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CHAPTER - VI.ROLE OF MANAGEMENT

In perfect competitive market the firms generally are single product firms and sooner or later the diseconomies start reflecting the limitations of managerial factor. And we find U shaped cost curves. But in reality we have noted that perfect competition is not found and firms are multi-plant, as well as, multi-product Plants are not uncommon. In this situation the modern managements try not to allow diseconomies to crop up. Modern firms are constantly adapting to a rapidly changing world, producing many products. The firms are rarely in equilibrium or without some spare resources with which to exploit any favourable productive opportunity. It is a firm which may grow by changing its form and by diversifying its products.⁶⁸ Modern science and technology, and business administration are helping the management to achieve growth. Modern production has become an affair of experts, as the

Ref : 68: ' Structure of competitive industry 'E.A.G.Robinson.

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production is co-ordinated and controlled by specialist. And so " the problem of the adequacy or inadequacy and the ---- centralized knowledge on which decisions are made will remain real problem and the really essential co-ordinating decisions must be handled and understood by a small group at the centre.⁶⁹"

" In recent times ". In a great many industries the ordinary life cycle of a design or a product is usually limited to ten years and is often under five years and more often then not it is less than that of the machinery used to produce it." " One of the fundamental problems facing a manufacturer in many -- industries is the choice between acquiring special tooling and equipment, that will turn out to-days product with minimum cost and using more versatile methods and equipment which will --- reduce the cost of turning over to the succeeding design and reduce also his loss if to-day's design becomes obsolete earlier than had been expected. " 70

All these problems in modern industrial world point out that the functions of modern management have become ----

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manifold. They have to constantly manouvre and adjust to a world of changing tastes, changing relative costs of plant and operative labor , of raw material and their substitutes, of changing techniques. They have to be abreast of time. This points out that the organizations should be suitable to manage the affairs in the plant.

In Kolhapur we know that the earlier -----
entrepreneurs were skilled and imaginative. ¹ But they are no more alive. The organization with which they started may not be suitable to their present firm. Nearly all these firms had one man to whom we can point as the creator of the firm. But with change in time, new organizations have to be found out to seize the expansion opportunities offered by the tempo of -- engineering activity. These small manufacturers of earlier - times persisted in attaining the next stage in their growth. They adopted modern methods of production and also ----- organization and management. Because decisions pertaining to complex things have to be taken quickly and decisively and -- without loss of time and they have to be co-ordinated. The - multi-plant firms have to be created for this.² We find out -

Ref : I : Mr. Mhadaba Mestri, Mr. M.Karajagar,
II : Menon group, Kirloskar-Ghatage group,
Kulkarni- group.

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that manufacturers had started multi-plant firms for efficient organization and management, and they are private/ Public Ltd. Cos., whereas small firms, component manufacturers have adopted proprietorship and partnership form of organization. In small firms, individual attention to detail is possible, and so we can say." A multiplicity of small firms may be evidence not of industrial back-wardness but of a wealth of managing ability."⁷¹ But one has to admit that managing ability in modern context should be developed in sophisticated technology and business administration too.

Types of management :

A study of industrial structure and its development has to include an analysis of the type of management for an understanding of the role of entrepreneur. In oil engine industry in Kolhapur, the manufacturers and assemblers have relied mainly on partnerships, private Ltd. Cos, Public Ltd. Cos, and co-operative. Out of the sampled units 17 were partnerships, 13 Private Ltd. Cos., 2 Public Ltd. Cos.,

 Ref : 71 : Structure of competitive industry". E.A.G.
 Robinson.

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2 were co-operatives The is supported by Table I of the survey undertaken, Partnership forms 50% followed by Private Ltd. 21% and co-operatives 15% . In Kolhapur co-operative -- movement is widespread but it has not covered the oil engine industry much. However Maharashtra Co-Operative engineering society, the manufacturers of ' Mayur ' is a great assistance to ancillaries, who are members of this society. Their number is 807.

