

TRUSTEESHIP IN INDUSTRY : GANDHIJI'S DREAM AND CONTEMPORARY REALITY

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INTRODUCTION

Though Gandhiji is adored by his countrymen as the Father of the Nation, his teachings and beliefs appear to hardly inform the policies of the Government, or the behaviour of the people he died for. The fate of his trusteeship theory well illustrates this point. Although all the Cabinets at the Centre since independence had been manned by the people who claimed to be Gandhites, there was not a single industrial organisation based on his trusteeship model till 1981. Till today - only two trusteeship-based organisations have been established in the country - the first one in the private sector in 1981 and the second one in the cooperative sector in 1985. The first one closed down in 1985, but the second one is still operating.

ESSENCE OF TRUSTEESHIP IN INDUSTRY

The Gandhian model trusteeship is an interesting and innovative model of ownership and management of industrial and business organisations basically deriving inspiration from the philosophy of Bhagvad Gita. As such, it is a theory based on the Indian thought and ethos. In the trusteeship theory the owners and managers of industry/business are to consider their wealth and assets as belonging to God and society and not as their personal property. They are to manage and handle all these assets only as trustees and would be entitled to the reasonable amount needed for their sustenance out of the earnings of these assets as their remunerations.¹ In his address to the millowners of Ahmedabad, Gandhiji said, "What I expect of you ... is that you should hold all your riches as a trust to be used solely in the interest of those who sweat for you . . . I want to make the labourers co-partners of your wealth".² Later he elaborated his concept further in his writings and speeches. At one place he said, "Supposing I have come by a fair amount of wealth - either by legacy or by means of trade and industry - I must know that all the wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to community and must be used for the welfare of the community".³

In one of his earlier comments on the subject, he threw further light on the management of the trust property. "As for the present owners of wealth, they

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would have to make their choice between war and voluntarily converting themselves into trustees of their wealth. They would be allowed to retain the stewardship of their possessions and to use their talent to increase their wealth, not for their own sake but for the sake of the nation The state would regulate the rate of commission which they would get commensurable with the service rendered and its value to the society".⁴ In his trusteeship model, Gandhiji wanted that the workers should also be regarded as trustees and they should consider themselves so. In his address to the Labour Union of Ceylon in 1927, Gandhiji observed, "Each of you should consider himself to be a trustee for the welfare of the rest of the fellow labourers While you would insist on adequate wages, proper human treatment from your employers, proper and sanitary lodgings, you will recognise that you should treat the business of your employers as if it were your own business and give to it your honest and undivided attention".⁵

The natural question that concerns us in this context relates to the implications of the Gandhian model of trusteeship for the style of management. Here one of our difficulties stems from the limitations of the scope of the empirical observation of the managerial style of the managers or employers who may be considered as the "trustees" in the Gandhian sense of the term. In fact, Gandhi himself stated that among his contemporary industrialists or employers, only Jammalal Bajaj "came near, but only near" his model of a trustee.⁶ Even more than 40 years after his death, no private sector employer could be identified as a representative figure practising trusteeship. The two known experiments of trustee organizations in India - one of which failed and the other still in operation - also do not give us sufficient scope of empirical generalization, as both of them had been created to propagate this model by persons believing in trusteeship ideal. They were given the advantage to start with a sheltered market and conditions deliberately created to help their operation. Hence as the indicators of trusteeship styles of management we do not have many examples to observe. Thus this style has to a great extent to be conceptually understood on the basis of identified characteristics of the Gandhian model of trusteeship.

