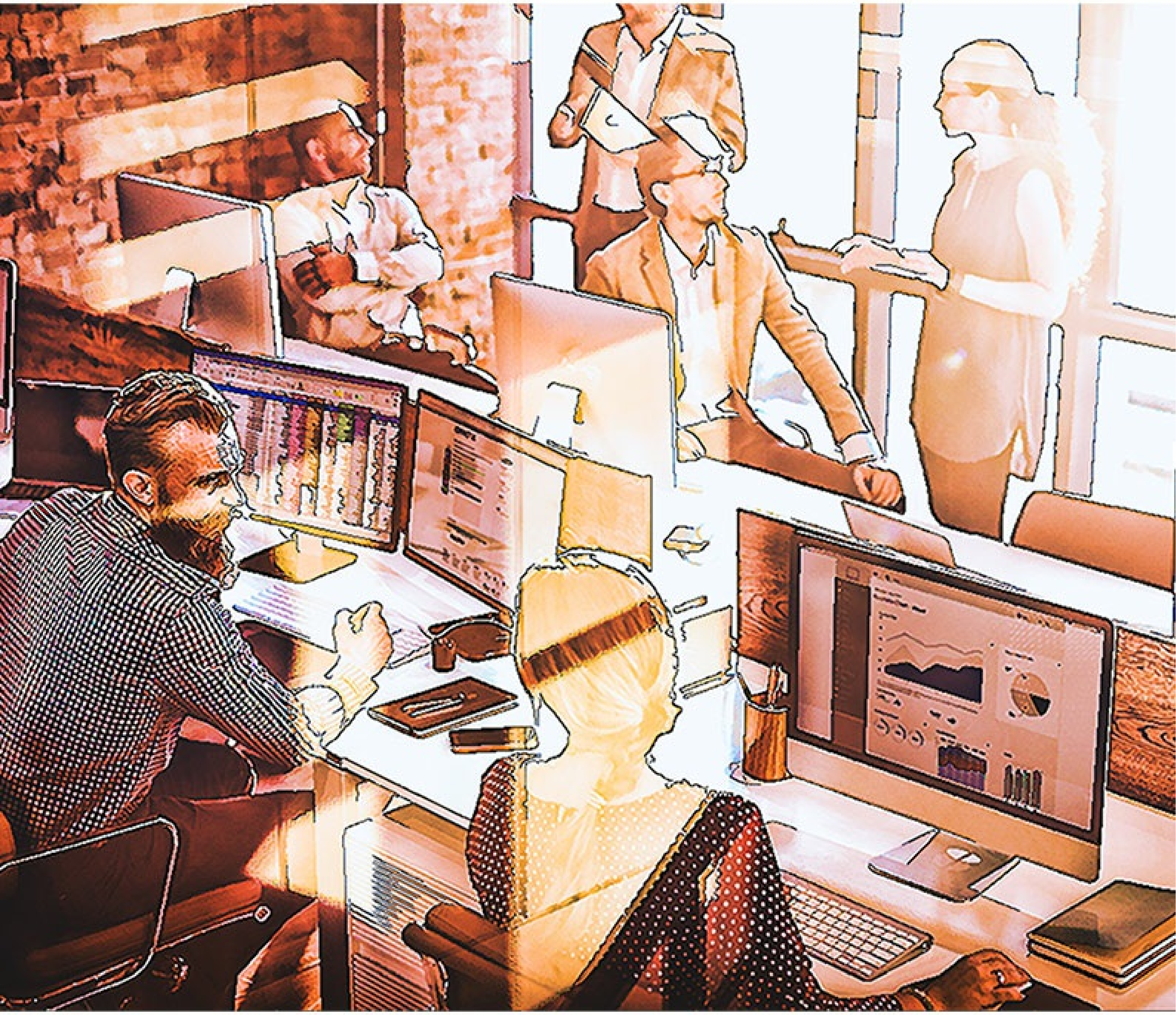
Manmohan Joshi

Organisations



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1 MEANING AND OBJECTIVES

1.1 INTRODUCTION

People have lived in groups since the beginning of time and engaged in social and economic activities to satisfy human wants. These organised groups with formal, informal or spontaneous relationships have been termed as ‘organisations,’ and they are social entities. In other words, an organisation is simply people working together for a common goal.

Sociologists and management writers tend to use the word ‘organisation’ to mean ‘social units’ or ‘human groupings.’ It means that an organisation consists of a group of inter-related people.

In our daily life we are surrounded by organisations. Most of us begin life as a member of a family – a very special type of organisation – or as a member of some kind of similar group of people. Very soon we start becoming involved with other organisations – local health centre, a religious group, later being enrolled in a play group. Then at the age of five or so, we join a complex set of organisations we call the ‘educational system’; we start school. In fact, everybody’s life is heavily dependent upon a wide range of organisations – which in some countries might be state-run or semi state-run – which provide water, electricity, communications, security, transport, medical services, education, and so on. Then there are organisations which provide us with food and drink, clothing, fuel, accommodation, information and entertainment, and many other products and services.

1.2 MEANING

Organisations can be defined in various ways:

- An organisation is the structure and process by which a cooperative group of human beings allocates its tasks among its members, identifies relationships and integrates its activities towards common objectives.
- Organisation means a formalized intentional structure of roles and activities.
- Haimann (1978) has defined organisation as “the structural framework within which the various efforts are coordinated and related to each other”.
- According to Davis (1951), “organisation may be defined as any group of individuals, large or small, that is cooperating under the direction of executive leadership in accomplishment of certain common objectives.”

- Allen (1958) defined organisation as "the process of identifying and grouping of the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively in accomplishing objectives".
- Mooney and Reiley (1939) said, "Organisation is the form of every human association for the attainment of a common purpose".

We can say that:

> *"Organisations consist of groups of people working together in cooperation towards the achievement of one or more common objectives."*

1.3 NEED FOR ORGANISATIONS

Organisations are not a modern phenomenon. The construction of such marvels as the Pyramids of Egypt, the Great Wall of China, and the Aztec cities of South America could only have been undertaken by organisations. Earlier still, Stonehenge in England, for example, presented early managers with the problems of site planning, as well as logistical problems concerned not only with the erection of massive stones, but also the transportation of those stone blocks over great distances.

It is true to say, however, that in the past there were far fewer large and complex organisations than there are in today's world. That was partly due to the small number of people available to form groups, and partly due to a lesser need for organisations on a large scale. Smaller social units and human groupings were dominant in earlier societies. They have not disappeared; and they are still of vital importance today.

It is important to understand:

- Why do organisations exist?
- How were they started?
- Why have they continued to grow in number and complexity?

The reasons are very complicated because:

- There are a large number of different organisations; and
- Different organisations satisfy different kinds of human needs – emotional, physical, psychological, economic, safety and security etc.

We can, however, identify the following reasons for the development and continued existence of organisations:

- **Expansion of activities:** A single human is limited biologically as what he/she can physically and/or mentally do as an individual. Some work could not be done at all without the involvement of many individuals. For example, an automobile assembly plant represents only the final phase in the process of manufacturing an automobile, for it is here that the components supplied by more than 4000 outside suppliers, including company-owned parts suppliers, are brought together for assembly, usually by truck or railroad. It will also include various functions such as production, marketing, transportation, human resource, finance etc.
- **Satisfaction of social needs:** The tendency is – and always has been from early times – for man as a species to participate in group activities outside the immediate family circle. Even a small business can provide its employees with many satisfying contacts both inside and outside the business. For others, the companionship of people with similar tastes leads to the formation, for example, of clubs, societies, associations and unions.
- **Time saving:** An organised group of people can accomplish a task much more quickly than can a lone individual. For jobs such as hunting, hauling in a catch of fish, hauling a boat onto the beach, or helping with ploughing, sowing or harvesting, muscle power is needed. In other cases specific skills are needed, and members of a group tend to specialise in particular tasks – a process which is called 'division of labour' – and divide out the work to be performed. In the past, valuable skills included weapon making, curing skins, pottery, weaving; today the range of skills needed by the community is far greater – but people's areas of specialisation are generally far narrower.
- **More effective provision of people's needs and wants:** People working in groups can provide more effectively for their needs and wants, and those of others. Larger quantities of goods can be produced and distributed more quickly, and with what the economists call 'economies of scale'. In essence, this means that the more of an item is produced, the lower the unit cost becomes, leading to a reduction in costs and prices, and/or to a rise in the standard of living.
- **Increase in efficiency:** Private businesses, nationalized undertakings, and government departments are all more efficient than isolated individuals. This is so in spite of the perception that private sector businesses are generally more efficient than the public sector – may be because of greater accountability in the former. However, even in governmental organisations there is a greater thrust on planning, cooperative achievement, order and efficiency.
- **The potential for power and influence:** Very few individuals possess the ability or power to influence events on a large scale. However, when joined with other

individuals in a union – e.g. a political party, a protest or a pressure group – they can jointly bring pressure to bear on those individuals or other organisations they want to influence. Of course, most organisations are not pressure groups or lobbies; but all have the potential to influence events, i.e. by creating a demand, by winning orders, by creating wealth, by helping a country's balance of payments, and so on. In this sense, organisations can become 'power centres' or 'influence centres'.
- **The pooling and conserving of knowledge:** Instead of every individual having to work everything out for himself/herself – and being limited to what they have learned from experience – members of organisations can and do share both knowledge of facts about situations, and skills or 'know-how'. These factors – together with the needs of trade – led to the development of writing and record-keeping. Today, many organisations use complex technology, e.g. computer software, to record this knowledge and to retain it in permanent form.
- **The provision of greater security for the individual:** Isolated human beings are vulnerable; wild animals, other people, the weather, natural disasters (floods, volcanic eruptions, and earthquakes) were ever present threats in earlier days – and still are today. However, a group can cope with such potential dangers more effectively; we still react to danger today by forming groups. On a small scale (a union at a workplace), or on an international scale of 'groups of groups' (the United Nations, for example), the basic aim behind the formation of such groups or groupings is the enhancement of the security of individuals or states – the latter being organisations made up of the individuals who belong to them.

Taking all these reasons into consideration, it is not really surprising that the number, size and complexity of organisations has grown, and shows every indication of continuing to grow. Put simply, we can see that people join organisations because they consider they will be more successful, will satisfy more needs and wants, and will be generally 'better off' by doing so.

1.4 PRINCIPLES OF ORGANISATION

Over the years, a considerable number of writers have set down their varied views on management and administration in relation to organisations. Two of those writers in particular – through their writings between the mid-1940s and the mid-1970s – have had significant impact on modern-day thinking.

Both Urwick and Brech attempted to set down principles, which they believed, should govern the structures, managements and administrations of organisations if they are to successfully achieve their objectives.

1.4.1 LYNDALL F. URWICK (1891–1983)

Based on his experience in industry, the armed forces and as a business consultant, Urwick wrote prolifically on the subject of management and administration. He was strongly influenced by the ideas of Henri Fayol in particular. He was convinced that the only way in which modern social organisations could be controlled was by applying certain principles to them.

Urwick (1947) set out numerous principles which – in his view – could and should be applied to organisations if they were to be enabled to achieve their objectives effectively. He developed his principles on the basis of his own interpretation of the common elements and processes which he identified in the structures and operations of various organisations with which he had had contact. On that basis, his principles represented a 'code of good practice' which, if adhered to he argued, should lead to success in the management and administration of organisations.

Urwick (1952) produced a consolidated list of his ten principles, which were as follows:

- **The principle of objective:** The attainment of its overall purpose or its pre-determined objectives is the prime reason for the very existence of an organisation.
- **The principle of specialisation:** Each worker or group of workers should concentrate on one task or on a limited number of tasks.
- **The principle of coordination:** The whole purpose and process of organising is primarily to ensure coordination between workers, their activities and their supervisors or managers.
- **The principle of authority:** Every group should have a 'supreme authority' with clear lines of authority to other members of the group.
- **The principle of responsibility:** The superior is absolutely responsible and accountable for the acts of his/her subordinates.
- **The principle of definition:** Jobs, together with the tasks, duties and relationships involved in their performance, should be clearly defined, i.e. in 'job descriptions'.
- **The principle of correspondence:** Authority should be commensurate with responsibility. If a person is given the responsibility for taking certain actions or making certain decisions, that person must also have the authority to carry them through.
- **Span of control:** This term refers to the number of workers who can be effectively supervised by one person. Urwick recommended that no one supervisor should be responsible for the supervision of more than 5 or 6 subordinates whose work is interlocked.
- **The principle of balance:** The various sub-systems of the organisation should be kept in balance with one another, so they operate together in harmony.
- **The principle of continuity:** The structure of the organisation should provide for the continuation of its activities.

There is no doubting the rational appeal of Urwick's principles, especially in relation to the internal environment of the organisation. However, business organisations do not operate in a vacuum; they cannot exist in isolation. Since they are open systems, they must interact with their external environments.

His principles tend to assume that it is possible for management to exert control over the various factors contained in them, but current trends in many countries run directly counter to several of his principles. For example, attitudes in some countries towards greater power-sharing at work tend to clash with 'principle of authority' and 'principle of correspondence'. Similarly, attitudes towards job enrichment conflict with his 'principle of specialisation', 'principle of definition', and the 'span of control'.

We see that business organisations are not 'self-contained;' they depend on other organisations for many of their requirements. They have to respond and adapt to the pressures of their particular external environments – social, political and economic – which are constantly changing. Urwick's principles, therefore, are not capable of being introduced easily into modern organisations. However, they can be – and have been – adopted, after suitable modification, in several cases.

1.4.2 E.F.L. BRECH (1909–2006)

While he shared Urwick's concern with the development of a set of principles – or general laws – of management, Brech (1969) was also concerned with the development of people within the organisation. However, his approach was tempered to some extent by the prevailing human relations theories of the 1950s and 1960s. He saw management as a process – a social process – for planning and regulating the operations of an organisation towards the attainment of its objectives, which was carried out within the framework of an organisational structure.

Key issues for Brech in the development of the most effective organisational structure were:

- Defining and enumerating the responsibilities of managerial, supervisory and specialist staff;
- Determining how those agreed responsibilities are to be delegated;
- Coordinating the execution or implementation of the agreed responsibilities;
- Maintaining high morale among the workforce.

Brech's own list of 'principles of organisation' overlapped in many respects those of Fayol and Urwick. However, his list was less dogmatic in approach than the others; his principles were not 'set in stone', as it were. But they were still concerned with, for example, the division of responsibilities, lines of communication, unity of command and the allocation of authority.

Brech's writings on principles were much more directed towards helping practising managers become more effective in their roles, than towards contributing to a general body of knowledge concerning the theory of management. In that respect his contribution can be seen as that of a thoughtful management consultant aiming to improve management practice, rather than that of an objective research worker seeking to test out hypothesis. Seen in that light, we can acknowledge that Brech's contribution has had considerable influence on today's managers, especially in the spheres of management training and development.

1.5 CHARACTERISTICS OF ORGANISATIONS

The main characteristics of an organisation are given below:

- **Common purpose:** Every organisation exists to accomplish some common objectives.
- **Authority structure:** The authority of every position is defined clearly. The chain of command is properly established.

- **Communication:** Every organisation has its own channels of communication for effective cooperation and performance of tasks.
- **Environment:** An organisation understands and analyses its internal and external environment (economic, social, political, legal etc.).
- **Rules and regulations:** Every organisation has well defined rules and regulations for effective functioning of people.

1.6 FEATURES OF MODERN ORGANISATIONS

In the distant past, organisations – social, economic, political, industrial etc. – were simple in structure, contents, goals and functions. But in modern times they have become complex on account of the development of science and technology, and globalization.

However, organisations of all types have the following features in common:

- They are bigger and employ larger number of people.
- Investment in terms of financial, material and other resources is huge.
- Activities are well-planned and goal-oriented along with reviews and revisions at intervals.
- They have their own specific methods, procedures, systems and sub-systems.
- Various departments/sections perform their functions in an integrated way.
- Departments/sections are well-coordinated for better results.
- Interaction among departments/sections is continuous.

1.7 ADVANTAGES OF ORGANISATION

The main advantages of a sound organisation are given below:

- **Aid to management:** It is through the framework of organisation that plans are implemented and other managerial functions are carried out.
- **Ensures growth:** It enables the sustenance and growth of business in the existing as well as new areas.
- **Optimum use of resources:** It facilitates the optimum utilisation of resources – human as well as material.
- **Creativity and innovation:** It provides an opportunity to employees to think creatively and come out with innovative ideas for further growth and development.
- **Continuity:** It provides opportunities for leadership and team building, training and development of all employees.

1.8 BASIC PRINCIPLES OF EFFECTIVE ORGANISATIONS

The most effective organisation takes care of several significant points.

It:

- Maintains key relationships:
  - Internal relationship,
  - Relationship with community,
  - Relationship with individuals and groups;
- Clearly defines its vision and mission;
- Follows the principle of business ethics;
- Understands its social responsibility;
- Develops the necessary infrastructure (systems, policies, marketing etc.);
- Improves competencies through training and development programmes;
- Analyses its internal as well as external environment, and modifies accordingly;
- Encourages creativity and innovation; and
- Has effective staff welfare programmes.

2 TYPES OF ORGANISATIONS

2.1 INTRODUCTION

One method of classifying organisations is according to their structure, that is, whether the structures are 'formal' or 'informal'. In this instance the words 'formal' and 'informal' represent extremes, and just as we are unlikely ever to find an economy which is either totally capitalist, or totally state controlled, we are unlikely to find either a totally formal, or a totally informal organisation.

2.1.1 FORMAL ORGANISATIONS

The major characteristics of formal organisations are the following:

- **Defined objectives or aims:** A formal organisation has a definite objective which it aims to achieve. It has a defined reason for existing, and its establishment was intentional or planned. The aims of a formal organisation such as a club, association or society are known to its members, and can also be ascertained by others who come into contact with it from its 'constitution'. In most countries every limited company is required by law to produce a list of its objectives, which are commonly embodied in its 'Articles of Association'. These are necessary to enable shareholders or stockholders – who provide the money for running the business – to see clearly in what they are investing. The goals of organisations can and do change or get modified over a period of time in response to changing circumstances, for example, changes in customer demands, increased standards of living, new technology etc.
- **A precisely identifiable establishment:** It can normally be pinpointed when a formal organisation came into being. Generally there are written documents to mark the event, and evidence might be located of the organisation's existence. Also, should the organisation disband, there is usually written evidence of it.
- **A well-defined structure:** A formal organisation usually displays a clearly defined relationship between its members. Rules are formulated and laid down to regulate the ways in which the members of the organisation can communicate with each other, and often written instructions on how tasks are to be performed are issued to members.
- **Life span:** A formal organisation usually lasts for a long time. Many associations, clubs and businesses are proud to include the year of their foundation prominently on their letterheads, sign boards, websites etc. Of course, the people who belong to or work for an organisation – as well as its assets – might partially or completely change over a period of time, but in the majority of formal organisations a definite continuity of objectives can be traced.