The ancillaries are mostly proprietorships. 68.57% of the sampled small units were proprietorships, and 31% were partnerships. These entrepreneurs are skilled, they have ' learnt by doing, " but they are not educated and not in a position to take hints from changing industrial world. They remained unemployed during depression or recession. They can not do new things immediately, without learning it. They are experts in one line of production i.e. Diesel Oil engine.

Structure of the Organization :

I) In co-operative form i.e.(Maharashtra -- engineering co-operative) We find the administration is --

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entrusted to a managing committee consisting of a president, Vice President and managing director. The technical staff viz. engineer, works manager, accountant are assisted by supervisors foremen and clerks. As a result of this, quality control, sales management is possible. In partnerships we find manager, clerks and supervisors. They give individual attention to the work of production, management, sales, purchase and general ----- administration. In M/S Kolhapur Auto Works we find an example of a unit which was organized and started by a man of vision - and skill, now formed into a modern unit, combining ----- sophisticated technology and organization. They have separate departments viz. engineering section assisted by supervisors, foremen, job inspector, account section assisted by clerks , besides sales and purchase department and quality control -- departments are there.

In proprietorships we find the owner doing himself the work of a manager, organizer, " accountant, ----- supervision etc.

Thus in partnerships, the organizational structure is more or less uniform. The firms have started ---

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employing graduates in business administration and I.T.I. students, they had adopted modern methods of production.

These units manufacture diesel oil engines, -- besides these, they manufacture machinery needed in sugar textile industry, agricultural equipment.

The size of the firms :

The size of the firms is decided according to the number of persons employed, capital invested and capacity utilized.

Labour employed :

According to the persons employed, we find, that the sampled units surveyed reveal that 80% of the units -- employed less than 10 persons, 8.57% of the units employed more than 10 but less than 20 and the remaining above 20 -- persons. In these units help of family members was taken. The total number of workers in this group was 300. In large --- units surveyed the total number of workers employed was nearly 1139. Out of this maximum number was employed in Menon and - Menon followed by Kolhapur Auto and Maharashtra Co-Operative

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engineering society. In this group 7 units employed upto 50,6 units employed within 50-100 range, 3 units employed above 100 workers.

According to ownership pattern of engineering units also we find, in the sampled large units, 311 (37.06) workers were employed in private Ltd. units, followed by 257 (30.63%), 63(7.50), 14(1.16), 196 (23.12) partnership, Semi-govt. proprietorship and co-operative units respectively.

The sampled units in small sector of engineering industry are proprietorship units. This sector employed 59% - (177) workers in oil engines, 5% (15) in castings 16% (48) in repairs and spares, 14% (41) jobworking and finishing 4% (11) in steel welding and fabrication, 2% (8) in production of flywheel and others. Out of 1139 workers employed in the engineering (diesel engine) sector, 839 were employed in - large and 300 in small sector.

Capital invested :

Majority of the units employed in the -----
engineering industry are in small sector and the capital --

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employed is below 5 lakh rupees. Six units have more than 5 lakh of rupees as capital employed.

Table - 18

Capital structure of small and large units .

Total capital range.	Number of Units.
0- 5000	1
5,000- 10,000	3
10 ,000- 20,000	5
20,000- 30,000	3
30,000- 50,000	8
50,000- 100,000	8
100,000- 200,000	3
200,000- 300,000	2
300,000- 500,000	2
500,000- above	7

Thus the total capital employed in small scale units was nearly Rs. 4.49 crs, and 300 workers were employed . In large scale units 15 cr. of rs. were invested and 839 -- workers were employed.⁹².

 Ref : 72 : Based on information collected from these
 sampled units surveyed.

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Production :

In Kolhapur city out of a 10% sample of small units (35 small units) surveyed, 49%(17) were manufacturing oil engines, 6% (2) castings, 22%(8) repairs and spares, 11%(4) job working and finishing, 6% (2) steel welding and fabrication, 6%(2) production of flywheel (refer to Table no. 2) . The -- small units are mostly ancillaries and component and spare part-producers.

Many units in large scale fall in the category of multi-product plants. Besides one product viz. diesel oil - engine, they manufacture machinery used in sugar textile ----- industry and also agricultural equipment.

