UNIT 10   ORGANISATION STRUCTURE AND DESIGN

Objectives

The objectives of this unit are to:

- understand the basic elements of an organisation structure
- differentiate between formal and informal organisation structures
- appreciate the various factors impinging upon the design of an organisation structure
- familiarise you with different types of organisational structures and the advantages and disadvantages of each
- develop an understanding of the issues involved in designing a service organisation

Structure

10.1   INTRODUCTION

Organising is the formal grouping of activities and resources for facilitating attainment of specific organisational objectives. It is possible to achieve objectives without formally organising, but there is likely to be great wastage of resources and time. Organising ensures that objectives are achieved in the shortest possible time, in an orderly manner, with maximum utilisation of the given resources.

In the context of a firm, its people, machines, building, factories, money, and credit available for use are the resources at its disposal. All these resources are limited. Your role as a manager is to organise all these resources, so that there is no confusion, conflict, duplication or wastage in achieving your organisation's objectives. You will be required to allocate to each person his role, designation and position in the organisation, responsibility for achieving specific objectives and authority for utilising the resources assigned and the higher authority to whom has to periodically report the progress. In this unit, we will take up all these issues for discussion, dwelling at some length on the various types of organisation structure that you can choose from to suit your company's specific objectives.
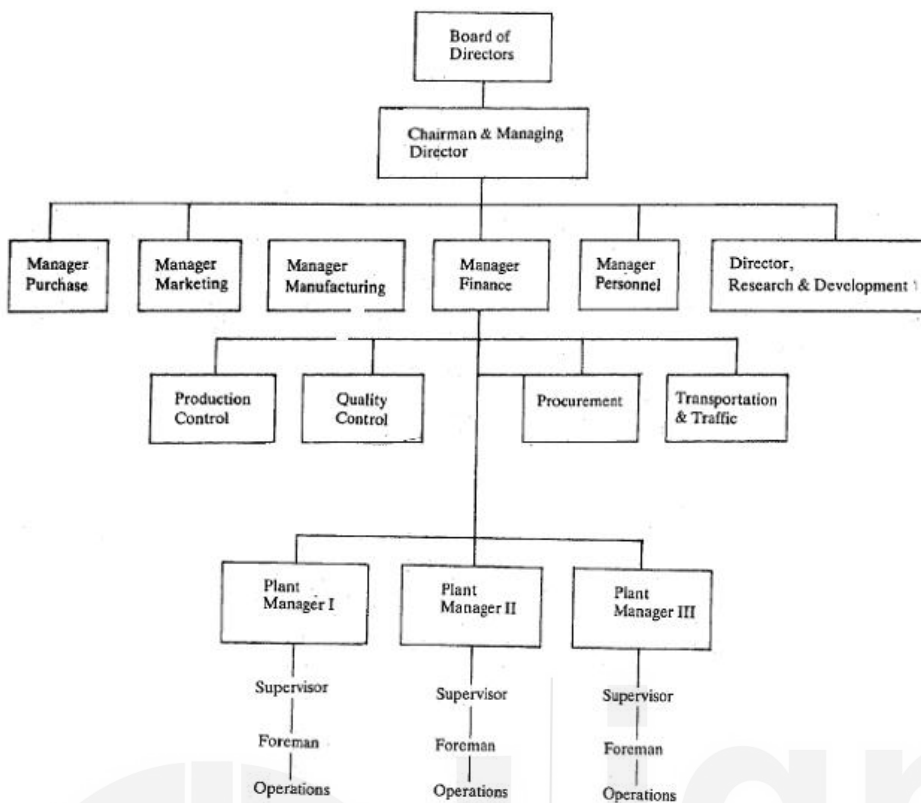
10.2 ORGANISATION STRUCTURE AND CHART

Organisation structure refers to the formal, established pattern of relationships amongst the various parts of a firm or any organisation. The fact that these relationships are formal implies that they are deliberately specified and adopted and do not evolve on their own. Of course, it may sometimes happen that given an unusual situation, new working relationships may evolve and which may later be adopted as representing the formal structure.

The second key word in our definition of structure is `established'. Only when relationships are clearly spelled out and accepted by everyone, can they be considered as constituting a structure. However, this does not mean that once established, there can be no change in these relationships. Changes may be necessary with passage of time and change of circumstances, but frequent and erratic changes are to be avoided. A structure can be based on relationships only if they exhibit a certain degree of durability and stability.

The formal relationships in an organisation are those as described in an organisation chart. Figure I presents a typical chart for a company engaged in manufacturing. The boxes in the chart represent the various important positions in the organisation. The title of the position in the box, viz., manager purchase or manager marketing, indicates the activities of that position. The distance of the box from the top indicates its position in the hierarchy. The closer the position to the top, the higher its status and vice-versa. The lines joining the various positions represent the formal reporting relationships, usually between a superior and a subordinate.

Fig. I : Organisation Chart for a Manufacturing Company

The organisation chart is a rather abstract illustration of the structure. To get a more complete picture, the chart may be supplemented by job descriptions of each position. The job description gives in detail the activities and responsibilities expected of the person occupying the position.

Both the organisation chart and job description are simplified abstractions of the actual situation. In reality there are many more positions and relationships than indicated in the organisation chart. The degree of authority a superior has over his subordinate is also not indicated in the chart, nor is the relationship between two managers at an equal level reflected in the organisation chart.

Despite all these limitations, the organisation chart is an extremely useful tool in understanding and designing the structure. The structure of an organisation, unlike that of a physical, mechanical or biological system, is not visible; Therefore, it can only be understood by a representative model and by observing its behaviour.