We may now note here, on the basis of writings of Gandhi, that the main characteristics of his trusteeship model are the following : (1) A trusteeship organization is one where the employees, employers and managers regard themselves as 'trustees' to develop and utilise wealth for the benefit of the community, retaining the minimum amount for meeting their own needs. Thus, they do not consider their activities as means to create wealth for their own enjoyment and appropriation, but as a duty without the expectation of fruits beyond their bare minimum. In this respect, the relationship of this model to Geeta's teaching is distinctly clear, (2) Workers are also to be regarded as trustees of assets of the organization and should regard themselves as such, (3) In accordance with workers' role and status as trustees of the organization, and in consonance with Gandhiji's desire of seeing workers as co-partners of wealth of the organizations

in which they are employed, it is natural that in the trusteeship organization the workers should have full right to participate in decision-making and information-sharing with the employers. In fact, the People's Trusteeship Packaging Pvt. Ltd., Mehsana, which now is the only surviving trusteeship-based industrial organization in India, according to its Memorandum of Association aims at achieving participation of workers in management and decision-making, sharing of profits and inculcation of the sense of social responsibility to the customers and to the community at large.⁷ If these objectives are attained, the management style would naturally be participative. (4) As trusteeship theory of Gandhi holds, - a trustee should take only the minimum amount needed by him and as the minimum needs, though may differ from person to person, should not differ as largely as it exists now, - the disparity in the earnings, position and power would be within reasonable limits in a trusteeship organisation. As such, with a narrowing down of inequality in those respects, the style of the individual managers would be less ostentatious, arrogant and degrading to workers. Naturally this would affect the style of management, which would then indicate greater egalitarianism and fellow feeling and, in turn, would promote the development of the participating style.

CASES OF TRUSTEESHIP IN INDUSTRY

The trusteeship model of Gandhi has revolutionary implications as it aims at divorcing ownership from private appropriation of the fruits of owned assets beyond the reasonable needs level. It also aims at developing a participative culture in management and work, apart from upholding highly egalitarian values. Naturally the private enterprise in India was not ready to put it to effective test even during the life-time of Gandhi, or several decades thereafter. Hardly had any thought been given as to its applicability to the public sector as well, by the Government and the managers of the public enterprises either due to complacency, or too much preoccupation with other matters. Naturally therefore, there was not a single trusteeship-based organization in India till 1981, when the first such industrial unit (Khira Trusteeship Project Private Ltd.), was inaugurated at Pune on the initiative of an industrialist and some believers in trusteeship ideal. Initially, for more than three years it worked well, but ultimately in 1985 it closed down. The second trusteeship organisation in India was established in the cooperative sector at Mehsana (Gujarat) in November 1985 and is still working smoothly.⁸

Pune Project

The Pune experiment in Trusteeship was the first conscious effort on the part of an industrialist in the private sector in India to put trusteeship ideal into practice. In 1979, a group of intellectuals, industrialists and Gandhian workers from India and abroad met at Bangalore to explore the role of the Trusteeship ideal of Gandhi

and the common ownership model propagated in Europe by George Goyder and others for solving the problems of power, exploitation and conflict in industry. In this Conference, Sri A. Deshpande, the Director of Trusteeship Foundation of India, circulated a note containing the details of the principles along which trusteeship units might be established in India. This appealed to a group of dedicated individuals at Pune, among whom, Mr. H.N. Khira, an important industrialist and a Director of M/s. Jayanand Khira Co. (P) Ltd, decided to give it a trial. He offered through his company about 100 sq. m. of land at Bhosari Industrial Estate at Pune and also Rs. 1 lakh as his contribution to the seed capital of the proposed unit. Further credit was also no problem, as the project was supported by some leading industrialists, intellectuals, management experts and social workers of Pune. The Khira Trusteeship Projects (P) Ltd. was formally inaugurated on October 2, 1981, at Pune with 18 youngmen who became the workers or staff-members as well as co-owners of the unit. For want of any legal recognition of the trusteeship organisations, KTPPL was registered under the Companies Act, 1956, as a subsidiary of Jayanand Khira Co. (P) Ltd., wholly owned by the latter. The worker-cum-co-owners were given initial training in the theory and philosophy of trusteeship by A. Deshpande, F. Menezes, Director of Tata Management Training Centre, and others. They received practical industrial training in various large engineering companies of Pune, e.g., Bajaj Tempo, Vanaj Engineering etc. The unit decided to manufacture automobile parts to be supplied to the large automobile organisations of Pune and was thus assured of a ready market for its products. It had a Board of Trustee-Directors consisting of Justice N.P. Nathwani, and Sri. H.N. Khira as promoter-Directors along with Sri Arvind Deshpande (Director of Trusteeship Foundation), Sri Govindrao Deshpande, Prof. S.G. Bapat and Mrs. Chandrabai Kirloskar as Directors. All trustee-directors served on honorary basis and the Board's functions were restricted to basic policy and financial decisions. All matters relating to production, marketing, materials, administration and personnel issues were decided by the Management Council consisting of representatives of all departments of the organisation, chosen in rotation from the workers. The General Body consisting of all workers and staff members of the unit met once a month to discuss all policy issues.

