**Chapter- 11 Management Trends and Scenario in Nepal**

***Growth of Business Sectors in Nepal***

The history of institutional of business in Nepal is not so very old. Many traditional cottage and small scale industries were started from the very beginning of civilization which is still in existence. The growth of business sectors in Nepal may be studied under the following stages:

1. **Pre-unification stage:** Organized industries were lacking before the unification of small states by the king Prithvi Narayan Shah in Nepal. However, small scale and agricultural based industries were available in those scattered states. Lichhavi and Malla dynasty are known as the golden age of traditional products, specially handi-craft products.
2. **Unification stage:** The unification of various scattered regimes contributed for the institutional development of the industry. It contributed for expansion and diversification of production, especially in domestic and cottage industries. The unification of regimes created more areas for business operation and as a result the development in industrial productivity also increased to fulfill the needs of the people of the country. It contributed for the expansion and diversification of business activity not only throughout the nation but also to the China and northern territories of India.
3. **Post-unification stage:** Post-unification period is the age of modern industrialization. An industrial Boards was established in 1935 A.D., viz. "Udhyog Parishad", to produce goods under medium and large scale industry. The first company act was enacted in 1936 A.D. and the same year, Nepal's first Joint Stock Company, Biratnagar Jute Mill was established. Nepal Bank Ltd. Was established in 1937 A.D. to provide financial support to industry and commerce. In between fifteen years of period about 63 industrial units were opened with a total capital investment of Rs.72millions. However, most of those industries went into liquidation after Second World War due to lack of proper plan and feasibility.

Nepal sign a trade treaty in 1923 with British Government of India. After independence of India, the democratic government of both the countries signed a trade and commerce treaty in 1950. A new treaty between two countries was signed in 1971 for five years. In 1978 three new agreements were signed: the treaty of trade, the agreement of checking unauthorized trade and treaty of transit. In 1991, Nepal and India signed two separate treaties on trade and transit and agreed on a new arrangement for corporation in controlling unauthorized trade. The treaty of trade of 1991 was amended later in December 1996 to increase the traditional connection between the markets of the two countries.

The formal trade and payment agreement between Nepal and China was signed in 1974. In 1981, the authorities of both the countries had signed another agreement to strengthen the economic and trade relation between the two countries.

1. **Trade diversification stage:** Nepal has traditional trade relation with India and China form earlier period. However, after 2007 B.S. democratic government has taken trade diversification policy to expand trade transactions at international level. For this purpose, government had taken some steps for the development of infrastructure facilities. It had enacted export import control act 2013; Nepal Agency Act 2014, Private Firm Registration Act 2016, Foreign Act 2035, etc. Prior to 1969, Nepal's foreign trade was confined to India, but at present due to trade diversification policies of the government, it has gradually diverted to third countries. Liberal policy of government has contributed more for the development of productivity in private sectors.

Up to now, Nepal has trade relation with near about hundred friendly nations of the world. From 2004 Nepal has become member of World Trade Organization. The industrial policy 2010 has been enacted to attract domestic and foreign investment. Bilateral Investment Promotion and Protection Agreement(BIPPA) have been signed between the Nepal and India to promote investment in industries and commerce.

***Major Industries of Nepal***

Industrialization is essential for economic prosperity of the nation. All developed countries are developed because of their emphasis on industrialization. The institutional development of industries in Nepal has a short history. Biratnagar Jute Mill, which was established as a joint venture industry in 1993 B.S., is considered the first institutional industry of Nepal

However, in 1990, the government enacted economic liberalization policy and started to privatize public enterprises. Many industries and companies were established under the joint venture of Nepalese entrepreneurs and foreign investors in different sectors like banking and finance, cigarette, cement, textile, hotel, tourism, etc. The major industries of Nepal may be classified into four forms:

1. **Manufacturing Industries**

* Food, beverage and tobacco industries
* Textile and garment industries
* Leather and foot wear industries
* Non-metallic industries
* Chemical industries
* Mechanical industries
* Electrical and electronic industries

1. **Export Oriented Industries**

* Carpet Industry
* Garment industry
* Leather industry
* Handi-craft industry
* Agro and forest based industries

1. **Import Substituting Industries**

* Pharmaceutical industries
* Food and beverage industries
* Chemical industries
* Iron and steel industries
* Tobacco industries
* Electrical industries
* Electronic industries
* Cement industries
* Paper industries
* Sugar industries

1. **Tourism Sector Industries**

* Tourism industry
* Transportation industry
* Information and communication
* Construction industry
* Financial Institutions

***Existing Management Practices in Nepalese Organization***

Management practice refers to all activities and procedures that managers follow to perform managerial functions. A number of organizations of different nature are operating in Nepal. Some are manufacturing, while others service organizations. All the activities and procedures that these organizations follow to perform managerial functions are known as existing management. Practices in Nepal.

