An Empirical Study on Organization Restructuring –with Respect to Pennar Industry

Gajanethi Swathi Kumari

Associate Professor, Research Scholar(OU)
R.G.Kedia College
swathigagan@gmail.com

Abstract— **Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Every organization has a unique structure. An organizational structure is the reflection of the company's past history, reporting relationships and internal politics. The organization need to customize your organizational structure to fit your strategy. The research was to be conducted focusing on the accurate description of variables present in the research subject. The approach was to study the variables of the structure of an organization by keeping the whole thing simple and straight. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organizational structure. The basic objective of the present research is to study the existing organization structure and to suggest measures for improvisation of it. There are multiple structural variations that organizations can take on, but there are a few basic principles that apply and a small number of common patterns. The present study provides additional details of traditional, vertically-arranged organizational structures. This is followed by descriptions of several alternate organizational structures including those arranged by product, function, and geographical or product markets. The data was tabulated and classified under different heads for administering the percentage method. Most of the data is represented in simple percentages. The research concludes by addressing emerging and potential future organizational structures and suggesting restructuring for improvisation.**

Keywords— **Organizational structure, product markets, restructuring, traditional, vertically-arranged organizational structures.**

I. INTRODUCTION

Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organizational structure.

In an organization of any size or complexity, employees' responsibilities typically are defined by what they do, who they report to, and for managers, who reports to them. Over time these definitions are assigned to positions in the organization rather than to specific individuals. The relationships among these positions are illustrated graphically in an organizational chart (see Figures 1a and 1b). The best organizational structure for any organization depends on many factors including the work it does; its size in terms of employees, revenue, and the geographic dispersion of its facilities; and the range of its businesses (the degree to which it is diversified across markets).

Organizational Structure During The Twentieth Century

At the beginning of the twentieth century the United States business sector was thriving. Industry was shifting from job-shop manufacturing to mass production, and thinkers like Frederick Taylor in the United States and Henry Fayol in France studied the new systems and developed principles to determine how to structure organizations for the greatest efficiency and productivity, which in their view was very much like a machine. Even before this, German sociologist and engineer Max Weber had concluded that when societies embrace capitalism, bureaucracy is the inevitable result. Yet,

because his writings were not translated into English until 1949, Weber's work had little influence on American management practice until the middle of the twentieth century.Job specialization, a hierarchical reporting structure through a tightly-knit chain-of-command, and the subordination of individual interests to the superordinate goals of the organization combined to result in organizations arranged by functional departments with order and discipline maintained by rules, regulations, and standard operating procedures. This classical view, or bureaucratic structure, of organizations was the dominant pattern as small organizations grew increasingly larger during the economic boom that occurred from the 1900s until the Great Depression of the 1930s.

Traditional Organizational Structure

While the previous section explained the emergence of the traditional organizational structure, this section provides additional detail regarding how this affected the practice of management. The structure of every organization is unique in some respects, but all organizational structures develop or are consciously designed to enable the organization to accomplish its work. Typically, the structure of an organization evolves as the organization grows and changes over time.Researchers generally identify four basic decisions that managers have to make as they develop an organizational structure, although they may not be explicitly aware of these decisions. First, the organization's work must be divided into specific jobs. This is referred to as the division of labor. Second, unless the organization is very small, the jobs must be grouped in some way, which is called departmentalization. Third, the number of people and jobs that are to be grouped together must be decided. This is related to the number of people that are to be managed by one person, or the span of control—the number of employees reporting to a single manager. Fourth, the way decision-making authority is to be distributed must be determined.

Emerging Trends in Organizational Structure

Except for the matrix organization, all the structures described above focus on the vertical organization; that is, who reports to whom, who has responsibility and authority for what parts of the organization, and so on. Such vertical integration is sometimes necessary, but may be a hindrance in rapidly changing environments. A detailed organizational chart of a large corporation structured on the traditional model would show many layers of managers; decision making flows vertically up and down the layers, but mostly downward. In general terms, this is an issue of interdependence.

In any organization, the different people and functions do not operate completely independently. To a greater or lesser degree, all parts of the organization need each other. Important developments in organizational design in the last few decades of the twentieth century and the early part of the twenty-first century have been attempts to understand the nature of interdependence and improve the functioning of organizations in respect to this factor. One approach is to flatten the organization, to develop the horizontal connections and de-emphasize vertical reporting relationships. At times, this involves simply eliminating layers of middle management. For example, some Japanese companies—even very large manufacturing firms—have only four levels of management: top management, plant management, department management, and section management. Some U.S. companies also have drastically reduced the number of managers as part of a downsizing strategy; not just to reduce salary expense, but also to streamline the organization in order to improve communication and decision making.

