PRIVATISATION

Ground Realities

● P. BALA BHASKARAN

PRIVATISATION of the PSUs is talked about as a panacea for all the ills of the country. A year ago it appeared to be a passing fancy that will fade off with time. But contrary to expectations, today, economic compulsions are making it more and more imperative than ever.

Privatisation is the antithesis, the reverse process of nationalisation. For the last half-a-century, nationalisation has been the fad — from the Fabian socialist to the communist, from Great Britan to India to Israel to the communist block covering USSR, China, Cuba, Vietnam, North Korea and Eastern Europe. The enterprises covered transport, telecommunication, manufacture, energy infrastructure, public distribution — the whole works. As it turned out, most of these enterprises in many of these countries did not perform well. As these enterprises accounted for gigantic investments, they became burdens on the respective national exchequers. The search for solutions led to the question: Why not denationalise?

Today, economic compulsions have resulted in the increasing privatisation of public sector units

The World Scenario

Mrs Margaret Thatcher was the first to grapple with such a predicament: an ailing economy and a dragging public sector. Grapple she did with a steel grip and an iron will. During her tenure spanning the 1980s, British public sector literally reduced its size to one half. Many of the ailing public sector enterprises became fully privatised, profit-conscious enterprises. British Airways and British Telecom are classic illustrations.

In France, the trend was started with the privatisation of Saint-Gobain, a glass and engineering group; Banque Paribas, an investment bank; and Group Des Assurances Generales-de France, an insurance company. Since then there was no looking back.

In Germany, privatisation started with the Federal Government reducing its shareholding in Veba Energy group from 43.7 per cent to 30 per cent. Next in the line came Viag, a conglomerate in energy, chemicals and aluminium, Praklaseismos, a company engaged in geophysical R&D, and IVG, a conglomerate engaged in finance and engineering. With unification in 1989, the privatisation efforts got a massive impetus. The erstwhile East Germany's assets valued at $300 billion spread over 8,000 state-owned entities are to be privatised over a 20-year plan horizon.

The Italian scenario in the mid-1980s was characterised by massive government deficits — something very familiar to India. The search for a remedy led them to sell 20-odd industrial enterprises and half a dozen banks, besides increasing the private holdings in many public enterprises.

Japan started privatisation in the mid-1980s by transferring, through legislation, the telecom systems, telegraph and tele-

The author is a senior executive in a public sector undertaking phones, the state tobacco, etc. This was followed by privatisation of railways and airlines with remarkable improvement in the bottom lines.

Lessons From The World-over

(a) Changes in attitude

There have been perceptible changes towards making the enterprises customer-friendly and result-oriented.

(b) Goal orientation

Objectives, goals and targets are more clearly spelt out. Platitudes and rhetoric are replaced by determination to achieve goals and targets.

(c) External interferences

Shareholders are no more represented by the impersonal monolith of the state; they are more concerned about the bottom lines. The decision-centres have shifted from the corridors of the secretariat to the board rooms of the companies. On the whole, external interference has been reduced.

(d) Market as the touch-stone

Every product and every service has to justify itself in terms of its market acceptability and economic viability. Introduction and continuance of a product or a service, as also product innovations, are decided on market considerations only.

(e) Customer orientation

In order to improve the bottom line and to face the increasing competition, there is increasing pressure to create lasting relationships with customers.

(f) Professionalism

There is increasing emphasis on upgrading the skills of employees and creating expertise and professionalism.

(g) End of the free-lunch era

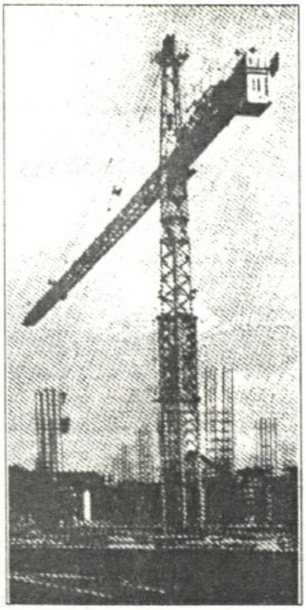
The concept of subsidising products and services is no more feasible.

