Restructuring Government Services to Meet Changing Stakeholder Needs: A Case Study of Department of Industries & Commerce in Karnataka

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Abstract

The forces of globalisation and liberalisation and the consequent changes in the economic environment have created new challenges for government departments the world over. In the case of planned economies such as India this involves a change in orientation from a command and control to a facilitative mode, carrying out the functions of Business Analysis, Liaisoning, Technology Enhancement and Dissemination. This paper reports on the functional review of the Department of Industries and Commerce in Karnataka and suggests ways to improve its functioning and effectiveness in the changed economic context.

The functional review of the Department of Industries and Commerce was entrusted to Indian Institute of Management Bangalore by the Karnataka Administrative Reforms Commission. The objective of this review was to improve efficiency and effectiveness, enhance procedural transparency and implement information technology based solutions to improve service delivery at all levels.

The paper makes several recommendations for reorganising the Directorate of Industries and Commerce and to a limited extent the Department itself. The recommendations include measures such as freeze on recruitments competency based outsourcing of some activities, rationalisation of delivery systems and structures for existing schemes, creation of centralised IT facilities for increasing transparency and efficiency, establishment of Industry Facilitation Councils for improving the strategic planning skills of the department, and exploring the scope for providing fee based services.

At the Departmental level the study recommends simplification and rationalization of procedures to increase effectiveness and improve decision-making efficiency at the Secretariat level. Several suggestions for de-layering and reorganization within the secretariat are also made in the paper.
1.1 Background

As a part of the overall efforts by the Government of Karnataka to improve accountability, transparency, efficiency and effectiveness in service delivery internally and in dealing with citizens, the Karnataka Administrative Reforms Commission (KARC) undertook a functional review of major departments of government of Karnataka. KARC entrusted the review of several key departments viz., Commerce and Industries, Forest, Irrigation, Public works, and Urban Development to the Indian Institute of Management Bangalore. This paper draws upon the experiences gained during the review of the Department of Industries and Commerce comprising Directorate of Industries and Commerce (DIC), departments of sugar, sericulture, textiles, mining and geology by the authors. 1

1.2 Objectives of the Study

The Directorate of Industries and Commerce (DIC), one of the oldest departments, was set up for promoting industrial development with a special emphasis on small and medium scale industries. An officer from the Indian Administrative Service normally heads DIC. During 1977 a district level formation was established with many structural and functional changes being introduced in the department in the later days. The last reorganization was based on the recommendations of the Abid Hussain Committee in 1997, which extended the department to the Taluk (one level lower than the district) to promote and develop small and cottage industries.

Currently the mandate of DIC is to promote industries in the state on a sustainable basis through proactive human, material, infrastructure and fiscal interventions. The objective of the study was to suggest measures for improving the efficiency and the effectiveness of DIC by:

- Examining options for structural reorganisation (restructuring, rightsizing or reorganising) of the Department to improve service quality.
- Identifying potential activities for outsourcing or divestment in line with the changes in government policy.
- Identifying appropriate level of devolution of financial and administrative powers in the system to improve implementation efficiency and transparency at all levels.

1.3 Methodology

This study used multiple approaches. As a first step a field survey among internal and external stakeholders to collect data about the departments’ activities and stakeholder expectations. This was followed by personal interviews with the officers as well as staff of the department at the secretariat (Head quarters) as well as local levels. In all over 100 employees were interviewed and over 150 questionnaire surveys distributed among internal and external stakeholders. The survey findings were used to substantiate the

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1 In addition to DIC the study also carried out functional reviews of other departments such as Department of Sericulture, Textiles, Sugar, Mining and Geology which came under the purview of the Industries and Commerce Department. This paper discusses only the findings related to industries and does not cover the other aspects of the study.
insights obtained from the in-depth interviews and focus group discussions in some locations. This approach offered the team a first-hand understanding of the context, which was useful for organizational diagnosis and helped identify areas for organizational intervention.

