CHAPTER I

THE PROBLEM

- Functioning of the Organisations:
  Vital Theories of Organisations

- Philosophical Background:
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- The Relevance of Comparative Study
THE PROBLEM

An organisation is the planned coordination of the activities of people for the accomplishment of some common explicit purpose or goal, through division of labour and functions and through a hierarchy of authority and responsibility (1). In the words of American Sociologist Amitai Etzioni, "our society is an organisational society". We are born in hospitals, educated in schools, employed by business firms and Govt. agencies, we join trade unions and professional associations and are laid to rest in churches. In sickness and in health, at work and at play, life in modern industrial society is increasingly conducted in organisational settings (2). Organisations are not new inventions. In many pre-industrial societies, organisations have been created to pursue specific goals. Thus, in ancient Egypt, a permanent work force of several thousand skilled workers was found to build the pyramids. The emperors of China used organisations a thousand years ago to construct great irrigate system. Modern industrial societies, however, are distinguished from their pre-industrial counterparts by the number, size and and scope of organisations(3). In the view of many sociologists, organisations have become the dominant institutions of contemporary society.

In order to understand the nature and functioning of organisations and also to understand as to how organisations can be made efficient/effective, a brief review of important
theories of organisations is submitted here as under:

The Scientific Management Approach:

The scientific management theory was prepounded by F.W. Taylor at the turn of the twentieth century. Taylor's most specific contribution was his idea of measuring a suitable day's work, leading as it did to time and motion studies and many complex methods of wage payment. He was of the view that time and motion studies were the "one best way" to perform most efficiently.

When Taylor and his co-fellows observed behaviour on the part of workers which was not prescribed by the organisation as necessary to achieve its objectives, their attitude was to condemn the behaviour of workers rather than to explain it. For example the practice of groups of workers setting 'ceilings' on output, below the targets set by managers was 'an evil' to Taylor. He regarded 'systematic soldiering' as he called it as an understandable reaction to a lack of proper control by management. He had no use for trade unions and blamed them for encouraging restrictive practices which were against the workers' interest (4,5).

The scientific management emphasis on small quickly learned and routinized tasks produced increased output but had negative consequences for many workers doing such tasks. His ideas of motivation are considered to be simplistic. He showed little understanding of the significance of groups in organisations. Taylor assumed that employees were
rational "Economic men" who responded to economic factors such as costs, prices and profits and who tried to satisfy only material needs within the enterprise. Motivating employees for productive efforts was simply a matter of providing them with incentives.

**Structural Theories:**

The various aspects of administration or management developed earlier mainly by Henry Fayol and others are still found in operation. In contrast to the concentration on the problems at operating level as suggested by scientific management theorists, this stream views the major problems as the one where there must be identification of the tasks necessary for achieving the general purpose of the organisation and of the departmentation to emerge for performing those functions in an effective manner. This theory is also referred as 'departmentalisation' or 'administrative management' theory. Apart from Henry Fayol, the other contribution to this school have been: Urwick and Mooney. The essential characteristics of this theory can be explained under four major headings, viz, division of work, departmentalisation, co-ordination, and human behaviour (6, 7, 8).

**Bureaucracy Theory of Organisation:**

Max Weber has suggested bureaucratic type of organisations as he feels it is crowned with success owing to its technical excellence in comparison to any other type of organisation. Here the organisational pursuits advance in an unequivocal, consecutive and determinate manner since
well instructed and erudite officials are there to accomplish those.

In such types of organisations there is an objective conduct of operations, where systems of laws, and not of men prevail. There is no place for irrational and emotional elements in such organisations. While describing the formal and structural nature of organisations, Weber's formulations represent the more classical theories. However, his development of the concept of bureaucracy and the concomitant organisational and social dynamics, have stimulated much research, conceptualisation and model building among the behavioural scientists of organisations, and particularly those having roots in the discipline of sociology (9).

The Human Relation Approach:

It is out of the mechanistic view of Taylor etc. that human relations approach developed. The human relations philosophy has its roots in Elton Mayo's studies which were initiated in the late 1920s in the Western Electric Company's Hawthorne Plant in Chicago. Elton Mayo maintained that all that was needed to improve the effectiveness and happiness of working organisations was to improve the social skills of those who ran them, particularly supervisory skills. Other major contributions to human relation thought emerged during the war years of the 1940s, from the research of Kent Lewin and his associates. It was found that individuals are not always rational economic men, but are in
many ways irrational in their behaviour. In the Hawthorne studies individuals tried to satisfy not only economic needs but social and psychological needs as well. Human relations are deeply concerned with attitudes, values and emotional responses, or more generally, with the social psychology of people and groups. It is held that job satisfaction is determined by the degree to which the social and psychological needs of employees are satisfied and that these needs could be satisfied by improving the employees 'ecology'. Embedded in human relations theory is the additional promise that there is one best way to organise relationships in an organisation, viz., by fostering participation in decision making. This will lead to job satisfaction and job satisfaction will in turn lead to higher motivation, greater productivity and profits. Among the leading advocates of the contemporary human relations movement are the late Renesis Likert, Ghiselli, Haire and Tannenbaum (10,11,12,13).