Why Privatisation In The Indian Context?

● With liberalisation of the economy and the consequent reforms, the PSUs will find that the protected resources and protected markets do not exist anymore. This is pertinent to financial resources also. The PSUs will need to find alternate markets and sources of sustenance. Privatisation will help in this process.

● Privatisation will ensure, or rather demand, more transparency in operation; it will help gear up the organisation for the competition ahead.

● Privatisation will help the present shareholders to recoup their investment, perhaps at significant profits.



The removal of the licensing system has and will cause tremendous spurt in the industrial activities; this will mean intense competition and many of the protected markets enjoyed by the PSUs till now will just wither away. This is a very important development in the history of privatisation.

The Indian Experience

Privatisation in the Indian context can be perceived in the following three phases.

● Phase 1: Organisational transition from government departments to antonomous corporations or companies.

● Phase 2: Opening up of the sectors hitherto reserved exclusively for government/public sector; and, dismantling of licence-raj.

● Phase 3: Dilution of government holding in PSUs.

Phase-1 of Indian's privatisation has started long ago albeit in a small way. Most of the manufacturing activities under the control of the government have been converted into companies over the years since independence. The level of autonomy has varied; in many cases the autonomy has increased over the years. There are many activities which are still to undergo this organisational transition. For instance, power generation and distribution are primarily vested with the various electric boards. In the late '70s, we created NTPC, NHPC and others to supplement the efforts of the electric broads. Aircraft manufacture, which is exclusively under the control of the Government of India has been put under a company format (Hindustan Aeronautics Limited — HAL).

Phase 2 of the Indian privatisation experience has gained momentum only recently. There are two parts here and let us look at each separately.

We have kept many of the economic sectors tightly reserved for the PSU/government sector. Only in the last two years have we breached the walls slightly. Examples are the permission given to air-taxi operators, thinking to allow private sector into the construction and management of bridges, highways and other infrastructure, etc. Management of ports is still strictly with the government. There is a tendency to allow private parties to manage some of the port or at least some of the activities related to ports management. Ordnance factories are exclusively with the government. There is no thinking yet to either convert them into the company format or to allow the private sector into this area.

The other aspect is the dismantling of the licence system enabling any enterprise to embark upon any new project or expanding capacities. This is a phenomena of the '90s; earlier, each new project or additional capacity had to be approved by the government which was an elaborate exercise. Now only a small segment of the industrial activity is kept for close scrutiny in allowing new capacities. The removal of the licensing system has and will cause tremendous spurt in the industrial activities; this will mean intense competition and many of the protected markets enjoyed by the PSUs till now will just wither away. This is a very important development in the history of privatisation.

Phase 3 of Indian privatisation is the dilution of government holdings in the PSUs. For such dilutions, the PSUs have to be reconstituted in the company format. So, initially the attempt is on with the PSUs that are already in the company format. Let us look at the major types of privatisation efforts taking place in India.

Type 1: The Joint Sector Route

The most common variety is the promotion of a new project with the government or its agency and a private business house/industrialist/technocrat as co-promoters. The shareholding pattern is 26 per cent by the government or its agency, 25 per cent by the private promoter and 49 per cent by the public. In not too large projects, the shareholding pattern is 51 per cent by the government or its agency and 49 per cent by the private promoter. This type of joint ventures (we may call it green field privatisation) have been in vogue since the early '70s; such projects have been promoted by the state governments and their development agencies.

Some examples are Maharashtra Scooters Limited, Gujarat Ambuja Cements Limited, Gujarat Heavy Chemicals Limited, Indo Gulf Fertilisers Limited, Southern Petrochemical Industries Corporation Ltd, etc.

Another variety of joint sector projects is where the government or its agency has promoted the project with active participation of the public. In these projects, the government or its agency is the dominant share-holder (perhaps holding 51 per cent shares) and there is no major private business house as a co-promoter. Rest of the shares are offered to the public through an initial issue. Examples of these are Gujarat State Fertiliser Company Ltd, Gujarat Alkalies and Chemicals Ltd, Gujarat Narmada Valley Fertiliser Company Ltd, etc. Such ventures have been rarely successful; the primary reason is that the government or its agencies are seldom good business people. The exceptions are perhaps found only in Gujarat.