In the second stage, the study team carried out a functional benchmarking of comparable organizations from Italy (Ministero dell'Industria, del Commercio e dell'Artigianato (Ministry of Industry and Trade, Brazil (Ministério do Desenvolvimento, Indústria e Comércio (MDIC), Ministry of Development, Industry and Commerce), Germany (Nuremberg Chamber of Industry and Commerce (Industrie- und Handelskammer Nürnberg), and Canada (Industry Canada, Ontario Trade Council). The attempt here was to understand the structure and processes employed by these organizations to manage activities similar to those carried out by DIC in Karnataka. Additionally, the approaches of several Indian states such as Maharashtra, Gujarat, and Tamil Nadu, which have developed and sustained thriving industries in Sugar, Textiles, and Handlooms sector was also studied. Approaches used, linkages employed and integration efforts especially with respect to exports by these states were analyzed to arrive at determining an appropriate role and structure for DIC and associated departments in Karnataka.

1.4 The Changing Context of Government Interventions in Development:

To promote the growth of a market driven efficient and internationally competitive industry/commercial sector in Karnataka the state government has initiated several steps to simplify the regulatory framework, remove procedural impediments and reduce redundancy in record maintenance and approval, and speed up implementation through a New Industrial Policy 2000. The proposed measures include:

- Creation of a nodal agency Karnataka Udyog Mitra to guide and to provide assistance to entrepreneurs as well as to obtain the required clearances from other various departments.
- Introduction of Combined Application Form to reduce multiplicity of forms and Combined Registers/Records to reduce multiplicity of records that are required to maintained under different acts,
- Fast track clearances for industries that do not fall under hazardous and polluting categories
- Minimisation and rationalisation of inspections by various departments and provision for self certification by the industry

Some of these have already been implemented both at the department and field level.

1.5 Philosophy of Restructuring

The structure of the departments under study were compared and contrasted with the benchmarked organisations. Currently, departments within Commerce and Industries have structures that do not match the dynamically changing technology environments and beneficiary expectations. Further, in the changed economic and regulatory contexts they also need to interact simultaneously with several stakeholders, including other departments, industry associations, investors, media and special interest groups. This calls for a more proactive and entrepreneurial orientation rather than a regulation oriented approach. Hence, the
study team proposed an alternate structure that provides sufficient flexibility and offers a possibility of increased coordination. In suggesting the reorganisation the study team was guided by the following principles.

- Globalization and liberalization calls for a change in role, functions, and orientation of the departments under study. The new approach involves moving away from scheme-based planning to regional industrial planning, from a regulatory approach to self-regulation, and from market making to market facilitating functions. Some of the departments were involved historically in market making activities such as market clearing, price setting, and allocation of goods. Wherever efficient private networks have developed over the years, the government should change its focus from market making to market facilitation functions such as quality development, branding efforts.

- The proposed structure should reinforce the Departments’ ability to innovate by effectively linking technologies and markets and promote organizational learning. This would necessitate creating an organizational culture that would reinforce the need for a facilitative service based approach rather than a command and control approach.

- Successful diffusion of grassroots level democratic decision-making and effective state-central functioning calls for extensive reciprocal interdependency. In such a regime, the inter-departmental coordination mechanisms are goal-oriented and task driven. The proposed structure should be amenable to multiple types of coordination at local (Taluk/Zilla Parishad), intermediate (District command office) and headquarter (Secretariat) levels.

- Restructuring efficiencies are gained either through consolidation of non-specialized assets/activities (economies of scale) and by enhancing the specialization of some activities. Subunits with common technological skill sets may be combined while those with specialized skill sets need to remain independent.

Guided by the above principles, the study team evaluated an alternate organizational structure using means-end analysis (Gutman, 1982)\(^2\). The procedure we adopted in means-end analysis enumerates the different options, their feasibility and implementation effect.

1.6 Background of DIC

Current Structure and Issues

The organizational structure at the Commissionerate level during 2001 is shown in Fig. 1. An analysis of the staffing patterns at the district and taluk levels indicated several problems affecting the

ability of the department to design, deliver or administer developmental programmes. Some of the major issues identified by the team were:

- **Non-uniform staffing and a proliferation of ad hoc arrangements**: while some high potential field offices have unfilled positions, senior officers manned other locations with low potential. Resources were stretched to accommodate a uniform organizational structure (but not staffing patterns) across the state, often leading to inappropriate and even ad hoc resource allocations severely limiting local office’s ability to carry out any meaningful developmental activity. Also, the proliferation of local offices at the sub-divisional level led to very low workloads in several locations.

