CHAPTER II
ORGANIZATIONAL DEVELOPMENT IN HPP AND HLF
The study of organization is important for two reasons. First, organizations exhibit "tendencies that exist in all human groups"\(^1\) and thereby offer a particularly strategic setting, and second, "the tendencies that exist in all human groups" appear in a highly rationalised form in organizations.\(^2\) Organization is considered to be "a process of defining, identifying and grouping the jobs to be undertaken; defining role for each member to perform effectively in co-ordination with others in accomplishing objectives in team-spirit."\(^3\) These individuals interact for achieving the objectives have also an impact upon the decision-making process.\(^4\)

The function of organizing is a process of trying the key components together and harnessing them so that these may be directed towards enterprise objectives. "It is the process of establishing relationships (responsibility, authority and accountability) among key components (personnel functions and physical factors) for the purpose of harnessing (line/staff,


functionalised and project structures) and directing towards organizational objectives. This directly gives shape of formal organizations which typically describe these relationships with organization charts and position descriptions through a net work of authority and accountability relationships for formal communication flow.

Each of the public sector undertakings (PUs) evolved strategies to organize themselves in various forms of organizations to accomplish corporate goals - multi-dimensional in nature as discussed in chapter one, may be classified as - primary and secondary. The primary objectives are (a) to create or distribute service or product (b) to satisfy the objectives of the organization, such as, profitability; salary, wages and benefits to employees for upgrading their morale (c) to meet the social obligations i.e., protection and enhancement of the human and physical resources available. The secondary objectives are economy and effectiveness of operation in achieving the primary objectives.

The activities, structures and other aspects of organizations are diverse and complex, but concepts that describe can assist us to analyse both processes and their structures.


This chapter attempts to describe the structure of organization and the factors leading to modifications in HPF and HTL. It also analyses the relationship of board of directors and the organization process involved in both PUs from 1962 to 1982. It examines the problems which confront both PUs.

There seems to be correlation between the legal form of management and organizational performance, as the basic issue is of establishing the right balance between centralisation and decentralisation. To some extent, this balance is governed by the way the co-ordinative mechanism is structured under one corporate management. Some other considerations would be geographical dispersal, its size, and nature of goods and services produced. A right balance has got to be struck keeping in view the totality of the circumstances and the requirements. Organizations are constructed in three layers – an underlying system of physical production and distribution process, a layer of programmed decision processes for governing the routine day-to-day operation of the physical system, and a layer of non-programmed decision processes for monitoring the first-level processes, redesigning them and changing parameter values. This connotes basic horizontal organization cutting across typical departmental lines, forming a hierarchal format.  

Management is the primary force within organizations which coordinates the activities of the sub-systems and relates them

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to the environment.  

The words "administration" and "management" seem to be synonymous as being the part of running the industry efficiently. "Administration is the function of industry concerned with the determination of the corporate policy, co-ordination of production, finance and distribution, the settlement of the compass of the organization and the ultimate control of the executive, whereas, management is the function of industry concerned with the carrying out of policy within the limits set-up by administration and the employment of the organization for the particular objects set before it".  

It points out that "at higher levels the managerial authority is concerned more with administration and less with management, whereas, at lower levels it is vice versa."  

Management, therefore, involves responsibility for effective planning and guidance of the operations of an enterprise for —

(a) installation and maintenance of proper procedure to ensure adherence to plans; and (b) the guidance, integration and supervision of the personnel comprising the enterprise and carrying out operations. Management comprises three levels

(1) Top management concerned with formulation of policy and

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9 Oliver Sheldon, Philosophy of Management (London: Pitman, 1924).

having co-ordination and motivation of the personnel; (2) Departmental or functional management concerned with policy to a lesser extent, co-ordination and motivation, planning and control of activities; and (3) Lower management which is mostly concerned with supervision and expert decisions on technologies of operations and day-to-day activities. 11

