Strategy Selection and Crises of Micro Management in Indian Government and Private Organization

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ABSTRACT
At the end of 2010, India possessed the largest, most concentrated microfinance industry in the world. Initially, Indian microfinance operations were funded primarily by the state or charitable donations, but the industry has grown to be largely dominated by the private sector. As this shift occurred, the industry became quite profitable, and in the wake of its success, faced a significant amount of backlash. When borrowers in the State of India, home to a substantial portion of the households utilizing microcredit in India, complained of excessive rates and predatory collection practices, the State responded by passing a regulation that severely restricted microlending practices. This regulation sharply affected microfinance companies’ profit margins and growth rates, and effectively delegitimized the industry. Following adoption of the regulation, historically high collection rates plummeted and shares in microfinance companies fell to record lows. In July of 2011, India’s central government released a draft bill, entitled “Micro Finance Institutions (Development and Regulation) Bill.” The Bill provides a national regulatory framework for India’s microfinance companies. Furthermore, the Bill preempts existing state regulations, such as the one in India. The State of India is resisting the Bill, arguing, inter alia, that since India’s Constitution explicitly provides states with the power to regulate the microfinance industry, it represents an unconstitutional usurpation of state power by the federal government. This Comment argues that in the likely event the Bill is passed, Indian courts will hold the adoption of the Bill constitutional, since the federal government does, in fact, have the ability to override relevant state legislation. Adoption of the Bill is likely to provide a solution to the challenges faced by the microfinance industry. By providing certainty, defining boundaries, and providing a government partner, the Bill will both promote development with the currently stagnant microfinance industry and allow it to regain some of the legitimacy it lost in the process of state regulation.

Keywords------  Microlenders, RBI growth, Ownership, Resolution

I. INTRODUCTION
At the end of 2010, India possessed the largest, most concentrated microfinance industry in the world. Upon its inception in the country decades prior, the industry was viewed as a favorable venture that provided a path out of poverty for individuals who traditionally lacked access to banking and related financial services. While India has the world’s fourth highest gross domestic product (GDP) based on purchasing power parity and the world’s fiftieth fastest-growing economy, the country possesses historically high poverty rates. Today, almost 30% of the country’s 1.2 billion citizens live below the poverty line. India’s high poverty rates presented the ideal opportunity for the implementation of microfinance; by offering small loans to impoverished individuals wishing to engage in productive activities, the industry provided hope to the country’s poor. However, those engaged in microfinance lending did not have wholly altruistic intentions. Microfinance can also be a very profitable business model. For example, the largest microfinance company, SKS Microfinance Private Limited (SKS), raised $347 million in an initial public offering (IPO) in 2010 and netted over 1.7 billion rupees (31 million U.S. dollars) in profits the same year. Despite their initial successes, microlenders and investors may have overlooked the political risk involved in the industry. India’s poor possess significant political capital in the form of their votes. When borrowers in the State of India—home to more than one-third of the households that utilize microcredit in India—complained of excessive rates and predatory collection practices, the State responded by...
Part IV discusses the proposed Bill and its reception by the recent state-promulgated regulations adopted by India. It also provides contextual background for lost in the process of state regulation. Part II of this development within the currently stagnant microfinance industry’s problems; by the Bill implements the mechanisms necessary to manage the crucial to its future success. This Comment argues that the supply with an opportunity for reinvention that is the challenges faced by the microfinance industry, this Bill was introduced to Parliament. The Bill provides a national regulatory framework for India’s microfinance companies, delegating primary regulatory authority to the Reserve Bank of India (RBI). Furthermore, the Bill preempts existing state regulations, such as the one in India. The Bill’s status is currently pending, awaiting parliamentary approval.

While the reaction to the Bill among industry insiders has been favorable as measured by the markets, the effect it may have on the microfinance industry is uncertain. India is resisting the Bill, and is expected to argue that because India’s constitution explicitly provides states with the power to regulate the microfinance industry, it represents an unconstitutional usurpation of state power by the federal government. The Bill’s opponents further argue that the mandated association with the RBI is dangerous, because it allows microlenders to continue their predatory practices under the authority of their alignment with a national institution. This Comment argues that in the likely event the Bill is passed, Indian courts will hold that the Bill is constitutional because the federal government has the ability to override relevant state legislation.