Studied conducted in Nepal indicate a number of managerial features and practices. These features and practices can be characterized by the following ways:

1. **Planning Practices:** Planning involves the process of making decision to select the future course of actions. Some of the practices of planning in general are as follows:

* Organizations set planning to decide the future direction. In Nepal, 'top-down' approach of planning is commonly practiced. Managers plan and give instructions which are implemented by lower level staffs. 'Bottom-up' approach of planning is rarely used.
* Nepalese managers tend to dislikes pre-determined courses of action is based on their experience and interest.
* In Nepal, most of organizations prepare annual budget and operational plans of one year only. Long term strategic plans are lacking.

1. **Decision making practices:** Decision making is the process of identifications of problems, analyzing the problems, development the alternatives, evaluations of the alternatives and selecting the best alternatives. Some of the practices of decision-making in general are as follows:

* Decision making is highly centralized in public enterprise and private enterprises. It is due to the politically appointed managers in public enterprises and friends and relatives in private enterprises.
* In Nepalese organization, top managers are very powerful and highly authorized, middle and lower level managers have to be dependent on top level managers in making decision. Middle and lower level managers have to wait for orders to impart their duties.
* Decision-making in Nepalese organizations are not effectively implemented. Implementation lack effective monitoring, evaluation and follow-up. Feedback system is not used properly.
* Nepalese managers usually postpone the decisions for tomorrow and tomorrow never seem to come. This is the great art of decision avoiding.

1. **Organizing practices:** Organizing is the process of combining together all the organizational resources and establishing the productive relations among them. It prescribes formal relationship among people and resources, to achieve organizational goals. Some of the practices of organizing in general are as follows:

* The authority is generally centralized at the top. Various positions are arranged in hierarchically. Organizational structures are unnecessarily long and rigid.
* Authority is based on the classical view that it originates at the top. Managers tend to delegate responsibility without authority. Accountability is generally missing in Nepalese organizations.
* Resources are allocated on the direction of powerful managers. Since organizations bureaucratic design, delegation of authority and responsibility are done at the whim of top level managers rather than in a way to solve organizational goals.
* In many organizations there is no matching of people, job and departmental needs. Objectives of different functional departments are not properly integrated with marketing plans or organizational goals.
* There is lacking of use of informal groups, boundaryless organization, virtual organizations and learning organizations.

1. **Staffing practices:** staffing is one of the basic functions of every organization. It involves manpower planning, recruitment, selection, orientation and placement, training and development, remuneration, performance evaluation, promotion and transfer etc. Some of the practices of staffing in general are as follows:

* Nepalese managers have little faith in the capacity of subordinates. There is no environment of trust and teamwork.
* Participative management is lacking in Nepalese organization.
* Public enterprise use advertisement for recruitment in private organization. However, selection in both public and private organization is heavily influenced by 'source-force and favoritism'.
* Appointing the new staff is depending on the top level managers' institution.

1. **Motivation practices:** Motivation is the act of inspiring the organizational members to devote maximum efforts to achieve the common goal of the organization through different means.

* Managerial effectiveness is low in Nepal. Managers lack requisite skills and training.
* Motivating has not received adequate attention in Nepalese organizations.
* Managers assume that employees work for money and are lazy. The low level of wages increases the dissatisfaction among them.

1. **Leadership practices:** Leadership is an ability of influencing people after developing organizational vision and goals. Some of the practices of leadership in general are as follows:

* Most of Nepalese organizations have autocratic leadership style. They have highly centralized authority structures.
* Leader in major enterprise is appointed politically. Managers change with changes in the government. Hence, they do not feel accountable for the development of organization.
* Managers are weak in leadership capabilities, employees are weak in communication and interpersonal skills and workers lack vocational knowledge.
* Some multinational companies are practicing democratic leadership style in Nepal. They encourage participation in decision making and assume responsibility.