Type 2: The disinvestment route

This route has been adopted selectively to bring about change in management. Cases of this type are observed more among the PSUs promoted by the state governments and their developmental agencies. An instance is the case of Alwyn Nissan Limited, a joint sector company between Hyderabad Alwyn, an undertaking of the Andhra Pradesh government and Nissan, Japan, to manufacture Light Commercial Vehicles (LCVs). Within the initial few years, the company accumulated huge losses. In order to revive the company, the Mahindras were invited to participate in the equity capital by acquiring the shares held by the Andhra Pradesh government. The company became Mahindra Nissan Limited and under the management of the Mahindras, it achieved a remarkable turnaround in less than three years.

Another case is that of Mangalore Chemicals and Fertilisers Limited. The company had been promoted by the Karnataka government and it became sick. In an attempt to revive the company, the Karnataka government transferred bulk of its holdings in favour of the UB Group (Vijay Mallya). The rehabilitation programme is under implementation.

A similar effort is on in the privatisation of IISCO (India Iron and Steel Co Ltd), a PSU under the SAIL.

TYPE 3: Sale Of Assets/Divisons

This route has not been attempted in any recent case. All the same, it offers a feasible approach to improve the bottom line. When a PSU has multiple divisons and when one of these divisions is not performing as it should be, then it is advantageous to sell off or lease off that division to someone else who is better equipped to manage it efficiently. This will ensure that the inefficient divison does not become a drag on the rest of the organisation. The decision is based on considerations of synergy of the assets visa-a-vis the main object of the company.

For instance, all the major PSUs in Bangalore have large fleets of buses to transport their employees. This was necessary in the '50s because the public transport system in Bangalore was woefully inadequate to ensure proper transportation of the PSU employees to their places of work and back. Hence, each of the PSUs had to invest significant resources, manpower and managerial attention into operating a fleet of buses. At the same time, operating a fleet of buses was never among the prime objectives of each of the PSU and it will be worthwhile to hive-off these transport divisons out of these PSUs into one or more specialist transport organisations.

There is a lot to gain in terms of fleet utilisation, route management and transport availability to the employee-commuters and the general public of Bangalore. For the PSUs, it will release significant blocked investments in assets, reduce the manpower strength significantly and help concentrate managerial attention on the prime objectives of the organisation.

Such hiving-off efforts can be attempted in the case of large townships, schools, colleges, hospitals and many other assets built up by the PSUs. However, there has been little or no attempt in this direction presumably because of the mental blocks at politico-bureaucratic-Managerial levels and also because of the ground level compulsions of employee and trade-union attitudes.

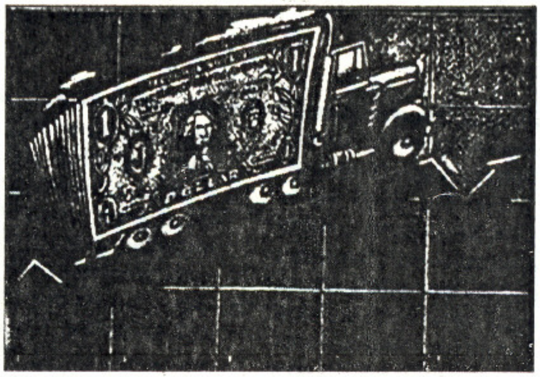
Every product and every service has to justify itself in terms of its market acceptability and economic viability. Introduction and continuance of a product or a service, as also product-innovations, are decided on market considerations only

In the years to come, it is likely that this route of privatisation will begin to be adopted in a big way.

Type 4: Capital market-Mutual fund route

This route has been tried out recently with a number of central PSUs. To begin with, the shares of the PSUs are entirely held by the government and they are not listed or traded in the stock exchange. So a portion of the government holding (minimum 20 per cent) is sold to one or more mutual funds (MFs) at a negotiated price. The mutual funds act as market-makers and off-load the shares in the capital market after the shares are listed. This will initiate trading of the PSU shares in the stock exchange and the PSU will begin to experience the markets' assessment of its shares. After six, 12 or 18 months, the PSU can enter the capital market to raise resources by way of equity or debentures or a combination of both at a premium that is acceptable to the market. Alternately, the government can do further disinvestment after experiencing the market's assessment of its shares.