- **Membership by choice:** Except in cases in which the laws of a country make joining compulsory – e.g. going to school or being called up for military service – members of formal organisations join by choice. Even when joining is compulsory, people often have some choice of which school, which regiment, which trade, and so on may be joined. Joining is usually formal, and some form of contract exists between the member and the organisation, for example, an employee has an employment contract with his/her employer, while a club member receives privileges in return for the subscription paid.
- **Division of work:** Those who belong to a particular formal organisation – and especially those who manage it – try to share out equitably the work which has to be performed in order to achieve the aims of that organisation. Whenever possible, the person best qualified or skilled to perform certain work is selected and/or trained to perform it. While managements do not always succeed, the general intention is to enable the members of the group to function as a unit, each person doing their own part – without getting in the way of the others – to achieve the organisation's stated goal(s) in the most efficient (and profitable, in the case of privately-owned businesses) manner.

2.1.2 INFORMAL ORGANISATIONS

The major characteristics of informal organisations are in many ways the exact opposite to formal organisations.

They are:

- **Beginnings not clearly identifiable:** Commonly informal organisations come into being without pre-planning or design. For example, guests at a table in a restaurant one evening might decide to repeat the experience, and that might in turn lead to a regular weekly evening out. Membership of an informal organisation often fluctuates. It might grow or shrink over a period of time. Few – if anybody – in the group could point to a particular date when the organisation started, or when a particular person became a member of it.
- **Less well-defined objectives:** There is rarely a consistent and constant pursuit of specific goals over time in an informal organisation. The 'dinner group' mentioned above might meet and discuss work problems one week, football the next week, politics the next week, and so on. And, of course, different members of the group might talk about different matters; different members of such a group might have their own reasons for belonging; in this example the desire for a good meal and good companionship will be common.

- **A loosely defined structure:** There is usually a much less defined relationship between the members of an informal organisation. Levels of power or authority are difficult to define, and if rules of conduct do exist, they are rarely written down.
- **Shorter life span:** While a sports team can last for many years, on the whole informal organisations tend to have a shorter life span than do formal ones.
- **Less conscious membership:** Very often informal groups are formed without a seemingly conscious effort by anyone to form the group. Membership is rarely formally confirmed. This is especially true of 'ad hoc' or temporary groupings to cope with, for example, an emergency.
- **Flexibility:** As a result of the less precise nature of an informal group, it is infinitely more flexible. It can adopt new ideas, and react spontaneously and very quickly to new situations. Members can take on new roles or duties without much discussion or loss of status. For example, during a camping trip into the countryside, every adult in the group might take turns to drive, and all those capable might share in the cooking or washing-up.
- **Smallness:** An informal organisation tends to be small in size, and because of its nature all its members are likely to know each other. Formal organisations can be of any size – very large or very small, or anywhere in between.

Formal organisation	Informal organisation
1. It has defined objectives.	1. Objectives are less well-defined.
2. Beginnings are clearly identifiable.	2. Beginnings are not clearly identifiable.
3. Normally it has a long life span.	3. It has a shorter life span.
4. It has a well-defined structure.	4. It has a loosely defined structure.
5. It has membership by choice.	5. It has less conscious membership.
6. It has a formal system of division of work.	6. It has a lot of flexibility.
7. It can be very large or very small.	7. It tends to be small in size.
8. Managers have formal authority.	8. Authority of the leader depends upon combined support of group members.

2.2 CHANGE OF STATUS

Some organisations which start as informal ones might change into formal ones in time. A group of friends or enthusiasts interested in old heritage cars might form a society with rules and a constitution to renovate one or more of the cars. The society might charge the people to drive on the renovated car(s), and might even go into business. Conversely, a formal organisation like a war veterans' association could decline as the veterans died off, leaving a few elderly veterans meeting each other informally on an irregular basis.

2.3 THE CO-EXISTENCE OF FORMAL AND INFORMAL ORGANISATIONS

Managers and administrators must appreciate that a formal organisation – such as a business – can have within it a number of informal organisations with overlapping memberships. Small informal workgroups can develop on the shop floor, with special and individual practices, customs and values. At higher levels of the organisation managers and administrators of different levels can develop powerful but informal networks. The membership of these small cliques might be difficult to discover and, even if they are known, they might well not resemble the official, formal structure of the ranks and grading in the organisation. In addition, within formal organisations, smaller – but still very formal – organisations can exist, such as trade unions, workers' councils or board of directors.

2.4 OBJECTIVES OF ORGANISATIONS

Formal organisations, in particular, have definite and defined goals which they aim to achieve. The attainment of these goals is the reason for the establishment and existence of those organisations.

All the varied organisations which make up the modern complex world of commerce are established and run to produce raw materials, manufactured goods or services of one kind or another.

In most countries there are two types of such organisations.

2.4.1 THE PUBLIC SECTOR

Organisations which are controlled by the government of a country make up what is called its 'public sector'. These organisations are run for the benefit of the population as a whole e.g. a national health service, or to provide security for the nation and its citizens, like its police force or armed forces. Some public sector organisations are set up to provide services which might not have existed previously; others might have been established to take over, for a variety of reasons, by a process called 'nationalization,' a number of existing similar organisations and to combine them under one central authority.

2.4.2 THE PRIVATE SECTOR

As the name implies, the business organisations in a country's 'private sector' are privately owned, either by individuals or by small or large groups of people. Whereas the organisations in the 'public sector' are run for the benefit of the community or the country as a whole, those in the private sector are run with the aim of making profits for their owners.

For political, national or ideological reasons, some countries might restrict the sizes of their private sectors, or virtually abolish them, while other countries provide incentives to encourage their private sectors to expand.

Whether an organisation is in the public or the private sector, proficient management and administration are still vital if it is to achieve its objectives, which might be production of raw materials or goods, the sale or distribution of them or the provision of an efficient service.

2.5 CATEGORIES OF ORGANISATIONS

Despite the huge variety of objectives, the many organisations which collectively make up the modern commercial world can be broadly divided into the following categories.

2.5.1 INDUSTRIAL ORGANISATIONS

Organisations in this category are of different sizes and engage in a variety of activities. These activities can be grouped into the following units:

- **Extractive organisations:** They are involved in various extracting activities such as oil, coal, iron etc. which are sold to other organisations for use as power or for use in manufacture of various related products. Activities of agriculture and fishing also fall into this category.
- **Processing or refining organisations:** They are involved in 'processing' or 'refining' raw materials for making other saleable products, for example, oil refining companies, steel manufacturers.

- **Manufacturing organisations:** They are involved in using the raw or processed materials in the manufacture of a wide range of products available in the market today, or in providing components which will form part of the final products of other manufacturers, for example, batteries and computer chips.
- **Construction organisations:** They are involved in building or construction activities, for example, contractors for buildings, bridges, roads etc.

In some countries some industrial organisations are state-run or controlled. That might be because they are essential but not financially viable e.g. mining or armament manufacture, or to protect them from competition or from becoming owned or controlled by non-citizens.

2.5.2 TRADING/DISTRIBUTIVE ORGANISATIONS

Trading or distributive organisations are commonly involved in the activities of buying and selling i.e. distribution of raw materials, components and finished products. They range from small shops to supermarkets and hypermarkets. These are of two types:

- **Wholesalers:** They buy products from manufacturers in large quantities and sell them in small quantities to retailers. They are actually 'middlemen' between manufacturers and retailers.
- **Retailers:** They buy products from wholesalers in small quantities and sell them in still smaller quantities to their customers. These customers may or may not be the final consumers of the products.

Not all trading organisations are in the private sector. In some countries there are state trading organisations, which might control the import or export or sale of certain products.

2.5.3 SERVICE-PROVIDING ORGANISATIONS

Services provided by the organisations involve the performance of some work, only the results of which might be seen or felt. These activities include services provided by organisations such as banks, financing companies, transport providers, insurance companies, telecommunication companies, travel agents, electricians, tailors etc. Though certain services are provided by others such as lawyers, auditors, doctors, architects also, they refer to themselves as 'professionals'.

There are also organisations which provide specialised services which are often called 'utilities'. These include organisations which provide electricity, water and gas supplies, as well as sewerage, communications, and similar services, often on a national or regional scale. In some countries some or all of these organisations are state-run or controlled; in other countries some or all of them are privately owned.

Some organisations are termed 'non-profit making', and have as a primary goal the provision of a service at a specially reduced rate, or even free of charge. Many of these organisations are state-financed, or are funded by local government. Examples include educational establishments, such as schools, colleges and universities, hospitals run by the national health service/government, and the police force. Many countries operate 'state pension funds', and in some countries, there are 'state insurance companies'.

Many clubs, associations and societies are essentially non-profit making. There are organisations like non-professional football, cricket and tennis clubs, sports and social clubs, which exist to provide services to their members in return for a subscription. While a 'profit' – in terms of an excess of income over expenditure in a year – might be made, it is either shared out among the members or ploughed back into the organisation in the form of improved facilities.

Charitable organisations are non-profit making organisations which depend on contributions or donations of money to enable them to carry on the work for which they were formed.

2.5.4 MULTI-ACTIVITY ORGANISATIONS

Some organisations are multi-activity organisations, for example, an organisation may run a factory and sell its products directly through its own outlets. Another organisation might sell some products and also provide maintenance service, for example, it may sell computers and photocopiers and also provide after-sales service.

2.6 THE INTERDEPENDENCE OF ORGANISATIONS

All categories of organisations are dependent upon each other. For example:

- If there were no industrial organisations, there would be no raw materials available, and there would be few, if any, goods for the trading organisations to buy and sell.
- Most industrial organisations depend on trading organisations to buy – and sell to consumers – the raw materials, the components or the manufactured goods which they produce.

- Few, if any, industrial organisations could operate without services – particularly utilities – provided by service organisations.
- Even most service organisations require services provided by other service – and particularly utility – organisations.
- If there were no industrial or trading organisations there would be few, if any, customers for the many services provided by the service organisations.

Fig. 2/1 below shows the interdependence of various types of organisations.

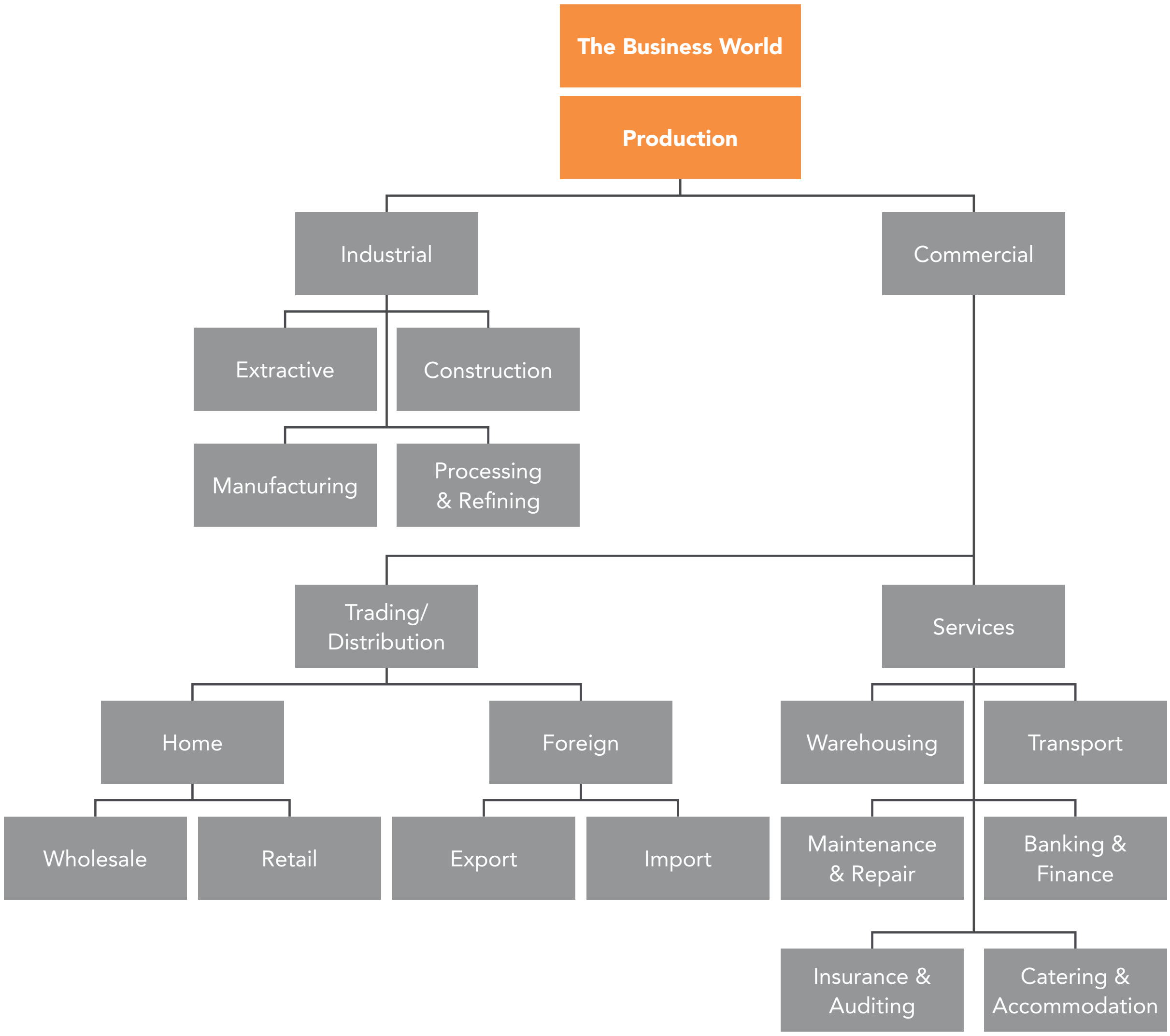


Fig. 2/1 Interdependence of various types of organisations.

3 OWNERSHIP OF ORGANISATIONS

Organisations in the private sector – businesses – are owned by individuals or groups of people. There are a number of basic types referred to as 'business units'.

3.1 THE SOLE-PROPRIETOR BUSINESS

As the name implies, the ownership of such a business is in the hands of just one person. Generally the day-to-day management of the business is performed by its owner, although some delegation or responsibility might be necessary, and in some cases the owner might employ a manager to run the business.

This type of business is fairly small, but it is not always so. The range of activities of sole-proprietor business is wide. Many are involved in trading, both in wholesaling and retailing. Some are engaged in relatively small-scale manufacturing or in farming, fishing, etc. Many are involved in technical or crafts fields, such as motor vehicle mechanics, electricians, painters and decorators etc. Some provide services, for example, estate agents, insurance agents etc., while yet other businesses are concerned with the running of cafes, restaurants, guesthouses, small hotels etc.

The owner of a sole-proprietor business might be assisted by members of his/her family and/or by one or more employees – the number depending on the size of a particular business.

3.1.1 ADVANTAGES

The sole-proprietor business has the following advantages:

- This type of business is easy to set up.
- The management is generally fairly simple as the owner or manager (frequently the same person, of course) will know personally each person working for the business.
- The owner will generally be in close contact with each employee, and will be aware of the abilities, and possible shortcomings of each.
- The owner-manager will normally have a good knowledge of the work performed by each person employed. He/she might well actually have to perform that work in times of employees' holidays, illness or other absences, although some 'specialists' might have to be employed.
- It is very flexible. The owner has the freedom to run the business how he/she likes.

- The proprietor can offer a personal service.
- He/she can keep all the profits to himself/herself.
- Finances can be kept private, and accounting requirements are simple – the services of a full-time accountant may or may not be needed.
- The business can be changed to suit local needs.

3.1.2 DISADVANTAGES

There can, of course, also be disadvantages. They might include the following:

- One person might not possess all the attributes necessary to run a business successfully, or have the time available to carry out all the vital managerial/administrative functions necessary even in a small business.
- A sole-proprietor might experience difficulty in raising not only the initial capital needed to start the business properly, but also funds for expansion or to see the business through difficult times.
- The most serious disadvantage is that in the event of the business doing badly and becoming insolvent, the owner has unlimited liability for the debts of the business.

This means that if he/she has insufficient funds their personal possessions – house, car, furniture etc. – could be seized – through due process of law – and sold to pay for the creditors of the business.

- After normal working hours, there still remains a lot of paperwork to be done, and only one person to do it – in case there are no other people to help him/her. One will need to work long hours to meet tight deadlines.
- If the owner is ill, he/she may have no cover to enable the business to carry on. They may not be in a position to avail any holiday.

Good management and supervision are absolutely essential in a sole-proprietor business. The owner's finances are affected by every decision and action.

Examples of sole-proprietor business:

- Small/big shop owner – fruit, vegetables, groceries etc.
- Furniture shop owner
- Financial advisor
- Plumbing/electrical services
- Consulting business

3.2 BUSINESS PARTNERSHIP FIRMS

A partnership is straightforward to set up; it involves two or more people running a business together.

We can say that:

> *"A partnership is that relationship which exists between two or more persons carrying on business in common with a view to profit-making."*

There are many reasons why two or more people might get together to start – or take over – a business. It might be a matter of pooling skills, knowledge, experience, contacts, finance, assets, or a combination of any two or more of those factors. As individuals they may not have sufficient knowledge, skills or finance to run a business, but by pooling their knowledge, talents and resources and by working as a partnership team they might well be able to run a successful business.

In some cases, one or more partners might provide the skill, or have experience or technical know-how, while one or more others might provide some or all of the capital. Not all partners in a particular partnership firm necessarily work in, or are involved in, the management of the business. Some partners might provide all or part of the capital, and leave the day-to-day running of the business to the 'working' partner(s) or to non-partner managers. Non-working partners are normally called 'sleeping partners'.

3.2.1 ADVANTAGES

A partnership firm can have the following advantages:

- It might be possible to spread the workload and responsibilities, while at the same time often allowing for specialisation by different partners.
- There are likely to be more skills available – one partner may be a technical expert, another good salesperson, another financial expert, and so on.
- The short absence of one partner due to holiday or illness might not be felt as seriously as in a sole-proprietorship.
- There might be merit in consultations and discussions before decisions are made, so long as that does not entail lengthy delays and/or inaction.
- More capital is available than in a sole-proprietorship business.

3.2.2 DISADVANTAGES

There could be the following disadvantages too:

- There is a danger of disagreements among partners. If some of the partners are dishonest or incompetent, the others could be left with large debts and a big mess to clear up.
- Death, retirement etc. of any of the partners threatens to break up the business.
- All partners have unlimited liability. If the business fails, or if one partner is successfully sued, then all partners are responsible for all debts. In addition, if one partner fails to pay income tax, for example, the other partners may have to pay it for him/her, as well as to their own.

Examples of partnership firms:

- Accountancy firms
- Legal firms
- Groups of doctors, builders
- Shop owners etc.

3.3 LIMITED LIABILITY COMPANIES

A limited company is very different from a sole-proprietorship or partnership business. The sole-proprietor **is** the business; if the business goes 'bust' then so does the owner.

A limited company is a business:

- Owned by the shareholders,
- Run by directors, and
- Set up as a body, and which is separate from its owners (shareholders).

The shareholder of a limited company stands apart from the business, which is a body in its own right. Put simply, 'limited liability' means that a person who or organisation which purchases shares in a company which does badly and fails, can lose no more than the amount of money which was paid, or agreed to be paid, for those shares. A shareholder liability – that is, obligation – for any debts of the failed company is limited to the amount which that shareholder invested in it, and cannot be called upon to pay any more.