Activity A

Draw the organisation chart of your company. Clearly mark your position in the structure and draw the lines depicting the reporting relationships between you and your immediate boss and immediate subordinate.

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The elements of an organisation structure are:

- the network of formal relationships and duties, i.e. the **organisation chart** plus the **job descriptions,**

- the manner in which various tasks and activities are assigned to different people and departments **(differentiation),**

- the manner in which the separate activities and tasks are coordinated **(integration),**

- the power, status, and hierarchical relationships within the organisation **(authority system),**

- the planned and formalised policies, procedures and controls that guide the activities and relationships **(administrative system),** and

- the flow of **information** and communication network.

The network of formal relationships has already been discussed. Before we get into a detailed description of the specific elements of an organisation structure, it would be useful to differentiate between formal and informal organisations and the factors affecting the design of structure.

10.3 FORMAL AND INFORMAL ORGANISATIONS

If you and your colleagues decide to meet every Saturday evening for one hour and form a recreation club to play chess and carrom, you are meeting in an informal organisation. However, when the same group of your colleagues meets to review the last quarter's performance and plan for the next three months it is in the context of a formal organisation. Thus, while the informal organisation is spontaneous, the formal organisation is the result of a deliberate and planned effort to pattern activities and relationships in a specific manner to facilitate achieving the specified objectives. A formal organisation is the result of explicit decision-making, deciding how people and activities should be related to one another. However, there is no such decision-making involved in an informal organisation which may simply evolve over time.

In the context of a business organisation, both the formal and the informal organisations operate together to form the total organisation. The formal structure delineates specific departments, activities, people and their reporting relationships. The informal structure refers to the social groups or friendships which people working together may form.

A most important aspect of the informal organisation is the informal communication network or `grapevine' as it is more commonly known. If you analyse the communication network in your organisation, you would realise the amount of information you gather from official circulars, memos and

speeches is rather insignificant compared to what you unofficially learn from your colleagues, your subordinates and even your peons. The grapevine constitutes an extremely important component of the organisational information system. How often you have been able to avert a crisis much before it actually erupted because the information about the impending crisis was conveyed to you by the grapevine?

Besides the grapevine, the other rnanifestation of the informal organisation is the formation of groups which may spontaneously evolve when the formal organisation. is slow to respond to changing external and internal forces. But sometimes these informal groups may also work against the formal organisation. This may happen when an informal group of workers may force other workers to lay down tools, or work to rule or generally pose impediments in the path of progress.

Sometimes the norms and work ethics evolved by the informal organisation take precedence over the official norms. The head of the market research division of a large multi-national company involved in manufacturing and marketing a wide range of consumer products, would always spend three to four hours every Saturday morning in office, even though Saturday was officially a holiday. Observing that the departmental head worked on a holiday, his immediate subordinates also felt obliged to be in office every Saturday. The manager did not expect it from his subordinates, but the latter felt that by doing so they would be creating a favourable image for themselves in the eyes of their boss which would help them in their promotion within the formal organisation.

Similarly, you would find informality evolved values operating within the parameters of the formal organisation. These values may relate to dress, employment of women, employment of members of a minority community, etc., In understanding the structure of an organisation, you must understand the important role played by the informal organisation within the formal organisation.

Activity B

List all the informal organisations in which you regularly participate. What are the activities undertaken by these informal organisations?

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10.4 FACTORS INFLUENCING THE CHOICE OF STRUCTURE

As a manager, it is your job to design a structure that will best suit the specific requirements of your organisation. Designing an organisation structure is a continuous process. What seems to be the ideal design today may tomorrow prove to be totally ineffective. It is your task as a manager to be continually improving the structure of your organisation. Any change in factors which impinge upon the design of an organisation will necessitate a change in the structure to suit the new conditions.

Impact of Environment

The first factor affecting the design of your organisation structure is the environment. An organisation is continuously interacting with its environment in terms of drawing inputs from it and providing it its outputs. All organisations operate within an environment which comprises economic, social, cultural, political and legal sub-systems. A change in any of these sub-systems may force you to change the design of your structure. Change in Government regulations regarding foreign equity participation in India made it imperative for the most foreign owned companies to dilute their holdings and become more national in character. Increasing awareness about personal rights and social pressure on maintaining the natural state of environment have forced many companies to set up Personnel Welfare Departments and instal expensive equipment to neutralise the toxic effluents generated in their manufacturing process. You might have-noticed that banks have instituted a process by which public complaints can be tackled at the highest level. Some of the bank managers and chairmen even set aside specific timings when they give a personal hearing to individual grievances.

Business organisation are very much in the public eye today. Generally speaking, the more responsive your organisation is to the changes in the environment, the more favourable will be its public image and greater the chances of its survival and success. You have not only to ensure that appropriate changes are made, but equally important these changes must be perceived by both the public and the Government.

Impact of Technology

The second factor affecting the structure of your organisation is the technology that you have adopted. To begin with, each pair of shoes was made by a single cobbler who. probably spent four to five days on the entire process. With the concept of specialisation and division of work, organisations, instead of being designed around individual craftsmen, were structured on the basis of different people doing only a specialised part of the entire process of shoe-making. This concept was further refined with the introduction of automation and assembly lines. Now with the introduction of computerisation and robots, new structural designs are once again emerging. Entire plants are manned by a single operator who controls the operations through computers. Major human inputs are needed in designing computer controls and software rather than in performing repetitive jobs.