Most of the central PSUs have adopted this route in the recent spate of privatisations. However, a few of them have followed this up with a listing of their shares and/or subsequent public issues.



At the same time, operating a fleet of buses was never among the prime objectives of each of the PSU and it will be worthwhile to hive off these transport divisions out of these PSUs into one or more specialist transport organisations

Type 5: Capital Market — Direct Entry Route

Under this method, the PSU enters the capital market with an 'offer for sale' for part of the holding of the government or enters the market with a public issue of shares, thereby enhancing the equity capital. In either case, the PSU can choose a premium commensurate with its intrinsic value and the market sentiments about the scrip.

Recently, the IPCL (Indian Petrochemicals Corporation Ltd) adopted this route and entered the capital market with a premium of Rs 165 per share of Rs 10. The MF route allowed the premium to be established over a period of time; this will in turn operate as a benchmark for subsequent public issues or further disinvestment by the government. In the direct entry, the premium needs to be fixed a priori based on the perceptions of the issuer and its merchant-banker. This is very often a tricky business. Hence this author would rather the PSUs adopted the MF route.

Impediments

Conceptual-psychological barrier: We have been trained and brought up in an atmosphere that believes that certain industries and systems need to be owned by the public; only then can they function in the best interest of the general public. The public ownership concept is concretised through ownership of the enterprises by the government; the implicit assumption is that government is the natural, logical and most appropriate surrogate for the general public for owning the enterprises. Decades of experience of the PSUs all over the world including India have raised basic questions on these premises.

(i) Is it necessary for the general public to own enterprises to ensure public good?

(ii) Is ownership by the government as good as ownership by the general public?

The present state of the PSUs and the economic compulsions have more or less decided the debate in favour of privatisation. However, the issue that is yet to be resolved is the extent of ownership required to exercise effective control over the PSU.

The moment we dilute government ownership from 100 per cent, the PSU comes under the glare of external professional scrutiny. There is a psychological barrier to let in this stage, especially in the government. There is tremendous apprehension among the people manning the government about the ushering in of this stage. There is scepticism about rubbing shoulders with directors representing the public shareholders. There is fear about the company not obeying the diktats of the government which are considered the ultimate in public interest; and a host of similar other fears. This is the first stage of the conceptual-psychological barrier. In the central sector, through the recent spate of privatisation in 1992, many PSUs are in the process of crossing this threshold. In the state sector, especially in some states, we have a number of examples that have passed this stage: Gujarat Alkalies and Chemicals Ltd and Gujarat Lease Financing Ltd are a few cases to cite. However, this does not mean that there are less barriers in the state sector.

The next stage of the psychological barrier is to dilute below 51 per cent. The fear is that suddenly the government becomes a minority and the control of the entity goes out of the government's hand. Theoretically, 26 per cent holding is fairly adequate to ensure control of the entity. If there is no other group with bigger holding, then 26 per cent is more than adequate to ensure control of the entity. So the fear is unjustified and unfounded.

Another aspect is the requirement of audit by Comptroller and Accountant General (C&AG). When the government holding is more than 50 per cent, audit by C&AG, scrutiny by the Public Undertakings Committee (a committee of legislators), etc, becomes statutory. These types of audits, by and large, increase the plethora of audits the PSU has to attend to. When the government shareholding goes below 50 per cent, these requirements are no longer obligatory. So there is a psychological feeling of the enterprise going out of the control of the government. The utility of such close controls can be assessed by the history of the PSUs in India; this author's assessment is that such controls have been more of a constraint in the operations and growth of the PSUs rather than serving any useful purpose.

The existing systems of control are very tight. The issues the Government will have to address are related to the efficacy of the control systems, desirability and extent of control in the light of the overall objective of promoting the specific PSU. Obviously this is a grey area even with those states that have taken a lead in privatisation efforts.

