

## **AN ANALYTICAL AND COMPARATIVE STUDY OF ORGANIZATIONAL STRUCTURE OF TWO MANUFACTURING COMPANIES: RANK LTD. & DIGICON LTD.**

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### **ABSTRACT**

This research paper involves a comparative study of organizational structures of RANK LTD. and DIGICON LTD., two prominent voltage stabilizer manufacturing companies of Dehradun city. In studying the organizational structure, information about relevant items hierarchy, centralization and delegation of authority, flow of information (scalar chain), span of control and channel of communication has also been collected.

### **INTRODUCTION**

Organisational structure is the framework of relationships between various positions of the enterprise. It is the structural framework of duties and responsibilities required of the personnel in performing various functions within the company. It is essentially a mechanism for carrying out the functions necessary to achieve the desired goals. It is an indispensable means and the wrong structure will seriously impair business performance and even destroy it. Hierarchy means arrangement of people of an organization in chains of superior-subordinate relationships. Centralisation means concentration of authority at the higher management level and delegation of authority involves giving appropriate authority to subordinates at all levels. Flow of information involves how information reaches the people at various levels, through scalar chain or other means. Scalar chain is the chain of superiors ranging from the ultimate authority to the lowest rank. In scalar chain of communication, information flows in downward or upward direction. In other methods, scalar chain system of communication is not followed. Span of control refers to the number of subordinates who work under the direct control of a single superior. Channel of communication means the path through which a sender sends his messages and the receiver receives these. In an organization, there are two types of channels: formal and informal.

### **OBJECTIVES**

Objectives of the project are as follows:

1. To study the organizational structure of two companies engaged in manufacturing electric voltage stabilizer.
2. To identify pattern of hierarchy, centralization and delegation of authority, flow of information, span of control and channel of communication of these companies.

### **METHODOLOGY**

#### **Nature of study:**

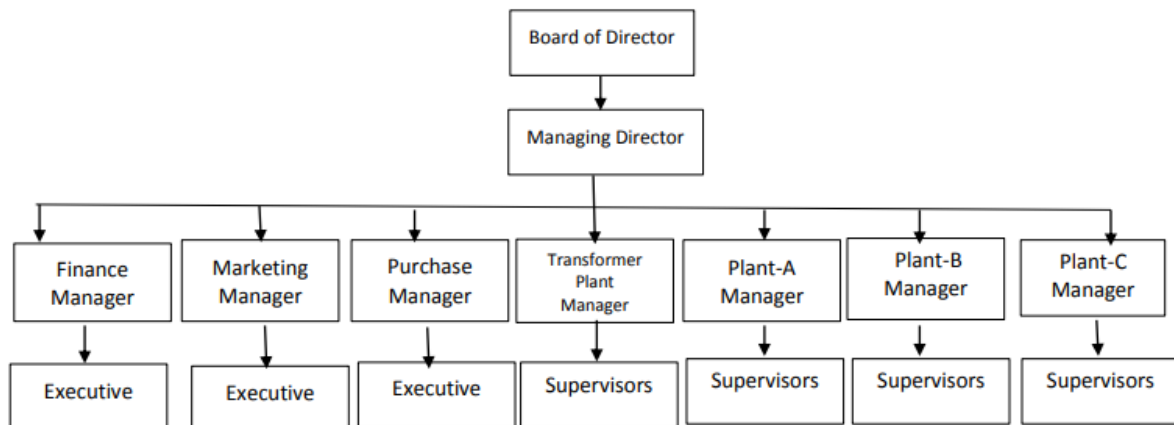
The study is mainly descriptive in nature. In descriptive study information is collected without changing the environment.

**Source of Data :** Data from the companies have been collected through personal contact. Officials in the companies under study were contacted personally and necessary information was collected and gathered.

**RANK LTD.**

Rank Ltd. is a leading and reputable electric voltage stabilizer manufacturing company in Dehradun. With more than two decades of experience in the industry RANK Ltd. is now one of the best known manufacturers and suppliers of stabilizers in Dehradun city. The company has two manufacturing units employing 250 people. It procures customized stabilizer components from vendors in Delhi NCR and China. Assembling of different components to manufacturing stabilizers is undertaken exclusively by the company. RANK Ltd. is a predominantly family managed company.

The Company has adopted a mixture of functional structure and divisional structure. Organisational structure of the company has been presented.



**Hierarchy:** Hierarchy of the company consists of four levels:

1. Board of Directors.
2. Managing Director (Chief Executive).
3. Functional and Plant Managers (Finance Manager, Marketing Manager, Purchase Manager and Four Plant Managers).
4. Personnel Executive (who works under Purchase Manager), Executives in three major functions (Finance, Marketing and Purchase) and Supervisors in plant.

**Centralisation and Delegation of Authority:** Authority structure in the company tends towards centralization. Major decisions in the company are made by family members (consisting of father as Chief Executive and his two sons working as Finance Manager and Purchase Manager). Marketing Manager and three Plant Manager have authority only on day-to-day matters, and not involving policy matters. However, before making policy decisions about the whole organization or any of its function or plant, the family members consult the concerned managers.