In the early years, the unit operated in the true spirit of co-ownership and joint-partnership in decision-making. The decisions were taken by consensus and the workers took keen interest in all matters connected with the organisation.⁹ During a recession in the automobile industry in 1982, when the assured market demand for automobile parts collapsed and the company faced a financial difficulty, the General Body voted for a temporary cut in salaries and wages upto 50 per cent. The style of management in the organisation was clearly participative, as decisions were taken on consensus of employees and unilateral exercise of authority was no longer possible.¹⁰ The initial success, particularly in respect of the work culture, encouraged Mr. Khira to attempt an enlargement of the

experiment. He mentioned that "the feasibility of the trusteeship experiment would face a real test only if it was tried out on workers who were not as motivated as the core group of carefully chosen and specially trained boys"¹¹. Thus in the latter half of 1982 he offered to merge the Body-building Division of Jayanand Khira Co. Ltd's Pune plant with the KTPPL. The matter was placed before the General Body of KTPPL and the workers and Union leaders of the Body-building Division of JKCL. After some initial hesitation and reservations from both sides, the idea of merger was accepted. The ex-employees of Jayanand Khira Co. (P) Ltd. who joined KTPPL as members, signed a declaration indicating acceptance of objectives of trusteeship and after a period of probation, became co-owners of the organisation.

It was reported by observers that after an initial period of suspicion and resistance to the work-culture of the organisation, the workers of the body-building unit started accepting the new work culture. However, even then it was noted that with the addition of the new workers, particularly those not ideologically committed to the trusteeship ideal (unlike the first eighteen), the process of collective decision-making became slower. But, as against this, there was the benefit of the greater participation of greater number of workers in decision-making. Mr. Jandell, the Works Manager of KTPPL, told the reporter of a business journal in 1984 that compared to the initial days, when the Management Council gave orders and the workers simply followed them, the participation of workers in decision-making had improved considerably. "Increased constructive interaction with the workers", Mr. Deshmukh, the Project In-charge stated, "had given us greater insights into numerous technical, managerial and human problems. And it has also changed, to a significant extent, the managerial attitudes towards workers"¹³.

However, in spite of much promise, everything did not go well with the first trusteeship project in the private sector. With the entry of a new group of workers uncommitted to the trusteeship ideal, the homogeneity of work force of KTPPL in terms of commitment was affected. There was, of course, some attitudinal change even among these workers. But it appears that they could not fully trust the Board of Trustee-Directors, who retained the ultimate say in financial decisions, and were not willing to give up their faith in trade union confrontation and bargaining attitude. A large number of workers in fact insisted on having their trade union rights, to which Mr. Khira, in particular, had a strong objection.¹⁴ The differences in attitude and opinions could not be resolved and, ultimately on December 21, 1985, the organisation was closed down "as the mood of cooperation began to give way to one of belligerent confrontation".¹⁵