Interests: The decision process in the government cannot be isolated from the interests of the groups functioning within. In the Indian context, the main interest groups are the political system, the administrative system and the employee-groupings within the PSU.

The political system is interested in the status quo of the PSU where the PSUs have been helpful in supporting the politicians in one way or the other. This could be in the form of positions on the boards and advisory committees of the PSUs, opportunity to lead massive trade unions, opportunity for direct investments, services and pecuniary benefits to desired territories and groups and a host of other direct and indirect benefits. Many of the PSUs have created, over a period of time, insulating mechanisms against such onslaughts and so not all of them have been catering to all of these. However, each PSU has been providing one or more of these in varying degrees. Each PSU is perceived by the political system as a potential candidate for direct or indirect benefits and thus oneset of privatisation will be perceived as a threat to this equilibrium.

The PSUs in India have been subjected to close monitoring supervision and control. This exercise is achieved through the bureaucratic system and thus the bureaucratic system has got embroiled in the affairs of the PSUs and their decision process. It has been manning positions in the boards, advisory committees and of CEOs. It has been involved in major decisions such as foreign collaborations, capital investments, import of capital equipments and so on. The bureaucratic system exists as a close-knit group and the actions of the group or its members are, by and large, governed by certain rules, written and unwritten, that will ensure the continuity and interests of the group. The privatisation process is a threat to this equilibrium situation. Hence the bureaucratic system, despite lending lip-service to the concept of privatisation, would only try to dilute the privatisation process.

The Indian PSUs are characterised by large workforces, overstaffing, low productivity levels, high wage structures, etc. The process of privatisation brings in emphasis on productivity improvements, manpower restructuring and the like. These are issues of uncertainty to the employees of the PSUs and hence their apprehensions. The trade unions, because of the size of their membership, have extensive clout with the political system. The top echelons of the PSUs are dependent on the bureaucratic and political systems for major decisions. This peculiar structure has empowered the trade union leaders to a great extent. The privatisation process is a threat to this structure; trade unions and their leaders will perceive it as an attack on their power base. So they will oppose the move for privatisation. Their arguments may be different and could be couched in socialistic rhetoric; but the underlying issues cannot be different.

For example, take the arguments raised by employees and the trade unions against the privatisation of IISCO, or the arguments raised by bank employees against financial-sector reforms or the arguments raised by the employees and the trade associations of Indian Airlines against the open-sky policies.

The existence of such conflicting interests and interest-groups makes the privatisation process arduous. In fact, the present state of affairs of the Indian PSUs is the direct result of these interests and interest groups; the goals perceived and persued by the different interest-groups are invariably different from the stated goals of the PSUs.

Inertia of the system: The existence of such powerful interests and interest-groupings tend to create, within the PSU system, a gigantic inertia against any change. When one talks of change, he has to reckon that he is asking for a change in the prevailing equilibrium conditions. The energy required for such a change, which could be in the form of a head-on collision, will be enormous and the costs heavy and painful. So gradual transformation is perhaps more desirable. But the chances are that the inertia of the system may make the transformation too slow. Besides, the economy with such significant investments in the PSU system cannot wait for a prolonged transformation period. What can be thought of is to create situations that will compel the interest groups to opt for change, though reluctantly. This calls for innovation and also tact.

Strategies for privatisation

★ **Strategic reorientation of business:** The first step before embarking upon the privatisation process is a relook into the strategic directions pursued by the PSU, identifying the strategic options available to the PSU and a choice of the long-term strategies. All these aspects together are referred to as strategic reorientation.

Why is an exercise in strategic reorientation necessary? The reasons are many.

- Most of the PSUs are characterised by an absence of strategic perspective. Their planning horizon does not extend beyond the current financial year.
- Many of the products and services offered by the PSUs are simply not remunerative. These were historically offered for social or developmental reasons and perhaps in a protected market. The protections hitherto available in

the market segments as well as the procurement segments (materials, utilities, etc) are no more available. The PSUs need to readjust to this reality.