Capacity Utilization :

In order to know the productivity and efficiency, the capacity utilization of the firm is useful.

The large sized units as noted before ----- manufacture and assemble oil engines, besides they manufacture other items also. They purchase spare and component parts from

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other ancillaries also, If demand for oil engines declines or supply from ancillaries is irregular or not available in time, the continuity in utilization of the capacity is broken. This results in under-utilization of capacity in manufacturing and ancillary sector also. The underutilization is accompanied by unemployment, closure of units, idle capacities accumulated unsold stocks and a recessionary period.

The large sized units (in terms of labour, capital and production) have more capacities installed and more shifts worked during intermittent boom periods experienced upto ---- 1975-1976.

Estimation of Capacity Utilization :

The value of output lost can be estimated in --- several ways 1) one might estimate either the gross value of output or only the net income (wages and salaries, rent , -- interest and profit) 2) One can assume that 100% capacity -- utilization should be taken as the norm for calculating the loss of production. 3) One should take a lower figure say 90% of the capacity- as the norm for this purpose."⁷³

Ref : 73 : Capacity utilization in the manufacturing sector
commerce research bureau in "A" profile of Indian
Industry" edited by Vadilal Dagli Page 16.

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The utilization of the capacity in oil engine sector surveyed in Kolhapur city in the year 1975-1976 was 2.67% only. Total capacity of some units⁷⁴ was 89700 engines p.a. and actual production during that period was 2396 engines p.a. and 199 -- engines per month was the average. In contrast with 800 engines per month in 1970 and 1233 per month in 1969, it was 1377 engines in the month of June 1969. It (1969) was a peak period in -- Indian Engineering industry also.⁷⁵

Utilization of capacity in some units in Kolhapur.

Utilization range in p.c.	Number of units.
0 - 30	6
30 - 60	2
60 - 90	3
90 - above	1

The number of units with lowest utilization of the capacity was six and highest utilization of the capacity was

Ref : 74 : Worked out from the information presented in
Dr. Moktali R.L. Industrial development of Kolhapur
District.

75 : The Indian Engineering Industry " A.G.Mazumdar
T.N. 6.3. page 89.

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enjoyed by one unit only. The underutilization in a capital-short country is to be deplored it affects the entire industrial area. In 1969 recession, Kolhapur experienced the severe impact.

Factors responsible for underutilization -

1) The entrepreneurs generally take into account not only the immediate demand but the level of demand as it might emerge after 5 to 10 years. The units are started with capacity in excess of immediate demand.

2) Even if excess-capacity is not pre-planned - the occurrence of underutilization is due to 'teething troubles'. Such losses are inevitable.

3) Intermittant closures due to periodical repairs.

4) Strikes and lockouts.

5) Power failures.

6) Shortage

7) Inadequate demand. When close substitutes are available, the demand for one falls and for other rise.

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Underutilization in Kolhapur can be ascribed to the reasons given below

In 1969 there was optimism in engineering - - - industry of India. The estimated demand was 3,60,000 engines.⁷⁶ As a result in Kolhapur also with a view to benefit by this boom period the number of manufacturers rose by 12.9%, - - assemblers by 44.8%, component manufacturers by 37.5%.⁷⁷

But anticipated demand did not materialize and - - idle capacities persisted.

Strikes and lockouts are a regular feature in - - engineering industry in Maharashtra Absenteeism resulting - from it is an additional cause of underutilization e.g.

Annual rate of absenteeism in engineering - - - industry in Maharashtra.⁷⁸

Year.	Engineering Industry.
1965	13.4
1966	13.7

Ref: 76 : Engineering Industry of India " A.G.Mazumdar
E.S R F Page 89 T.63.

: 77 : Recession in Oil engine industry in Kolhapur"
Nagalya S I E T publication Hyderabad.

: 78 : Major labour problems in India 1967
R.K. Bajaj P.310.

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1967	14.9
1968	15.9
1969	14.6
1970	14.6
1971	14.5
1972	14.5

In Kolhapur also absenteeism is not unfamiliar..