- **Mismatch of organizational structure with changing regulatory contexts**: Some senior level positions have become redundant either due to changes in industrialization programmes (Ancillary & Employment Programme) or in market conditions (Industrial Cooperatives). This problem is exacerbated by a scheme-based approach to work allotment at the Commissionerate. The current structure does not emphasize an integrated industrial planning and does not reinforce the linkages in training, industrial promotion and technology development.

The changing environment also led to an increased mismatch between the skills of the staff and the functional roles expected from them. The policy of time bound rather than competency and performance based promotions have created a top-heavy organization with the number of field staff declining steadily. In the absence of adequate training opportunities the competency levels in DIC have also been gradually declining.

- **Absence of accurate data**: The prevailing incentive systems at DIC did not facilitate industry-wise or regional planning. An excessive emphasis on target setting led to falsification of data at the local levels, in turn reducing the reliability of the data presented by the state government regarding the growth and performance of small and medium scale sectors in the state. For example, several non-farm single-person activities were categorized as small-scale industries. Lack of accurate data also severely impaired the ability of DIC and other policy makers to formulate meaningful plans for the industrial development of the state.

- **Insufficient interdepartmental coordination**: Many beneficiaries perceived the lack of interdepartmental coordination to be a major factor leading to delays in decision-making. Several well-meaning initiatives of the government such as ‘single window scheme’ were rendered ineffective due to the lack of interdepartmental coordination and a host of other related issues such as absence of appropriate legislative and administrative support.

An example in case is the Single Window Agency (SWA) Scheme. Conceived as a single stop solution for entrepreneurs, it brought together key functionaries from relevant departments as well as financing agencies to take quick decisions on applications from entrepreneurs. However, many key functionaries did not attend scheduled interagency meetings or deputed junior level functionaries in their place, severely limiting the ability to take immediate decisions. Even when decisions were taken other extraneous considerations subverted the process. For instance, most common issues before
SWA related to requirements for electric power connections, working capital and issues related to commercial tax. Despite obtaining approvals under the single window scheme, entrepreneurs were often forced to make additional rounds of the regulatory agency to follow up on the decisions. In other instances, projects recommended DIC as viable are denied funding by banks even after they have been approved at the single window.

1.7 Findings from Stakeholder Surveys

Beneficiary (External Stakeholder) Perceptions:

The stakeholder survey was carried out in three key districts of the state (Karwar, Chitradurga and Gulbaga) to determine stakeholder perceptions regarding the DIC and the services rendered by the agency. The questionnaires were circulated amongst the staff as well as other beneficiaries. The total number of complete responses from employees was approximately 26 while beneficiary responses exceeded 100. The analysis revealed the following:
**Beneficiary Perceptions about current level of services were mixed:** While a sizable portion expressed their satisfaction with the current services rendered by the DIC at the district level several also thought that the DIC services were not up to the mark. A few respondents pointed out the increasing irrelevance of the DIC in the context of the regulatory reforms proposed by the government. The ability of DIC to reorient itself to a changing context where the need for licensing and approvals was limited but a more facilitative role in promoting industrial development was unclear. Interestingly there were some regional variations in the responses indicating higher levels of effectiveness in some offices of DIC compared to others.

**Major problems faced by industry:** The major problem faced by the industry related to access to venture capital, capital for expansion and working capital. Some reported problems related to harassment regarding repayment of loans. Other issues mentioned include erratic power and water supply, high power tariffs, delay in disbursal of subsidy, paucity of skilled labor and lack of marketing skills.

**DIC's effectiveness in solving industries problems:** Despite some satisfaction regarding the level of services offered, the ability of DIC effectiveness in solving industry’s problems were questioned by a number of beneficiary respondents. Interestingly many respondents were skeptical about the capacity of the DIC.
to solve their problems. In response to a question on accessibility of information and responsiveness of DIC local offices to queries, the answers indicated a mixed response.

• **New services expected from DIC:** Many respondents were unaware of the new challenges posed by liberalization and could not articulate their expectations about the nature of value added services that could be provided by DIC to function effectively in the changing economic environment. Some of the new services demanded included: a technical cell for technology transfer and upgradation; information dissemination regarding new policies, challenges, markets and international developments; infrastructure development and upkeep; timely disbursal of subsidies and handholding of new industries; and counselling for dispute settlement.