● Many of the assets owned by the PSUs are just not functional, leave alone being profitable. Many of these assets have been acquired as a result of nationalisation such as in the case of the NTC. Some of the assets and production units are technologically obsolete but they continue to be in operation for reasons other than economic. The PSUs need to take stock of this situation.

● The productivity and skill level of the workforce are invariably low; the strength of the workforce and the annual manpower costs are significantly high. The implications of this situation need to be assessed before embarking upon any long-term plan.

These circumstances warrant a detailed analysis of the strategic options available to the PSU and the PSU need to formulate a medium-term plan of action for a total turnaround. The exercise of strategic reorientation is neither easy nor painless. In carrying out this exercise, the PSU will need to avail external expertise at the same time involving various segments of the PSU, through task forces, open discussions, etc. It is essential to create an awareness of the need to change among the people within the PSU and obtain their active involvement. The analytical skills required for this exercise may not perhaps be fully available from within the PSU. The Chief Executive has to probe, evaluate and decide on these aspects very skilfully.

★ **State of the balance sheet:** Traditionally, balance sheets have not been getting adequate attention in the PSUs. The annual reports are finalised in most PSUs rather late. There has been little or no emphasis on financial indicators such as debt equity ratio or EPS. Essentially because profit has been an ugly word, equity or debt made little difference as both of them came from the same source, namely, the government.

Now when the PSU has to enter the capital market, the financial indicators assume significance. It is desirable for the PSU to give due attention to this aspect well in advance, say two years, ahead of entering the capital market. Some of the aspects in improving the balance sheet are listed below.

(a) Equity base

Many PSUs will find that their equity bases are much larger than what their overall operations warrant. Also, such a PSU will find that its equity base is much larger than that of a comparable private corporate sector company. This situation makes the EPS of the PSU much smaller than those of comparable companies. This situation can be illustrated by a comparison of the equity base and performance results of SAIL and TISCO for the year ended on March 31, 1993.

		SAIL	TISCO
Share Capital	(Rs crore)	3956	279
Reserves	(Rs crore)	1390	1708
Capacity	(Million tonnes)	8.86	2.1
Production — Saleable steel	(Million tonnes)	8.33	2.08
Sales	(Rs crore)	10527	3423
Gross profit	(Rs crore)	1152	328
PAT	(Rs crore)	426	127
EPS	(Rs per share)	1.08	4.90

On the basis of EPS, SAIL compares poorly with TISCO. But on the basis of return on networth, SAIL has performed better (8 per cent vis-a-vis 6 per cent). On the basis of value addition, the performance is not significantly different (SAIL 38 per cent vs TISCO 41 per cent). TISCO has accumulated a huge amount as share premium reserve and hence its share capital is relatively lower. In the case of SAIL, there is nothing like share premium reserve; everything is brought as share capital. Hence, the higher share capital.

Can such an anomalous position be rectified? To some extent, yes, by one of the following methods: (a) increase the capacity utilisation if at present the capacity is underutilised; (b) change the product-mix to increase the overall margin; (c) improve the productivity by achieving economy in operation; (d) reduce the capital base, if possible, through clever and innovative capital restructuring. The first three options are related to operations and hence within the internal purview of the company whereas the last option requires statutory clearances and hence is rather difficult but not impossible.

The SAIL has realised this rather belatedly. Now after the disinvestment by the Government of India, it is pursuing a proposal of capital restructuring to make the EPS comparable to that of TISCO. A parallel case of British Steel is available to cite where the British government had shrunk the equity capital of British Steel from $ 3.98 billion to pounds 1 billion by transferring pounds 1.957 billion to capital reserves, transferring pounds $ billion to capital reserves, transferring pounds 0.381 billion to distributable reserves and simply writing off pounds $ billion. All this was done before disinvestment by the British government. In case of SAIL, a proposal that is compatible within the provisions of the company's law has to be worked out. This type of exercise in capital restructuring is relevant for almost each and every PSU.