Pennar Industries

Pennar began its industrial journey in 1988 by setting up a Cold Rolled Steel complex on a 25 – acre site near Hyderabad with a capacity of 30,000 tpa. In a very first year of operation, Pennar achieved cash profit and followed it up with profits and dividends in the second year. Buoyed by continuous growth in turnover and profitability year on year , pennar expanded its capacity 50,000 metric tones.With liberalization opening up more opportunities, **Pennar increased its capacity to 142,000tpa by acquiring Nagarjuna Steels Limited,** with its manufacturing unit at Patancheru. This also provided a diversified product mix that included cold rolled steel, cold formed profiles and pressed components. Pennar Industries limited team is headed by Mr. A. Krishna Rao, Chairman who has rich experience in the Industry.

Organization Structure At Pennar

Pennar industries limited being a multi-product, multi-location and multi-unit company, has a large number of manufacturing processes and widely varying customer profile and customer base. The company has gone through very difficult period during 1999 to 2002. But made a remarkable turnaround in later years. Not only much of its market share was recaptured, the company has introduced many value added products and

added new manufacturing facilities and a new unit has been established at Chennai.

TABLE 1
DESIGNING ORGANIZATION STRUCTURE:
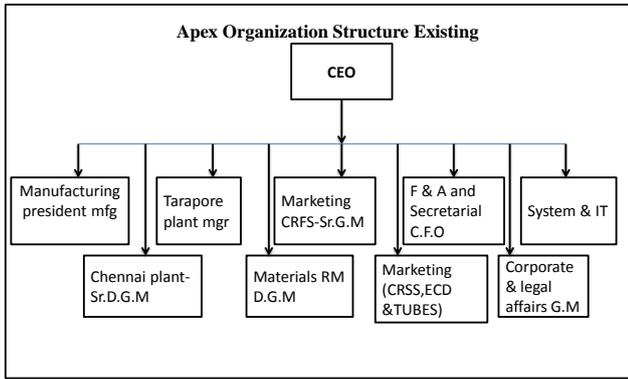
Evaluation of Organization Structure

Basing on the feedback mechanism the structure is evaluated after the re-structuring process is over. This shows effectiveness of the organization after the re-structuring process of achieving the goals in terms of improved & quality production, customer satisfaction, increase in sales volume and which further helps in expansion and diversification.

DATA ANALYSIS

1. Satisfaction with the present organization structure

TABLE 2

Responses	Number of respondents	Percentage of respondents
Yes	43	71%
No	17	29%

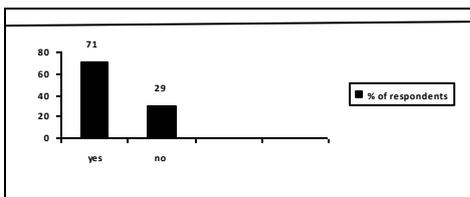**Fig 1**

2. Restructuring for better functioning of organization

TABLE 2

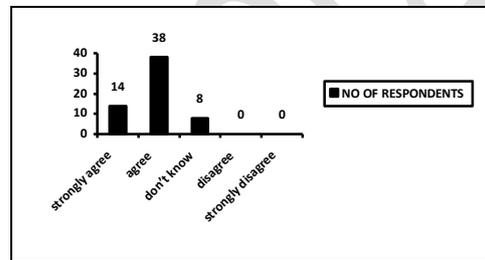| Responses	Number of respondents	Percentage of respondents
Strongly agree	14	23%
Agree	38	63%
Don't know	8	14%
Disagree	0	0%
Strongly disagree	0	0%

Fig.2

3. Factors acting as hindrance in organization's functioning

TABLE 3

Responses	Number of respondents	Percentage of respondents
Employees	4	7%
Management	4	7%
Company's policy	2	3%
Technology	2	3%
Govt. rules & regulations	4	7%
All	42	70%
Others	2	3%
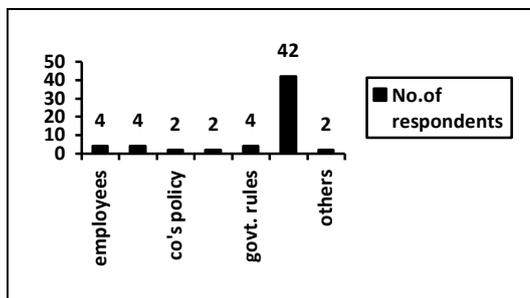
Fig 3
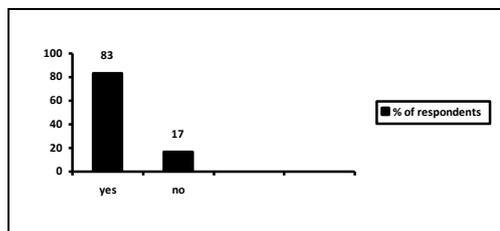
4. Communication in organization