Top management is the ultimate level of authority so far as the operation of an enterprise is concerned. Definition of goals, formulation of objectives, establishment of policies, seeing that the policies are translated into action, and analysis of the results - are the main functions of top management. The board of directors forms the core of the top management and is responsible for the implementation of the objectives of an enterprise. In general, both HPF and HTL, adopted organiza-tional pattern with three levels of management, namely, top, middle and junior. A PU board is not nominated by the share-holders, who have pooled their resources mainly with a view to maximising profit, but by the state to achieve certain socio-economic ends. 12

The Articles of Association define the decision making powers and functions of top management of a PU. These articles,


lay down certain matters which are reserved for the consideration of the President of India may, through written or oral directives, take part in the decision-making process. 13 A cursory view of the top management of public sector undertakings might suggest that the board is not a supreme body in matters of management, as in private sector undertakings.

Apart from this, there is another tier of authority represented by government under which board of directors operates within the boundaries rigidly set for it. It further states that broader plans and the setting of goals are left largely to the Ministries of GOI, the structuring of the organization is left to the board of directors and chief executive, the direction of enterprise is left to the board of directors; and a comprehensive information system devised to enable the board, the Ministry and the Parliament for fulfilling their control functions without overlapping. 14 Thus PU board "has no hand in shaping the industry and has only to manage it as given by the government," 15 but a priori assumption is made that "it will follow private sector undertakings for achieving success." 16

13 Articles of Association (Ootacamund: HPF, 1976).


15 J.V.S. Ramasastri, Nationalisation and Managerial Role (Bombay: Popular, 1957).

The board of directors is a plural executive, that is, a committee with power to exercise authority and make decisions, which normally stands at the top of a corporation and is charged by law with the responsibility of "managing" the corporation. 17 There is substantial scope for adopting board of directors as a top management, as the system of single administrator raises the following problems. First, the single administrator being too closely involved in the operations of the enterprise, cannot make a dispassionate appraisal of the broader factors. He would seek constant advice from the Ministry where the outlook is greatly affected by political pressures. This would compromise good performance and make the enterprise vulnerable to departmental/political control, which was meant to be avoided by creating autonomous PUs. Secondly, the elimination of the board would take away", a highly desirable buffer between a zealously overlooking Ministry and the Parliament on the one hand, and relatively introvert management on the other". The board can meaningfully interpret the approach of one side to the other and strive for a balance. Thirdly, a single administrator can lead to over centralisation in the organization. 18


To overcome the problems stated earlier, it was accepted to have a board of directors. The President of India appoints the directors to the board in both PUs. The government of India (GOI) has laid down principles, which serve as guidelines for the boards in PUs.

In 1962, the President of India, appointed nine directors in HPF, out of which was appointed a managing-director and a chairman. The strength increased to ten in 1965, with the appointment of one more director, and remained constant upto 1967. It decreased to three in 1970, including managing director thereafter showed an increasing trend and raised the strength to nine, and remained constant from 1974.\(^{19}\)

In 1961, the strength of board of directors in HTL was four, one among them was elected as chairman and managing director. The strength increased from four to seven, excluding Chairman and managing director in 1965, remained constant upto 1969 when the posts of chairman and managing director were assimilated, and the strength further reduced to five in 1975 and remained constant in the following years.\(^{20}\)

The board in HPF and HTL consists of two types of directors (a) directors appointed by the President of India and are called

\(^{19}\) Annual Report (Goatamund : HPF, 1962 to 1982).

government representatives, and (b) directors, other than the
government representatives are appointed by the President of
India in consultation with the chairman of the board. There-
again, two categories – regular and part time directors– are
prevalent in both PUs. All others, except Managing Director
in HPF and Chairman-cum-Managing Director in HTL are the
regular or full time directors. The part-time directors are
the persons who had established an outstanding reputation in
concerned field and possess a missionary zeal to improve the
standards of management.\textsuperscript{21} The chief executives in HPF and
HTL function with principal executives for achieving the objec-
tives.