The Pune trusteeship experiment, though did not last long, left a few lessons for the future. First, it made it clear that the basic man-management style of a

trusteeship organisation is participative, - in fact it almost resembles "Theory Z" of management in terms of its trust-orientation, if not in other matters, - and it can work well in motivating the workers to work effectively and also to accept voluntary sacrifices, as was evident in the decision to accept the 50 per cent wage-cut in 1982 in the face of the market recession. This was also seen in a decision to keep the factory open during a general strike called by the unions in the MIDC Industrial Estate at Bhosari, where KTPPL was located, even taking the personal risk of incurring the wrath of the workers of other factories of the area and possible physical assault.¹⁶ However, the fact that in spite of a participative style of management, a new work culture and labour-management rapport at the shop-floor, the trusteeship company had to be closed down due to differences on the trade union rights clearly indicates that, although useful, the participative style alone cannot solve all the problems of labour-management relations and other difficulties connected with the system or the structure in the workplace. The fault perhaps need not be located in the trusteeship principle itself, as another trusteeship project, in the cooperative sector in Mehasana (Gujarat) has been successfully working till now. It might be the incompatibility of the trusteeship ideal with the basics of private enterprise (in spite of Gandhiji's faith in the compatibility of the two), or the reason could be connected with the inability of the promoters and the employee-owners of this trusteeship unit to rise above their past experience and attitudes.

The Mehasana Project

Under the joint sponsorship of the Trusteeship Foundation of India and Gujarat Cooperative Milk Marketing Federation Ltd., Mehasana, the second trusteeship project was launched in November, 1985 at Dudhsagar Dairy Campus, Mehasana. Due to lack of any law for the registration of trusteeship organisations, this unit was also established under the Companies Act, 1956, with the title "Peoples' Trusteeship Packaging Private Ltd." 49 per cent of its share-capital is owned by the Gujarat Cooperative Milk Marketing Federation and the rest has been provided by the Trusteeship Foundation of India and interested individuals. The registering authorities have approved the trusteeship ideals as the main objective of the organisation's Memorandum of Association, and employees' participation in management, sharing of results and the inculcation of the sense of social responsibility to community as ancillary objectives. The shareholding does not bestow upon the shareholder any ownership rights and shareholders are only the trustees of the wealth and assets of the organisation, which are to be equally shared.¹⁷ The Memorandum of Association provides for equal sharing of the net profits of the organisation into four parts -- 25 per cent to go to the investors, or to repay the loans, 25 per cent to be kept as reserves, 25 per cent to be distributed equally among the employee-owners of the unit and 25 per cent is to be the contribution of the organisation of the unit to the society in the form of rural development projects, projects for the handicapped, or propagation of trusteeship.

PTPPL mainly manufactures corrugated cardboard cases for packaging and its entire production at present is absorbed by Gujarat Cooperative Milk Marketing Federation. Thus it has an assured market.

Since November, 1985, PTPPL has been operating smoothly.¹⁸ As the project has been sponsored by a co-operative organisation and a trusteeship propagating institution and as none of these, or other shareholders have any ownership right or power, all employees of the organisation genuinely regard themselves as co-owners. By the official Memorandum of Association the decision-making process would be participative. This together with the ideal of keeping disparities of earnings of members of the organisation down to the minimum level and the knowledge that the organisation is not privately owned by any individual, or group of persons, appear to have helped a sense of involvement and co-ownership among the member-employees of TPPL. This probably has contributed substantially to the smooth working of this organisation.

The information and data received on the functioning of PTPPL for the initial years of its operation are quite encouraging. In the calendar year 1986, i.e., the first completed year of the project, the value of its output was Rs. 47,65,659. Naturally, due to the initial difficulties of operation in 1986, it could not show any profit, but suffered a loss of Rs. 42,216 and together with the loss in November-December, 1985, the accumulated loss at the end of 1986 stood at Rs. 3,78,808. However, in 1987, the performance of the unit was good enough to earn a profit of Rs. 63,844 and in the same year it had written back excess provision of the investment allowance of Rs. 48,222. In terms of physical output too, there were improvements.