This decision would likely provide a solution to the challenges faced by the microfinance industry, supplying it with an opportunity for reinvention that is crucial to its future success. This Comment argues that the Bill implements the mechanisms necessary to manage the unregulated microfinance industry’s problems; by providing certainty, defining boundaries, and providing a government partner, the Bill will both promote development within the currently stagnant microfinance industry and allow it to regain some of the legitimacy it lost in the process of state regulation. Part II of this Comment provides a succinct overview of India’s legal infrastructure. It also provides contextual background for the discussion of the Bill’s impact by describing India’s social landscape and how this landscape promoted the evolution of microfinance. Part III examines the current status of the microfinance industry in India, focusing on the recent state-promulgated regulations adopted by India. Part IV discusses the proposed Bill and its reception by various factions in India. Part V discusses the arguments proffered by the Bill’s opponents. Specifically, it examines whether the Bill represents an unconstitutional usurpation of power, concluding that Parliament will be able to effectively argue that the Bill is constitutional. Part V also addresses the Bill’s public policy implications and suggests that the Bill promotes regulations that benefit both the microfinance industry and its intended customers. Finally, Part VI offers some concluding thoughts about the future of the microfinance industry in India.

II. RELEVANT BACKGROUND INFORMATION

India possesses one of the largest microfinance industries in the world. Microfinance in India began in the 1980s. By 2004, the industry’s presence in the country consisted of 188 million accounts, representing 18% of the nation’s total population. In 2008, India experienced a 65% borrower growth rate, and by 2010, it possessed the largest and most concentrated microfinance industry in the world. The public persona of India’s microfinance industry has changed dramatically over the past decade. Once lauded, the industry recently experienced a large backlash that has spurred widespread regulatory efforts. This Part examines India’s legal framework, which serves as the forum for these regulatory efforts as well as the basis for their controversy. This Part also provides the necessary background for understanding the microfinance industry and the current demand for the industry’s reform by examining the establishment of microfinance generally as well as its evolution in India. A. India’s Legal Infrastructure In order to understand the regulation of India’s microfinance industry, it is essential to have some understanding of the country’s legal infrastructure. India is governed by a constitution, implemented in 1950, that guarantees equal rights to all citizens and prohibits discrimination based on race, ethnicity, gender, caste, or religion. India’s Constitution also contains “directive principles of state policy,” which “require the government to set goals for the welfare of the people, such as a minimum wage, jobs for people from disadvantaged backgrounds, and subsidized medical care.” Based largely on the United Kingdom’s system of government, India’s Constitution divides the federal government into three branches: executive, legislative, and judicial. The executive branch consists of the President, Vice President, and Prime Minister.

The bicameral legislative branch, also known as Parliament, or Sansad, is composed of an upper house (the Council of States, or Rajya Sabha) and a lower house (the House of People, or Lok Sabha). The judiciary is composed of the Supreme Court, which is the ultimate interpreter of the constitution and the laws of India, as well as High Courts at the state level and a hierarchy of Subordinate Courts. Laws or amendments to India’s
Constitution are made by Parliament. An amendment bill must be passed by a two-thirds majority vote in both Houses of Parliament. Furthermore, certain amendments, which pertain to the federal nature of the constitution, must be ratified by a majority of state legislatures. The constitution provides for judicial review by the Supreme Court and High Courts, which extends to every governmental or executive action, including all legislation. India uses a common law legal system based on the English model. One feature of the Indian Constitution that differentiates it from the U.S. Constitution is that, while there are separate federal and state laws with predefined areas of application, India has a single integrated court system that administers both federal and state laws. The Supreme Court of India is the highest court, under which there are High Courts, presiding over one or a group of states. Below the High Courts are a hierarchy of Subordinate Courts, state courts divided into Judicial Districts presided over by a District and Sessions Judge, and lower courts divided into a Criminal and a Civil Jurisdiction. The Supreme Court and the High Courts of India are the two “constitutional courts” vested with the power to protect the fundamental rights of citizens and interpret the constitution and other laws.