TABLE 5

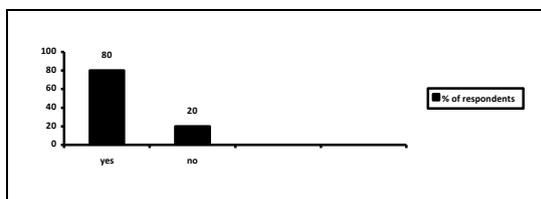| Responses	Number of respondents	Percentage of respondents
Yes	48	80%
No	12	20%

Fig.4

5. Involvement of employees in decision making

TABLE 6

Responses	Number of respondents	Percentage of respondents
Yes	50	83%
No	10	17%

Fig 5

6. Existence of job analysis in organization

TABLE 7

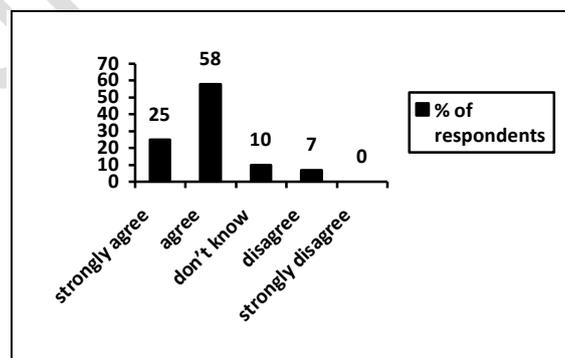| Responses	Number of respondents	Percentage of respondents
Strongly agree	15	25%
Agree	35	58%
Don´t know	6	10%
Disagree	4	7%
Strongly disagree	0	0%

Fig.6

7. Critical success factors of an organization or department

TABLE 8

Respondents	Number of respondents	Percentage of respondents
Commitment towards organization	5	8%
Team work	31	52%

Organization culture	9	15%
Proper coordination	15	25%
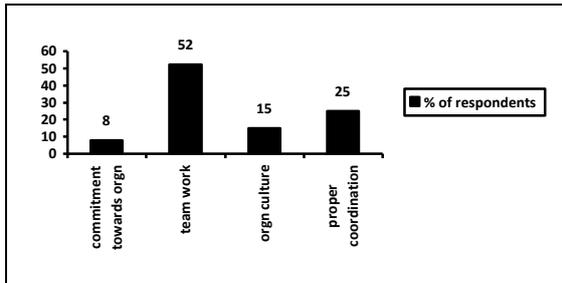
Fig.7

8. Clarity of job role in your department

TABLE 9

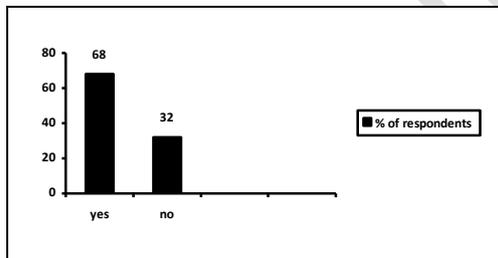| Responses	Number of respondents	Percentage of respondents	
Yes	35	63%	
No	22	37%	

Fig 8

9. Provision of training programs after restructuring

TABLE 10

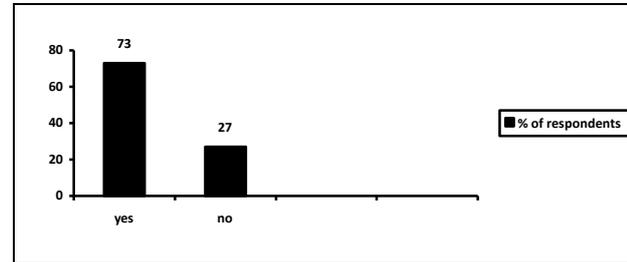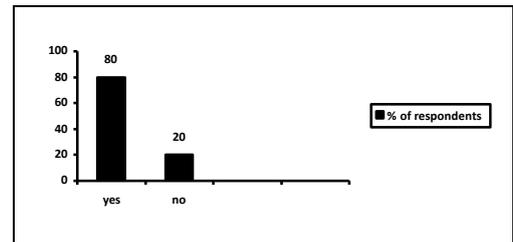| Responses	Number of respondents	Percentage of respondents
Yes	44	73%
No	16	27%

Fig 9

8. Problem faced due to organization structure in your company

TABLE 11

Responses	Number of respondents	Percentage of respondents
Yes	48	80%
No	12	20%

Fig 10

DISCUSSIONS

It is observed that for reasons not fully comprehendible, it appears that certain inadequacies have crept into organization structure. The most important of these are gathered during interactions and through questionnaire.

- Systematic goals performance approach and accountability amongst various divisions is absent in some of the functions. Particularly in Manufacturing Division, this aspect is more pronounced.
- Role clarity in various divisions is very low and job descriptions were not found in place.
- Head – marketing can be created. The CRFS division is headed by Senior General Manager and the middle management staff are controlling CRSS, ECD and tube segment, while directly reporting to C.E.O.
- The functions of purchase – raw materials (RM), purchase – other than raw materials (ORM),

production planning and control (PPC), logistics and stores are working as independent departments instead of as cohesive function.