1. **Conflict management practices:** Conflict refers to all kinds of oppositions or antagonistic interaction between and among individuals and groups. It is the responsibility of managers to recognize the positive and negative effects of conflicts and try to handle them in time. Somme of the practices of conflict management in general are as follows:

* Conflicts are so common in Nepalese organizations. They are viewed as harmful, destructive and unnecessary. Nepalese managers do not believe in the necessary of conflict. They do not stimulate and manage conflict.
* Mostly conflicts are personality based. It lacks issue-orientation. Departmental managers are concerned about the interest of their own departments.
* Communication breakdown and misunderstanding, personality clashes, statue and role inconsistencies are some of the major cause of conflicts in Nepalese organizations.
* Unclear authority-responsibility relationship and competitions for limited resources are also the causes of conflicts.

1. **Communication practices:** Communication is the process of the transmitting ideas and thoughts from one person to another for the purpose of creating understanding on the thinking of the person receiving the communication. Some of the practices of communication in general are as follows:

* Effective communication is lacking in Nepalese organizations. Their managers lack communication skills. They regard communication as a less important aspect of management.
* The high centralized organizationstructures in Nepal favor communication from top to bottom. Upward communication is often ignored.
* The communication process generally suffers from unclear and contradictory messages. The decoding tends to lack mutual compatibility. The meaning gets distorted.
* Semantic problems also serve as barriers to communication because Nepal has multiple languages and jargons.

1. **Control practices:** Control is the major management function to ensure that resources are utilized properly in the direction of achieving pre-determined plans and objectives. Some of the practices of control in general are as follows:

* In Nepal, control is generally used for threat and punishment rather than correction of poor performance to achieve planned goals.
* Setting rational standard measuring actual performance against the predetermined plan is really practiced. So, there is no proper system of the controlling mechanism in Nepal.
* Increasing organizational politics of holding power and favoring only the employees with the same ideology and political beliefs are common in most of the organizations.
* More emphasis is laid on post-control rather than pre-control.
* Managers do not show seriousness in quality control.

***Business Culture***

***Concept of Business Culture***

Culture involves accepted norms, values and traditional behavior shown by individuals or groups. In other words, culture can be defined as an evolving set of collective beliefs, values and attitudes of individuals and groups. The culture of each country has shown by its own beliefs, values and activities. However, culture also evolves over time.

Business culture is the part of culture which involves norms and values considered by the managers while doing business activities. Culture provides impact on management practice, decision making procedures and all business functions from business planning day-to-day business operation.

Managers and subordinates of an organization must learn how people interact, do activities; realize which is good or bad. The impact of culture at the organizational level ranges from investment and organizational design to strategy formulation.

***Nepalese Business Culture***

The following are the common overview/features of Nepalese business culture:

1. **Traditional operation:** Most of Nepalese business organizations have traditional operation system. They do not consider modern approach of management for enhancing quality of product and service. They lack modern technology in production, distribution, promotion and other operational activities. It is the reason that they unable to face competition in market.
2. **Family owned enterprises:** Major portion of private business enterprises are owned and managed by the family members. It is the reason that all the executive posts of business are hold by them. They maintain centralized decision and control over the operation of the enterprise. They have not given decision making authority to subordinate level staff. Employee cannot show their skills, efficiency and creativity while doing job. Therefore, there is lack of motivation among staff.
3. **Low share of corporate entities:** In Nepal, corporate entities have minimum share in volume of business. Public enterprises have investment only in limited areas of business. They involve tele-communication, airlines, banking, insurance, petroleum, cement, food supply, and other selected business operation. Major portion of business volume is covered by private enterprises. They only consider for short term return on investment. They do not deem for term business operation.
4. **Influence on socio-culture values:** Business culture also provides influence on socio-culture values of the people. Development of private sector enterprises and multinational companies in Nepal provide impact on socio-culture values of Nepalese people. They introduce new concept, ides, model, design, structure and strategy to promote business activities. They do such activities to draw the attention of new customers. It is the reason that western culture stared to influence Nepalese culture.
5. **Problem of integration:** Most of the business enterprises of Nepal have lack of integration of organizational objectives with that of plans, policies, programs and strategies. Managers set high optimistic and imaginary objectives which are not achievable in practices. Besides, they do not formulate strategies, plans and policies by focusing predetermined objectives. It is the reason that most of the objectives are not achieved in practice.
6. **Lack of trust:** There is lack of trust among the stakeholder of Nepalese business organizations. Managers do not belief on subordinates and they do not provide decision making authority to them. Similarly, shareholders have no complete trust over the activities and performance of managers. There is lack of mutual relation with government authorities and business communities.
7. **Difference in code of ethics:** Ethics involves the norms, values and morality that are taken into consideration while doing business. It directly focuses on right or wrong, good or bad. However, in Nepal there are differences in code of ethics among the managers and among other stakeholders. For example, some managers do business activities only for fulfillment of short term expectation of investors.
8. **Autonomy:** The decision making authority is highly centralized. Major portion of business are owned and managed by families. Therefore, executive level positions of the organizations are vested to family members. They do not decentralize decision making authority to subordinate level employees. In some case autonomy decision may be the reason of wrong decision that would not give expected outcome.
9. **Resistance to change:** Change is natural and inevitable because social environment in changeable. Management needs to introduce new concept, idea, working procedures, and technology to adapt with changing environment of the society. Nepalese culture is that most of employees create resistance to change. They do not accept change due to feeling of job insecurity, decline in status, lack of knowledge, negative attitude about change, etc.
10. **Lack of delegation of authority:** Most of Nepalese business are owned by private enterprises there is the system of centralized authority. Managers never delegate decision making authority to subordinates. They do decision based on their skill, efficiency, knowledge and requirement. Therefore, subordinates have no scope for development of managerial skills. However, some corporate enterprises have provision of delegation of authority to subordinates on the basis of their skills and job responsibility.