These technological changes affect not only the large firms but also the smaller ones. In India, in a large number of medium and small scale companies, simple routine functions such as preparing payroll, invoicing and ledger maintenance have been computerised. Such small changes also necessitate redefining jobs and redesigning existing departments to suit the new technological process. Today the greatest impact of technology is on the manner in which people collect, receive and use information. In many companies full-fledged Management Information System departments have been set up in response to the explosion in information technology.

Impact of Psychosocial Characteristics

The changing psychosocial characteristics of the workers is the third factor impinging upon the design of the organisation structure. Greater demand for leisure time led to the introduction of the five, and in some places, even the four-day week. Our country has also adopted a five-day week. Greater awareness about worker rights and use of more militant means to earn those rights have led to the widespread formation of trade unions in almost every organisation. Some companies have had to redesign their structure in order to give a formal recognition to the unions.

The three factors that we have discussed so far are external to the organisation and its management. However, there are some attitudes and values of the management which have a critical bearing on the structure of an organisation. Most important of these are the management's attitude towards the issues of decentralization and delegation of authority and the role and function of line and staff personnel. Also affecting the organisation structure are the scalar principle and span of control.

10.5 DEGREE OF DECENTRALISATION

Centralisation refers to the concentration of authority and decision-making in one single position in the organisation. In a one-man enterprise, the entrepreneur makes all the decisions and all the authority and decision-making power is vested in him. With the expansion of business, it may no longer be possible for one man to control all the operations and may become necessary for him to delegate some responsibility and authority to another person. Delegation implies that you are acting on behalf of your boss by virtue of the power which he has given to you. The greater the delegation of power the greater is the extent of decentralisation in the organisation.

You will find that some companies, even though physically very large, have highly centralised structures. All decisions are taken by the top management, with the middle and operating level managers having little or no say in running the show. On the other hand, you may find that even in a relatively small organisation, there is greater delegation of power and the structure is very decentralised. The degree of decentralisation in an organisation is partly a manifestation of the top management's attitude. Some managers do not like to delegate even the smallest task to their subordinates. There may be a variety of reasons for this. Doing all the tasks himself may give the manager a great sense of power, or he may feel that the subordinate is incompetent and

may commit mistakes.

Total centralisation, however, is never desirable as it may bog down the manager in routine, trivial tasks and leave no time for planning the company's future. An effective manager would decide the issue of centralisation versus decentralisation on the basis of the requirements of the situation rather than his own personal bias.

Decentralisation is effective when:

i) Conditions in each market are so different that only a high degree of adaptation to local conditions will lead to success. Multi-national companies with subsidiaries in many different countries are a typical example

ii) Success depends on the quick response to the information and conditions generated at the local level. Companies dealing in stocks and shares or international currencies require speedy response to the fluctuating prices for getting the best returns

iii) Active participation of people in the planning and implementation of objectives is conducive to good performance. An engineering company manufacturing electrical switching equipment sells mainly to the State Electricity Boards (SEB) through the tender system. Each tender requires close monitoring and personal follow up at each stage till the final award is made. Realising that personal rapport with individual SEB is important, the company has fully decentralised local offices in each city where the SEB is located.

The introduction of computers and real time information has influenced the concept of centralisation in an organisation. Information may be generated at the factory, but it is instantaneously transmitted to the decision-maker (even if one is located 10,000 kms away) for suitable action. Information may be processed and used at the place where it is generated or it may simply be passed on to another location for use in decision-making. Real time information can lead to greater centralisation or decentralisation.

The degree to which a term decentralises its structure depends on the requirements of its unique situation. Also. a firm may not decentralise all its operations, but go in for only partial decentralisation. Functions which facilitate local adaptation, quick decision-making in response to local changes and strengthen worker participation should certainly be decentralised. On the other hand, functions involving economics of scale, utilisation of specialised knowledge and involving huge sums of money may remain centralised. Finally, the degree of decentralisation also depends on the availability of competent and reliable people to head the independent operations.

10.6 LINE AND STAFF RELATIONSHIPS

The role of line and staff personnel is the other issue to be decided in the context of designing your organisation structure. Traditionally, any function

which directly contributed to the organisation's objectives was viewed as a line function. Staff functions were those which helped line functions to perform more effectively. However, an important point to note about line and staff is that in the former there is a direct relationship of command from superior to subordinate while in the latter the relationship is more advisory in nature. There are some traditional principles which have greatly influenced the concept of organisation structures. The most important of these are specialisation of work, scalar principle and span of control.

Activity C

Evaluate the organisation of your company in terms of whether it is a highly centralised or decentralised structure. If you were made the chairman of the company, what kind of a structure would you adopt? Describe in detail the functions which you would centralise and those you decentralise.

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10.7 SPECIALISATION OF WORK

A very basic and traditional principle of organising is to break down a task or process into smaller, more manageable tasks which call for utilisation of special skills. This concept of work specialisation aid division of labour was the forerunner of assembly lines. This is indeed a useful principle in so far as it allows a worker to concentrate on that activity at which he is most proficient. But in many situations, this concept has been carried too far and Jobs of workers have become so fragmented and trivial that a worker's job may be reduced to putting a screw on a bolt and simply tightening it.

Scalar Principle

Scalar principle and unity of command are two closely related principles. The scalar principle states that authority should flow in a straight line from the superior to the subordinate in a hierarchical manner. The principle of unity of command states that ideally each subordinate should have only one superior. These two principles establish the basic hierarchical nature of an organisation.