The Supreme Court, located in New Delhi, is comprised of the Chief Justice of India and twenty-five other Judges appointed by India’s President. Its exclusive original jurisdiction extends to any dispute between the federal government and one or more states, or between the states themselves. There are twenty-one High Courts in India, each having jurisdiction over at least one state. While they work under the guidance and supervision of the Supreme Court, “no direct administrative control is exercised by the latter that may in any way affect the functioning of the High Courts as independent judicial institutions.” Supreme Court decisions are considered binding law, while High Court decisions are binding only in respect to their state jurisdiction. It is under this framework that both state and federal regulation of the microfinance industry, as well as potential rulings on the constitutionality of these regulations, occurs.

III. NEED OF MICRO MANAGEMENT

While in a perfect world and on the perfect project (a very rare occurrence), the Project Manager would just plan the work, delegate, and report success. In reality, when risks are occurring (including those that are planned for and those that are surprises), schedule and cost are generally the first to slip. If not managed properly and mitigated, scope is the next to suffer. By recognizing the need to micromanage and using this tool as a last resort and in a timely fashion, the focus and intensity of the team can be raised and deliverables possibly salvaged.

IV. PROJECT MANAGER RECOGNIZE THE NEED TO MICROMANAGE

4.1. Status Reporting

While there are many methods of tracking and communicating status, for the sake of this discussion I will use a simple method, where status is indicated with a color:

- Green: All deliverables are on schedule, costs are as expected and planned, and no imminent risks on the horizon
- Yellow: There is a risk that may impact schedule or cost. For example, a critical project team member has been re-assigned. Unless this role is back filled by a certain date, there will be an impact to delivery
- Red: Schedule or Cost is impacted, and the project may not be able to recover.

4.2. Deliverables slipping

Completing status reports as above, allows one to monitor and report the progress of the project towards achieving the goals set at kick-off. This will also expose when deliverables are slipping. If this becomes a constant occurrence, the PM may consider stepping in by first calling a team meeting to discuss why this is happening. Perhaps the scope and effort has been underestimated, or resources are being inundated with other requests that take away time from the project. In these situations, the PM can resolve the issues by engaging more resources or instituting a policy that filters all requests through the PM or the Team Manager in a matrix organization, before reaching project staff.

On the other hand, deliverables always slipping and impacting the schedule could indicate issues with internal team processes. For example, perhaps there is a significant vendor component to the project, and the vendor is not providing deliverables in a timely manner. Or, external enablement teams like Server Systems Administrator’s, etc are not giving the project the priority it needs, or are slow in completing their tasks. In these situations, it may be acceptable for the Project Manager to step in, and begin micromanaging through implementation of daily status calls, or setting objectives for the day each morning and then a status report at the end of the day to ensure everyone knows what needs to be done that day, and how much progress was made.

Obviously the above micromanagement cannot go on for too long of a period (e.g. a few weeks at most), so it is necessary to ensure that during this micromanagement period, behaviours and practices are changing.

4.3. Stakeholder angst

The Project Management Institute (PMI) defines a stakeholder as:
“A Guide to the Project Management Body of Knowledge (PMBOK® Guide) breaks down a stakeholder as a person or organization that:
- Is actively involved in the project


- Has interests that may be positively or negatively affected by the performance or completion of the project.
- May exert influence over the project, its deliverables or its team members’
- Based upon the above, a stakeholder may be affected by one or more of the following:
  - “Interest: To be affected by a decision related to the work or its outcomes
  - Rights: To be treated in a certain way or to have a particular right (including legal or moral) protected
  - Ownership: To have a legal title to an asset or a property
  - Knowledge: To possess specialist or organizational knowledge needed for the work
  - Impact or influence: To be impacted by the work or its outcomes, or have the ability to impact (or influence) the execution of work or its outcomes
  - Contribution: Relating to the support or assets including the supply of resources, the allocation of funding, or providing advocacy for the objectives of the project” (Bourne, 2009).

With the stakeholders ability to influence the project positively and negatively, their voices hold a considerable amount of weight. If stakeholders are feeling that the project is not progressing as it should, or there is not enough attention being paid in certain areas, they will voice their concern and demand resolution. This is another time when the Project Manager may have to roll up his sleeves and get into micromanagement. This would include well-timed status communications to stakeholders and displaying other behaviours to alleviate their angst. Often, a stakeholder will see their Project Manager deeply involved in all aspects of the project, and take comfort in that.