**Staff Perceptions**

Staff perceptions regarding the effectiveness also varied significantly across various districts. However several common points emerged in the interviews and survey responses. Delay in granting approvals and general decision-making was attributed to the absence of interdepartmental coordination. Low productivity was attributed to systems and procedures currently in place. For instance approximately 56% of all officials go through 10 or more files on a day. However most of the comments made by these officials on these files are overruled at the next hierarchical level. Nearly 30% of the files are reviewed indicating that significant potential existed for improving file movements and productivity. In certain departments such as sericulture lack of adequate computerization in the local offices was cited as a reason for slow decision-making and file movement in the sericulture department. Many staff members also admitted to a sense of inadequacy in meeting the changing stakeholder demands (a function of the changing economic and regulatory contexts) in the absence of adequate training opportunities.

2.0 **Responding to the Emerging Challenges**

*Need for a Change of Focus*

Historically DIC was involved in activities such as issuing registration certificates, disbursing subsidies, promoting trade, training and implementing developmental schemes. The changes in the economic environment have ushered in new challenges for the industries and in turn to the department, primarily a need for change in orientation from a directive command and control mode to what most stakeholders called as a facilitative mode.

The study team’s discussions with the employees as well as other stakeholders and experts on the meaning of ‘facilitation’ indicated that to be a facilitator, the department needed to reinvent itself by offering the services shown in the table 1.
<table>
<thead>
<tr>
<th>Function</th>
<th>Functions Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Analysis</td>
<td>• Market Intelligence</td>
</tr>
<tr>
<td></td>
<td>• Compiling information on Central and other schemes</td>
</tr>
<tr>
<td></td>
<td>• Resource tracking (Raw material)</td>
</tr>
<tr>
<td></td>
<td>• Regulatory &amp; Key Markets tracking</td>
</tr>
<tr>
<td>Liaisoning</td>
<td>• Inter-departmental coordination</td>
</tr>
<tr>
<td></td>
<td>• Crisis support</td>
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<tr>
<td></td>
<td>• Special event support</td>
</tr>
<tr>
<td>Technology Enhancement</td>
<td>• Technology scanning</td>
</tr>
<tr>
<td></td>
<td>• Quality &amp; Standardization</td>
</tr>
<tr>
<td></td>
<td>• Upgradation support</td>
</tr>
<tr>
<td></td>
<td>• IPR, WTO issues</td>
</tr>
<tr>
<td>Dissemination</td>
<td>• Communication &amp; extension</td>
</tr>
<tr>
<td></td>
<td>• Training</td>
</tr>
</tbody>
</table>

Table 1: Expectations about changing roles

2.1 Proposed structure

The study team’s analysis of the activities at the district level revealed that not all districts require to be manned by a senior officers. Instead the districts under consideration were categorized as Category A or B based on current level and potential for industrialization and size of the district. For example, the districts of Bangalore, Belgaum, Mysore, Kolar, Dharwad, Gulbarga, and Mangalore were identified as category A districts.

Given the ineffectiveness of the Taluk level offices (TIC) the study team also recommended the dissolution of TICs and instead recommended the creation of a sub-divisional structure with category A districts having a maximum of 4 sub-divisional level offices and other districts a maximum of 2 sub-divisional offices.

In accordance with the approach outlined in the earlier section the suggested organizational structure for DIC at the Commissioner level is given in Figure 2. The team proposed reorganising the Commissionerate into 3 Subdivisions namely:

- Training, Development & Consulting
- Trade & Investment Promotion (Market Intelligence, Escort, Liaisoning activities), and
- Technology Development (Technology scanning, IPR/WTO issues, Technology acquisition and transfer)
In addition to rationalizing the structure at the field level, the team also proposed the establishment of regional offices to foster regional (cluster) industrial planning to eliminate regional imbalances. The state was divided into four regions namely, Hyderabad-Karnataka, Mysore Region, Hubli-Belgaum, and Uttara Kannda-Dakshina Kannada regions as shown in Figure 3. The criteria for this categorization included, prior existence of development boards, potential for contiguous industrialization and administrative considerations.
2.2 Manpower Planning and Skill Development

An analysis of the workload at various levels of DIC indicated substantial scope for downsizing. To increase productivity and prevent the creation of unnecessary managerial hierarchies the study team recommended suggested manpower staffing ratios (see Table 2). The suggested overall restructuring plan for DIC is presented in Table 3.