FUNCTIONS

The bureau of public enterprises (BPE) laid down the
following broad guidelines for functioning of board in PUs.\textsuperscript{22}
The vital areas relating to the management of both PUs are not
intended to restrict the responsibilities of the board, but to
give greater autonomy in performing the functions, namely, pro-
duction management and materials management, financial management,
construction management and general management.

\textbf{(1) Production Management and Materials Management}

The board lays emphasis on the following: (a) Setting up

\textsuperscript{21} Committee on Public Sector, R.72 (5th Lok Sabha)
S.No. 9, p. 74.

\textsuperscript{22} Bureau of Public Enterprise, No.2(a)/70-BPE (GHI)
of targets of production in terms of quantity and value for the plant as a whole and also for the constituent sections involved. (b) Review of the actual production vis-a-vis targets and identification of the principal factors and causes, responsible for shortfall and the corrective measures. (c) Assess the under-utilisation of capacity by determining production targets to be achieved from orders and projected demand, by taking into account the achievable capacity and the interim development of installed capacity in respect of units; determine long-term plan for utilisation of surplus capacity. (d) Define overall productivity ratios to examine actual performance. (e) Prescribe standards for equipment utilisation, maximum permissible equipment down-time and maximum costs of maintenance and initiation of corrective action. (f) Prescribe broad targets of levels of inventory in terms of costs for different groups, such as, production materials, maintenance spares, materials-in-process, finished stock etc., as also of major operating norms based on cost of storage, cost of ordering, cost of surplus.

(2) Financial Management

(a) Directs to organise a competent finance division at the project stage for rendering expert advice and guidance regarding the various proposals available to the management in the planning stage. (b) Undertakes close scrutiny of studies and detailed project reports of schemes and projects proposed to be taken up for implementation under the powers vested with the board or
poised to be sent to government for approval.

(3) **Construction Management**

The board of directors (a) ensures that abnormal delays do not occur in completion of projects and consultation costs do not escalate beyond normal limits. (b) draws a realistic programme for construction. (c) institutes a critical examination of periodical reports on actual progress of construction, and steps to obviate the effect of such delays.

(4) **General Management**

The board of directors in HPF and HTL emphasise on the following: (a) Organizational planning is done by taking account of profit centres, cost centres and responsibility centres. (b) Ensure that no managerial gap develops at any level. (c) Direct the procedures to be adopted for management development. (d) Ensure effective management control and information system. (e) Formulate a rational system of appraisal for managers. (f) Take steps to streamline marketing organization for feedback of market trend.

**POWERS OF BOARD OF DIRECTORS IN BOTH FUs**

The board of directors in HPF and HTL, without the consent of the President of India, decide on the following:

(1) To authorise FUs where works of capital nature and the capital expenditure involved exceeds Rs. 50 lakhs are referred to the central government for approval before authorisation. But in cases where detailed project reports have been prepared
with estimates of different components of the project and duly approved by the central government, the board is fully competent to authorise HPF and HTL of all works covered under approved estimates including variations not exceeding ten percent of any particular component without further reference to government.  

(2) Appointments of persons who have already attained the age of 58 years, to the posts carrying pay scales Rs.2500-3000 per mensem.

(3) The board also appoints general manager(s) in HPF and HTL for such term and fix the remuneration.

(4) Directs to create reserve and special funds and also works out division of capital into different classes of spares.

(5) To approve the company's revenue budget in case there is an element of deficit which is proposed to be met by obtaining funds from the government.

(6) To achieve diversification of the production programmes, it has powers to locate the possibilities to form a subsidiary company.

The board collectively exercises supervision over the administration of each PU and is vested with full powers for the discharge of the responsibility. Initially both PUs segregated powers of chairman and managing director, vested with two individuals, but HTL adopted functional approach and merged the two

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23 BPE No.2 (III)/68 - BPE (GM), 11 September 1970.