The capital and ownership of a limited company are divided into 'shares'. The quantity and value of the shares in a particular company are generally a matter of convenience or commercial viability, and there is no fixed rule, for example, a company with a share capital of $50,000 could have 100 shares of $500 each, or 1,000 shares of $50 each, or 10,000 shares of $5 each, or 50,000 shares of $1 each.

The people or organisations that purchase shares in a company – shareholders or stockholders – will in general share the profits made by the company – in the form of 'dividends' – in proportion to the number and value of shares owned by each.

3.3.1 FORMS OF COMPANIES

There are two forms which companies might take:

- **Private companies:** These are by far the most numerous, but many of them are relatively small business partnerships. Indeed, many sole-proprietors and partners convert their businesses – by a process of 'incorporation' – into companies, to give themselves the protection of limited liability. Incorporation is not inexpensive, but it can prove worthwhile and provide a safety net, for new business people in particular. In most countries a private company may be formed by just 2 or 3 people, and generally the number of maximum shareholders is limited. A private company may not invite the general public to purchase its shares, and there are generally restrictions on the right of shareholders to transfer, or sell the shares they own.
- **Public companies:** There are fewer public companies than private companies, but they are generally far larger. The public at large may be invited to purchase shares in a public company and there is no restriction on the right to sell and transfer ownership of shares at will. There is generally no legal restriction on the maximum number of persons or organisations who may hold shares in a public company.

Who controls limited companies?

Shareholders own a limited company and appoint directors to control the management of the company and plan for its future.

- In the case of a private limited company, the shareholders are the directors, and so the shareholders can be said to control the company. One of the directors is the Managing Director. Some even have a Chairperson.
- In the case of a public limited company, the shareholders can only speak and vote at company meetings (often only once a year) and it is the directors who control the company.
- All companies have to register with the relevant government agency. A company will also need the following documents:
  - **The Memorandum of Association:** It shows what a company can do.
  - **The Articles of Association:** It is the internal 'rulebook' for the directors.
- It is common in most countries for companies to have to include in their names the fact that they have limited liability. This is frequently done by adding the word 'Limited' (or abbreviation 'Ltd.') at the end of a company's name, or words/abbreviations with similar meanings depending on the country in which a business operates.
- In some countries the fact that a company is private might have to be indicated by the inclusion of that word or an abbreviation such as 'Pvt.' or 'Pte,' etc., or a local equivalent. The inclusion of the abbreviation 'Plc' in the U.K. or the equivalent in other countries, is also becoming common.

Advantages:

- It is frequently (but not always) easier for a company to raise capital and/or any additional finance than it is for a non-incorporated body to do so.
- The death or retirement of a shareholder does not affect the existence of a company.
- The transfer of shares from one shareholder to another does not necessarily affect the management of a company.
- The owners have limited liability.

- **Disadvantages:**
  - This type of company is expensive to set up. Legal and accounting fees can be especially costly.
  - Careful accounts must be kept. The company is legally obliged to publish and register its accounts annually. A public limited company must also have a full audit every year. The requirements for public limited companies in this area are much stricter than those for a private limited company.
  - The business is less flexible than the other types of ownership.

Examples of limited companies:

- Marks and Spencer
- Microsoft Corporation
- Larsen and Toubro

Fig. 3/1 below shows the types of organisations

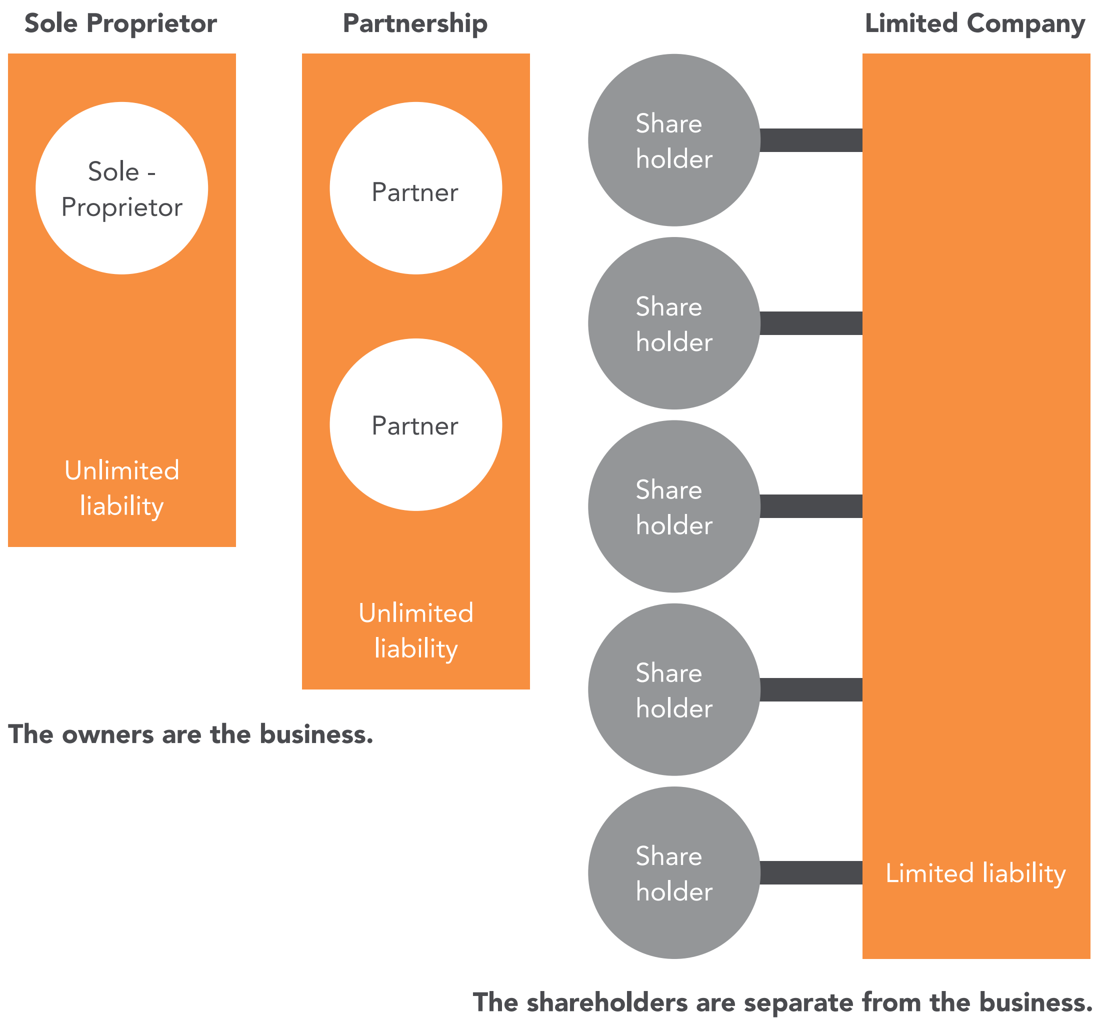


Fig. 3/1 Ownership of organisations

3.4 COOPERATIVE ORGANISATIONS

A business formed by a group of people to get goods or services more effectively and economically than they could get individually is called a cooperative. Members of the cooperative own, finance, and operate the business for mutual benefit.

The term 'cooperative' refers to two types of businesses:

- **Producer cooperatives:** These involve a group of people – e.g. farmers, producers of dairy products – joining together to buy and share the use of expensive machinery and equipment or to achieve economies and other benefits to market their produce.
- **Consumer cooperative societies:** The essential principle is that a group of people come together to buy essential items – e.g. foodstuff and goods for daily use – from

the wholesalers, and then resell them to the members at a small profit – less than in the open market. However, at the end of each trading year any profits made are divided among the group members.

- **Other cooperative organisations:**
  - **Trading cooperatives:** Groups of individuals, who do not have the resources in terms of capital and time to carry out their own promotion, selling and distribution, may join together to store and distribute their products. They may also set up cooperative ventures to purchase machinery and equipment.
  - **Workers' cooperatives:** A workers' cooperative may often be formed where the management of a business is not succeeding and a shut-down is proposed. The workers step in, with the consent of the management, and take over the ownership and running of the business with the aim of 'making a go of it,' and at the same time safeguarding their jobs.

Advantages:

- This type of business offers competitive prices.
- The dividend on purchases and the interest on shares make their goods even cheaper.
- A range of services – e.g. the cooperative bank – are offered to members.

Disadvantages:

- There is a danger of poor planning, management and financial control.
- Few people have faith in cooperatives.
- Cooperatives can only offer a limited range of goods. Famous and popular brands are not usually stocked.

Examples of cooperatives:

- Vineyards
- Milk producers' federations
- Coop. banks

3.5 OTHER TYPES OF ORGANISATIONS

3.5.1 FRANCHISES

A franchise is defined as "authorisation granted to an individual or group by a company to sell its goods or services in a particular way".

The two parties in the deal are:

- **The franchisor** – the person who has developed a certain line of business, such as clothes retailing, hamburgers, pizza, and has made the trading name well known.
- **The franchisee** – the person who buys the right to trade under the well-known trading name.

In return for initial high fee for the person setting up (the franchisee) receives full advice and in some cases the necessary equipment. As the business trades, a 'royalty' percentage of takings is paid to the franchisor.

Advantages:

- The franchisor offers marketing and staffing.
- The franchisee is entering into a business which has been tried and tested in the market.
- The franchisee is more likely to raise finance from a bank or other financial institution.

Disadvantages:

- The initial cost of going into the franchise – the payment to the franchisor – is high.
- A proportion of the franchisee's takings also goes to the franchisor.
- The franchisee is less independent in that he/she cannot develop the business as they wish; they cannot change the name or the method of doing the business.

Examples of franchises:

- Burger King
- McDonald
- Pizza Hut
- KFC
- Subway

3.5.2 CHAIN STORES/MULTIPLE SHOPS

They are owned by large companies and have a number of branches within a country – and often in other countries. All the branches usually trade under the same name so that they are easily recognizable by the consumers. There is generally 'centralized' management of all stores and buying is done centrally, though each unit has a 'local' management team. Examples are: Walmart, IKEA, Carrefour, Tesco, Asda, Barnes & Noble, Borders, Safeway, Marks & Spencer, and Waitrose.

3.5.3 DO-IT-YOURSELF (DIY) BUSINESSES

A lot of people themselves perform work on their houses, gardens, motor vehicles etc. For these people the range of products which can be sold on the DIY principle vary from nails, screws etc. to tools, wall paper, doors, tiles, electrical equipment, kitchen equipment, and much more. Many items may be sold in 'kit form' for assembly by the purchaser, for example, furniture.

3.5.4 MAIL-ORDER BUSINESSES

Low value items of jewelry, dress, shoes, small household gadgets etc. can be delivered to customers rather easily by post/courier. This has led to 'mail order' business. The supplier advertises through newspapers, magazines, TV etc. and the customers can order by mail/telephone. However, in most countries this has been largely replaced/reduced by online shopping.

3.5.5 OWN BRANDS AND PRIVATE LABELS

Customers usually rely on the brand names of organisations because they are sure of the quality and price. Some large wholesalers and retailers sell products of other organisations under their 'own' brand name. For example, a large supermarket chain may sell its 'own' labeled cans of vegetables along with the normal branded cans of the same manufacturer. The customers have a choice. Another example is that of garment sellers. They may get the garments produced somewhere – frequently in another country – but sell them under their 'own' brand name, for example, Marks and Spencer.

3.5.6 ONLINE SHOPPING

In modern times there are a number of shopping web sites available. A wide range of products from dresses to watches, household items to high-end electrical gadgets can be purchased online. Payment is made through credit card/debit card, or cash on delivery. There are a lot of such sites such as amazon.com, eBay, flipcart, and many more.

3.5.7 OUTSOURCING

It is the practice of using outside firms to handle work normally performed within the company. Some companies outsource their payroll processing, accounting, distribution, customer care, software development etc. Many large companies turn to outsourcing in order to cut costs as well as make use of specialized talents available both in the home country and abroad.

The outsourcing businesses are able to ensure the following benefits to the companies that outsource some activity of their business:

- It is budget friendly.
- It is time-efficient.
- It allows access to expert service providers.
- It relieves resource constraints to the minimum.
- It lets the company balance in-house staff and overhead expenses.

4 THE ORGANISATION AND ITS ENVIRONMENT

4.1 INTRODUCTION

To talk about a business without considering its location, its customers, its suppliers, and a great deal more, is to tell only a part of a story, and possibly a relatively unimportant part. It is how a business or another organisation copes with its environment that is of significance.

4.2 SYSTEMS THEORY

What is called 'systems theory' was born out of 'cybernetics' which is a set of ideas which were developed during the Second World War (1939–1945).

A team of scientists – mathematicians, engineers and biologists among others – was formed during World War II to improve the function of anti-aircraft guns and similar weapons. It was not long before the team, under the leadership of Norbert Weiner, realised they were working to the same end – a theory of control.

Cybernetics was named officially in 1947, and was defined as:

"The science of control in the animal and the machine."

The definition went on to state that being in control depends on having sufficient information, and the laws about control were universal and related to all systems – mechanical and biological – anti-aircraft guns and organisations.

Ludwig von Bertalanffy, a biologist (1968), evolved what is now known as 'general systems theory', and like cybernetics, it deals with the analysis, design and functioning of systems, whatever their nature.

A 'system' is defined as:

"A group of related elements organised for a purpose."

Since an organisation is a group of interrelated people, any organisation therefore constitutes a 'system' and, in consequence, the systems theory is very important in management and administration.

4.3 THE ORGANISATION AS A SYSTEM

Systems can be classified as follows:

- **Mechanical systems:** These are the simplest systems. Typical examples are bicycles, clocks and steam engines. Given the state of the machine at any one time, we can predict what will happen next. Control of the system is easy because we know what to expect.
- **Probabilistic systems:** These are systems in which only certain events can be predicted. Examples are the game of 'roulette' – often played in gambling casinos – in which the wheel is spun and when it stops rotating a ball drops into one or other of a series of numbered slots. We can predict that each time one of the numbered slots will win – but not which one – otherwise there would be no gamble. Many activities of business systems can be regarded as being probabilistic in this sense.
- **Adaptive systems:** These are systems which are not only probabilistic but which also adapt themselves to changes in the environment in which they operate. As human beings we could not survive simple changes in the environment, such as temperature changes, without adapting constantly – putting on or taking off clothes, perspiring or shivering. It is therefore not surprising that organisations – groups of people – constantly adapt.

4.3.1 CLOSED AND OPEN SYSTEMS

- A completely closed system can be considered as follows:
  - Nothing enters or leaves it;
  - It has definite boundaries;
  - It has barriers against the rest of the universe; and
  - We are unlikely to meet such systems in management/administration.

- An open system definitely does have relationships with other systems outside of itself. It is with open systems that we are concerned in management/administration.
  - When an open system is acted upon by other systems, it is said to go through a process, which in computer technology is called 'input'.

- When the system acts on the input it is called a 'conversion process', or a 'transformation process', or a 'translation process'.
- When the system reacts outwards to other systems it is called the 'export process', or 'output'.

The open system shown below in a very simplified form in Fig. 4/1 is that of a manufacturing business. The system must be constantly adapting: to the availability of raw materials from suppliers, to customers' orders, and many other factors, some of which are shown in Fig. 4/2. Many of the operations of the business system are probabilistic. It might be possible to predict the output of plant and machinery, but it might not be possible to predict the results of human actions, for example.

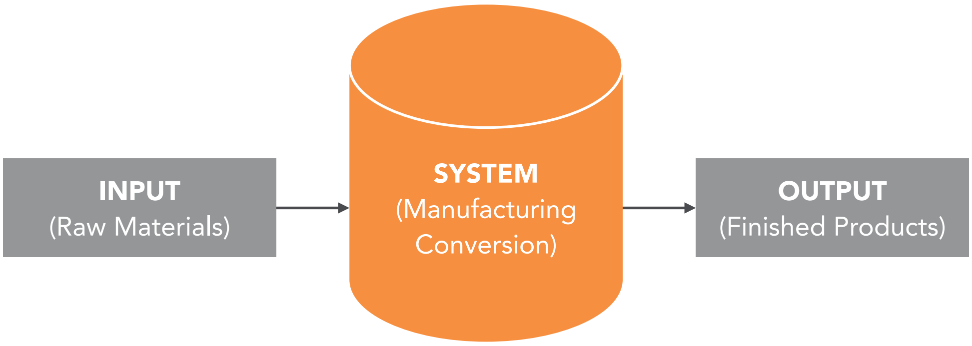


Fig. 4/1 an open system: flow of materials/information

Fig. 4/2 below shows some factors which might affect the open system: there is a two-way flow of information etc. to and from most sources/destinations.

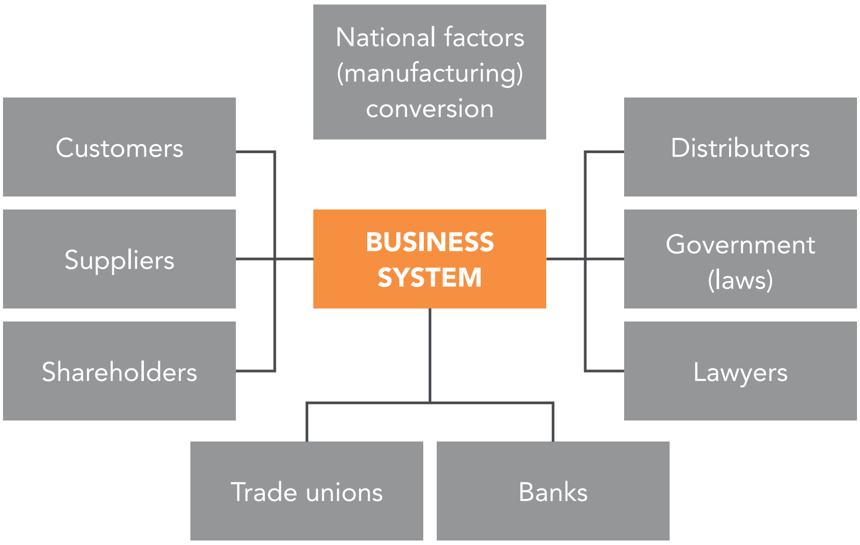


Fig. 4/2 Factors affecting the open system

4.3.2 SUB-SYSTEMS

Even though Fig. 4/1 shows manufacturing business as being 'a system', in practice – and any other businesses – will be made up of many different 'subsystems'. They might be called 'sections', or 'departments', or 'divisions', or be described in some other way – but essentially, they are 'parts' of the 'whole'. For example, Fig. 4/2 shows a wholesale trading business. This particular type of business has two major – but not exclusive – sources of input:

- The different manufacturers and/or suppliers to it of the products it sells; and
- Orders received from its numerous customers.

These many different 'external systems' greatly affect the scope and volume of the activities of the wholesale business.

But at the same time, this wholesale business also has two primary output destinations:

- Orders it makes to manufacturers/suppliers for the goods in which it deals; and
- Sales and/or deliveries of goods it makes to its own customers.

The manufacturers/suppliers of goods are both output destinations and input sources. If the business does not place orders – output – for goods, it will not receive anything – input – to sell to its customers as output. Each customer of the business will be a different 'external system'; and individually and jointly they also greatly affect the scope and volume of the activities of the business.