10.8 SPAN OF CONTROL AND, LEVELS OF MANAGEMENT

Closely related to the concept of hierarchical structure are the concepts of span of control and levels of management. Let us understand these with the help of an example.

In 1975 Mrs. Das, a housewife living in Bombay, started making garlic chilly

sauce at home and selling it to her close friends, relatives and neighbours. The sauce became quite popular and Mrs. Das began receiving many orders, including two from the nearby Chinese restaurants. Unable to cope with so much work she hired Indrani as an assistant. This was the first step in delegating authority and creating another level of management. Existing customers now had to deal with Indrani as Mrs. Das herself concentrated on preparing the sauce and tapping potential new customers.

A year later Mrs. Das hired one girl to help in the kitchen, two girls to assist her in making sales calls and one office assistant for Indrani. Now authority had to be delegated in the kitchen as well as in making sales calls and hence two levels of management were created in the kitchen and sales. The new office assistant reported only to Indrani, who in turn reported to Mrs. Das and thus there were three levels of management in administration. Span of control refers to the number of people a manager has to control. Now Mrs. Das's span of control extended to four people (Indrani, one kitchen assistant, two sales assistants) and Indrani's span of control was restricted to only one. By 1980, the small sauce making enterprise had shifted to a shed in the nearby industrial estate, with a full-fledged production facility consisting of 10 people and a sales team of 16 girls, divided into 4 territorial teams supervised by a sales manager and an office administration set up of 25 people.

Mrs. Das's organisation as it evolved is shown in figures II, III, IV, and V.

Starting out with a relatively flat organisation where Mrs. Das was in direct contact with all her customers and suppliers, her organisation had acquired many levels of management and a vertical structure by 1980.

As an organisation adds on levels of management it becomes vertical and the span of control at each level becomes narrow. In a flat organisation,.the span of control is relatively wider and levels of management are few. The flow of information in a flat organisation is fast and there is greater individual satisfaction and it is the ideal structure for conducting research and development and new product development groups.

There is a great deal of controversy regarding the optimum number of people a manager can effectively manage or the ideal span of control. The important factor is not the number of people whose work a manager has to control but the number of people he actually has to work with. On paper the marketing president may have 30 area sales managers under span of control. But since manager does not have to interact with them individually more than once in six months, and all other interactions including the regular reports are through the vice-president (sales), the system works well. In practice, there is no `ideal' span; it will vary from individual to individual and from one organisation to another.

Similarly there is no hard and fast rule governing the levels of management. Too many levels only add unnecessary complexity because decisions, information and instructions must go through too many channels. Each organisation has to find its own ideal balance.
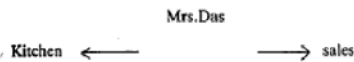
EVOLUTION OF AN ORGANISATION

Figure II: Flat Structure

Mrs.Das

Kitchen ⟵ ⟶ sales

Figure III: Level Structure

Mrs.Das

Kitchen ⟵ ⟶ Sale

Indrani
(Sales to
existing
customers)

Figure IV: Growing Structure
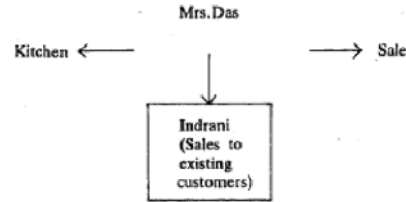
Mrs. Das

Indrani | Sales Assistant I | Sales Assistant II | Kitchen Assistant
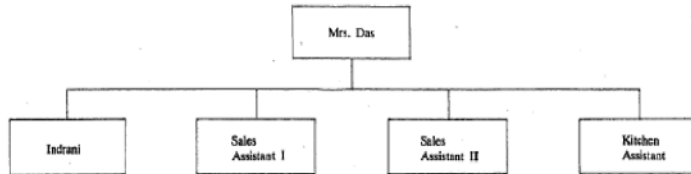
10.9 DIFFERENTIATION OF TASKS AND ACTIVITIES WITHIN AN ORGANISATION

The various, multifaceted tasks and activities of an organisation have to be divided into smaller, manageable components to facilitate efficient achievement of objectives. The most common basis for differentiation and division are function, product, location and customer. In recent times the two types of organisation structures which have evolved are the **matrix organisation** and the **network organisation.**

Differentiation by Function

The grouping of activities according to the type of function performed is the most commonly used structure. You would find this not only being widely used in business organisation but also in non-commercial organisation such as hospitals, universities etc.

The functional structure is most suited when an organisation is dealing with a single product or service. The activities can easily be segmented into similar, complementary activities such as production, marketing, finance, purchase etc. Depending on the nature of the organisation and its scope of activities, the functions it has to perform may differ vastly from those of another organisation. For instance, one company which undertakes both manufacturing and marketing may have departments engaged in purchase, production, marketing and finance. If it is selling a product such as TV or refrigerator it may also have an after-sale-service department. On the other hand, a company which is an ancillary to a parent company may have only departments for purchase, manufacturing and finance. Since it is selling its entire production to the mother company there is no need for a marketing department. Figure VI shows a typical functional structure.

The most important advantage of functional structure is that it allows for specialisation of work, thus ensuring the most efficient utilisation of human

resources. The other benefit of this form of departmentalisation is that there is concentration of authority and responsibility in the top man, thus ensuring that there are no conflicts arising from different authorities. The hierarchical line of responsibility is very clearly delineated.