24 BPE No. BPE/GL - 017/75/GM - 1/2 (133)/74, 14 July 1975.
separate functions into one i.e., chairman-cum-managing director who now acts as a full time director, whereas HPF maintained the traditional approach of separating the two though there were changes in the strength of directors from 1962 to 1982.

The strength of board of directors in 1962 was largely determined on adhoc basis and generally consisted of officials from the relevant Ministry, Ministry of Finance and other related Ministries along with a representative of the state government in which both PUs are located. In addition, there were a few non-officials from business and labour. There seems to be no change in the overall structure of board of directors in HPF which is adopted in accordance with the government regulations, due to involvement of customers on the one side and government on the other. The board keeps a resonance between the two and takes policy decisions only, as the decisions taken are ratified again by the government.

HTL, on the other hand, plays a subdued role of production of teleprinters only, as other functions are centred with government. The reduction in the strength of board of directors to five in 1975 and the merger of functions of chairman and managing director into one show the transition state for inclination towards functional type of board.

ORGANIZATIONAL DEVELOPMENT

Both PUs organized themselves to have logical groupings of activities, delineation of authority and responsibilities for
transformation of input into output. This involves complex inter-relationships among functional areas, between internal and external environment of the organization for achieving organizational objectives. The organizing structure also shows variation like the board of directors in both PUs.

ORGANIZATIONAL DEVELOPMENT IN HPF

HPF evolved strategies and organized itself into the following six divisions—finance, personnel, marketing, engineering, manufacturing and materials. The divisions were evolved to carry out the financial, personnel and industrial relations, marketing of products to keep a balance between demand and supply, engineering services, actual production and stores functions independently to strive HPF to grow in its capacity to achieve the production targets.

The initial production programmes were finalised in February 1966 and actual production started in 1967. During this year, the organization set up underwent the following innovations—(1) The stores department was merged with purchase division (2) The organic synthesis laboratory was incorporated in December 1964 to manufacture organic chemicals. (3) The sales department was established on the experience of selling imported products, namely, roll film and document paper, with head sales office at Madras and a branch at Bombay.

The organization structure of HPF in 1967, comprised seven divisions, each headed by finance manager, production manager,
purchase manager, personnel manager, engineering services manager and sales manager as shown in figure 2.1.

HPF, again regularised certain amendments in the organization pattern to make it more flexible and dynamic organization. The organization set up was strengthened in 1968, the important amendments are25 - (1) The manufacturing, engineering services and projects divisions were merged into one body called production division being headed by works manager. (2) The position of finance manager was upgraded as financial controller. (3) The marketing division was strengthened by creating new vacancies and was headed by marketing manager to overcome the drawbacks in the marketing system, to get first hand report of the changing trend of the market for feeding the HPF for adopting change in the production plan, for initiating the customers' satisfaction on the quality of the products manufactured by HPF. (4) The process control department was established to control misappropriations found in the production process to ensure the feasibility of the process and to ensure the quality of raw materials and the resultant product. It was headed by process controller as shown in figure 2.2.

HPF undertook rectifications to overcome drawbacks in manufacturing process and to uplift the poor image of the products. The major changes were carried out on the basis of specialisation of jobs. These changes are - (1) The quality control division was renamed as quality assurance division and comprised three depart-

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ments, namely, quality control, process control and research and development.

The quality control department (QC) was again sub-divided into two separate departments, namely, QC-1 and QC-2. The former ensures checks on the quality of raw materials and the preparation of right type of mixture, required for film base and coating departments. The QC-2 carries out checks to ensure proper quality of finished products.

The process control department controls the misappropriations and rectifies them at different stages of production process to ensure feasibility of the process without any defects and delays.