We must not overlook the fact that neither the input systems nor the output systems are static. They are adaptive systems in their own right. Also, in the day-to-day course of its operations the wholesale business will change suppliers, will lose some customers but will secure new ones, and so on.

Now let us study Fig. 4/3 below carefully in conjunction with these notes about it:

- The Purchasing Department – a subsystem – 'converts' or 'transforms' or 'translates' customers' known or anticipated requirements – received from the sales department via the stores department – into orders for goods to be placed – as output – with manufacturers/suppliers.
- When received – as input – the goods are held in the stores department.
- At the same time, the sales department will be busy securing orders – as input – from customers, and 'translating' their requirements into data suitable for processing by other departments:
    - The stores department will 'translate' the 'paper orders' placed by customers into the 'physical goods' from stocks held within it;
    - The dispatch department will receive the goods from stores and dispatch or deliver them to the customers – as output;
    - The purchasing department will negotiate with and place replenishments orders with manufacturers/suppliers.

- The purchasing, stores and sales departments will all have to provide data to the accounts department which, as appropriate, will 'convert' that information into:
    - Payments to manufacturers/suppliers for goods received; and
    - Demands for payments for goods sold to customers.

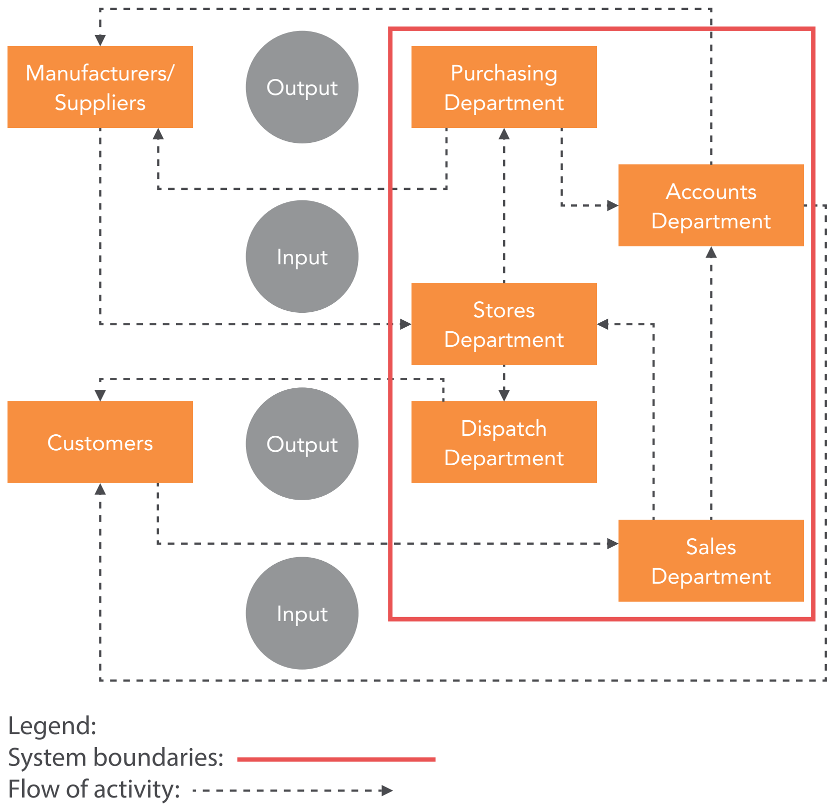


Fig. 4/3 Subsystems of a wholesale trading business

We can see in Fig. 4/3 the 'cycle of events' as the various subsystems operate in conjunction with one another within the business system. The coordination of various activities is one of the five functions of management/administration. Of course, Fig. 4/2 is a very simplified view of this one particular organisation; a great many other factors have effects on it at any given moment in time.

So far we have considered a business as being the 'hub' of activities, as it were, reacting with and to the various factors in its environment which affect it; and indeed it is. But we can also replace the business at the centre of our model with just one of its departments, or subsystems. For example, an HR department's functions include keeping in touch with the local labour market via job centres or other sources. This will ensure that there are adequately trained/skilled workers for the production department and/or other departments. It will also include dealing with workers' representatives, and passing information about employees to the wages office. This information is shown in Fig. 4/4 below.

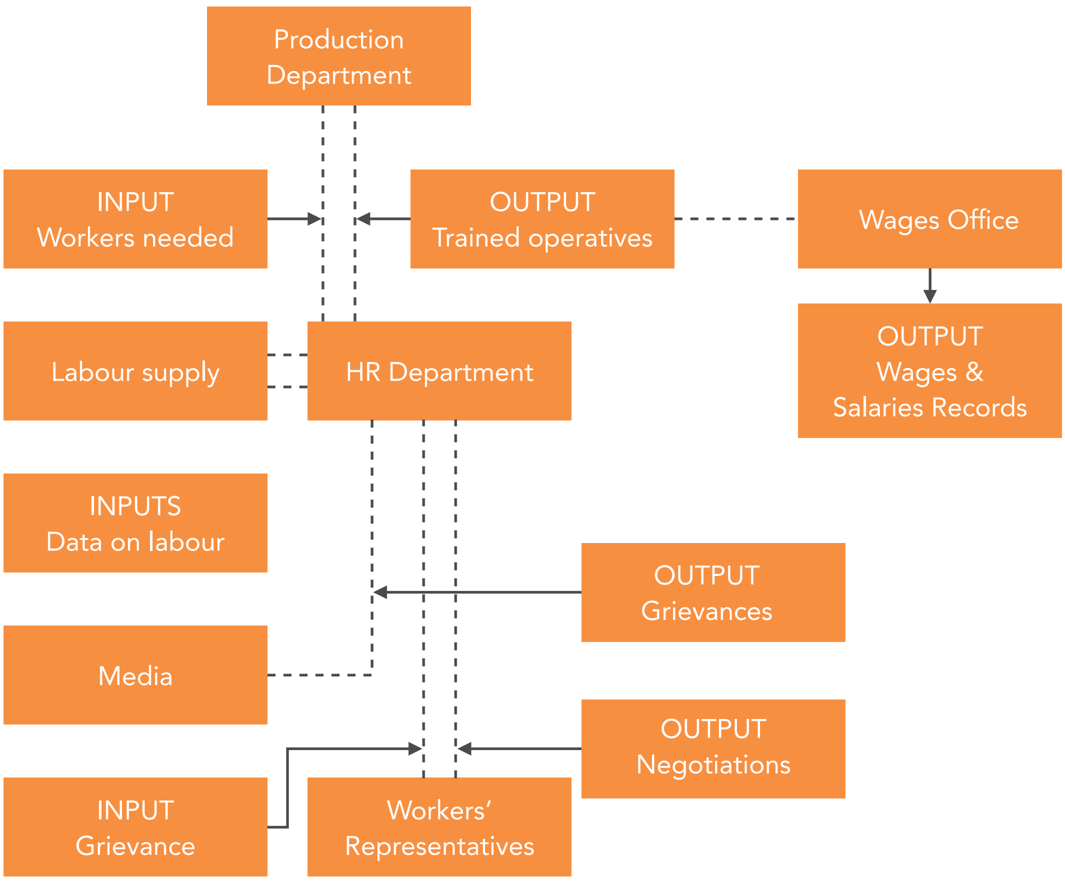


Fig. 4/4 A subsystem and its environment

In practice the interactions between the HR department and other systems and subsystems are likely to be much more numerous and complex than the ones given above.

We must therefore look upon a business as being a collection of subsystems with each acting and reacting on the other, as well as the complex system reacting to the outside environment. It is therefore very important for managers and administrators not to think only of their own immediate departments; they must appreciate how their actions and decisions might affect other departments.

In fact, there are times when an increase in the efficiency of one subsystem or department might be detrimental to the system as a whole. For example, a substantial increase in stocks held in the stores might improve that department's services to its users, but the extra stocks might tie up money urgently needed for other purposes, for example, for purchase of new machinery.

4.4 EQUILIBRIUM

Human beings – like most biological organisms – require constant stimuli from outside. If a person wants to be placed in a situation in which he/she could not see, hear, feel, taste or smell, they would quickly become disorganized or disoriented both mentally and emotionally.

Exactly the same applies to organisations. The survival of a business system depends upon a continuous cycle as per Fig. 4/5 below.

Fig. 4/5 Continuous cycle

A business organisation receives its inputs in the form of people, materials, money and ideas or information or data. It converts these inputs into products – goods and/or services – and rewards employees in the form of salary, wages and other benefits. We call this steady flow through the system 'equilibrium', which means 'things in balance'. However, this does not mean that things are standing still or that they are static; rather the rate of change is constant.

We can also use the term 'dynamic equilibrium' or 'steady state' in relation to business organisations. A steady state is one of continual adjustment to influences and forces inside and outside the business itself.

4.5 FEEDBACK AND CONTROL

The notion of feedback is not new, but an understanding of the need for feedback within a business is essential for an understanding of how a system maintains a steady state or equilibrium. Through the process of feedback, the system continually receives information from the environment in which it operates, which helps it to adjust to changes as they occur.

Let us take the example of a mobile manufacturing business which has launched a new range of top-of-the-line mobile phones. The mobile phones are initially well received by distributors, mobile phone outlets, media and the buying public. However, within a couple of months complaints start being received that the phones have started exploding even when they are not being used – packed in checked-in baggage on an airplane, for example.

The mobile phones – used as well as new ones – are inspected by the manufacturer's production department, and other necessary investigations of materials – particularly batteries – and processes are carried out. It is discovered that there had been a fault in the components and configuration of battery assembly, and that quality inspection and control staff had been negligent in not spotting the fault.

With this information, management can take the necessary remedial action, both in the faulty production process and in the quality of inspection and control section – and standards can be laid down against which future production must be compared and checked. And unsold mobile phones might be withdrawn and replaced by the perfect units.

However, that must not be the end of the matter. A careful watch must be kept to check whether complaints cease when once the adjustments have been made, and when only the correctly manufactured mobile phones are on the shelves.

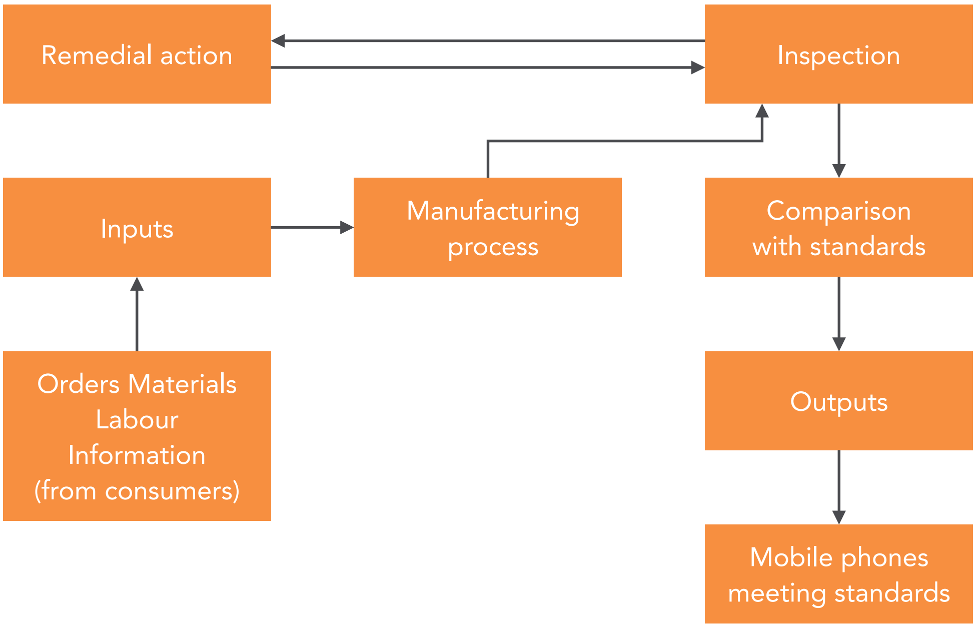


Fig. 4/6 Feedback and control

4.6 STANDARDS IN MANAGEMENT/ADMINISTRATION

We need to understand what lies behind every successful control system. First, there is a need for 'ideals', that is, laid down 'standards' which must be achieved. In this context a 'standard' is a level to be aimed at, or a measure which others must conform to, or by which the accuracy of others is judged.

In management and administration, standards are a measure of the performance of a process or a routine or of equipment, and they are used as a comparison to check that one item or process matches – in quantity and/or quality – that which is set as the standard. The standards set might not represent perfection, but might represent the best method or item that can be produced at a given time within limits imposed by such factors as cost – or what consumers are prepared to pay – equipment or technology available, quality and availability of materials etc.

The management team of a business will establish its own standards for the various types of work performed, and for its end products, although in some countries legislation might be enacted to ensure that various products meet certain quality or safety standards. And of course often consumers will indicate the standards which they expect which, depending on specific products, might include any or all of: design, quality, durability. Therefore, standards will also be set by management for the qualities and reliability of materials and goods which are purchased on its behalf and, within limits, for the costs of materials and goods. The achievement of standards by the purchasing function of a business is as important as is the achievement of standards by its other constituent parts, because efficient purchasing can contribute to the ability of other departments – such as production and sales – to achieve the standards set for their performances.

Standards apply in virtually all businesses, whether they are industrial, trading or distributive, service-providing – private or state-owned. Standards need to be flexible so that they can be modified in the light of circumstances, for instance, changes in consumer demand, rising costs, new technology, etc.

4.6.1 QUANTITY STANDARDS

These include specific targets set for sales, production, and output per worker, and similar operations which can be determined and/or measured fairly accurately, and which should be met within tolerable limits.

4.6.2 QUALITY STANDARDS

These apply to the finished products or end results or to various stages in the manufacturing process. Adequate production control and quality inspection are required to ensure that such standards are met.

4.6.3 TYPES OF STANDARDS

The following types of standards can be used:

- **Ideal or strict standards:** These are set at the maximum level of efficiency. They are, in effect, standards of perfection and as such they can rarely be achieved, and then only for short periods. The setting of such standards can sometimes motivate employees to increase their output to the maximum. But if – despite doing their best – they still cannot attain the set standards, they are very likely to become discouraged or disillusioned and demotivated.

- **Attainable standards:** These are set at levels which management considers are capable of being attained with reasonable effort. The problem for management is, of course, to decide what really is attainable, because each employee has his/her own character, and what motivates one worker might not motivate another. Some workers can be motivated to attain standards they are capable of, but they might not make much effort to exceed those standards; some people thrive on the challenges to exceed standards (but might become discouraged and demotivated if they cannot do so), while others attempt to set their own standards (which are usually lower than management's). Much depends on the type of work being performed and on the caliber of employees, on the work environment and work climate, on management's attitude towards its workforce, and on the managerial skills of individual managers/administrators – and also those of supervisors and foremen.

4.7 AN ORGANISATION'S INTERACTION WITH ITS ENVIRONMENT

In any business, each of the inputs – and there can be many – will have the effect of disturbing the equilibrium of the system, which will then react by doing things which management hopes will restore the equilibrium.

Let us consider an example: the receipt by a small manufacturing business of a large and unexpected order from a new overseas customer. The result is a disturbance of the ordered life of the system. Perhaps the order cannot be met from current stocks, and so the whole business is galvanized into action to restore the position to more normal levels, in which the business is able to keep pace with its order book.

This situation may trigger the following effects on this business:

- The sales department will press the production department to keep to the promised delivery dates.
- The production department, in turn, will press the purchasing department to obtain the raw materials in the quickest possible time.
- The production department might have to ascertain whether there are any legal standards – safety or quality, for example – imposed in the overseas country where they differ from those in the home country.
- Extra workers might be needed, in which case the HR department might need to initiate the recruitment process.
- The accounts department might need to make enquiries into the customer's credit rating, methods of payment etc.
- The sales department might have to ascertain whether there are any import restrictions in the overseas country, and export restrictions in the home country.

Thus we see that there is interdependence of the different systems: the business, its suppliers and its customers, and their reactions to one another. There is also the interdependence of the different departments, or subsystems, of a business, as well as interdependence of the different sections or subsystems forming departments, and the interdependence of all the various activities – functions – performed in the different subsystems.

5 STRUCTURES OF ORGANISATIONS

5.1 INTRODUCTION

Prior to the 20th century, most organisations were smaller and simpler than they are today. In the past, most organisations were so small and simple that the unifying power of just one person – the owner/manager – was such that he/she alone made decisions, and the success – or failure – of the whole organisation depended upon them. Today, even most small companies have more than one manager. Power or authority is shared, decisions are decentralized, and responsibility is delegated.

The laid down primary objectives of an organisation and the tasks which it undertakes decide the form of its structure – called its 'organisational structure', that is, the arrangement of its constituent parts. A change in the marketplace, the use of different raw materials – for example, plastic instead of steel – new or improved technology, can dictate the need for a change to an organisation's structure, what is called 'restructuring'. A failure to change or adapt – or to do so quickly enough – can have disastrous effects on a business.

Most organisations have – by conscious or unconscious design – developed structures to cope with the circumstances, the problems and the environment which they face at any specific point in time. Being adaptive systems, businesses are constantly changing – sometimes in small, barely noticeable ways – but at other times in major ways as they adapt to changing circumstances – sometimes rapidly changing – and to changes in external influences.

Organisational structure is dynamic, not static, because of the constant change in the organisational environment.

5.2 IMPORTANCE OF ORGANISATIONAL STRUCTURE

Globalisation has forced organisations to rethink their strategies and change the way they operate. Gill Corkindale (2011), an executive coach and writer, has said:

> *"When organisational strategy changes, structures, roles, and functions should be realigned with the new objectives. This doesn't always happen, with the result that responsibilities can be overlooked, staffing can be inappropriate, and people – and even functions – can work against each other."*

She goes on to assert that:

"Poor organisation design and structure results in a bewildering morass of contradictions: confusion within roles, a lack of coordination among functions, failure to share ideas, and slow decision making bring managers unnecessary complexity, stress, and conflict."

5.3 REQUIREMENTS OF ORGANISATIONAL STRUCTURE

All organisational structures include two fundamental requirements:

- **Division of labour:** It refers to the subdivisions of work into separate jobs assigned to different people. Subdivided wok leads to specialisation, because each job now includes a narrow subset of the tasks necessary to complete the product or service.
- **Coordinating work activities:** When work is subdivided among workers, it is required that there are coordinating mechanisms to ensure that everyone works in concert. For this purpose, every organisation uses one or more of the following coordinating mechanisms:

- **Coordination through informal communication:** It includes sharing information on mutual common mental models so that employees synchronize work activities using the same mental road map.
- **Coordination through formal hierarchy:** This means that hierarchy assigns legitimate power to individuals, who then use this power to direct work processes and allocate resources. In other words, work is coordinated through direct supervision – the chain of command.
- **Coordination through standardization:** It involves creating routine patterns of behaviour or output. It takes the following forms:
  - ✓ Standardised processes
  - ✓ Standardised outputs
  - ✓ Standardised skills

5.4 DESIGNING ORGANISATIONAL STRUCTURE

Choosing the right organisational structure is one of the most important decisions in the company. There is actually no 'right' way to do this. There are no universal organisation principles which are good for all cases. Each internal and external design has different effect in every special case. In fact, the design of an organisational structure has to provide for:

- Reaching organisation goals;
- Optimal grouping of activities;
- Full attention to key functions;
- Efficient use of all available resources;
- Organisation flexibility;
- Clear responsibility;
- Rational use of human resources; and
- Adequate information and communication system.