The importance of managing stakeholders and their expectations can be seen from this quote by John Kotter from the Harvard Business School in CIO Insight Magazine:

“I've seen too many technology projects get dumped on project teams and task forces that simply don't have enough clout, enough credibility, connections, you name it, to be able to do a difficult job, and so, surprise, surprise, they start getting frustrated and the powerful people in the company just ignore them or do what they want to do anyway. …Also, on a lot of the IT projects, if you go up to the typical line manager and say to him, 'You've got this big thing going on here. What's the vision? Paint a picture for me. How's the company going to be different in 18 months when this is all done?' They can't even see it. So of course they haven't bought into it. And if they haven't bought into it, are they going to cooperate?"

4.4. Apathetic Team Attitude

An apathetic attitude in a team member is one where the person does not care about the work and is indifferent to the results. Often, this attitude can spread within the team if expectations are not being met, successes are few and far between, or some other cause of team disharmony. A team member with this sort of attitude can be a detriment, while additional apathetic individuals can be a project killer. The apathetic attitude does not always stem from a team member being incompetent at their work. In fact it is the opposite – the team member is extremely knowledgeable, but has become disengaged for reasons ranging from boredom in their role, to feeling overlooked, unappreciated and taken for granted. A project is limited in the time allotted to complete (i.e. by definition, a project cannot be an ongoing activity, a Project Manager often does not have the luxury to replace team members with new ones, and still retain the knowledgebase and skill set necessary. For this reason, a distinction needs to be made between an apathetic and incompetent team member vs. an apathetic but knowledgeable team member.

The apathetic incompetent team member will most likely need to be micromanaged for a longer period of time. The Project Manager will need to hold their hand through critical tasks and provide mentoring and coaching. This attention can often turn the apathy to energy, especially if the team member is garnering success and accolades while gaining confidence in her abilities.

On the other hand, a Project Manager will most likely not want to micromanage the apathetic team member who is competent yet disengaged. With this resource, the Project Manager should try to understand the underlying issue. If the resource has been underappreciated or had others take credit for her work, you will want to ensure she is properly applauded when doing well. The Project Manager will also want to get this person involved in the project by bouncing ideas off of her or providing some sort of “stretch” opportunity, where she can gain further knowledge. Such tactics can help a disengaged worker reengage, bolster their self confidence and achieve positive results for the project.

5. IMPLEMENTATION – GETTING YOUR PROJECT BACK ON TRACK

Ray Saito is the Project Manager for a multi-million dollar project in a large telecommunications firm. The company employs a matrix team structure, where employees report to a Team Manager, and are loaned to enterprise projects and Project Manager’s. Ray’s project consists of five team members from across the organization, as well as a vendor for a new data warehousing tool to be introduced within the organization.

Due to the nature of the project, many teams and divisions within the organization are affected by this project. Based upon the severity of impact, a stakeholder
Steering Committee is set up, and Ray reports to the Steering Committee every two weeks.

Further to the Steering Committee, Ray submits a weekly status report that is reviewed by his direct manager, director and vice-president. This is a simple status report, indicating the color of the project based on status. As per the firm’s project management methodology, the project follows the below high-level stages:

1. Analysis / Planning
2. Design
3. Build / Implementation
4. Quality Assurance (QA)
5. Stability Monitoring and Project Closure

The above phases are not mutually exclusive, and Ray decides that breaking the deliverables up into smaller modules and performing QA on each module before moving on to the next module is the best approach.

Ray exercises good management practices, and delegates work to the team members, while empowering them to offer their insights and be involved in key decisions. The project is consistently green through the Analysis/Planning and Design phases. Scope, Schedule and Budget are on track and within the planned limits.

However, during the combined Build/Implementation and Quality Assurance phase, a high-severity defect arises in the first module. The project cannot move on to the next module until this defect is resolved and cleared. The project team with support from the vendor work together to understand and troubleshoot the issue. At that week’s Steering Committee meeting, Ray reports that this defect has arisen, and is currently being worked on. Based on current estimates, the defect will be resolved within the next 7 days. While this will eat into some of the buffer in the plan, the overall schedule will not slip. The Steering Committee is satisfied with this explanation.