***Major Problems Facing Business in Nepal***

The following are the common problems of Nepalese industries:

1. **Policy related problems:** There is inconsistency in government policies and regulations regarding industrial development. This has become a hurdle in the management practice of major industries. The contradictory provisions mentioned in the industrial and fiscal policies create problems in industrial development. The regular change in tax rules and procedures also creates problems to the managers. Uncontrolled open border with India has promoted unauthorized trade which creates major problems to Nepalese industries.
2. **Demand related problems:** The per capita income of a majority of Nepalese people is very low. Therefore, their purchasing power is also limited. As such, Nepalese industries are not operating at their full capacity due to low demand of their products. They are also unable to compete with cheap Indian and Chinese products. Nepalese products are even not accessible in all parts of the country due to unavailability of transportation facilities.
3. **Human resource problems:** Many Nepalese institutions are suffering from a lack of skilled manpower. Human resource is important for mobilizing the capital, machines, and technology to maximize productivity. Capable and skilled executives who would manage business in a competitive environment are scarce in Nepal. Insufficient managers cannot develop new strategies and policies to promote business.
4. **Capital and technological problems:** Many Nepalese business institutions are suffering from shortage of capital and advanced technology. They need capital to establish and operate industries. High rate of interest and demand of collateral by the banks are major difficulties in securing loans for business. Similarly, unnecessary and time consuming administrative procedures are responsible for not getting bank loans easily. Many industries are not in a position to incorporate the latest technology for production and quality enhancement.
5. **Infrastructure problems:** Nepalese industries are suffering from a problem of infrastructure facilities. Infrastructure facilities involve facility of road transport, electricity, water supply, communication, drainage, etc. These facilities are must for the establishment and operation of industries. In road transportation, only trucking service is available. This service bears more cost and also suffers from many problems like highway blockade, strike, syndicate system etc. At present, the irregular supply, load-shedding and low voltage of electricity is a major problem for industries. Besides, per unit cost of electricity is also very high in Nepal. For communication of information, government postal service is not reliable and private courier service is expensive. Poor drainage for industrial wastage has resulted in pollution in industrial areas.
6. **Labor union problem:** Lack of mutual trust between labor unions and management has created problems in many industries. Labor unions and affiliated to political parties. In some cases, the create problems not for their legitimate demands, but they are motivated from their political parties. Many industries are closed and many are diverted to other countries due to strike, lockout illogical demands of the labor unions.
7. **Raw material problems:** Many industries are suffering from the problem of unavailability of quality raw materials. In some cases, raw materials available in Nepal become more costly than those imported from other countries. Many industries import raw materials from India for their industries. The quality of imported raw material may not meet the international standards. Besides, it bears more transportation costs. Therefore, Nepalese industries are unable to face competition even in the national market.
8. **Lack of mutual trust:** Mutual trust between government authorities and the private sector is lacking. After the 1990s, the government introduced a liberal and free market economy where private sectors could play an important role in the in the industry and commerce sector. However, the government' s emphasis is only on formulation of policies and controlling the activities of private entrepreneurs. The attitude of the government authorities is not helpful. They rather create problems to managers in many situations.
9. **Security problem:** Many industries feel insecure while operating their business activities. Political stability is necessary for industrial development of any country. Political instability has created many problems in the business communities. Managers feel insecure by theft, crimes, donation, raids and other unsocial activities. The government is unable to provide security to industries.

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