

Defined Behavior in Organizations (A unique case study of K Pvt Ltd.)

Author Details: Dr Rajul Bhardwaj

Faculty Of Management Studies, Gurukul Kangri University, haridwar, Uttarakhand, India Pin-249404

Abstract

“K” Pvt Ltd., an engineering firm with 75 years of success behind it has become a household name in India for its quality products. Although it had started its business in a modest way, it became a dominant supplier of spares and equipments of critical nature needed by the Transport and Engineering Industries in a short span of Five years. With the growing complexity of management, the top management, again and again, discussed the need for reorganizing the entire business on functional lines, and finally introduced decentralized administration

Key Words-Decentralization, think-tank, redesigning, export model, fabrication, exasperated.

Learning Outcomes

After completing this assignment, students should be able to:

1. Determine the concept of Centralization and Decentralization.
2. Evaluate the importance of Span of Control.
3. Explain the concept of Scalar Chain in organizations.
4. Identify person-specific behaviors of the Authorities that may impact the environment of the firm.
5. Use of MBO in Managing the workforce effectively.
6. An explanation of Blake and Mouton’s Managerial Grid.
7. Concept of Cost Benefit Analysis.

Application

This case study was designed for intermediate undergraduate and MBA courses. The purpose of the case study is to identify and integrate complex issues into the valuation of the firm and decisions regarding behaviour in organizations.

Introduction

“K” Pvt Ltd., an engineering firm with 75 years of success behind it has become a household name in India for its quality products. Although it had started its business in a modest way, it became a dominant supplier of spares and equipments of critical nature needed by the Transport and Engineering Industries in a short span of Five years. Later, with the advent of industrial planning initiated by the Government of India, and by virtue of its position in the engineering business, it made rapid strides in many product lines, including electronics. In 2015, its assets were of the order of Rs 100 crores with a total employment of over 8,000 spread over, all important industrial centres in India. With the growing complexity of management, the top management, again and again, discussed the need for reorganizing the entire business on functional lines, and finally introduced decentralized administration on First April, 2016.

Mr. Victor , Business graduate from one of the renowned Indian University, with an engineering background, had been the in-charge of the Mechanical Engineering Section since 2006. He was promoted as Chief Executive of the Division in April 2016. This was in recognition of his outstanding contribution to the development of new products. In fact, the firm earned a good name in the export market and also bagged “Best export Business Firm award” during 2015-16. Moreover, Mr. Victor was also known for his honesty, integrity, leadership and decisiveness. He was a brilliant engineer and always worked hard to think a step ahead of his competitors. He was virtually a think-tank, and the Management was very proud of him.

For the last six months he spent long hours redesigning the export model-L compressor cum vacuum pump set. In his discussions with his foreigner collaborators, he was convinced that with a little more effort, the company could successfully redesign the model, thus saving production costs as well as improving the efficiency by 15-20 percent. He depended entirely on Mr. Raks, a foreman of exceptional ability and tenacity. Moreover, Mr Raks was good at human relations and commanded respect from his immediate subordinates. Since the fabrication of the new model was in its infancy, everyone felt a concerned that it is undesirable to let others know what was happening on the shop - floor. Moreover secrecy was the style of

operation, and therefore it was clear to both the foreman and the persons working under him that this matter would not be brought to the notice of Mr Diwa, the new Works Manager, a recent induction in to the company. He was amongst the one with his new job and always delighted in any words of appreciation from his chief, Mr Raks, when he visited the shop - floor.

Mr. Diwa, was young and energetic with a flair of Mechanical engineering products. He had not have enough knowledge of Management, but had completed some courses in materials management and productivity control. He always laid stress on proper supervisory activities, knew his job well and always expected others to perform their duties as scheduled. He could never tolerate indiscipline. His colleagues had nicknamed him “the real fire-brand” of the company.

One evening, before going home Mr. Diwa went to the shop - floor where he found nine machinists and helpers engaged in fabricating a spare part of the pump set as per the order of Mr. Raks. Mr Diwa was happy to see people working under him so involved in their work and working till late evening. However, his enthusiasm vanished like morning mist when he saw that, what they were engaged in was not a normal part of their work. “Damn it. What the devil are you upto?” he asked in annoyance. The workers were perplexed; they did not know what to say. However Mr. Sona soon appeared on the scene and explained the on-going project and the benefit its success would bring. The Works Manager got very angry with Sona and reprimanded him severely. In fact, he was admonished in the presence of his subordinates and technicians working on the shop - floor. Mr Sona felt confused and hurt. As though this was not enough he received a show cause notice from the Works Manager demanding an explanation within 24 hours. This was adding insult to injury. He had no alternative but to report to the chief, but to his chagrin, he found that Mr. Raks had already left on foreign tour and was expected back a month later.