<table>
<thead>
<tr>
<th>Staffing Level</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissioner of DIC</td>
<td>1</td>
</tr>
<tr>
<td>Asst. Commissioner of DIC</td>
<td>1</td>
</tr>
<tr>
<td>Additional Director</td>
<td>3</td>
</tr>
<tr>
<td>Joint Director</td>
<td>9</td>
</tr>
<tr>
<td>Deputy Director</td>
<td>27</td>
</tr>
<tr>
<td>Assistant Director</td>
<td>90</td>
</tr>
</tbody>
</table>

Table 2: Proposed Staffing Ratios for DIC

<table>
<thead>
<tr>
<th>Summary of Proposed Posts</th>
<th>Summary of Existing Posts</th>
<th>Expected Staff Attrition (Retirements in next 3 yrs.)</th>
<th>Summary of Rightsizing Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asst. Commissioner: 1</td>
<td>Asst. Commissioner: -</td>
<td>Asst. Commissioner: -</td>
<td>Asst. Commissioner: + 1</td>
</tr>
<tr>
<td>Regional Directors: 4</td>
<td>Regional Directors: -</td>
<td>Regional Directors: -</td>
<td>Regional Directors: + 4</td>
</tr>
<tr>
<td>Additional Directors: 5</td>
<td>Additional Directors: 5</td>
<td>Additional. Directors: 2</td>
<td>Additional Directors: nil</td>
</tr>
<tr>
<td>Joint Directors: 14</td>
<td>Joint Directors: 27</td>
<td>Joint Directors: 6</td>
<td>Joint Directors: - 7</td>
</tr>
<tr>
<td>Asst. Directors: 119</td>
<td>Assistant Directors: 89</td>
<td>Assistant Directors: 11</td>
<td>Assistant Directors: + 40</td>
</tr>
<tr>
<td>IPOs: 98</td>
<td>IPOs: 98</td>
<td>IPOs: 5</td>
<td>I.P. Officers: - 71</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other Officers: 1</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Summary of Proposed Restructuring Plan for DIC

<table>
<thead>
<tr>
<th>Staff Level</th>
<th>Current Strength</th>
<th>Proposed Strength</th>
<th>Downsizing</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDA</td>
<td>157</td>
<td>90</td>
<td>67</td>
</tr>
<tr>
<td>SDA</td>
<td>182</td>
<td>60</td>
<td>122</td>
</tr>
<tr>
<td>Stenographers</td>
<td>41</td>
<td>0</td>
<td>41</td>
</tr>
<tr>
<td>Typists</td>
<td>51</td>
<td>0</td>
<td>51</td>
</tr>
<tr>
<td>Enumerators</td>
<td>15</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Group D</td>
<td>253</td>
<td>150</td>
<td>103</td>
</tr>
</tbody>
</table>

Notes:
1. Current strength indicates numbers averaged over several districts. The staffing pattern in individual districts may vary.
2. The post of Industrial promotion officers may be discontinued gradually.
3. Numbers in bold indicate need for downsizing through VRS or deputation to other departments.
4. As IPOs may substitute for ADs there is no need for new recruitments in the Assistant Director cadre.

Table 3: Summary of Proposed Restructuring Plan for DIC

Training Needs:

The new orientation of the department calls for developing appropriate skills within DIC. An analysis of the training needs suggested that additional critical skills need to be built up in the areas of business analysis (market intelligence, forecasting), IT usage, and emergent issues such as IPR, WTO. The
study team recommended that a few officers be re-designated as Business Analysts in charge of different areas. Each business analyst would continue to specialize in a specific industry, and advise the commissioner as well as others on industry specific issues. Extensive training was also need to build other facilitation skills such as public relations, and client handling.

Given the increased levels of concerns about industrial safety and environmental conservation and the fact that DIC will need to play a crucial role in managing crises/disasters in the future. Associated skills also need to be imparted to the staff at all levels.