The major disadvantage of the functional structure is that functional specialists often lose sight of the overall organisational objectives and work for narrow, functional objectives rather than organisational objectives. The other major problem associated with this type of structure is that of co-ordination amongst so many functional departments each with its unique set of constraints and problems.
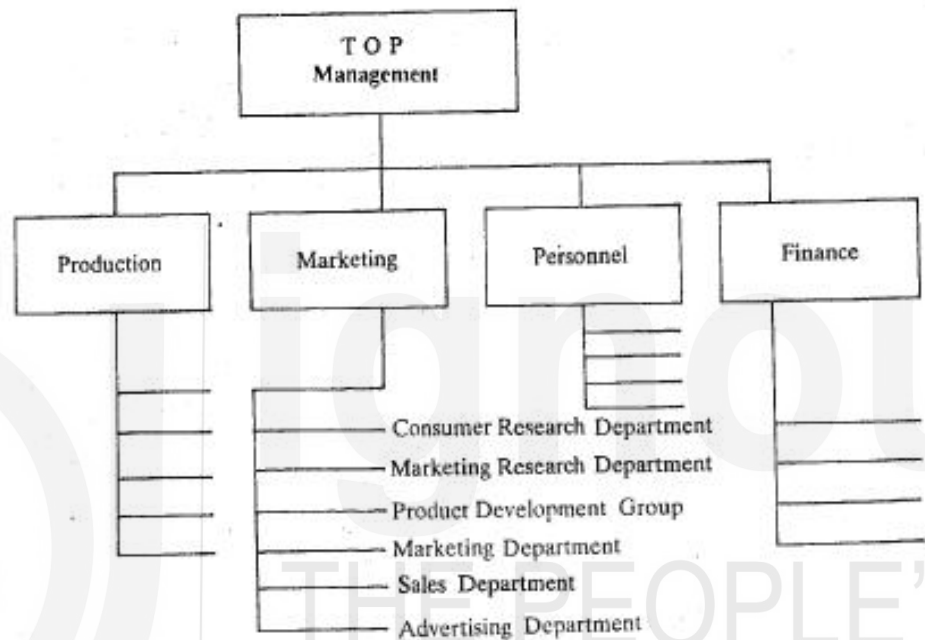

Fig. VI: Functional Organisation

Differentiation by Product

As a company moves from a single product or service to manufacturing a wide range of products it may find that the functional structure is no longer effective. This is especially true if the products are very different from each other in terms of the technology, raw material and manufacturing process used and the final product. In such a situation, the company may then have to adopt a structure which revolves around individual products or product lines. Figure VII illustrates one such organisation structure.

Companies such as Hindustan Lever (manufacturing and marketing uetergents, toiletries, chemicals, and agro-based products) Richardson Hindustan with its range of Vicks products, Clearasil cream and soap have structures revolving around different products. The extent of differentiation would vary from one company to another. One company may club all its toilet soaps, detergents, and washing powders in one product line, while another may differentiate between toilet soaps and detergents or even between individual toilet soaps if they cater to distinct market segments or have a very different raw material base.

The main advantages of using a product based organisation structure are that

it facilitates optional utilisation of specialised machinery and technological processes, permits greater co-ordination, where specialised customer service is required, and enables product managers to be responsible for the profit generation of their department. Johnson & Johnson manufactures and markets a wide range of specialised surgical structures and accessories as well as a range of products for children. Product based departmentalisation ensures that the two major product lines operate as independent profit divisions since there is almost no commonality in terms of the manufacturing process, marketing skills and market segments served.
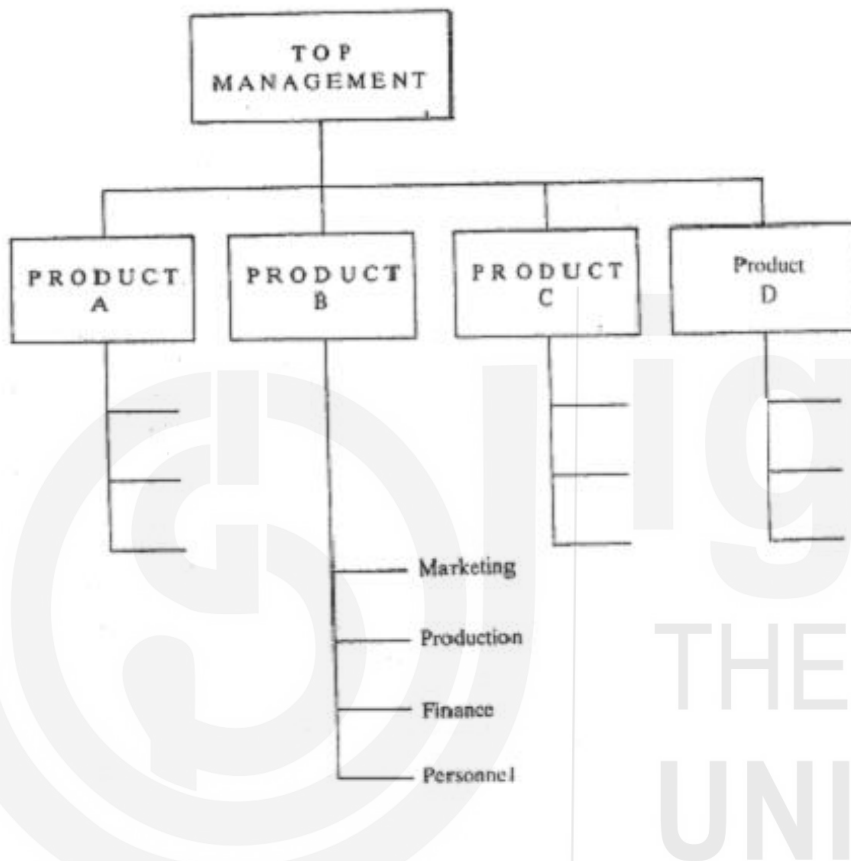

Fig. VII: Product Organisation

The biggest disadvantage of this type of structure is that it leads to duplication of managerial manpower thus leading to higher costs. It also requires a strong leader to control the various product groups so that they do not become alienated from the overall organisational objectives.