5.5 ELEMENTS OF ORGANISATIONAL STRUCTURE

Every company is configured in terms of four basic elements of organisational structure.

They are:

- **Span of control:** It refers to the number of people directly reporting to the next level in the hierarchy. A narrow span of control exists when very few people report directly to a manager, whereas a wide span exists when a manager has many direct reports. A wide span of control is possible when employees perform routine jobs, because there is less frequent need for direction or advice from supervisors. A narrow span of control is necessary when employees perform novel or complex tasks, because these employees tend to require more supervisory decisions and guidance.

- **Centralization and decentralization:** Centralization means that formal decision making authority is held by a small group of people, typically the top management. Most organisations begin with centralized structures, as the founder makes most of the decisions. As organisations grow, however, they diversify and their environments become more complex. Senior executives are not able to process all the decisions that significantly influence the business. Consequently, larger organisations typically decentralize, that is, they disperse decision making authority and power throughout the organisation.
- **Formalization:** It is the degree to which organisations standardize behaviour through rules, procedures, formal training, and related mechanisms. In other words, companies become more formalized as they rely on standardization of work processes as a coordinating mechanism.
- **Departmentalization:** It specifies how employees and their activities are grouped together. It is a fundamental strategy for coordinating organisational activities because it influences organisational behaviour.

5.6 DELEGATION

In any business a variety of different activities or types of work have to be performed in order to achieve its objectives. Even the running of a small retail shop involves ordering/purchasing stocks of goods, storing it, paying for it, selling goods, collecting and banking payments, and much more. What activities are involved in a particular business and how many people will be required to perform those activities adequately, will depend primarily on:

- The objectives for their attainment;
- Whether the business is involved in industry, in trading or in the provision of a service, or in more of them; and
- The size of the business.

The simplest form of organisational structure can be seen in a sole-proprietor business. The owner of such a business – perhaps assisted by one or two other people (family or employees) – will perform all the work involved in achieving the objectives of that business. The owner will be personally responsible for the quality of all or most of that work, and for making the decisions which will directly affect the success or otherwise of the organisation.

In case the business is successful and the owner decides to expand it – or that circumstances force him/her to do so – it will result in an increase in the volume of work to be performed. This situation will necessitate that the owner delegates some responsibility of running the business to some other people.

5.6.1 DELEGATION OF RESPONSIBILITY

What a business owner does is to entrust the performance of certain activities – or certain groups of activities – to another person. That other person might be a member of his/her family or a partner or an experienced employee or someone specially engaged, whom they believe they can trust to perform well the activities concerned – without having to be constantly supervised and checked. It might well be that different types or groups of activities will have to be entrusted to two or more different people.

What the owner has done, in effect, is to delegate responsibility to other people for the efficient performance of the activities concerned, and give them the authority to take certain actions and to make certain decisions. The owner of the business is now by definition a manager, and he/she can, of course, maintain managerial control by:

- Issuing instructions and guidelines;
- Calling for and studying reports from subordinates;
- Checking performances from time to time; and
- Encouraging those concerned to approach him/her for any help, advice or guidance which they might need from time to time.

In management/administration, 'delegation' means:

> *"To entrust a person with the responsibility and authority for certain work, actions and decisions: to 'transfer' the responsibility from one person to another person, for example, from a manager to a subordinate, such as a supervisor."*

However, responsibility must go with 'authority' – the power or right – to perform the allocated work, and to carry through the actions to be taken or the decisions to be made.

In some cases the need for delegation manifests itself over a period of time, as a business steadily expands.

5.7 ORGANISATIONAL RESTRUCTURING FOR GROWTH

Over a period of time the owner-manager of a trading business might need to delegate to other people the responsibility for some or all of these types of activities or functions:

- **Dealing with stocks of goods:** ordering and re-ordering the goods to be sold, storing them and issuing them to the shop or direct to customers;
- **Sale of goods:** staffing and running the shop, the layout of goods for sale in the shop, window displays, advertising, publicity and sales promotion, and related matters;
- **Accounting or financial affairs:** such as handling and banking monies paid by customers, ensuring that those to whom goods are sold on credit pay for them when payment is due, paying for goods received from suppliers, paying salaries and wages, etc.

The owner – as manager – will, of course, retain overall control over the various activities. He/she will ensure coordination between the various people, for example, to ensure that goods are ordered which customers demand, and not those for which there is little or no demand.

If the retail business continues to expand, each of the persons who were delegated responsibility (e.g. stores, sales, and accounting) will probably need assistance in carrying out their duties and responsibilities, and so one or more subordinates will be employed to work with each. Thus, over a period of time, 'sections' – containing groups of people engaged in related or similar work – will come into being.

Although the people employed in each section will be performing related tasks, it is likely that gradually different people will 'specialise' in different activities – depending on their abilities and aptitudes and necessity for specialisation within the section. For example, in the stores section there might be the following specialised division of labour:

- One person might specialise in purchasing, that is, in maintaining contact with suppliers, meeting and negotiating with their representatives, placing orders, etc.
- Another person might specialise in receiving deliveries, checking them and in storing the goods correctly.
- A third person might specialise in issuing goods – including packing and dispatching or delivering.

The said persons will, of course, be delegated responsibility for the activities in which they specialise, and they will be answerable to the section manager. And if the business continues to expand, some or all of those people might themselves need subordinates to assist them in their work.

Should the business continue to expand – with the consequent employment of more personnel – some if not all the specialist subdivisions of sections will themselves have grown into sections. Each original small section will have grown into a full 'department,' comprising a number of sections. For example, the stores or warehouse department – the stores function – could have a purchase section, a stock/inventory section and an issues section, each with its own section head/manager under the overall control of a departmental manager.

5.8 ORGANISATION CHARTS

An organisation map – most commonly called an 'organisation chart' – is very different from the factory's personnel and machinery, an examination of it will help us to 'see' the whole, and to understand more clearly how the organisation 'fits together' – how resources, communication channels, etc. are organised so that the organisation's objectives can be achieved. It could also be said that the structure exists apart from the people it employs, for while a particular employee might leave and be replaced, the job or position in the structure remains.

In theory, it should be possible to produce a chart of the organisational structure of any business, or section or department of it. Organisation charts are similar to maps of towns or other areas of countries. Just as maps concentrate mainly on the road and rail network, organisation charts are designed to concentrate on the main 'networks' of relationships and lines of responsibility and authority which exist between various managers, officials and others in an organisation.

Given below are sample charts of the three stages of sole-proprietor business, small business after delegation, and the medium-size business.

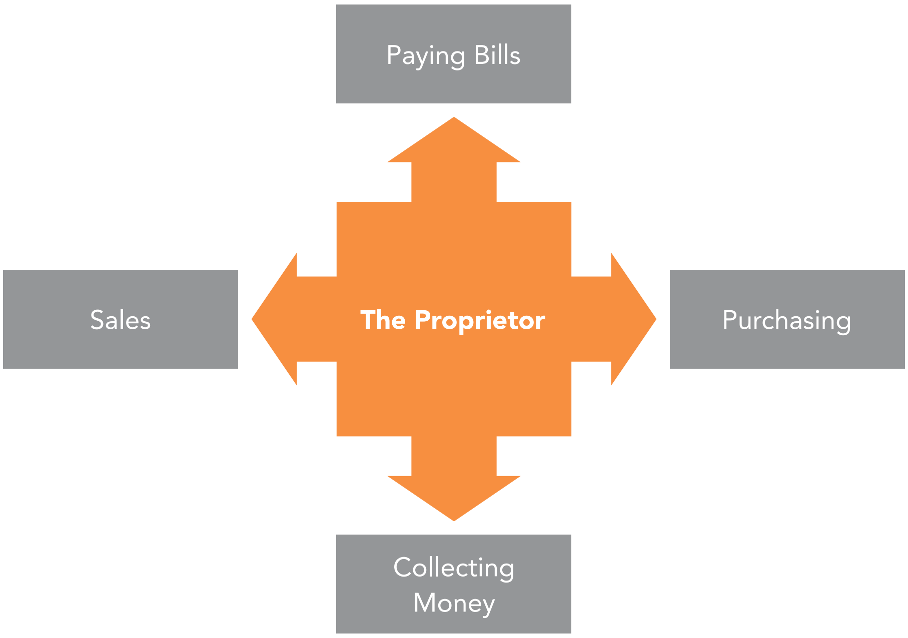


Fig. 5/1: Stage – 1: Organisation chart of the sole-proprietor business

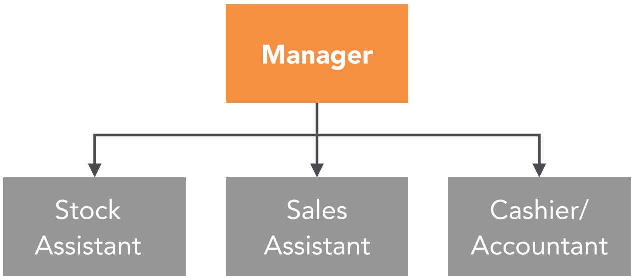


Fig. 5/2: Stage – 2: Organisation chart of the small business after delegation

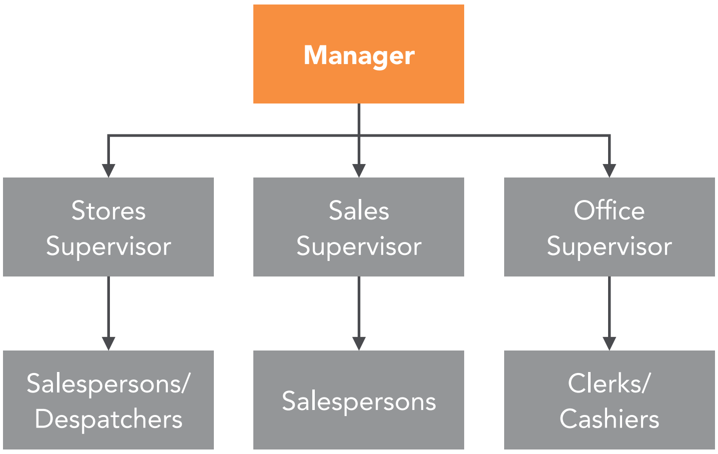


Fig. 5/3: Stage – 3: Organisation chart of the medium-size business

5.8.1 SPANS OF CONTROL

We use this term to refer to the number of subordinates reporting directly to supervisor or manager. The number of subordinates who can be effectively supervised directly by one foreman, supervisor or manager can vary greatly from one section or department to another. There can be no exact figure for any managerial person because different factors and/or circumstances are involved in different situations.

These are some of the factors:

- Not all foremen, supervisors or managers have the same talents or abilities, and some find it difficult to cope with a large number of subordinates.
- The nature of the work being performed is significant:
  - If the work is relatively simple and/or repetitive and if most employees are performing the same work, large numbers can be supervised relatively easily.
  - On the other hand, fewer people can be supervised effectively by one person if their work is complex.

- Fewer newly employed and little trained workers can be effectively supervised by one person than can the trained and experienced people who have been performing the same work for the business for some time.
- The nearness of the team to the manager is also a consideration. A sales manager, for example, could probably effectively supervise fewer sales people whose territories are scattered across a country, than he/she could if they all sold from one shop or showroom.

Adjustments in spans of control might have to be made from time to time as circumstances and as personnel – both supervisory/managerial and subordinates – change. Too wide span results in lack of control, while too narrow a span involves wasted personnel and an 'over-supervised' staff.

5.8.2 THE FLOW OF INFORMATION

Responsibility is delegated from the top management of the company down to lower levels of management in the following manner:

- The responsibility for the overall day-to-day running and control of the business.is delegated by shareholders – through the board of directors – to the managing director.
- Responsibility for certain 'specialist' activities or functions is then delegated to senior executive officers – the departmental managers.

- Those departmental managers 'break down' the areas of responsibility, and while they still retain overall control of their departments, they delegate certain responsibilities to various assistant managers or supervisors in charge of sections.
- In turn, those executives might further break down the areas of responsibility and delegate responsibilities to foremen and supervisors.
- Finally, those persons might themselves delegate responsibilities to more junior staff, and so on. For example, a sales team leader or a sales supervisor might be responsible for the training, supervision and control of a team of travelling sales people or a team of shop or showroom staff.

The organisation chart in Fig. 5/4 shows responsibility and authority being delegated – 'flowing' – downwards. But at the same time the personnel shown lower in the chart are answerable or accountable for their actions and decisions, etc. to the executive in the next 'box' upwards. It may be noted that the assistant to the managing director is responsible only to that executive, and has no responsibility for or to the other managers; that is called 'staff relationship' and is not the same as a deputy or assistant managing director.

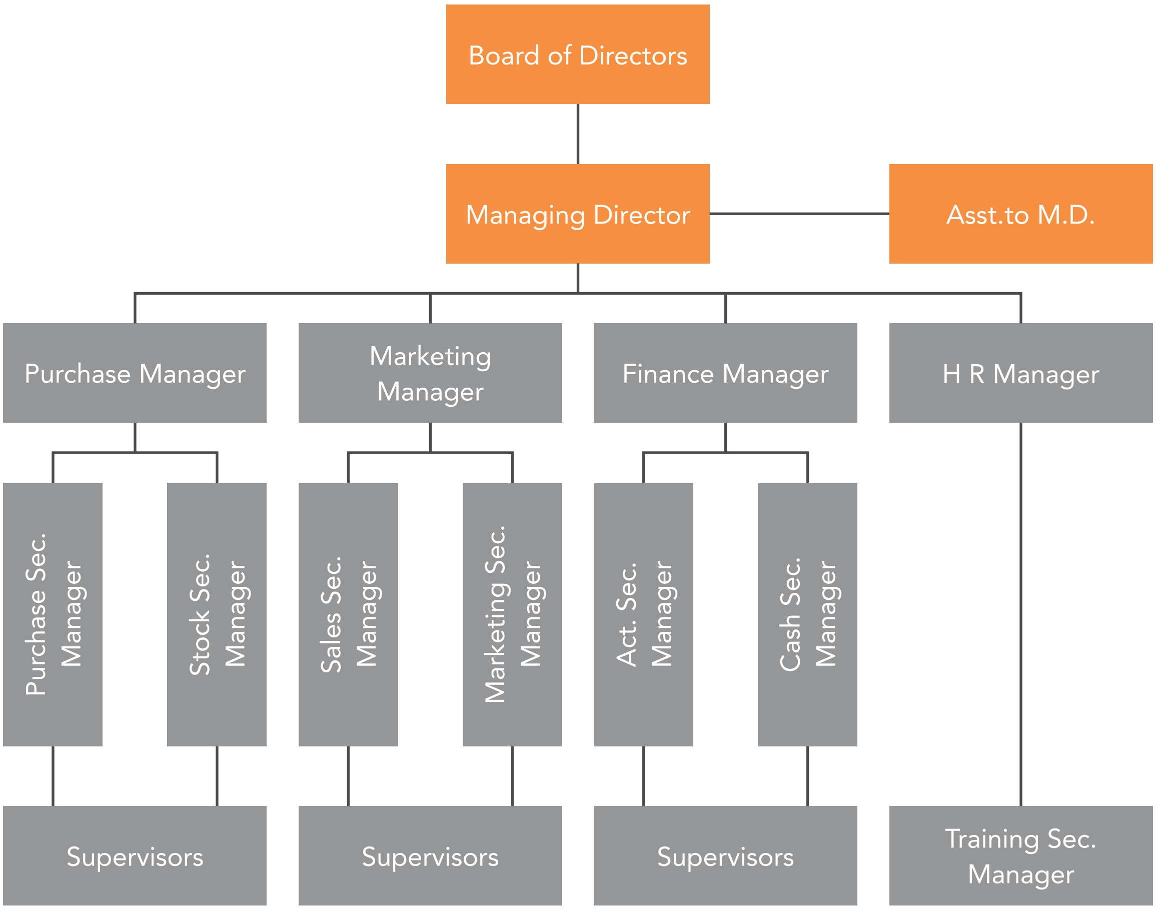


Fig. 5/4: Organisation chart of a limited company

Fig. 5/5 below shows in another format the delegation or responsibility and authority depicted in the above chart.

The Shareholders	They collectively own the company and provide its capital; they elect the directors but might not participate in management.
The Board of Directors	Appointed by the shareholders to represent their interests
Chief Executive Officer	Most often the managing director but need not be a director; might be general manager
Senior Executive Officers	Divisional or departmental managers, some of whom might be directors
Middle Management	Sectional or junior departmental managers, possibly including their assistants
Supervisors	Including foreman and junior managers

5.8.3 BUSINESS EXPANSION IN BRANCHES

In a very large business, a number of departments might be grouped into a 'division.' Each department will have a departmental manager who will be responsible and accountable to a 'divisional manager' – who might well be an executive director, but who will still be subordinate to the managing director.

In case several branches have been established in the same city or in different cities, the headquarters need not necessarily have remained at the 'mother' branch. Each of the branches would no doubt comprise a number of departments – each made up of a number of sections – under the control of a branch manager.

Although branch managers might be free to run their branches as they think best – within the framework of the policy laid down by the board of directors – some activities might be 'centralized.' For example, there might be just one purchasing department for the whole organisation, with the branches ordering stocks through it. And, of course, the branches and their managers will still be responsible to the managing director.

6 STYLES OF ORGANISATIONAL STRUCTURE

There are a number of different styles of organisational structures. Some of the common ones are the following.

6.1 LINE ORGANISATIONAL STRUCTURE

This is the simplest form of organisational structure, and although it does have some drawbacks, in practice it can be very efficient, particularly in small and medium-size organisations.

Line organisational structure is simple and direct and is easy to understand. The 'chain of command' – as in the military – is direct, and so decisions can usually be made quickly and implemented rapidly, while because of the directness of the control, the coordination of the activities of all those employees in a department is simplified. The position – and status – of all the different people working in a department can be seen easily and clearly, and so the extent of their responsibilities, their authority and their duties can be clearly defined and understood, making disputes less likely.

It is important to note that the various 'line' departmental posts might not necessarily have the same status although, for convenience, it is usual to show them at the same 'level' in an organisational chart.

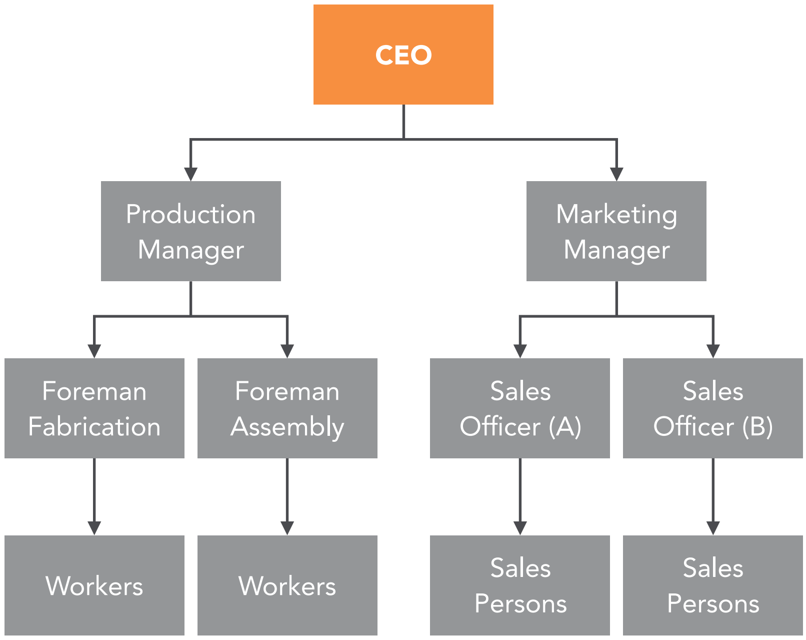


Fig. 6/1 Line organisational chart

6.1.1 ADVANTAGES

- Simplifies and clarifies responsibility, authority and accountability;
- Ensures fast decision making;
- Management and other employees have greater closeness.