Apart from the above financial and physical performance indicators, there are other indications of satisfactory performance in this second trusteeship experiment in India. From a letter received from the Manager of PTPPL in July, 1988, it is evident that the project is working well in respect of labour discipline, motivation and other human resource management aspects. In reply to a question, the Manager of PTPPL wrote in his letter dated June 26, 1988 that "The level of discipline in our organisation, we found excellent. . . There is no difficulty in getting work done by employees. We have no labour problem at all in our management. Every employee under the Trusteeship mode is treated equally well. Decisions regarding production, marketing and routine organisational matters are made jointly by the Production Manager, Engineering Supervisor, Labour Supervisor and Assistants ... Normally, we also conduct weekly meetings with workers and all employees in presence of the Managing Director and Manager etc."

RESULTS

Pune and Mehasana trusteeship projects both have certain common features. Apart from the common principles of distribution of profits as enunciated by the Trusteeship Foundation of India and the employees being treated and designated as co-owners, both the projects were sponsored by a group of individuals dedicated to the trusteeship ideal and the Trusteeship Foundation of India. In both cases, an assured market was arranged for the projects concerned. The workers' response to the participative work culture sought to be created in both cases had been positive. However, there are differences as well. The Pune project was in the private sector and was closer to the original concept of trusteeship envisaged by Gandhiji. The Mehasana Project, on the other hand, has been established in the cooperative sector and was sponsored by a cooperative society which assured to take over the entire output of the corrugated cardboard boxes, - the principal output of the project. Moreover, the management style of the Pune Project was more participative, as all major decisions in production, marketing, purchase, labour allotment, supervision and discipline, with the notable exception of only finance, were taken by the Management Council consisting of the representatives of all Departments and the General Body of all employees. In respect of the financial matters, however, the Management Council's recommendations were to be approved by the Trustee-Directors, who had the final say on all matters relating to finance. In the Mehasana Project, on the other hand, although in accordance with the trusteeship ideal, the project aims at achieving the participation of workers in management and decision-making, in reality workers' participation so far has been confined to weekly meetings of all employees in the presence of the Managing Director and the Manager. In addition, there is also some participative decision-making which is limited to the joint decisions by the Production-Manager, Engineering Supervisor, Labour Supervisor and Assistants in respect of production, marketing and routine organisation matters. However, in terms of labour responses, labour discipline and labour's role in production, both Mehasana and Pune projects appear to have worked well. But in Pune, possibly due to the carry-over of past attitudes and experience, labour relations did not remain amicable for a long period, particularly after the merger of the bus-body building unit of old JKL with the Khira Trusteeship Project and the entry into the workforce of a set of workers with old habits and experience of traditional union-management relations. Actually the Pune Project had to be discontinued possibly for the strong allergy of the Trustee-director, to the unionisation and a section of the workers' insistence on having their own union even in a trusteeship organisation. Apart from this, the fact that the organisation was created in the private sector as a subsidiary unit of a private enterprise (mainly due to the legal inadequacy in respect of a trusteeship enterprise) and the ultimate financial authority was vested in the Board of Trustee-Directors consisting of the promoter-industrialist and three other non-employees, might have created suspicion among the workers. The

behavioural response to this suspicion found expression in the insistence of having a trade union of employees.

In spite of some encouraging indications noted earlier, it is too early to state that the trusteeship experiment in the cooperative sector at Mehasana has succeeded. However, if the long-term experience of the trusteeship unit's operation at Mehasana confirms that notion, one may naturally then feel that while trusteeship may not fare well in the private sector, its prospects are better in the cooperative, or may be in the public sector. About the first preposition, apart from the experience of the Pune case, doubt about the scope of trusteeship in the private sector may be expressed due to the inherent contradiction between the private enterprise's primary goal of commercial profit and the trusteeship model's high ideal of sacrifice for the larger good and limitation of wants. Moreover, with the predominance of values of competitive acquisitiveness, personal ostentation and individuals i.e. success in the private sector in particular and Indian economic environment in general, to what extent trusteeship ideal would be able to swim against the current reality remains a moot question. Possibly the cooperative sector and the public sector with their acceptance of social or small community ownership and supremacy of wider collective goals over the individual gains may provide Gandhiji's trusteeship model an abode to grow and prosper with the participative emphasis on human resource management.

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