Differentiation by Location

When an organisation is departmentalised on the basis of location of different tasks and activities, then the organisation is geographically organised. Figure VIII shows the organisation structure of Food Corporation of India in which the functions and activities are differentiated on the basis of four different zones

The biggest advantage of differentiating the functions **geographically** is that it allows for maximum utilisation of local resources and talents, as well as speedy decision-making in response to changes in local conditions. In fact, where the participation of local people is essential to the success of the organisation. as in voluntary and social organisations, a geographic

differentiation is ideal. The problems associated with this type of structure relate to problems of top management control and require a large number of executives with general management skills to head the various area operations.
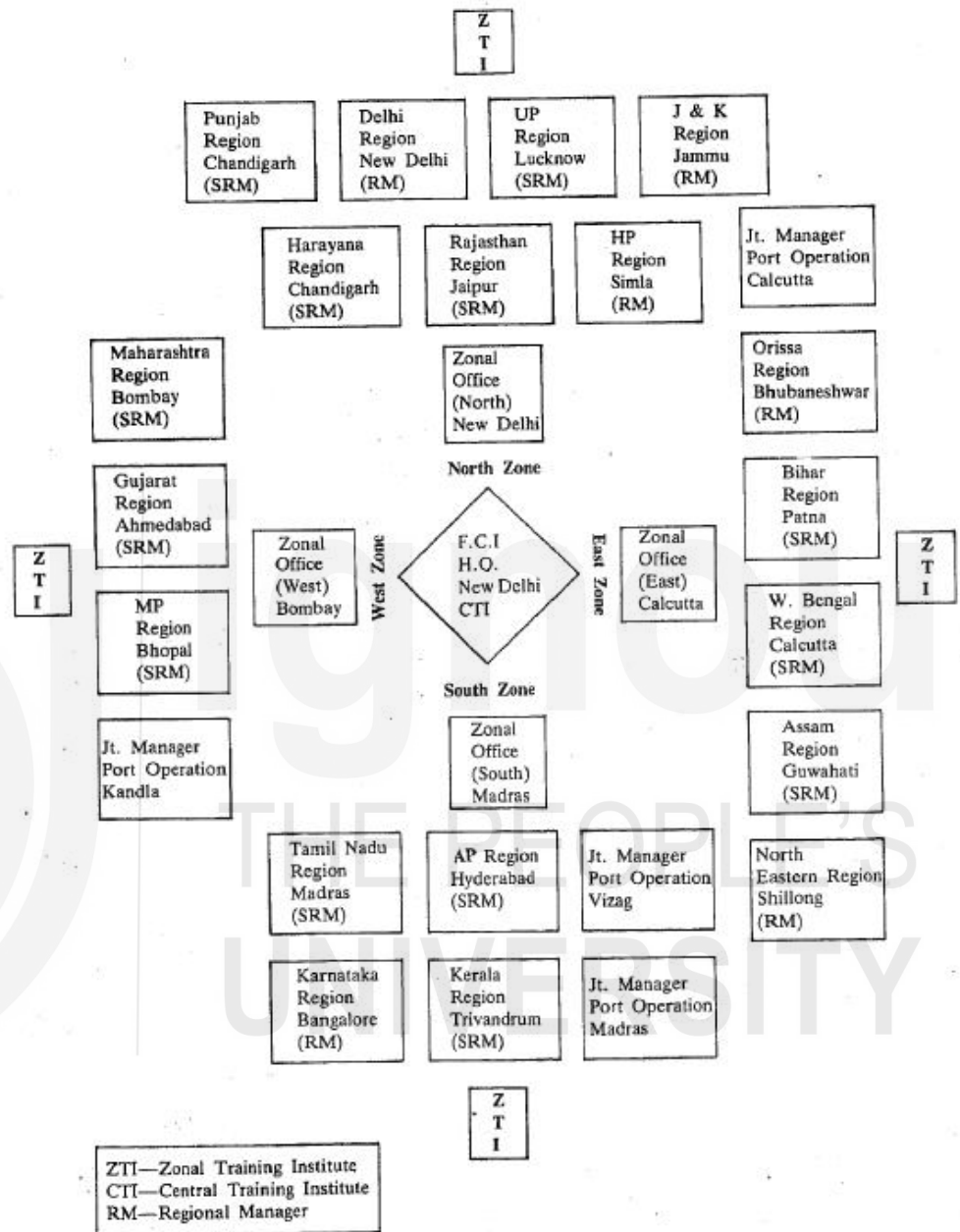

Fig. VIII: Geographical Organisation

Differentiation by Type of Customers

Another kind of possible grouping is by the type of customer served. A Delhi based company manufacturing electronic typewriters and desk top photocopiers had organised its sales force on the basis of its two product lines. Its major customer segments were Government organisations (public sector companies, ministries, departmental undertakings, public libraries etc.) and private sector companies. The company was not very successful in its marketing efforts. Investigation revealed that the same customer (organisation) was being visited by two different salesmen (one each for

typewriter and copier) resulting in unnecessary duplication of effort and time. Moreover, the Government and private sector organisations each had a very different set of criteria governing their decision to purchase. The sales approach which succeeded in a private sector company could not be similarly applied to a government set-up. The company then re-organised its sales force into two teams, one catering to the government sector and the other to the private sector, with each team having responsibility for both the product lines. With the reorganised structure the company was able to make a dent in the highly competitive market.