The existing systems of control are very tight. The issues the government will have to address are related to the efficacy of the control systems, desirability and extent of control in the light of the overall objective of promoting the specific PSU. Obviously this is a grey area even with those states that have taken a lead in privatisation efforts

(b) Long term debts and debt equity ratios: Major portion of the long-term loans enjoyed by the PSUs are from the government at low rates of interest. Many of them are government-guaranteed bonds with low coupon rates. Consequently,

the interest bruden on the PSU is lesser in comparison to the interest burden on a private corporate entity availing equivalent volume of debts. Despite this advantage, many of the loans from the government are converted into equity very often to further reduce the interest burden. Such practices have tended to skew the debt equity ratio.

Now suddenly the sources of such soft loans are drying up. The government is unable to extend guarantee to all the loans/ bonds and is increasing the interest rates on its loans. With reduction in the statutory liquidity ratio (SLR), this position is only likely to aggravate further. So the PSU is being compelled to borrow more from the open market at prevailing interest rates.

One of the major steps before privatisation is to ascertain the sustainable level of debts, serviceable level of equity and an optimum mix of the two. A medium-term plan should be formulated to achieve the optimum mix.

(c) EPS: A deliberate and conscious effort will be necessary to shift focus on the EPS. A starting point will be a comparison of the present EPS with the industry norm, especially among the private corporate sector. A medium-term action plan must be drawn up to change the EPS to a level comparable to or better than the industry average.

MIS: Many of the PSUs have built-up excellent management information system (MIS). But many others have not given adequate attention to this aspect. An efficient MIS is a prerequisite for efficient operation. While planning for privatisation, one of the thrust areas will be the creation of an effective MIS. This can be started by asking the major divisions to report on its performance on specific performance indicators on a regular basis (weekly, fortnightly, monthly, etc). Shortly thereafter, standard reporting systems should percolate to lower level organisational units. It should be possible to develop a culture of MIS in a period of six months to a year.

Organisational structure: The exercise of strategic reorientation of business will necessitate changes in the existing organisational structure. A detailed study will be required perhaps, with external professional help, to identify a structure suitable for the new orientation of business selected. Further, a medium-term plan will have to be drawn up to transform the present structure into the new structure desired.

Human resources: Some of the PSUs are credited with having evolved the best systems in human resources management. But most of the PSUs do not belong to this category and here, very little has been achieved in evolving human resources management systems.

> ***The existence of powerful interests and interest-groupings tend to create, within the PSU system, a gigantic inertia against any change in the prevailing equilibrium conditions. The energy required for such a change, which could be in the form of a head-on collision, will be enormous and the costs heavy and painful. So gradual transformation is perhaps more desirable.***

Before privatisation, or simultaneously with privatisation, concentrated efforts should be initiated in this field. Some of the thrust areas to be addressed to are:

★ Skill upgradation/re-orientation

★ Performance evaluation system

★ Job rationalisation and enrichment

★ Productivity.

In most situations, voluntary retirement schemes can also be helpful in rationalising the workforce.

Corporate reputation: This area has very often received little attention, especially among public sector enterprises. A good reputation becomes a strategic asset and should get the same attention as does finance, production, marketing and other functional areas. Corporate reputation can be built up over a period of time through the articulation of the corporate vision, strategy and also the attitudes of the all people concerned with the organisation.

A successful organisation will have a clear sense of what makes its reputation. It will have in its collective conscience strong values which shape the behaviour of its employees and keeps alive the best traditions inherent in the mission of the organisation. This calls for communication with the people the organisation depends on — employees and outsiders alike — about what the organisation stands for.

Traditionally few of the public sector organisations have conceived and achieved this type of emphasis; all along, they have been doing the public relations (PR) function which is a distorted shadow of what is called for. In a stage of transition that is envisaged in the privatisation process, the task of effective communication and managing the change becomes much more challenging.

This calls for creating an organisational unit within the PSU that is equipped in terms of skill and experience to handle this delicate task. The efforts in creating a change in the environment and building up the corporate reputation should begin well ahead of the privatisation process.

Conclusion

Privatisation has ushered in a new era all over the world. Talking about privatisation is easy but implementing it may not be so. As in any process of change, there will be tremendous resistance. So the transition needs to be brought in very carefully and the impediments need to be tackled tactfully. There is need to do the homework in a systematic manner; only then can we bring about the desired change without pain, panic and trauma.