Important reason for underutilization is decline in demand for oil engines, due to the use of electric motor - pumps. Earlier we have studied the factors influencing the demand for oil engines in Kolhapur.

The farmers find it cheaper to purchase and use - electric motors than the oil engines. The expenses incurred on mobil oil, repairs are 3-4 times more than the expenses incurred on electric pumps. It is (electric pump) cheaper and speedier to lift water and irrigate the land as compared - to oil engines.

Demand for oil engines depends on the prices of sugar cane. If the prices fall demand for oil engines also falls. So decline in demand for oil engines shows fluctuations in

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response to changes in sugar cane prices.

" If the elasticity of market supply is low, which it may be in underdeveloped economies, the movements in product price may bring about fluctuations in the acquisition of resources from outside the sector. These fluctuations in the resources obtained from within the sector, the prices of which are flexible. Unlike advanced economies the tractor power will be obtained from within but most of the implements and especially machinery (e.g. oil engines, pumps etc.) would be obtained from outside the sector in an underdeveloped economy." ⁷⁹

The demand for oil engines depends on the decisions of the farmers to use non-traditional implements. Uptill the sixties they preferred traditional to non-traditional implements, though demand for non-traditional (Oil engines) was gradually rising e.g. Between 1935 to 1941 the use of traditional implements was 82% and that of non-traditional was 18%. In 1955 to 1961 period the demand

Ref: 79 : "Capital formation in Agriculture. "

Tara Shukla page 51.

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for traditional implements declined to 61% and that of non-traditional increased by 39%. Similarly during 1935 to 1941 demand for oil engines was 72% and for electric pumps 28%. In 1955-1961, demand for oil engines decreased to 68% and that for electric pumps rose to 32%⁸⁰.

Thus we find " there is not only substitution between traditional and on-traditional implements but - - substitution takes place even among the non-traditional -- implements themselves (e.g. oil engines and electric pumps) with wide spread and cheap electricity the farmers may choose electric pumps. In Kolhapur also, as we have noted behind - that the demand for oil engines ~~has~~ declined in may of the talukas and that of electric pumps increased.

So long as 'underutilization persists' low costs of production following from fuller utilization will not - materialize either in large or small sized units and capital formation will not be achieved. Capital formation depends on optimum utilization of factors of production or production

Ref : 80 : 'Capital formation in Agriculture '

Tara shukla page 212.

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capacity 2) prices received for the sale of products 3) extent of surplus realized after meeting the expenses.

If the external factors i.e. inadequate demand, shortage of raw material, power failure, industrial disputes do not exist, the demand for oil engines would have increased as anticipated and there would have occurred" fuller - - - - utilization and all the economies of scale inherent in the - structure of oil engine industry as it is composed of - - - manufacturers, ancillaries, components and machine tool in Kolhapur. The utilization of excess capacity in these units will increase capital productivity and labour productivity and will make the cost structure more favourable."⁸¹ In the absence of the constraints on capacity utilization, engineering output can be increased over 1970 level if it is assumed - that capacity remains at that level.

Some of the units surveyed expressed their - - difficulties in getting raw materials in time and also power shortages.⁸² If the inter-dependence of these units is maintained - - - - -

Ref : 81 : The Indian engineering industry' A.G.Mazumdar.

: 82 : Refer to tables Table-10-A, 17, 14 (In II part)

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and built on strong basis these difficulties will not persist. It is a proven fact that the demand for oil engines for -- irrigation purposes has limited scope in Kolhapur district. If the units persist in the same production line, then they will have to search for new markets, marketing channels -- will have to be developed, or they should try to diversify the products. The firms do not grow simply by moving along cost lines. For growth they should try to diversify. The present chapter has given information about the type of organization found in Kolhapur engineering industry. It gives us the idea of manifold functions to be performed by the management, when the problem before the firm is not one of Survival but -- Survival with growth. The management has to consider all the technical, financial and marketing aspects of the product, -- they wish to manufacture and sell. In view of the change in demand for a product and a change in exogenous factors, the role of management is significant. The firms which could -- gradually diversify the product have survived others unable to do so have to face ~~other~~ difficulties.