

Memorandum of understanding, Edited by Prajapati Trivedi, International Management Publishers, New Delhi, India, 1990.

The public sector was assigned a responsible role in industrial development in free India. Public enterprises constituted the strategy for the achievement of the mission of free India. A large portion of scarce resources was invested in about 250 enterprises in this sector with a view to realise the objectives and goals established in the various five year plans. Unfortunately, there seems to be some disillusionment about their performance. It is commonly felt, as even staunch supporters of these enterprises also accept, that the desired results were not achieved.

A case has been made by the opponents of public sector for privatisation of these enterprises, giving birth to the two extreme alternatives : *Public Ownership Vs Private Ownership*. This debate generated a lot of literature on public enterprises, while the policymakers looked for a via media. The search led to many techniques and policies in the area of performance improvement of these enterprises. The underlying assumption is that these enterprises were not delivering the goods, and acceptance of these enterprises is dependent only upon their fulfilling the targets assigned. The policy of Memorandum of Understanding is one such policy for public enterprise performance improvement. Though the policy was initiated about twentyfive years ago elsewhere in the world, India is a junior member of the MOU club (1988-89). The policy of MOU is currently the most important policy initiative of the Government of India towards improving the public sector performance and image. The book under notice

is a timely publication in the underworked area of Public Enterprise Management.

The book is a collection of important articles highlighting the underlying principles of MOU policy and findings of experiments of the policy from both developed and developing countries. It is divided into seven sections—one section devoted to the theoretical underpinnings and the rest devoted to the practices of the policy in France, Senegal, Pakistan, South Korea, Bangladesh and India.

A public enterprise, unlike a private enterprise, operates as per a different control system. It has all the forward linkages common to a business enterprise. It has in addition, backward linkages with the concerned department/ministry of the government. It is dependent upon the government for resource allocations etc. In case of failure, the enterprises tend to highlight two factors :

- (a) Their failure is on account of delays/ failure of the government department/ministry to fulfill certain obligations, and
- (b) Social considerations of their performance have not been taken into consideration.

It is true that any management control system should take the wholistic view of the situation of an organisation. Some public enterprises might have suffered losses or could not achieve their targets on account of nonfulfilment of obligations by the government departments/concerned ministries. The pre-MOU performance improvement systems could not bring such factors into light. Most of the performance improvement systems are borrowed from those meant for private enterprises which are based on profit/profitability

and productivity. It is argued by the public enterprises that due weightage needs to be given to non-profit, social and qualitative aspects of their performance. MOU is a policy oriented in these broad directions.

An MOU is a simple negotiated performance agreement between the Government, acting as the owner of a public enterprise and the public enterprise. It is expected to specify the "intentions", "obligations", and "responsibilities" of the two parties. Once an MOU is signed the government is to leave the enterprise free to conduct its day-to-day operations. The enterprise will be evaluated for its performance at the end of the year. Thus, the policy grants operational autonomy to the enterprise while making it accountable. The MOU policy thus seeks to introduce a control by results than control by procedures. This policy attempts at solving the classical problem of the enterprises: they face "multiple principals" who have "multiple goals", which are often conflicting. An MOU specifies the "obligations of the government" as well as the "obligations of the enterprise".

In order to constructively evaluate a policy like MOU in the Indian context, the experience has been limited. It is still fresh on the Indian scene, as only 11 enterprises signed MOU with their administrative ministries/ Departments recently as in 1988-89. Many more enterprises are to join the bandwagon. Therefore, the author rightly provided a spectrum of experiences of both developed and developing countries mentioned above. The individual experiences may not be of much interest to an Indian reader, but have imposing relevance. The book is full of examples highlighting the potential pitfalls in introducing and implementing the system of MOU. A common thread that one can trace among the examples is the need for commitment on behalf of the government to stick to the policy of MOUs (In a democratic set

up, the ruling party can change. If the new government does not appreciate the commitment then becomes one sided, i.e., on behalf of the enterprise only). In the Indian situation, according to the author, the government is open enough to improve MOUs from batch to batch and has allowed a High Power Committee headed by the Cabinet Secretary and aided by a Special Task Force comprising of eminent intellectuals and management experts for evaluating the performance of the enterprise. The positive points seem to be the scope for improving MOUs :

1. Inclusion of various non-profit, qualitative aspects in the performance evaluation, and
2. Involvement of Task Force comprising of outside experts at both the MOU writing and well as evaluating stage.

The book gives a detailed account of MOU implementing practice in India in the last section. Typical MOU drafts have been included, which make the reader understand appreciate the MOU policy. The Government of India has not called for any public debate before introducing the MOU policy. As such when this policy was introduced many fears were expressed and many doubts remained. This current edition brings out all facets of MOU into the light leaving the reader to judge. It is not an on sided presentation from the point of view to appreciate MOU policy only as an analysis of MOU with other performance improvement systems is also presented. The book is a worthy contribution to the literature on Public Enterprise Management and Policy.

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