2.3 Improving Efficiency and Effectiveness

Potential for Outsourcing Activities

The study indicated that outsourcing some activities could increase overall effectiveness of the department. Potential activities for outsourcing include:

- Central schemes (such as P.M.R.Y. schemes) where the bankers have the liberty of selecting beneficiaries.
- Industrial promotion and conduction of fairs (through associations)
- Industry/Market studies
- Preparation of project reports
- Research and development related issues
- Quality certification issues, wherever applicable

Rationalization of Plan Schemes

The Department currently operates over 50 plan schemes for the Small and Medium Scale (SME) and Village and small-scale sectors, with overlapping objectives, which leads to redundancies as well as duplication of implementation efforts. The study team recommended that these schemes by rationalized and merged into the following 5 categories as follows:

- Assistance to Public Sector Undertakings/Boards/Corporations/ Quasi government institutions
- Infrastructure Support
- Modernization, Technology and Training
- Publicity, Promotion and Development
- Special Component Plan and Tribal Sub Plan

Increased Use of Information Technology & Creation of Data Centers

Given that information about industries, markets, raw material and support schemes forms the backbone of DIC’s services, there is a strong need for providing this information to the external stakeholders. This is best achieved by networking Commissioner of Industries & DIC, Regional and the field level offices. An integrated network would also be useful in flagging several statistics and status of
activities at the interdepartmental level such as the number of pending approvals and the reasons for the same.

One of the most important roles envisaged for DIC is communication with external and internal stakeholders and information dissemination within and outside DIC. The study team feels that this process would be greatly aided by the creation of a centralized Data Center for data storage, retrieval, file management and other support functions at DIC. With the use of appropriate databases it should be possible to speed up access to information available to the staff as well as the public. The establishment of data center will also significantly reduce the need for ministerial manpower at the Commissioner’s office. Most importantly several layers within the DIC office, which add to the officialese without adding value would be eliminated.

Smaller data centers may be established at the regional and district levels. These data centers should be networked and web enabled to allow for seamless integration of the offices at the different levels. For instance, all applications submitted to DIC could carry a unique identification number and be accessible anywhere within DIC allowing applicants to monitor the status of their applications online.

2.4 Improving Strategic Planning

*Establishing Industry Facilitation Council (IFC)*

Industries located in Karnataka typically face several problems related to access to finance, raw material, power etc. The problem is aggravated due to the lack of coordination amongst the various departments of the government. Even though the single window concept announced in the new industrial policy has had a limited impact in the absence of an apex body to solve the problems of industries at the district level. Currently the only agency is an Industrial tribunal based in Bangalore, with jurisdiction over the entire Karnataka state. Given this, the study team recommended the establishment of *Industrial Facilitation Councils (IFC)* in the four regions identified earlier.

IFC will be an independent regulatory body, and will arbitrate on all matters between the various departments of the government and the industry. The Council would act as a neutral independent regulator and will have the right to specify quality standards expected of the services provided by the Department. It will be headed by a Chairperson (appointed by the Government) and supported by three members, including Member (Technical), Member (Regulatory Issues) and Member (Infrastructure Issues). One representative from the DIC may also be co-opted into this council. Similar councils may be established at the regional level.

2.5 Improving the Financial Viability of DIC

With the increasing orientation towards a market-based structure, opportunity exists for DIC to introduce a fee-based system for provision of value added services. While basic information would continue to be provided gratis as before, some information such as information about specific markets, legal advice on WTO and IPR issues, technology screening and selection advice, and other facilitation
activities could be fee-based services. The obvious advantages from such a system are one, a tentative move towards financial sustainability and two, an increased possibility of gaining immediate feedback from the beneficiaries on the quality and relevance of services offered by DIC. As an introductory measure DIC could provide information and charge for activities related to

- Market intelligence
- Technology related information, and
- WTO and IPR related information

3.0 Reorganization at the Secretariat Level

The study also revealed that one off improvements in DIC’s structure and systems would have a very limited impact if corresponding changes are not initiated in the Department of Industries and Commerce which is headed by a Principal Secretary who reports to the concerned Ministers. Over the years for reasons of political expediency, the secretariat’s functional structure has been fragmented to a large extent. This has resulted in the addition of several unnecessary administrative layers at the departmental level without any commensurate value addition. In the words of an officer a system where procedural delays are rampant and is “not designed to deliver”. Given this the study revealed the need for simplification, reorganizing, strategic planning and good governance mechanisms to increase effectiveness and improve decision-making efficiency at the Secretariat level. Some suggested measures are given in the following section.