10.10 MATRIX STRUCTURE

The matrix structure is a combination of the product and functional organisation and is usually created for executing a project which requires the skilled services of a functional man as well as the specialised knowledge of a product man. Large turn-key projects in specialised fields require a matrix structure. Figure IX illustrates a matrix structure.

The distinguishing characteristic of a matrix structure is that it operates under a dual authority. A person is accountable to two bosses at the same time, one his usual boss and the other his boss for the duration of the project. Obviously the problems emanating from this type of structure relate to conflicting roles and authority arising out of an ambiguous demarcation of authority and responsibility.
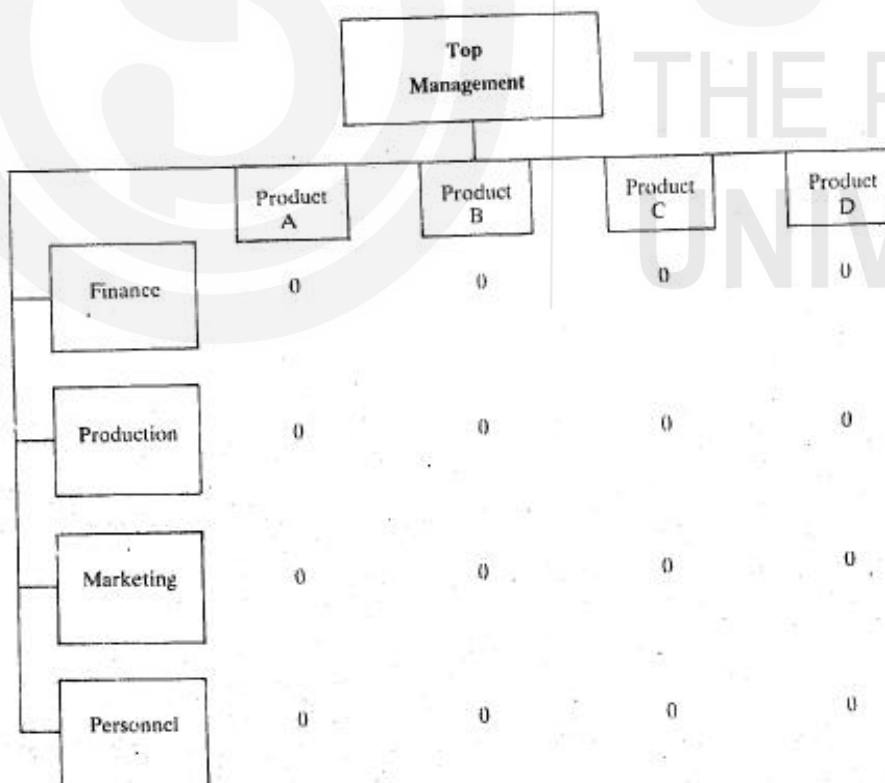
Fig. IX: Matrix Organisation

10.11 NETWORK STRUCTURE

When an organisation needs to control other organisations or agencies whose participation is essential to the success, a network structure is organised. In this, the main organisation creates a network of relevant agencies and it influences in different ways.

Network structure is mostly used in non-business organisations which have socio-political objectives. For instance, the State Industrial Development Corporation (SIDC) may resort to a network structure in their objective to establish an industrial estate. In this the SIDC may act as the lead agency and involve the State Electricity Board, Local Municipal Authorities, Land Development Authority, Authorities for Water & Sewage Control, P&T Department for communication facilities, appropriate authorities for building roads etc. The SIDC would also need to establish a network with people who would ultimately be using the industrial estate to know their requirements in terms of specification and special needs. It would also use the services of an advertising agency to promote the industrial estate and attract maximum number of entrepreneurs. For the construction of sheds and factories the SIDC may have to utilise the services of private construction agencies

Thus, a network structure envisages the utilisation of a number of different services offered by different agencies. There is need to coordinate the different inputs and synchronise them towards the ultimate objective.

Activity D

What is the basis of differentiation of tasks and activities in your organisation? On the basis of the above discussion, can you suggest three definite improvements in the organisation structure which would enhance its effectiveness?

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10.12 INTEGRATION OF ORGANISATIONAL TASKS AND ACTIVITIES

Having designed your organisation's structure to suit the specific needs of your company and its environment on the basis of most efficient grouping, you now have to ensure that these differentiated groups are integrated towards the common organisational objectives. Generally speaking, the more differentiated and specialised are the activities, the greater the need for coordination and integration. This is because there is danger of these specialised groups getting isolated and start viewing each other as rivals rather than companions in pursuit of the same goal.

Have you ever witnessed a situation where departments belonging to the same organisation vigorously fight each other over the allocation of annual funds? Think of our country as one big organisation and the States and Union Territories as its differentiated groups. Do you think they are well integrated towards the common goal of national economic development?

The basis for integration is provided by the three elements of an organisational structure, namely authority, administration and communication network.