Mr. Sona felt that he was approaching a dead end, harassed, he went from pillar to post but no help or advice was forthcoming. Exasperated and hurt he went to the General Manager and handed him his resignation letter. Mr Sona was known for his honesty, simplicity and hard work. Only by the dint of hard work, had he developed his skills and risen to the position of foreman from the level of an ordinary helper within a span of 10 years. Everyone knew the role he played in developing a new prototype of model - L, vacuum pump set. His one weakness was that he was very sensitive and would never compromise on issues affecting his personality and dignity. On the whole, he was respected by all. News of his resignation spread like a wild fire. The workers, technicians and others sympathetic to his cause were alarmed, and eagerly awaited the outcome.

Teaching Notes:

(1) Significant differences between Centralization and Decentralization, in an organization is explained as follows:

Comparison Chart:

BASIS FOR COMPARISON	CENTRALIZATION	DECENTRALIZATION
Meaning	The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization.	The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization.
Involves	Systematic and consistent reservation of authority.	Systematic dispersal of authority.
Communication Flow	Vertical	Open and Free
Decision Making	Slow	Comparatively faster
Advantage	Proper coordination and Leadership	Sharing of burden and responsibility
Power of decision making	Lies with the top management.	Multiple persons have the power of decision making.
Reasons	Inadequate control over the organization	Considerable control over the organization
Best suited for	Small sized organization	Large sized organization

Span of Control

Related Terms: Delegation; Manager Recruitment; Organizational Structure

The concept of "span of control," also known as management ratio, refers to the number of subordinates controlled directly by a superior. It is a particularly important concept for small business owners to understand because small businesses often get into trouble when the founder ends up with too wide a span of control. Span of control is a topic taught in management schools and widely employed in large organizations like the military, government agencies, and educational institutions. "Yet few entrepreneurs know the term or are willing to admit any limit to the number of people they directly oversee," explained Mark Hendricks in an article for *Entrepreneur* magazine. When a small business owner's span of control becomes too large, it can limit the growth of his or her company. Even the best managers tend to lose their effectiveness when they spend all their time managing people and their issues and are unable to focus on long-term plans and competitive positioning for the business as a whole.

The concept of span of control was developed in the United Kingdom in 1922 by Sir Ian Hamilton. It arose from the assumption that managers have finite amounts of time, energy, and attention to devote to their jobs. In studies of British military leaders, Hamilton found that they could not effectively control more than three to six people directly. These figures have been generally accepted as the "rule of thumb" for span of control ever since. More than a decade later, A.V. Graicunas illustrated the concept of span of control

mathematically. His research showed that the number of interactions between managers and their subordinates—and thus the amount of time managers spent on supervision—increased geometrically as the managers' span of control became larger.

It is important to note that all managers experience a decrease in effectiveness as their span of control exceeds the optimal level. In other words, the limitations implied by span of control are not shortcomings of certain individual managers but rather of managers in general. In addition, it is important to understand that span of control refers only to direct reports, rather than to an entire corporate hierarchy. Even though a CEO may technically control hundreds of employees, his or her span of control would only include the department heads or functional managers who reported to the CEO directly. "When given enough levels of hierarchy, any manager can control any number of people—albeit indirectly," Hendricks noted. "But when it comes to direct reports, the theory [of span of control] suggests entrepreneurs must respect managers' inborn limits."

Entrepreneurs and small business owners are particularly susceptible to overextending their span of control. After all, many of these people have started a business from the ground up and are wary of losing control over its operations. They thus choose to manage lots of people directly, rather than delegating tasks to middle managers, in an effort to continue being involved in key decisions as the business grows. But this strategy can backfire, as Hendricks explained: "Extending span of control beyond the recommended limits engenders poor morale, hinders effective decision making, and may cause loss of the agility and flexibility that give many entrepreneurial firms their edge."