While confident that the issue will be quickly resolved, Ray downgrades his status to Yellow on the weekly status report, and provides an explanation of the issue and resolution steps.

A week goes by, and the defect is still outstanding. The team and vendor have applied fixes that they thought would clear the issue; however it is still a problem. Ray explains this in his weekly status report and remains at Yellow, anticipating a breakthrough.

The following week, Ray presents to the Steering Committee that the issue is still not resolved, and that the project buffer is now essentially consumed. While the vendor is working closely with the team and feels the issue is close to resolution, there is now a significant risk to the project schedule. In that week’s status report, Ray downgrades the status further to Red. Another two weeks go by at Red status with no resolution.

At the next Steering Committee meeting, stakeholder angst is high. During the heated discussion, one of the director’s from a highly affected team speaks up and says that his team will not be able to achieve the inyear project benefits that were projected, unless the project finishes on schedule. With these risks, a further risk is emerging of going over budget. Ray feels the heat and pressure at this meeting, and is directed to pull out all the stops and ensure this issue is resolved by the next Steering Committee meeting.

Ray decides that he must now step in and take a greater leadership stance. He immediately sends an email to the vendor account manager strongly requesting they make further resources available to him until this project is resolved. He also states that these resources should be dedicated to this task and not working on anything else in the meantime. Since the feeling is that the issue is with the vendor’s application, the project will not fund these resources. The vendor account manager agrees with the escalation and promises to do his best. Next, Ray sets up status meetings between his team and the vendor occurring daily, twice a day. First the groups meet in the morning to discuss the plan for the day, and then at the end of the day to assess results.

This goes on for a week with no resolution. It is also identified that other technical teams are needed from within the organization to watch the issue end-to-end. While Ray already feels uncomfortable with the micromanagement he has performed over the last week, he understands that with one week left before the next Steering Committee, they must once again step up the urgency and intensity. Ray then adds assigns a dedicated conference bridge to the project team, to be open with all involved team members, including the vendor, on the bridge from 8am until at least 5pm. While many team members are distributed in offices around the country, those that are in the same office are asked to co-locate with each other until resolution. Ray’s next step is to add another component to the morning status meeting, where a plan will be devised for each hour of the day, with the task detailed in minutiae, including how long it will take, and approximately what time the next resource can begin his task. Naturally, the team members are not comfortable with such micromanagement, but Ray explains the urgency of the issue and that thanks to the Steering Committee, their manager’s have agreed to the current steps.

For the next few days, this model is followed. While stress levels are already high and increasing, progress is being made. A number of potential root causes are tested and ruled out. Since everyone is on the conference bridge together, there is no lag in communication and minimal turnaround time for the tasks. Finally, the root cause is found, and tested in a number of environments. To resolve the issue, the vendor will need to develop, test and install an urgent patch to their application. At this point, Ray decides to take his foot off the pedal a bit. He emails the Steering Committee with the news of the breakthrough and the vendor’s commitment to have the patch ready within 48 hours. While the pressure is
alleviated a bit, Ray still keeps the twice-daily status calls to ensure the vendor is progressing. However the co-location and conference bridge requirements are relaxed.

Within 48 hours, the urgent patch is installed and tested. The issue is resolved and Ray happily reports success, while giving all credit to the team. After the amount of stress and pressure the team has been exposed to over the last weeks, Ray takes the team out to lunch, and sends small gift cards to all the team members involved in the resolution. At that week’s Steering Committee, Ray reports the resolution in detail, while also breaking the news that despite their best efforts, there will be a small one week delay to the overall project schedule. The Steering Committee accepts that all efforts were made to resolve the issue, and the delay is accepted and approved. The Steering Committee also praises Ray’s efforts over the last week. They acknowledge that while no one likes to work under that amount of supervision, it was necessary to break the trial-and-error cycle and increase the intensity to drive to a solution.

VI. CONCLUSION

Micromanagement in both Government and Private organization has been proven to be a stressful management style that achieves results only in the short term. Micromanagement can be extremely taxing on both team members and management. While there are much better ways to lead teams and achieve long-term results, there are situations where micromanagement becomes essential. With this knowledge and an understanding of how much pressure the team can handle, micromanagement can be used as a short-term tool to achieve results when a project is slipping and all other methods have failed.

REFERENCES