6.1.2 DISADVANTAGES

- Neglects specialists;
- Overloads key personnel;
- As the organisation grows, it becomes ineffective;
- Managers have to be experts in several areas;
- There is over-dependence on key people.

6.2 FUNCTIONAL ORGANISATIONAL STRUCTURE

This is the type of organisational structure in which it is the function – the type of activity – which determines the areas of responsibility and authority.

An 'expert' or 'specialist' is placed in charge of each function, and will have direct control of that function wherever it is undertaken within the organisation. For example, Manager-Quality Control will have authority over employees in all related departments/sections, while an office manager might have authority over clerical and secretarial staff working in any department. This means that 'line' managers, in whose departments the relevant function is being carried out – and who are responsible for all matters relating to their staff – find their authority reduced with regard to functional activity, to discipline and to staff relationships.

As the 'functional specialists' are not involved in the day-to-day running of the organisation – which is the province of the 'line' managers – they are free to concentrate on their particular functions wherever they occur, which does produce many benefits for the organisation. However, this form of organisational structure makes control more difficult, as there are no clear lines of authority and it is similarly difficult to establish responsibility when things do not go right. Furthermore, workers – as well as supervisors and junior managers – can become confused at being subject to the authority of more than one manager.

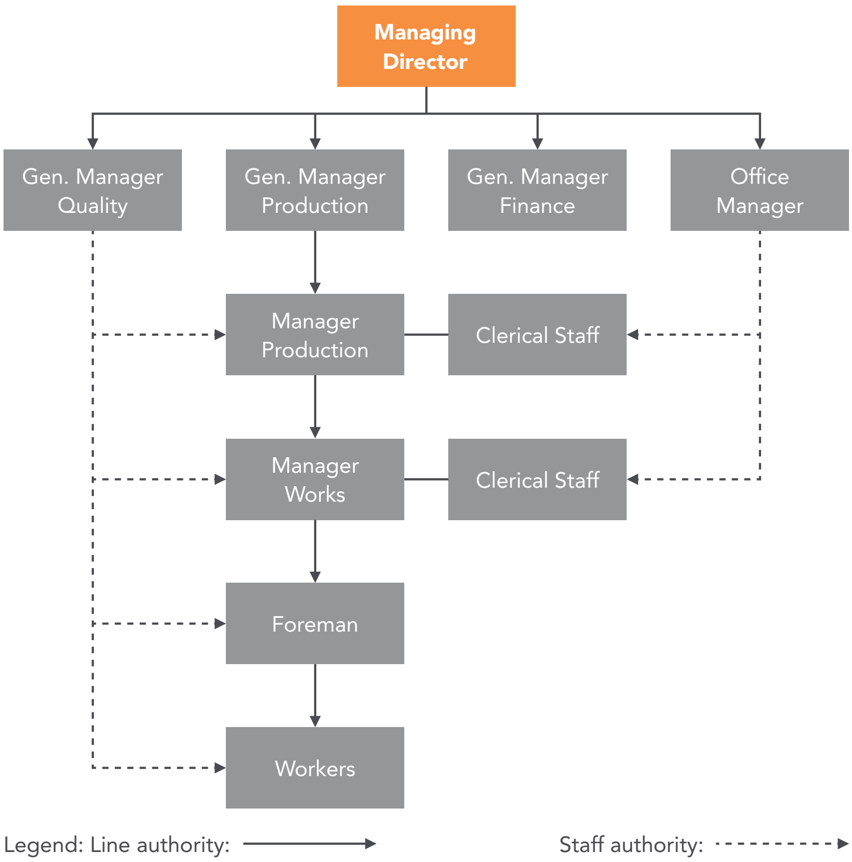


Fig. 6/2 Functional organisation chart

6.2.1 ADVANTAGES

- Expertise of staff specialists can be used effectively;
- Span of control of line managers can be increased as they are relieved of many functions.

6.2.2 DISADVANTAGES

- There can be conflicts between line and staff personnel;
- Staff managers may find their role difficult when line managers are reluctant to accept advice;
- Coordination between line and staff personnel may be difficult.

6.3 LINE AND STAFF ORGANISATIONAL STRUCTURE

This is a combination of line organisational and functional organisational structures. The word 'staff' in this case refers NOT to the workforce of an organisation or to a section of it, but refers to 'specialists' who act mainly as advisors, and who have no executive authority outside their own departments. In such an organisational structure:

- The 'line' managers control the **primary** functions, such as production and sales, which are directly concerned with achieving the objectives of the business; while
- The 'staff' managers are generally involved with **secondary** functions, which assist the smooth and efficient running of the primary functions.

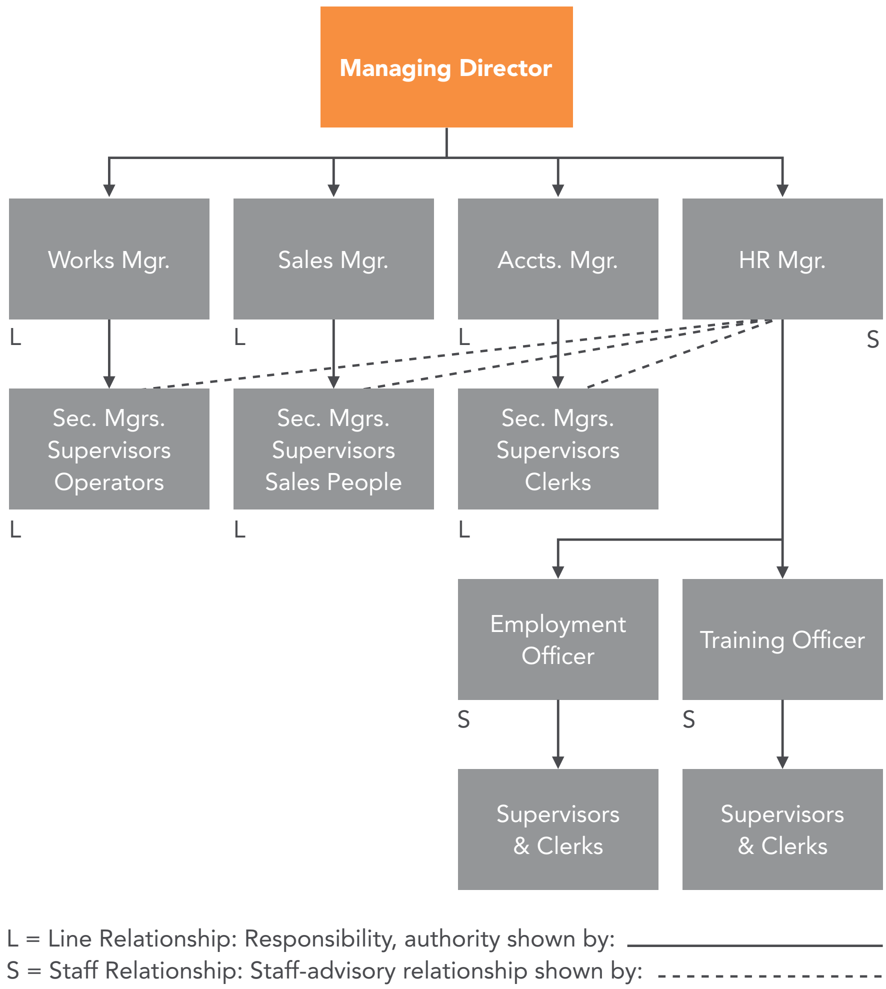


Fig. 6/3 Line and staff organisational structure

In this organisational structure the HR manager is directly responsible for his/her own department, and has full authority over its staff. However, although he/she provides services for the line managers and line supervisors with regard to recruitment of staff, staff records, as well as for staff welfare, he/she has no authority over the staff in those other departments.

For example, the works manager will inform the HR manager of his/her need to recruit, say, two new machine operators and will provide job descriptions and some idea of the type of personnel – from the point of view of skills and/or experience – he/she requires. The HR manager and his/her subordinates will advertise for or otherwise seek suitable candidates for the posts, will undertake preliminary screening and/or testing, and will arrange interviews. The works manager will attend the interviews and, in consultation with the HR manager, will make the final selection. The line manager – the works manager in this case – is thus freer to concentrate on pursuing the function of his/her department, which in this case is obviously a primary function.

This composite form of organisational structure ensures that the lines of responsibility and authority are still clear for all (managers, supervisors and workers alike) to see, and understand. The line managers keep full control of their respective departments or sections, while at the same time having available expert advice and assistance in many subsidiary areas.

The relationships between the line managers and the staff managers must be clearly defined by the board of directors, and cooperation between them must be encouraged by top management. There is no value, for instance, in a line manager continually rejecting or refusing to accept the advice or assistance of the HR manager, while, say, the HR manager must not be permitted to usurp the authority of line managers.

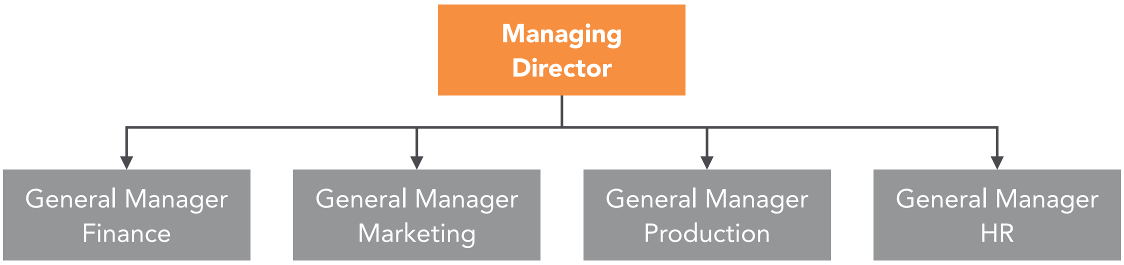
One other advantage of the line and staff organisational structure is that 'staff department' can be introduced fairly easily into an existing business, whose organisational structure might have evolved on the line system as the organisation has expanded. Many – but not all – line managers are only too happy to delegate responsibility for certain routine activities not directly involved in achieving the objectives of their departments to specialists provided always that they – the line managers – still have the final say.

6.4 DIVISIONAL ORGANISATIONAL STRUCTURE

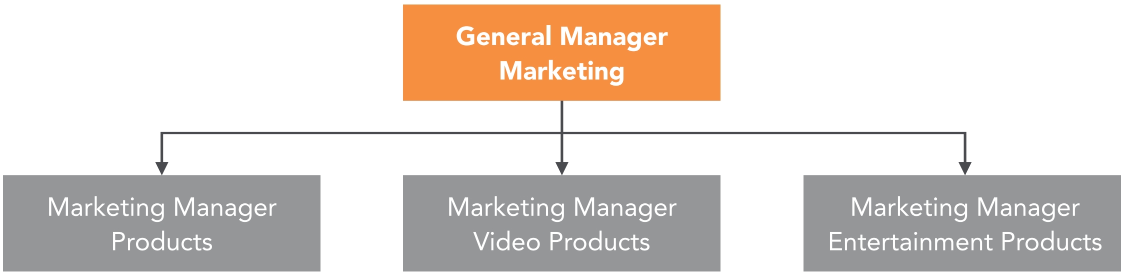
This could be still another type of organisational structure. Here the organisation can use the following basis of forming departments:

- Function
- Product
- Geographic location
- Project
- Combination of the above

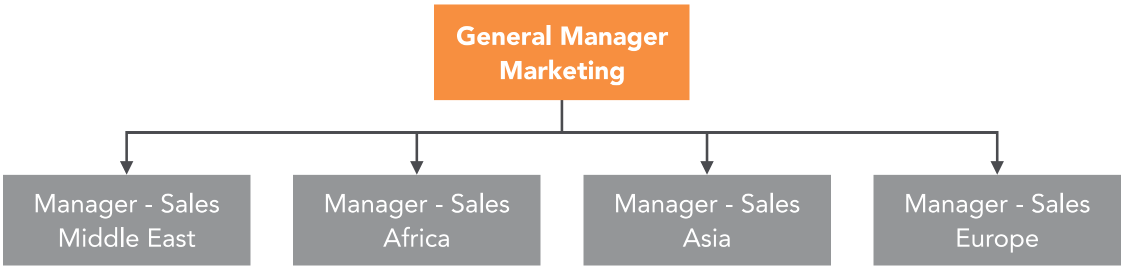
(a) Department by function



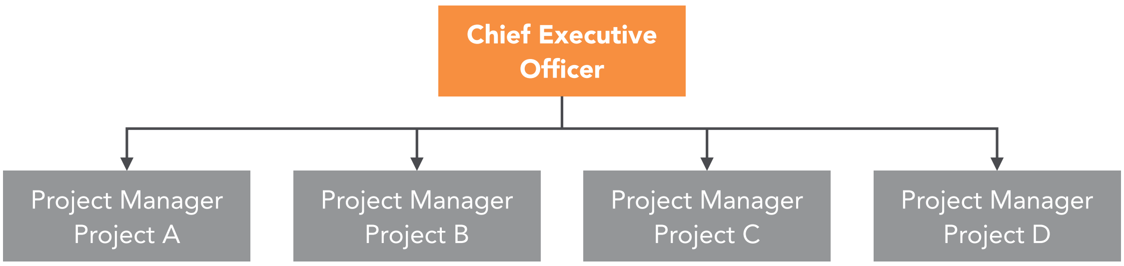
(b) Department by product



(c) Department by geographic location



(d) Department by project



(e) Combination: could be two or more of the above

Fig. 6/4 Divisional organisational structure

6.5 IMPORTANCE OF ORGANISATION CHARTS

The preparation of an organisation chart for a new business might be relatively straightforward. However, the organisational structure of an established business might have developed in a rather haphazard manner, as the business has expanded as circumstances have dictated, and as it has reacted to external influences.

Should no organisation chart exist for a particular established business of any reasonable size, it might be necessary for top management to undertake detailed investigations and inspections to determine as precisely as possible the responsibilities, authority and relationships of existing executives.

Such investigations can in themselves be of benefit, as they might disclose areas where responsibility or authority overlaps or is not clearly defined. Some spans of control might be seen to need adjustment. In such cases the next step might be set down what it is considered would be the most effective organisational structure for the business concerned at that point in time, and to compare the result with the actual – existing – structure.

Then, if necessary and perhaps in gradual stages, adjustments can be made to the existing organisational structure, to improve its effectiveness. Planning and care are necessary, particularly to avoid upsetting executives who might find that their areas of responsibility and/or authority have been diminished by the reorganization or restructuring. All executives should participate in discussions leading to decisions being made – so they will be aware why changes are necessary – and they should ideally be consulted about the best methods of implementing the changes decided upon.

6.5.1 ADVANTAGES OF ORGANISATION CHARTS

Properly prepared and detailed organisation charts can:

- Assist the relationships between people, or the posts they hold, to be clearly identified, and to be understood by all employees;
- Enable managers and supervisors to see exactly for whom and for what – and to whom – they are responsible or accountable, and this information is particularly useful for new employees of whatever status;
- Indicate possible inequalities in the spans of control of some managers and/or supervisors/foremen and so permit remedial action to be taken.

6.5.2 DISADVANTAGES OF ORGANISATION CHARTS

The following possible disadvantages of organisation charts may accrue:

- Too great a reliance on an organisation chart can cause problems, because a chart tends to be a static snapshot of the particular organisational structure as it is at a certain point in time. But a business and its organisational structure are constantly changing in response to changing circumstances and environment, and so charts can rapidly become out of date and inaccurate – and so cause confusion – unless they are regularly updated.
- Unless care is taken, the positions depicted by organisation charts can be taken too literally. People might become 'insular' and use a chart to avoid accepting responsibility, or to justify saying '*that is not my job*'. This can arise in particular because organisation charts might show only the position titles, and perhaps the names of the holders, and do not show the detailed nature of the positions. To a certain extent that problem can be reduced by the preparation of detailed job descriptions, which set out each person's duties and responsibilities.
- Organisation charts cannot usually show 'degrees' of responsibilities or authorities or – frequently – differences in the status of different executives.

6.6 SYSTEMS DIAGRAMS

Systems diagrams cannot only highlight different aspects of static organisation structure, but can also indicate movement or flow, thereby enabling complex and interrelated situations to be studied and understood in broad outline. Fig. 6/5 below shows that by tracing the inputs and outputs of each department, the systems diagram of an engineering company can construct a picture of the interactions throughout the organisation. That picture can be studied objectively, and can be used to enhance the control of the system.

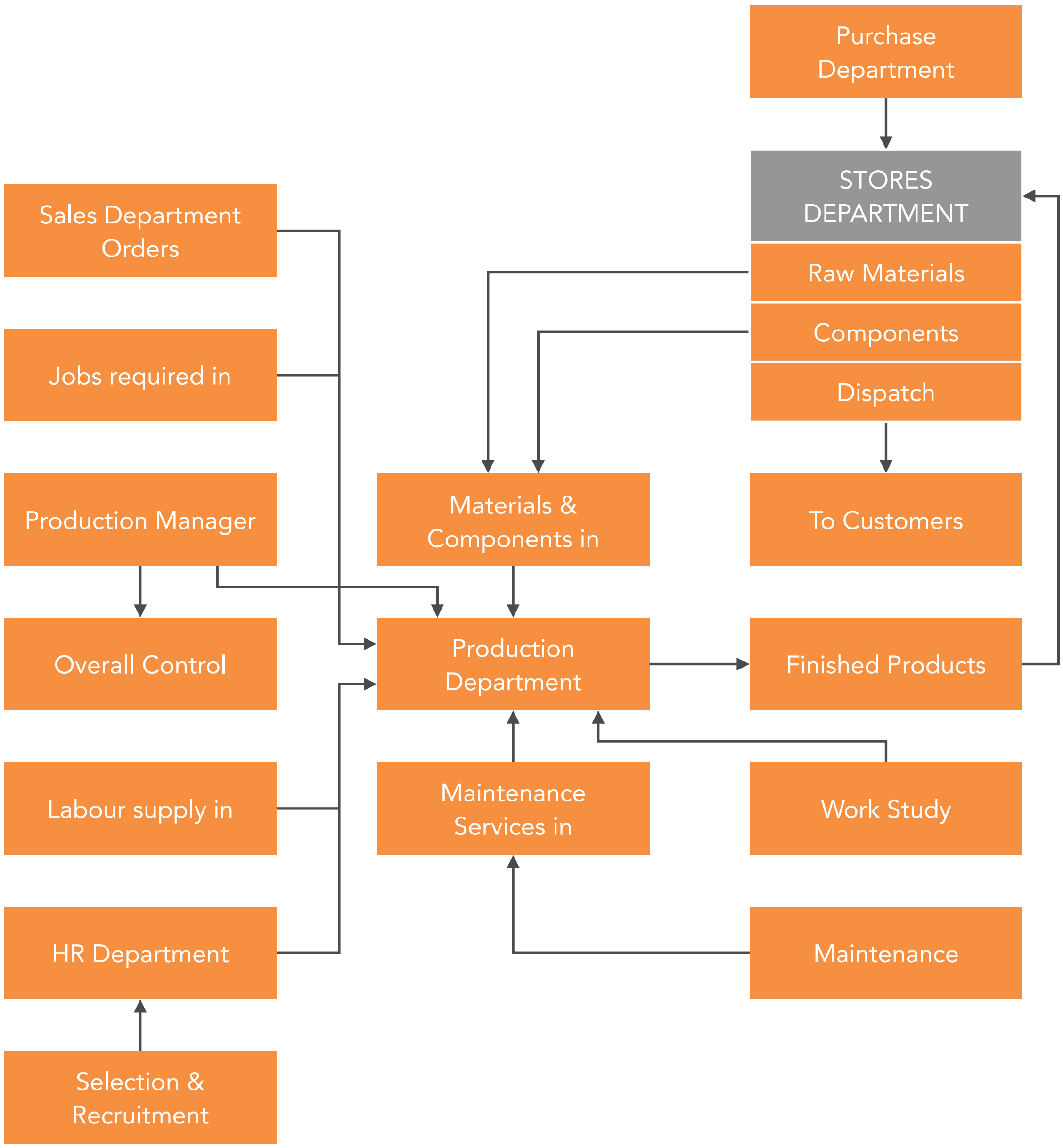


Fig. 6/5 Systems diagram of an engineering company

6.7 ORGANISATION OF A TYPICAL LIMITED COMPANY

There are innumerable variations in the organisational structures of various companies. However, in general, the following structure is followed.