ORGANIZING TO OPTIMIZE MANAGERS' SPAN OF CONTROL

Establishing the optimal span of control for managers is one of the most important tasks in structuring organizations. Finding the optimal span involves balancing the relative advantages and disadvantages of retaining responsibility for decisions and delegating those decisions. In general, studies have shown that the larger the organization, the fewer people should report to the top person. Managers should also have fewer direct reports if those subordinates interact with each other frequently. In this situation, the supervisor ends up managing both his or her relationship with the subordinates and the subordinates' relationships with one another.

Some other factors affecting the optimal span of control include whether workers perform tasks of a routine nature (which might permit a broader span of control) or of great variety and complexity (which might require a narrower span of control), and whether the overall business situation is stable (which would indicate a broader span) or dynamic (which would require a narrower span). Other situations in which a broader span of control might be possible include when the manager delegates effectively; when there are staff assistants to screen interactions between the manager and subordinates; when subordinates are competent, well-trained, and able to work independently; and when subordinates' goals are well-aligned with those of other workers and the organization.

There are advantages and disadvantages to different spans of control. A narrow span of control tends to give managers close control over operations and to facilitate fast communication between managers and employees. On the other hand, a narrow span of control can also create a situation where managers are too involved in their subordinates' work, which can reduce innovation and morale among employees. A wide span of control forces managers to develop clear goals and policies, delegate tasks effectively, and select and train employees carefully. Since employees get less supervision, they tend to take on more responsibility and have higher morale with a wide span of control. On the other hand, managers with a wide span of control might become overloaded with work, have trouble making decisions, and lose control over their subordinates.

With all of these factors to consider, small business owners might become overwhelmed with the task of finding the optimal span of control. But Hendricks claimed that evaluating the situation and making a decision should not be too difficult. "The rule of thumb that an executive should supervise three to six people directly held up fairly well against challenges from efficiency experts, team-building zealots,

technology buffs, empowerment boosters, megalomaniacs, and others determined to increase the accepted span of control," Hendricks wrote. "If the calculations are too much for you, just take a look at the amount of hours you're working. When workdays for the people at the top are twice what they are for others, span of control is out of whack."

For small business owners who feel that they have too many direct reports and need to reduce their span of control, the solution may involve either hiring middle managers to take on a portion of the owner's responsibilities, or reorganizing the reporting structure of the company. In either case, small business owners must balance their own capabilities and workload against the need to control costs. After all, reducing the entrepreneur's span of control may involve the costs of paying additional salaries for new hires or training existing employees to take on supervisory responsibilities. Despite the potential costs involved, Hendricks argued that adjusting span of control toward the optimal level can lead to vast improvements for small businesses. "There's the real possibility that paying attention to span of control could usher your business into a new era of rapid, sustained, profitable growth," he told entrepreneurs. "You could even find running your business easier and more fun."

Scalar chain

Scalar chain is the formal line of authority which moves from highest to lowest rank in a straight line. This chain specifies the route through which the information is to be communicated to the desired location/person.

Fayol emphasized that every information in the organization must flow according to this chain to facilitate clear communication of orders of the superiors and feelings of the subordinates. This chain must be strictly followed in the organization. Fayol also stated that there should be no overlapping of steps during the communication process.

Fayol's Ladder: This principle was explained by Fayol with the help of a ladder diagram which showed the flow of information.

For example, in an organization there are employees A, B, C, D, E, F, G, H, I, at various posts. If employee 'C' has to communicate with employee 'G' using the scalar chain, the route should be like C4B4A4F4G. Thus there will be four steps for the information to reach from employee 'C' to the employee 'G'.

Due to more clear system of authority and communication, problems can be solved easily, also the accountable person can be held quickly without any confusion and delay. Though this principle is very effective and clear, but it consumes a lot of time. In case of emergency, information will take a lot of time to reach the desired position which may delay the action as well as decision.

Gang plank:

For overcoming this limitation of scalar chain, fayol introduced the concept of 'Gang Plank'. According to this concept, two executives of the organization of different department at the same level can communicate directly in case of emergency, so that speedy decisions and actions could be taken. In case of the above example, if employee 'C' has to contact employee 'G', he can easily and directly communicate the information to 'G' using this Gang plank ('C'4'G'). This reduces a lot of time and helps in effective performance.

Positive impacts of this principle:

- Clear communication of information;
- Better relation among employees;
- Systematic communication in the organization; and

- Faster solution to organizational problems.

Consequences of violation of this principle:

- Bitterness in the relation of employees because of ignoring the close supervisors.
- Improper communication of information;
- Difficulty in finding the responsible person.

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