3.1 Measures for Increasing Synergy and Coordination

Simplification of Structure
A significant barrier to effective decision-making and implementation at the Secretariat level has been the continuous fragmentation of the functions of the department at the Departmental level. At the secretariat level, the Principal Secretary represents the Departments of Industries & Commerce, Sericulture, Sugar, Large & Medium Industries, and Infrastructure. The additional secretary represents Small Scale Industry, Departments of Textiles, and Mines & Geology. The stakeholder survey indicated that the service expectations of various departments from the Secretariat are mostly facilitative in nature requiring more intradepartmental coordination. The study team suggested that a consolidation at the secretariat level could be undertaken by integrating ministries of large and medium industries with infrastructure. This recommendation is based on the nature of the activities expected by the beneficiaries – both other departments as well as the industry- from the Department.

Rationalization of Structure and Procedures
Rationalization implies applying an equivalency concept to all files that arrive for clearance at the Secretariat level. For instance, under the current procedures any file processed and approved by the head of Departments from Textiles, Sugar or DIC is once again assigned to a caseworker in the secretariat, who
spends a considerable amount of time in painstakingly constructing a new file on this file. Any value addition (by way of a decision taken) occurs only at the level of the Deputy Secretary or the Under Secretary. By applying the equivalency concept the study team recommended that all files forwarded by Departmental heads must be directly seen by an officer at the level of Under Secretary or above. One way to facilitate this process would be to adopt the concept of desk officer in the secretariat. The desk officer should the rank of an undersecretary or above all files pertaining to his/her area will be assessed at this level first.

To simplify procedures and aid faster movement of files the team suggested the adoption of a single file system. Thus no new files would be reconstructed at the secretariat level, but relevant offices make the noting in the applicants file itself. At most the secretariat may maintain electronic copies of these documents significantly reducing paper work at lower levels and preventing unnecessary build up of documents at the secretariat.

3.2 Measures to Improve Effectiveness and Strategic Planning

There is an urgent need to adopt a holistic view that integrates all viewpoints for promoting industrial development in the state. As explained before the continuous fragmentation of the department has resulted in the creation of several overlapping and sometimes conflicting interests. In this context the study team suggested a reorganization of the Commerce and Industries Department at the secretariat level on the following lines.

Establishment of a Consultative Committee

Increases involvement of stakeholders and experts in a consultative process to improve the quality of decision-making. The study team recommended that Principal Secretary should create an advisory panel comprising few industry representatives, subject and management experts and key officers of the department to develop strategic agendas for action and ultimately influence policy making within the government in an effective manner. This consultative committee could meet on a bimonthly basis and operate on an honorary basis. These Consultative Committees may look at the following issues:

- Building Synergies in Interdepartmental, interagency coordination
- Infrastructure Developmental Issues
- Regulatory Management Issues
- Stakeholder Relations and Related Issues

While the Principal Secretary is assisted by an array of staff, nearly all of them are from the secretariat service. In our analysis the job of the secretary is technical in nature and he/she needs significant inputs from subject experts. There is a need to induct experts in various areas into the Secretariat. Deputing staff may do this from the line departments for a fixed period not exceeding 2 years at a time. At the end of this period these officers would revert back to their parent organization.
3.3 Measures to increase transparency and good governance

An important indicator of good governance and level of transparency is the level of information access provided to the various stakeholders including general public, industry, media and other interested parties. The study team opined that these objectives could be achieved by moving to a system of e-governance. While the specific details of such an initiative were beyond the scope of the present study it was suggested that the Karnataka Government must benchmark its activities on the e-governance model proposed by Andhra Pradesh and the Right-to Freedom of Information Act in Rajasthan. Such an approach will result in significant reductions in transaction costs for the government as well as the public. It would also increase transparency lead to greater accountability in decision-making.

4.0 Conclusions

The findings of the study were discussed in several consultative forums of the concerned departments. Several recommendations were proposed to be implemented while others are being reviewed. In retrospect is clear a successful reorganization calls for strong political will, a far-reaching vision and philosophy on the role of the government and intensive consultations with stakeholders. In an information technology intensive approach as suggested in this paper commitment of financial resources as well as appropriate training and skill building of employees also is likely to be critical to the success of the restructuring exercise.