- The finance function is partly centralized and to some extent not properly defined.
- The HR section has less focus on core HR areas.
- The personnel department has more focus on non core HR areas such as office timings, statutory compliances, security etc.
- Employees' details such as current designation and department are not updated on a regular basis.
- There is no independent quality assurance department.
- There appears to be less control on the maintenance supervisors and technicians by the heads of mechanical and electrical maintenance which may result in improper scheduling of plant maintenance and spare management.
- There is partial identification of skills, competencies and training needs of employees as an important HR activity.

RECOMMENDATIONS

- Identification of units comprising those products having a common market base and competitors and developing them into strategic business units by integrating all the functions with corporate objectives.
- The organization needs do complete job analysis and communicate clearly to its employees.
- The position of head – marketing can be created reporting to CEO where sales function can be included in this department.
- Marketing intelligence can be centralized.
- The functions of purchase – RM & ORM, PPC, logistics and stores can be brought under one single department as supply chain management.
- Centralization of finance function may be done and number of qualified personnel may be increased.
- HR division may be reorganized which would focus on key /core HR areas.
- A centralized HRIS can be set up to facilitate easy decision making across various function of the organization.
- Enhancing the role of quality assurance by creating it as an independent function would improve the quality of the product leading to

customer satisfaction and preventing defects in product.

- The maintenance function may be divided into day to day maintenance and other as centralized maintenance of plant and scheduled maintenance and spares planning management.
- The maintenance personnel day to day maintenance may administratively report to the production heads as well functional reporting to the head – maintenance.
- General competency levels need to be enhanced in terms of knowledge and management skills by developing the existing personnel and inducting qualified and competent personnel for different positions.
- It was found that interfaces between various functions like marketing, manufacturing, materials, etc. have not been clearly defined, resulting in overlapping of some functions whereas some processes left totally unattended.
- Therefore, it is recommended that besides clarifying the roles and responsibilities of all key positions in the Company, the function-wise role and areas of responsibilities may be defined in clear terms, communicated among all, and more importantly, agreed to by the concerned functional heads.

CONCLUSION

In today's business environment every enterprise has to evolve aligning and integrating processes and technologies with business strategy to foster growth. Business innovation and transformation are at the core of this process. Industry consolidation—creating huge global corporations through joint ventures, mergers, alliances, and other kinds of inter organizational cooperative efforts—has become increasingly important in the twenty-first century. Among organizations of all sizes, concepts such as agile manufacturing, just-in-time inventory management, and ambidextrous organizations are impacting managers' thinking about their organizational structure. Indeed, few leaders were likely to blindly implement the traditional hierarchical structure common in the first half of the century. The first half of the twentieth century was dominated by the one-size-fits-all traditional structure. The early twenty-first century has been dominated by the thinking that changing organizational structures, while still a monumental managerial challenge, can be a necessary condition for competitive success.

References

- Aswathappa .k. Human resources and personnel Management: second edition, New Delhi, Tata Mc Graw Hill, 1999
- Bartol, k. M., martin, d. C. Management. 3rd ed. Boston: mcgraw-hill, 1998. 779 p. ISBN 0-07-115206-7
- gaughan, p. A. Mergers, acquisitions and corporate restructuring. 3rd ed. New york: john wiley & Sons, 2002. 612 p. ISBN 0-471-12196-7
- hammer, m., champy, j. Reengineering - radikální proměna firmy. 3rd ed. Praha: management press, 2000. 212 p. ISBN 80-7261-028-7
- Harrison, j. S., john, c. H. Strategic management of organizations and stakeholders. 2nd ed.
- Norley, Lyndon; Swanson, Joseph; Marshall, Peter. *A Practitioner's Guide to Corporate Restructuring*. City Financial Publishing. pp. pages xix, 24, 63. ISBN 978-1-905121-31-1
- McKinley, W. and Scherer, A.G. (2000) Some unanticipated consequences of organizational restructuring. Academy of Management Review 25, 735–752.
- Poole, P., Gioia, D.A. and Gray, B. (1989) Influence modes, schema change, and organizational transformation. Journal of Applied Behavioral Science 25, 271–289.
- Porras, J.I. and Robertson, P.J. (1992) Organizational Development: Theory, Practice and Research. (2nd
- ed.), (eds) Dunette, M.D. and Hough, L.M. Handbook of Industrial and Organizational Psychology Vol. 3, pp.719–822. Consulting Psychologists Press.
- P.subbarao," essentials of human resource management and industrial relations" Himalaya publishing house.
- V S P Rao, Human Resource Management, Excel Books, New Delhi 2005