6.7.1 THE SHAREHOLDERS

People and enterprises – called 'shareholders' – purchase and invest in – and therefore own – shares in a limited company. The majority – if not all – the shares in most private companies today are called 'ordinary shares' which give their holders voting rights, such as to elect the Board of Directors.

Ordinary shareholders contribute the main risk bearing capital of the company. If the company performs well, they receive 'returns' on their investments by sharing in the profits it makes, in the form of 'dividends'. But if the company does not perform well, the shareholders not only receive no return on their investments, but could lose what they paid – or agreed to pay – for their shares in that company.

6.7.2 THE BOARD OF DIRECTORS

A company is managed by a Board of Directors – commonly referred to as the 'Board' – which generally comprises between 2 and 12 directors. They are elected by the shareholders – the owners – of a business to run the business of the company. The directors may also own shares.

However, in a large company there might be hundreds of shareholders. It is impracticable to consult anybody or everybody, and so only the directors run the business. Shareholders are mainly interested in the results or profits achieved by the company.

- **Duties and responsibilities of the Board:** A Board of Directors has responsibilities, some of which are towards its stakeholders (which include its shareholders, employees, customers, suppliers etc.) Other responsibilities are imposed by law. However, the Board has the following responsibilities:
    - The Board is the trustee of the funds invested by the shareholders, and is responsible for ensuring the proper utilisation of those funds.
    - The Board is responsible for making policies in order to achieve the company's objective, and for ensuring their implementation. It is also responsible for making changes necessary as per circumstances.
    - The Board must keep itself informed about financial matters, and ensure that sufficient 'working capital' is available. It also approves 'capital expenditure', such as for the purchase of plant, machinery, land, buildings etc.
    - It is the responsibility of the Board to appoint top executives, to ensure effective management, and provide leadership as a whole.
    - It is responsible for ensuring that the company operates as per the legal/statutory requirements of the country in which it operates.

- **Structure of the Board of Directors:**
    - **The Chairman:** The Chairman (often nowadays called the Chairperson) is a director elected to the post – theoretically by the other directors and not by the shareholders. He/she chairs the meetings of the Board. He/she is not likely to hold an executive position. However, in smaller companies the Chairperson holds the position of Managing Director also and as such has an executive function. Chairperson of a large company represents the company at various events such as press conferences, meetings with other companies etc.
    - **The Managing Director:** This official is both a director and the chief executive of the company, and as such has a dual role. As a director he/she is involved in the activities of the Board. Because he/she is also chief executive and is therefore involved in the day-to-day running of the company, his/her views carry weight at Board meetings. As the chief executive officer he/she is the

bridge between the Board and the other members of the management team. The managing director is therefore not only involved in the formulation of policy by the Board he/she is also responsible for ensuring that the management team implement that policy. Similarly, while his/her views are – or should be – taken into consideration by the members of the Board, it is the managing director who must interpret and put into effect decisions reached by the Board – and must do so whether or not he/she agrees with these decisions. At the same time, the managing director is able to bring to the attention of the Board problems or other matters about which he/she becomes aware during the course of his/her managerial duties. In cases in which the chief executive of a company is not a director, he/she is frequently known as the general manager.

- **Executive directors:** These senior executive officers, who work full time for the company, are therefore in day-to-day touch with the activities of their respective departments, in addition to being involved with the affairs of the Board. Executive directors are subordinate to the managing director and the majority of them are appointed to the Board on the recommendation of the managing director. Nevertheless, as head of a department an executive director assumes personal responsibility for running his/her department and for implementing the policy and decisions of the Board relating to it. The advantages of having 'specialist' executive directors can be offset to a certain extent by the fact that they might be limited in their overall view or knowledge of the company as a whole. At the same time, an executive director has to work in cooperation with the managing director and his/her other managerial colleagues, and therefore – in order to avoid unpleasant repercussions – he/she might be somewhat wary of pursuing an independent line, or going against their views.
- **Non-executive directors:** These officials are part-time directors who are usually able to take a more independent approach than can executive directors, as they are not involved in the day-to-day running or operations of the company. Often they are appointed for their expertise or knowledge, their interests or contacts, for example, accountants, lawyers, bankers, management consultants, architects, politicians, ex-ministers etc. In some cases a non-executive director might be appointed to 'watch over' the interests of another party, for example, a financial institution lending considerable funds to a company might wish to be represented on its Board.

7 DEPARTMENTS

7.1 THE PURCHASING DEPARTMENT

In some companies, the purchasing function is an independent department, but that is not always the case in all organisations. In some organisations the purchasing function might be part of the Production Department, while in other organisations the Purchasing Department might encompass the stores function, or alternatively be part of the Stores Department. This is a prime example of how organisations develop and adapt to meet their particular requirements.

The executive in charge of the department might be called the Purchase Manager, the Head Buyer, or the Chief Buyer, or the Chief Purchasing Officer. The department will normally comprise a number of sections. For example, in an engineering company, there might be a raw materials purchasing section, a components purchasing section, a miscellaneous purchasing section (e.g. for consumables, equipment and stationery), and a clerical or office section (for record keeping/filing, and to provide secretarial services).

The department will have responsibility for ensuring the regular supply to the company of the wide variety of materials and other items needed for production, and by other departments, of the right qualities, at economical cost.

The purchasing department must liaise closely with both the production and stores departments to ensure that the correct materials and other items are ordered – and are available – in the correct quantities and qualities when they are needed. Failure to order or to reorder or replenish stocks in good time will lead to production delays and loss of customers. On the other hand, the receipt of the wrong materials or the receipt of new stocks too early will result in problems of storage space in the stores, as well as money being tied up in excess stocks.

The tremendous amount of paper work involved in purchasing – even with the use of computers – including filing and secretarial work, will be the responsibility of a chief clerk or a purchasing office supervisor in charge of the purchasing office.

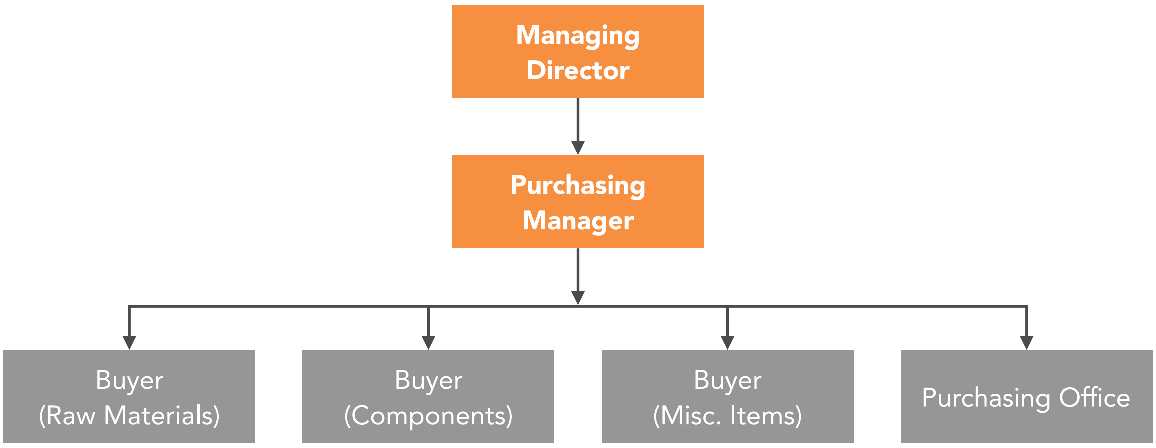


Fig. 7/1 Organisation chart of the Purchasing Department

7.2 THE FINANCE OR ACCOUNTS DEPARTMENT

In most organisations the finance/accounting function is headed by the Finance Manager, or the Accounts manager, who is usually expected to hold a professional qualification. The department in charge will be responsible for the following:

- **Cashiering:** the receipt of monies from customers and other sources, and banking the monies received;
- **Financial accounting:** including the recording or bookkeeping activities (nowadays mainly computerized, but sometimes still all or partly performed manually);

- **Management accounting:** involving the provision of financial and statistical data on the past, present and possible future activities of the company;
- **Budgeting:** departmental budget and the master budget, and maintaining budgetary control;
- **Cost accounting:** involving assessing and checking on the costs of the manufacturing processes, and the general running or operational costs of the company.
- **General financial management:** including the provision of adequate finance – or 'working capital' – to maintain continuous profitable operations, and investment strategy;
- **Credit control:** over customers allowed to purchase on credit;
- **Checking payments:** to suppliers' accounts, and accounts submitted by other creditors (for example, for fuel, heating, water, electricity, communications services etc.);
- **Payment of wages and salaries:** to employees.

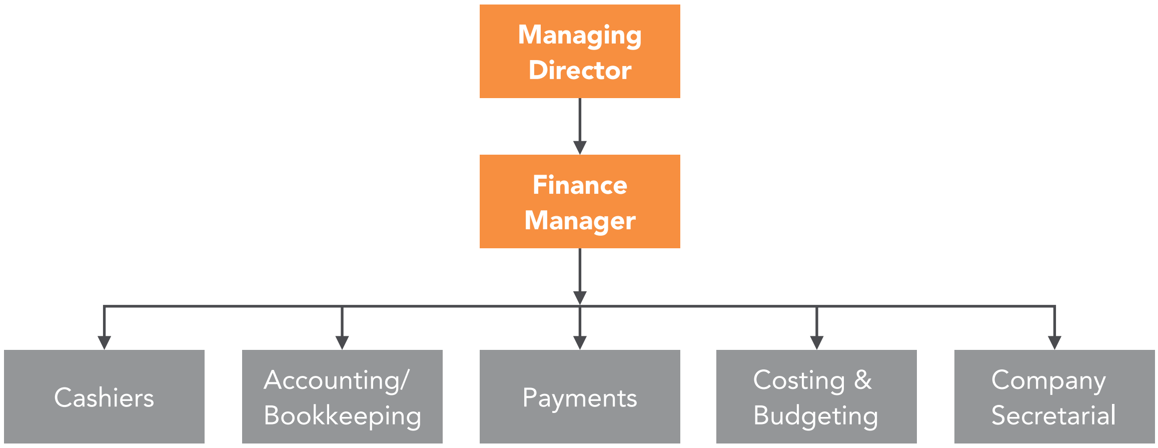


Fig. 7/2 Organisation chart of the Finance/Accounts Department

However, in larger companies, there might be a separate Company Secretarial section or department. By law, every limited company must appoint a Company Secretary whose functions are laid down by statute. These might vary from company to company. However, they generally include the following:

- The submission of various 'returns' – usually annually – to the country's registrar of companies, for example, concerning the company's registered address, its directors, shareholders and share capital, and changes thereto;
- Matters relating to shareholders, and the recording and registering of any share transactions, and to company meetings, such as annual general meetings and extraordinary general meetings (if any).

The Company Secretary – in consultation with the Chairperson – is responsible for the agendas and minutes of Board meetings but – unless elected a director – is not a member of the Board.

7.3 THE PRODUCTION DEPARTMENT

The Production – or Manufacturing – department is headed by an executive who – depending on the size of the company – could be variously titled 'Production Manager', 'Works Director', or 'Works Manager'.

The organisation of production activities varies so greatly from company to company, and from industry to industry that it is difficult – indeed virtually impossible – to depict a typical production department. The organisation chart illustrated in Fig. 7/3 below shows a sample Production Department which has responsibility for the following:

- Research and development and/or design;
- Production planning;
- Production control;
- The production sections as appropriate to the products being manufactured and the production processes involved, such as machine shops, assembly sections, foundries, heat treatment rooms, tool rooms, and so on;
- The maintenance of buildings, plant and machinery, fixtures and fittings.

Another section closely linked to Production Department is that of quality control. However, this section is not usually under the direct supervision of the Production Manager.

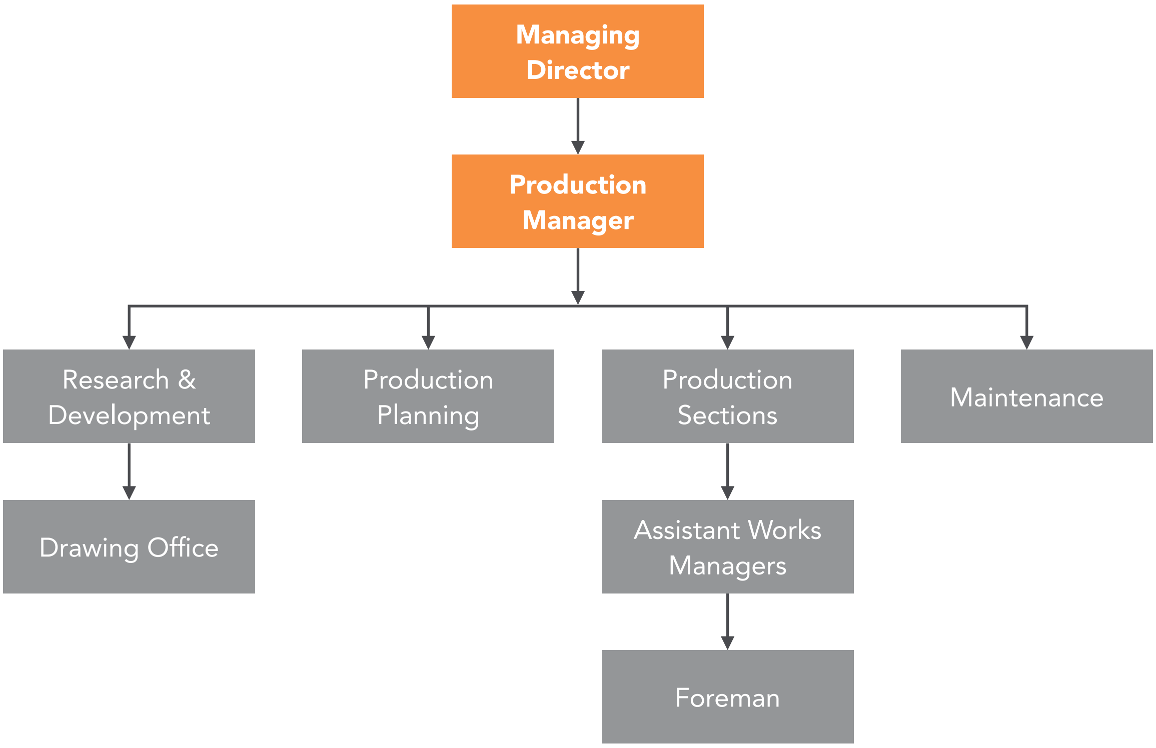


Fig. 7/3 Organisation chart of a Production Department

7.4 THE SALES AND MARKETING DEPARTMENT

The organisation of this department will depend on the products being produced, the types of customers – that is, whether they are manufacturers, wholesalers and/or retailers, consumers, and so on – and where they are located, the channels of distribution employed, and on other related factors. Some businesses sell only in the home market, some sell to other countries and concentrate on export markets, while other businesses sell both at home and abroad. The latter type might need separate sales sections to handle the usually very different types of markets – and the particular problems encountered in them.

The allocation of responsibilities in a sales and marketing department varies enormously from business to business. Some businesses employ only a Sales Manager, and do not have a Marketing Manager at all; the department might simply be called the Sales Department. Some businesses undertake their own advertising and/or sales promotion; other businesses make use of advertising agencies. Some businesses employ only 'internal' shop or showroom sales personnel. Some use 'external' sales personnel, yet others employ both types; and some sell online.

Basically, however, the sales and/or marketing department is concerned with negotiating, bargaining or selling, controlling, supplying; and generating, stimulating and facilitating sales of products, and charging correctly for such transactions.

Typical responsibilities of a sales and marketing department of a business include the following:

- Market research, involving ascertaining what customers want, their buying habits, and the present state of the market, including the current 'market share' of the business and the potential to increase it;
- Advertising, publicity and sales promotion (and sometimes also public relations);
- The recruitment (in cooperation with the HR department), training and control of the sales force – at home and/or abroad – including territory planning and allocation, establishing commission rates and bonuses, promoting sales, dealing with customer complaints;
- Sales clerical work – possibly including invoicing – and administration, order procuring, estimating quotations, compiling sales records, producing sales statistics.

Fig. 7/4 Organisation chart of a Sales & Marketing Department

Close cooperation is necessary by the Sales and Marketing Department with the following:

- **The Production Department:** to ensure that it sells goods in production or which will – or can – be produced;
- **The Stores/Warehouse Department:** to ensure prompt dispatch or delivery of goods ordered by customers;
- **The Finance/Accounts Department:** to ensure that sales are made in strict accordance with the credit policy of the business and the credit limit imposed on customers.

7.5 THE STORES/WAREHOUSE DEPARTMENT

This department is likely to be in the charge of a Stores Manager or Chief Storekeeper. This executive will be responsible for ensuring that all the activities involved in storekeeping and stock/inventory control are carried out efficiently and economically, and for the recruitment, induction and training – in consultation with HR department – of stores personnel.

Depending on the activities of a particular business, the stock or inventory items it holds might include raw materials, components, work in progress or sub-assemblies, finished goods ready for sale and distribution, consumables, tools, packaging materials etc.