The research and development department was merged with quality assurance division. It was established to rectify defects in the quality of raw materials for improving the quality of finished products. It was also responsible for the conduct of research for future development of other products with new combinations of film base.

(2) The marketing division was strengthened by upgrading posts to higher levels for increasing span of management. It was now headed by chief marketing manager with sales and distribution managers entrusted with function of effective supply of finished products. The major objective behind strengthening of marketing division was to extend effective control over the market as HPF centralised the marketing functions from the distributors owing
to many misappropriations and stagnation in outflow of products, which further deteriorated HPF's image.

Figure 2.3 depicts the details of hierarchal structure adopted by the various departments of HPF. In all, it comprises six divisions, namely, marketing, finance, manufacturing, quality assurance, purchase and personnel. The organizational development of each of the above divisions has been separately dealt in detail in the following chapters.

ORGANIZATIONAL DEVELOPMENT IN HTL

HTL organized itself into five divisions in 1961, namely, finance, administration, production, projects and purchase. The divisions were set up to undertake related functions independently. Each of the divisions was headed by chief finance officer, chief personnel officer, production manager, project manager, and sales manager respectively. Figure 2.4. depicts the organizational structure adopted by HTL in 1961. It was headed by managing director B.S. Rau and M.M. Philip acted as its chairman.

In 1966, the first effort was made to establish design and development section with the view to improve and develop new versions of teleprinters to meet the special needs of consumers, to promote import substitution, to diversify the production and to augment exports. 26

Here again, the nucleus of research and development department (R&D) was set up to study and introduce modifications in

1967, on the instructions of Messers Olivetti of France. This department was headed by chief engineer with three service engineers and two development engineers. Figure 2.5 shows innovations made in the organizational set up adopted in 1961. HTL evaluated organization structure and recommended to merge purchase department with production division and also for co-ordination and control of activities. Figure 2.6 shows the adherence of powers of chairman and managing director into one body.

The production division was headed by general manager (production) with materials manager and production manager as heads of production and purchase departments respectively. This step taken by the HTL is similar to that of HEF. This was done in view of achieving higher efficiency and effectiveness in overcoming the drawbacks found in the production process by controlling the delays in execution of production programmes.

In 1976, further innovations were carried out to improve the organization set-up in HTL. The significant changes are:

1. The quality control department was established for a systematic control of the variables encountered in its production process, which affected the excellence of end products. (2) The sales department merged with administration division (3) On the basis of job evaluation survey jobs were upgraded and new vacancies emerged.

Figure 2.7 depicts the overall hierarchy in HTL during 1976. There were six divisions, namely, administration, finance, projects, production, quality control and research and development. The production division comprised manufacturing, maintenance and materials departments. The manufacturing division has two main departments - assembly and workshop, each headed by a deputy superintendent. The function of the former is to assemble the components of teleprinter and also to check the quality and performance. The latter actually carves out various components/parts from the raw materials supplied in the form of metal sheets. Each of the sections of the workshop namely, furnace, milling, etc., are entrusted with a separate function to perform which is a component of the entire production process. The sales department is headed by sales manager and also comprised sales officers and regional engineers in regional offices.

HTL again reorganized its organization structure by creating new posts, on the directions of government and partially on the assessment of the workload by industrial engineering department. The reorganization was an attempt to have more delegation of authority, increase in span of management for achieving efficiency and formulation of 'career development scheme' to raise the morale of employees and to reduce the rate of flight. The significant changes carried out are shown in figure 2.8 and some are mentioned.  

(1) The production division was strengthened by creating posts for

senior metallurgist, superintendent (assembly) and superintendent (workshop). (2) Posts of industrial engineer, superintendent (production control), superintendent (factory services) and tools engineer were created in industrial engineering, production planning, maintenance and tool room departments. (3) The R&D department was strengthened by creating posts for senior engineers in R&D, electronics and mechanical development sections.

The subsequent chapters depict details of organizational development in functional divisions in HPF and HTL.