**Flow of Information:** Information flow at the lower levels follows scalar chain. Thus, a Plant Manager hardly gives orders to workers directly. These are given through the concerned supervisors. However, at higher levels, scalar chain is not followed in rigid form. Thus, in many cases, Purchase Manager issues instructions to Plant Managers, instead of the Chief Executive.

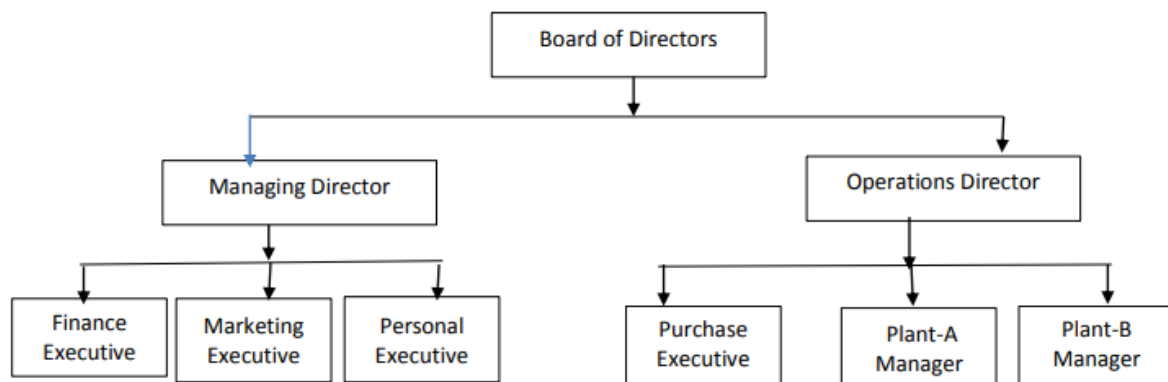
**Span of Control:** Span of control differs at various levels. Chief Executive has seven direct subordinates. Finance Manager has five direct subordinates. Marketing Manager has five direct subordinates and Purchase Manager has six subordinates. Each Plant Manager has twenty direct subordinates. Each supervisor has fifteen operatives under him.

**Channel of Communication:** In the Company, both formal and informal channels of communication are used. However, more emphasis is put on informal channels of communication because of close interaction among employees. There is more emphasis on oral communication. However, production records, sales records, etc., are communicated through written reports.

**DIGICON LTD.**

DIGICON Ltd. is a big company as compared to RANK Ltd. It manufactures all the necessary components and parts by itself. It has two plants and an assembling unit. It employs 1100 people. The Board of Directors mostly consist of family members and few professional experts.

The Company has adopted a mixture of functional structure and divisional structure. Organizational structure of the company has been presented.



**HIERARCHY:**

Hierarchy of the company consists of the following levels:

1. Board of Directors
2. Managing Director and Operations Director
3. Finance Executive, Marketing Executive, Personnel Executive, Purchase Executive and two Plant Managers.
4. Supervisors (only in manufacturing)

### **CENTRALISATION AND DELEGATION OF AUTHORITY:**

Authority structure is highly centralized in Managing Director and Operations Director. These two persons make all policy decisions. In some cases, they consult senior managers of the company. For day-to-day matters, managerial personnel have requisite authority.

### **FLOW OF INFORMATION:**

Flow of information in downward and upward directions is mostly through scalar chain. However, there is high emphasis on horizontal communication among senior personnel.

### **SPAN OF CONTROL:**

At the top management level, each of the two executives has three direct subordinates. At the middle management level, Finance Executive has three direct subordinates; Marketing Executive has ten direct subordinates and Personnel Executive has two subordinates. Purchase Executive has three subordinates and each Plant Manager has fifteen subordinates (supervisors). Each supervisor supervises twenty workers.

### **CHANNEL OF COMMUNICATION:**

There are both formal and informal channels of communication. Managers interact among themselves to share information about the working of their departments. Sharing of such information helps the managers to identify the requirements of different departments. Written communication is used only in those cases where records are maintained for future reference like sales records, purchase records, etc.

### **FINDINGS:**

Findings of the project are as follows:

1. Both the companies under study have adopted organizational structure which is a mixture of functional structure and divisional structure.
2. One of these companies has multiple chief executive system having two Chief Executives with each of them handling specific matters.
3. There are four levels of hierarchy in both the companies.
4. Authority structure of both the companies is centralized and policy decisions are made by family members. In some policy matters, the family members consult senior managers before making the decisions. Managers not belonging to the family are given authority for day-to-day matters only.
5. Flow of information is through scalar chain as well as through horizontal communication.
6. Span of control varies management level-wise. It is low at the higher level and high at the lower level except in cases where the number of subordinates is quite low.
7. Both formal and informal channels of communication are used in both the companies.



### **CONCLUSION:**

From the given study it can be safely concluded that a good organizational structure helps in improving the performance of employees and motivates them to work hard which in the end increases productivity. RANK Ltd. and DIGICON Ltd. have developed a good organizational structure. They have satisfied employees who work not only to achieve organization goals but also individual goals, thus achieving both individual and organization goals.

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