Management at the present bears little resemblance to American, one wonders if it will ultimately reach the destination period in **Management and Corporation 1985**. The significant question is will the gap between contemporary Indian and American management be closed? This is the crux of the matter, for there is a bigger difference between the two than between American management today and American management as predicted for 1985. For the Indian scene, a book addressed to this question would be more useful. The individual who is interested in the future of corporations and management in India would do better to turn to books — James Burnham's **The Managerial Revolution**, Peter Drucker's **The New Society**, and J. A. Schumpeter's **Capitalism, Socialism and Democracy** — which are better set in their historical context, more vital and more profound.

ives and Professional
: commercial laws)

2

[illegible]

erts in the field.
rm.

from time to time on the various statutes,
government and other authorities on the

Following branches of Law.

governing Contracts
relating to Carriage:
ation Act.
te., etc.

Rs. 18/-

Write to :

Efficiency Aids Private Ltd.

**40, General Patters Road,
Madras-2.**

Triumph of INDO-SWEDISH Collaboration

RAYALAS have achieved indigenous progress even during the 4th year, in the manufacture of Halda Typewriters.

We, however, regret that due to shortage in foreign exchange, we are unable to meet the heavy demand.

We are taking all the steps for the rapid fulfilment of complete indigenous manufacture. The day is not far off, when you can look forward to prompt compliance of your valuable orders.

**HALDA IS REALLY
WORTH WAITING FOR**

RAYALAS are also proud to announce that Haldas can be delivered in approved regional language keyboards on firm orders.



HALDA



*Sold & Serviced
all over India:*

THE RAYALA CORPORATION
PRIVATE LTD.,
25-A, Mount Road, Guindy,
MADRAS-32.

EVEREST

BUSINESS M/