Integration through Authority

The hierarchical relationships in an organisation define the status of each position in relation to the others and the power that goes with that position. The basis for the hierarchical relationship is that the superior has authority over the subordinate in terms of assigning work and the latter, in turn, is obliged to obey the superior.

Hierarchical relationships facilitate integration because they ensure that all activities are ultimately placed under one authority and thus are linked together. The top position becomes the centre for all coordination. In a small organisation, with a single product line, integration and coordination from one central position is certainly feasible. But if you consider large organisations with operations spread over many geographical areas, product lines running into hundreds and employing thousands of people, it is no longer physically possible for one person to coordinate all the tasks and activities. In such situations, .the hierarchical structure has to be supported by the administrative structure and communication network.

Integration through Administration

"A great deal of coordinative effort in organisation is concerned with a horizontal flow of work of a routine nature. Administrative systems are formal procedures designed to carry out much of this routine." (Joseph A. Hitterer, **The Analysis of Organisations,** 1973).

Every organisation has its own administrative procedures and systems. These relate to almost every aspect of organisational life. The procedure for selecting new recruits, calculation and mode of overtime, travel, medical and other allowances, the system of memos and movement of a file from one department to another for decision-making are all illustrations of administrative procedures. The larger the organisation, generally, the more formally prescribed and numerous are its administrative procedures.

How administrative procedures help in integrating different departments and different levels within an organisation can easily be understood by an illustration. In a typical organisation, at the end of the corporate year, each individual, say a salesman, would fill own assessment of one's performance. The salesman's immediate boss would fill in a Confidential Report (CR) on the performance. The salesman's own assessment and the CR would both be given over to the Personnel Department which may add information from its records on the number of years the salesman has been with the company, starting salary and designation, number of promotions and increments and

bonus received, any loans outstanding against one's name etc. This complete file would then go to the manager marketing, who would in consultation with the general manager decide on the salesman's next promotion and increment in accordance with the established salary structure.

Thus, the administrative procedure for deciding promotions involves sharing of information between different levels in the same department (Marketing) and between different departments (Marketing, Personnel and General Administration).

Integration through Communication

In the previous illustration, the bases for taking a decision about the salesman's promotion were one's own assessment report and the boss Confidential Report (CR). Both these are representatives of the means of communication used in an organisation. Minutes of meetings, circulars, notices, progress reports, monthly in-house newsletters are all specific tools of the communication network of an organisation.

Just as manpower, raw material and machines are the resources of an organisation, so is information. Information regarding the development of a new technology by a rival company, or the introduction of a new model of refrigerator are vital pieces of information which can drastically affect the future course of action for a company. But information is highly perishable. If not communicated to the right person at the right time it has little value.

Information may be received at one level in the organisation but utilised at another. Salesmen and other field staff are usually the eyes and ears of any organisation. They gather bits and pieces of vital information. But to be useful, these disjointed information pieces must he immediately communicated to the 'brain' of the organisation i.e. the managers who will analyse and act upon the information. Just as market information moves upwards within the organisation, decisions have to be communicated downwards. A decision regarding change in the distribution network made at the top, but implemented by people in the field. Therefore, there is need for communication networks which provide for transmission of information both up and down the hierarchical structure. Similarly, networks should be available for exchange of information at the horizontal level.

Computers and many other technical improvements have resulted in organisation's increased ability to collect, process, analyse and transmit vast amounts of information Organisations today have greater access to an almost unbelievable array of information.

In the final analysis, however, it is not so much the access to sophisticated technology which an organisation has that determines the efficiency or efficacy of its communication network but rather the stance and attitude of the top management in encouraging its people to talk with each other and share more information.

Activity E

List the various official means of communicating information in your organisation. How effective are these in integrating the various departments and different levels of management? Can you think of some more such means of communication which your company can adopt?

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10.13 DESIGNING STRUCTURE FOR A SERVICE ORGANISATION

The distinguishing characteristic of a service organisation is that it does not produce any physical or tangible product, but instead it provides a service which may in some cases be almost totally intangible. Dry-cleaning, after sales maintenance for your TV and air-conditioner, health clubs, municipal corporations, banks, universities etc. are all organisations which provide service. A health club's service can be described in terms of tangible and specific gadgets and equipment which it has. However, the behaviour of the staff towards its clients also forms an extremely important part of health club's service, but is intangible. In many cases, it is the intangible part which is more important in attracting and retaining customers.

In dealing with service organisations, therefore, you should lay emphasis on efficient service as well as friendly and courteous behaviour. In highly undifferentiated organisations such as Nationalised Banks, personalised and friendly service can become a basis for distinguishing the organisation.

The other important variable in organising service institution is to correctly identify the service which the organisation is providing to the customer and the activities needed to be undertaken to maintain and improve the service.

The telephone department provides a communication service to its customers. To maintain and improve its service, it has to ensure smooth operations of existing telephones, provide for new equipment, procurement and installation.

10.14 SUMMARY

In this unit we have discussed various issues involved in structuring your organisation. You have a variety of designs.to choose from, but no one design as it is, can prove to be a perfect fit for an organisation. You would always need to modify and adopt a structural design according to the specific objectives of your organisation, the environmental factors such as political, legal, cultural and social conditions, and your own attitude as a manager

towards the issues of centralisation of power and delegation of responsibility.

Whatever be the structure you decide upon for your organisation, you must always keep in mind the basic principles of defining and describing jobs, differentiating them to form manageable parts, and then integrating them to achieve the common goals.

10.15 REFERENCES/ FURTHER READINGS

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