7.5.1 STOREKEEPING

It refers to the actual handling of the items or materials received into, held in and issued from the store, involving:

- Receiving items and materials, including the inspection of them;
- Storing the various stock items in such a way that any item or material in the store can be located quickly and easily when it is required. For this purpose – depending on the nature of items – any of the two methods can be employed:
  - LIFO: Last In, First Out
  - FIFO: First In, First Out

- Ensuring the safety of all items and materials while in store – e.g. protecting them from pilfering, theft, damage and deterioration;
- Packing issued items so that they will not be damaged or caused to deteriorate while in transit to their destinations, delivering or dispatching goods to customers or preparing the goods for collection.

7.5.2 STOCK/INVENTORY CONTROL

It comprises mainly the clerical and administrative functions of Stores/Warehouse work, and involves:

- Ensuring that the right types and qualities of items needed for production, sale and distribution, are always available when and where required;
- Maintaining records showing the movement of items into and out of the store, controlling and monitoring those movements and maintaining full records of the items in the store;
- Ensuring that the correct stock levels of the various items are set and are maintained, that orders and reorders are made (or requested to be made through the Purchasing Department) in good time, and that what is ordered is received;
- Checking, counting or otherwise measuring stock/inventory items to ensure that records are accurate and that no losses are occurring due to pilfering, theft, damage or poor storage or bad handling;
- Valuing the items held in the store/warehouse.

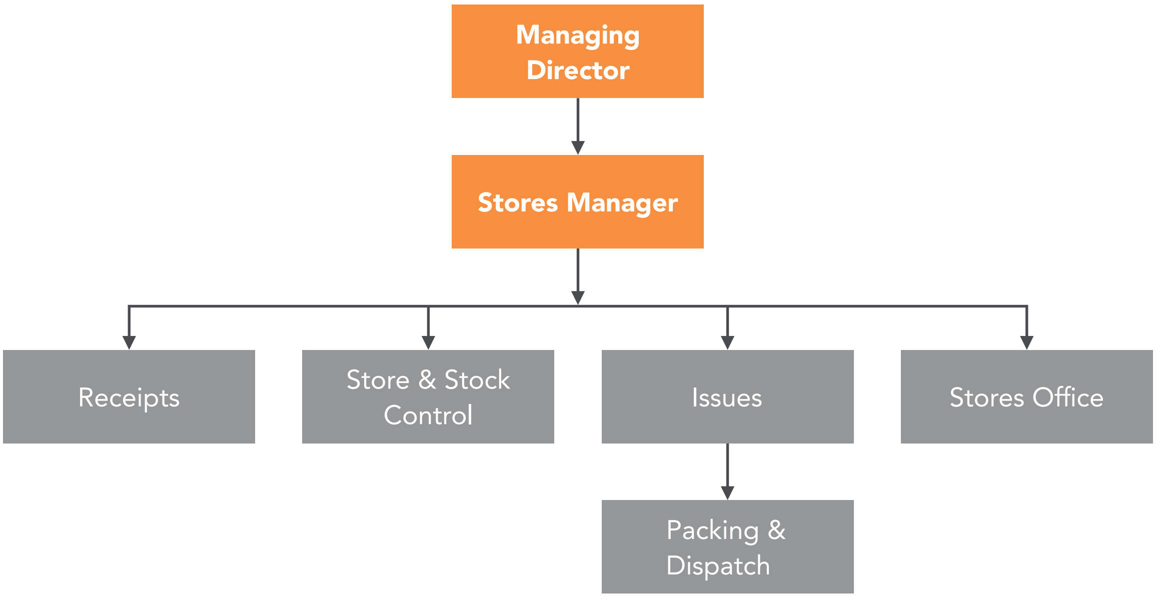


Fig. 7/5 Organisation chart of a Stores/Warehouse Department

7.6 THE HUMAN RESOURCE DEPARTMENT

This department – usually under the control of an HR manager – will have responsibility for a range of activities, which might be grouped into sections such as the following:

- **Employment/Recruitment:** This section will be responsible for manpower planning, maintaining an adequate labour supply, and will also be concerned with transfers and retirement of employees. This section will also be responsible for assessing the general suitability of employees for promotion.
- **Training and Education:** This section must arrange for the induction and training of all newcomers in the performance of their specific jobs. It might involve the establishment of special training schemes within the organisation itself. A major responsibility will be the provision of adequate facilities for the training and development of new and existing personnel.
- **Health and Safety:** This section will be responsible for maintaining the health and safety in the workplace of all employees of the business. In addition to the provision of medical facilities, Health and Safety staff must locate areas of danger and eliminate them, and be constantly seeking improved safety measures and safety practices as they relate to the activities of the business.
- **Staff welfare:** This section will be responsible for such matters as canteen facilities and recreational activities, and also such matters as holidays, sports and leisure activities etc. The extent to which a business can offer employee services depends upon its size and financial resources.

- **Office:** In addition to performing the essential clerical functions, this section will maintain all 'personnel records' of employees (other than those of top executives). From those records a wide range of useful statistics can be produced, such as 'rate of labour turnover'. This section might also be responsible for calculating wages and salaries due, although some organisations operate a separate 'wages office', or even outsource this function.
- **Industrial relations:** This section is most closely bound up with the non-material aspects of an HR policy. This section will be responsible for setting up and maintaining processes for joint consultation, and establishing procedures for settling of grievances at shop floor level. In larger organisations, responsibilities for industrial relations might be invested in a separate Industrial Relations Department.

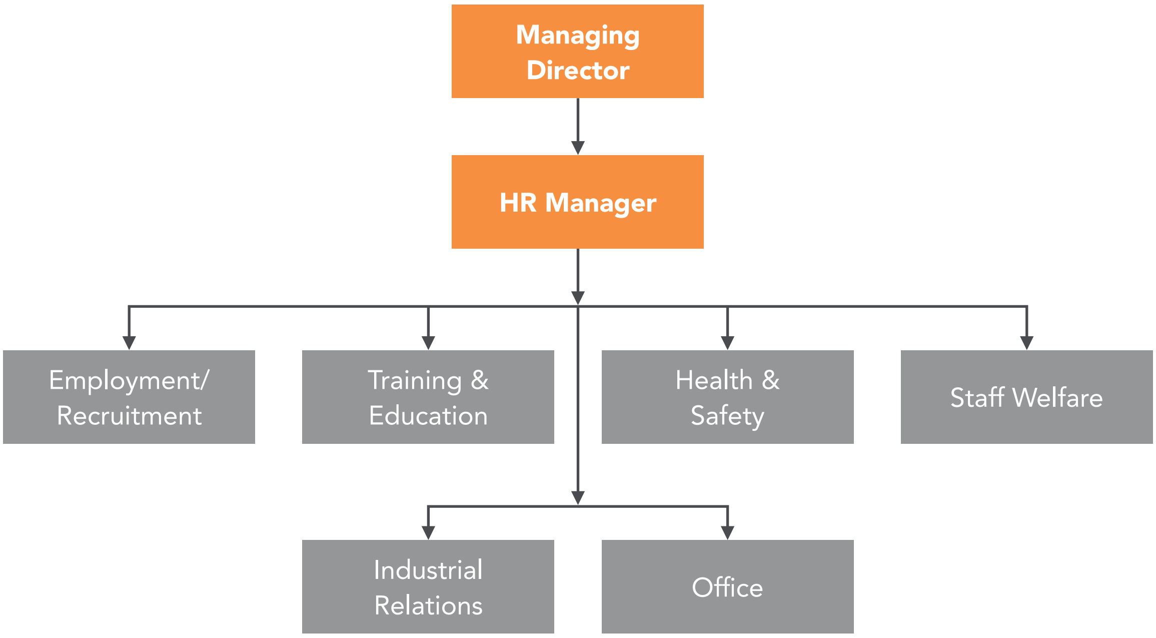


Fig. 7/6 Organisation chart of an HR Department

7.7 THE OFFICE – CENTRALIZATION AND DECENTRALIZATION

The size of an office will depend on the type, size and needs of the organisation it is intended to serve, and the activities in which that organisation is engaged. The location of an office in relation to the other departments of the organisation is also important. However, the size and type of premises used by the organisation – and the space available within it – will also have an important bearing on from where its office functions are provided.

Some organisations – finance and insurance companies, for example – are virtually all one very large office, sub-divided into a number of sections and/or other departments. In contrast, other organisations need only small offices compared with the sizes of their component departments; the line departments might well be allocated the best or most suitable and most conveniently situated space within the premises while – because they are considered to be 'non-productive' – the offices of such organisations might be allocated space wherever it happens to be available.

There are, of course, many variations between the two extremes. Then, too, some organisations might require only a 'central office', whereas others might require 'clerical' or 'secretarial' sections to be established within a number of different departments. In order to be able to provide the best and most effective services, the office – or its component clerical/secretarial centres – should whenever possible be positioned in such a way:

- That its services can be provided rapidly when required; and
- That there are the shortest and smoothest lines of communications with the other activities of the organisation with which the office function is most directly concerned.

Small organisations are likely to have just one central office – perhaps quite small – to provide clerical and/or secretarial services required by all employees, sections or departments, as appropriate. Centralization might be beneficial in some larger organisations, too, because some clerical and/or secretarial services required, for example, the photocopying work, are common to many or all departments, although not necessarily on a regular or continuous basis.

Centralization can provide economies, both in the numbers of clerical and/or secretarial staff employed and in the number of machines and pieces of equipment required. Not only will centralization avoid duplication, for instance by not having identical machines required located in a number of different departments, but the machines which are available are more likely to be used to their full capacity. It is often easier and less expensive to purpose-design a centralized office, to organise it for greater efficiency, to standardize methods, to supervise and control both staff and their various operations, and to provide the most suitable environmental conditions.

Complete centralization of all office functions might not always be possible, particularly in large organisations, because to a certain extent the clerical requirements of different departments might be specific to each of them. For example, invoicing might need to be carried out in the sales department or the accounts department, while stock records might need to be maintained in the stores/warehouse department, and HR personnel records will have to be available in the HR department, and so on. For such reasons, some office services might have to be decentralised while other, more common, services might be centralized.

If an organisation is spread over a large area or complex, too much centralization of the office functions can be detrimental, as delays can occur, for instance a file might not be readily available and might have to be transported some distance, increasing the chances of it being damaged, misplaced or lost. Furthermore, clerical and secretarial staff might be remote from the functions they are employed to serve, and thus might have little real knowledge of, or interest in, what they are doing. That can result in carelessness, in errors and in a rapid turnover of staff. There might also be problems in determining the priorities of work arriving from different departments, which might result in urgent work not receiving the priority it requires.

7.8 INTER-DEPARTMENTAL COOPERATION AND COORDINATION

Inevitably, as an organisation grows, as delegation increases and as the number of sections and departments increases, there will be a drifting apart of the component sub-systems. The success and prosperity of any business require full cooperation between the various departments and their senior executives (whose attitudes are likely to affect the attitudes of all their subordinates). It is incumbent on top management to positively encourage the spirit of cooperation and to ensure the coordination of the various departments to avoid loss of efficiency in the organisation as a whole.

But despite the common interest of departments in achieving the common goal, difficulties can arise about which top management might be unaware.

The managing director or general manager must host regular meetings between top executives of the various departments, to ensure inter-departmental understanding and cooperation. Departmental managers will need to hold similar meetings with their sectional and assistant managers, supervisors and foremen, as sections of the same department can drift apart as easily as can other department.

7.9 INTERNAL COMMUNICATION

Basically, there are following types of internal communication in management:

- Vertical – downward and upward
- Horizontal – sideways

These can be achieved through two methods:

- Oral
- Written

Fig. 7/7 below depicts the flow of internal communication

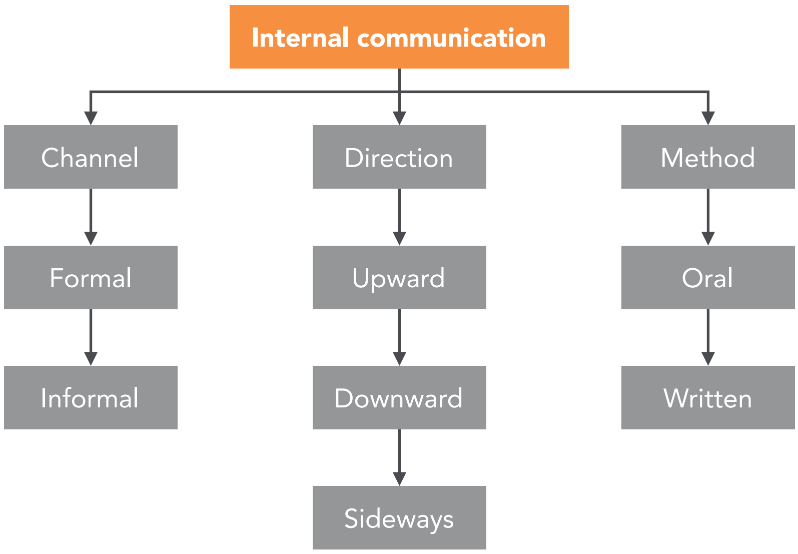


Fig. 7/7 The flow of internal communication

Effective internal communication will ensure the following:

- With effective communication, every member of management and every other employee should receive precise and accurate information, to ensure that every person working for the organisation knows exactly what they are expected to do, when and where, for what and for whom, they are responsible. Misunderstandings and misinterpretations – which can result in wastage of time, effort, labour or money and/or loss of profit – can therefore be greatly reduced or even eliminated.
- No organisation exists in a vacuum; change in trading conditions, in economy, in law and in attitudes, and in fashions and consumer demand, as well as technological developments, occur continuously. For an organisation to prosper – and indeed to survive – its management must not only be able to react quickly in the right way to change, but must also be able to pass clear instructions to all those people concerned.

Instructions and information must get quickly from managers to supervisors to their subordinates, so that the changes and new methods can be interpreted and implemented without delay, particularly if new or existing employees need training or retraining.

- Readily available and accurate information about the organisation, its prospects and achievements and any problems it faces, generate a healthy interest in the organisation among its personnel – which is by itself a form of motivation.

7.9.1 VERTICAL COMMUNICATION

In an organisation communication must work in both directions – 'upwards' as well as 'downwards'. When managers pass on information or instructions to subordinates, they are engaged in 'downward' communication. When subordinates are giving suggestions, feedback or complaints to managers or supervisors, they are engaged in 'upward' communication. This up and down communication is the vertical communication.

The following points are significant:

- Effective two-way communication will help to promote good understanding between management and other employees, and that in turn can help to reduce disputes. Effective communication should not concentrate only on passing instructions 'down the line' and on receiving reports at higher levels; it should also be concerned with a two-way flow of needed information. The modern workforce (both managerial and non-managerial) is no longer content to blindly accept 'instructions' from above; employees want – and need – to know how decisions taken and instructions given might affect their livelihood and job security.
- It is important for employees to be able to make known quickly to those of their seniors concerned any complaints or grievances they might have, and of course, to have faith that attention will be paid to them and that action will be quickly taken. In this way, minor grievances will not grow into major ones because of resentment about management's apparent lack of interest.
- There is usually personal contact at the lower end of the communication network – that is, between junior managers, supervisors, foremen and their subordinates – and therefore with goodwill and understanding from both sides many minor grievances should be quickly resolved. However, if circumstances require it, managers, supervisors and foremen must not hesitate to communicate problems 'upwards' to those of their seniors who have the authority to make decisions and to take the action necessary in the circumstances.

- To enable top management to coordinate the activities of the entire organisation and to react quickly to circumstances which arise, what are called 'lines of communication' must be established, and operated efficiently. Such actions will ensure that not only regular and accurate reports, statistics etc. are received, but that information on matters requiring immediate attention will be received without delay. That, in turn, will enable decisions to be reached quickly and any necessary changes to plans, work schedules etc. to be implemented as early as possible.
- Another very important reason for establishing lines of communication 'upwards' is that they encourage a flow of ideas and suggestions on a wide range of matters, which might be beneficial to the organisation, 'up' to those who are able to discuss and consider them, and make decisions concerning them. After all, it is those personnel who are in intimate, day to day contact with the operational activities of an organisation and who are more likely to be able to make suggestions on better methods of working, time saving, cost reductions, the elimination of duplicated effort or waste etc. than top management, which is remote from day to day 'details'.

- It is not sufficient to merely establish lines of communication; they must be examined from time to time to ensure:
  - That they are being used as they were planned to be used; and
  - That they are still adequate; circumstances and personnel change, and so the lines of communication might have to be modified. Outmoded lines of communication can quickly lead to ineffective communication. Delays and misunderstandings simply lead to action not being taken.

- Whenever possible or feasible, a system of 'feedback' should be built into the communication network so that the senders of communications can check that they are being received, understood and acted upon.

7.9.2 HORIZONTAL COMMUNICATION

There must be 'horizontal' – sideways – communication within an organisation. By this we mean a flow of information between personnel of about equivalent status in different departments of an organisation, for example, between its sales manager and its production manager.

In this connection the following points are significant:

- Horizontal communication can only be effective if there is cooperation between the various departments.
- If there are personality clashes and jealousies among departmental (or even sectional) managers, cooperation might be minimal and there might be a reluctance to pass on information, or the deliberate withholding or delaying of information.
- It is important to note that horizontal communication is concerned with the flow of information, and NOT with the flow of instructions or authority. For example, a salesperson could perhaps 'request' a member of the accounts department to make a check on a customer's creditworthiness, but he/she would have NO authority to instruct the person to make the check, or to demand that it be made.
- It would be most tactless for the manager of one department to communicate directly with a subordinate in another department without the knowledge and consent of that subordinate's departmental head. And it could cause trouble if there were an attempt by a manager to give instructions to an employee of another department.

7.10 STRUCTURES OF NON-MANUFACTURING ORGANISATIONS

The structure of non-manufacturing organisations does not differ significantly from the models of manufacturing organisations. The major differences lie in the emphasis given to the functions – the types of activities – or to their absence. For example, a wholesale business will not have a production department, but it will have a highly-developed stores/warehouse department.

7.11 COMMITTEES

Committees are created in almost all large organisations. The primary function is to make or suggest decisions on problems requiring an integration of the needs of various departments, functions, viewpoints or ideas.

There are two types of committees:

- **Permanent committees:** They are generally policy making or decision making bodies, like executive committee, finance committee, purchase committee etc.
- **Ad hoc committees:** They concern themselves with specific problems and are disbanded on completion of the assigned task. Such committees normally make suggestions or recommendations for decision making and are, generally, not vested with authority to make enforceable decisions.

- **Advantages of committees:**
  - Setting objectives, plans and policies by pooling information, abilities and expertise and integrating conflicts, viewpoints and interests;
  - Dealing with complex problems;
  - Reducing bias and conflict;
  - Involving interpersonal relations;
  - Democratizing;
  - Motivating as it serves as a mechanism of participative decision making;
  - Achieving commitment to implementation of decisions;
  - Pooling authority;
  - Pooling abilities, information and judgment;
  - Owning responsibility; and
  - Coordinating mechanism.

Disadvantages of committees:

- Sometimes this system may create more conflict than find solutions to problems;
- There may be diversions to non-problems and peripheral aspects;
- At times it could be time-consuming;
- May act as a device for shifting responsibility and postponing decisions; and
- Splits accountability.

Creation of professional and harmonious conditions facilitates successful functioning of committees. Number and composition of membership, clarity in the task, leadership, clear agenda and support of other key executives are some of the issues one needs to deal with.

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He has also worked as Acting Chief Executive for a reputed Training Institute in the Sultanate of Oman.

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