The Human Resources Approach:

The advocates of the human resources approach hold out the promise of improved productivity and heightened job satisfaction if its principles are accepted. Employees will be committed to working effectively if their jobs are properly designed. The job design principles of human resources are almost exactly the opposite of those of scientific management. Jobs should be designed in the manner that they are not dehumanising. Again, as in
scientific management and human relations, a form of organisation is proposed which is linked to a theory of motivation. This time, the motivation theory is based on models of persons which incorporate the assumption that individuals desire to develop their potentialities in the work setting. The 'social man' of human relations gives way to the 'self actualizing man'. This is most clearly seen in the writings of Abraham Maslow, Chris Argyris, Frederick Herzjberg and Douglas McGregor (14,15,16,17).

There is another aspect of human resources which is being discussed widely today, viz., human resources as an economic force. According to this view, the human element is considered the most potent of all the resources which an industrial or business enterprise employs to fulfil its goals. If we combine the individual and collective knowledge, skills and potential of men who work in the enterprise, the sum is priceless. Human resources are not only of prime importance to our industrial enterprises for the pragmatic reason of their cost but also for their underutilized potential at both managerial and shop floor levels. They are far more deserving of attention, care and planning than capital, for in the final analysis leakages through human investment (in the form of apathy, low morale, strikes, high absenteeism, accident rates, poor workmanship etc.) account for impoverished returns and shrinking capital. But surprisingly, the balance sheets and profit and loss statements contain no information on the cost or value
of the organisations' human resources (18,19,20,21). In this connection it is of interest to note that as early as 1966, the R.G. Bary Corporation initiated a system to measure investments in management personnel (22,23).

The idea of placing economic value on an organisation's human assets has received attention from many different quarters including Abraham Maslow and Renesis Likert (24,25). Abraham Maslow was also in favour of working out some kind of moral or ethical accounting schemes. "Under such a scheme tax credits would be given to the company that helps to improve the whole society, that helps to improve the local population, and helps to improve the democracy by helping to create more democratic individuals. Some sort of tax penalty should be assessed against enterprises that undo the effects of a political democracy of good schools etc. and that make their people more paraxoid, more hostile, more hasty, more malevolent, more destructive etc. This is like sabotage against the whole society. And they should be made to pay for it" (24).

The Contingency Approach:

Practitioners are building out that the universal "principles of management" do not always work, that success or failure of a particular managerial concept or technique depends largely on the situation or environment. Therefore, "there is no one best way to motivate people no one best style of leadership no one best way to organise no one best way to control. Instead, the manager must search out as to which management concept, technique, is relevant for solving
a particular problem" (26). For example, the authoritarian style of leadership may be more effective under certain conditions and participative leadership more so under other conditions. A division of labour appropriate at one level of the organisation may be inappropriate at another level. Alvin Toffler's "Ad-hocracy" is already being practised by the rurospace industry in the U.S.A. and Fielder's contingency theory of leadership is one of the nearest examples of the contingency approach to management (27).

Specifically, contingency management is concerned with the relationship between relevant environmental variables and appropriate management concepts and techniques. Fred Luthans puts it, "the contingency is simply a functional relationship between environment if's and management then's". We may illustrate this statement with a few of the prepositions which have been supported by Anant Negandhi's cross culture studies: (1) The greater the governmental hostility towards business community, the lesser the likelihood that a firm will undertake systematic long range planning (2) companies in a weak competitive market are more likely to be centralized than those within a strong competitive market. (3) The greater the difference in educational attainments of younger and older employees, the greater the hostility and uncooperative attitude among them (28, 29).

The contingency approach incorporates two important concepts which provide its conceptual underpinnings. A view
of organisation as "open systems" and of "uncertainty" as a patent influence on organisational structure (30-34). The empirical analysis of Joan Woodward and Lawrence and Lorsch revealed that different configurations of organisational structure are required to cope with different environmental conditions (35,36). If an organisation is to survive it must strive to fit the individual and the environmental systems surrounding the task, i.e., the socio-cultural environment and task functions, peculiar to the Job.

The motivational viewpoint of scientific management focussed on the economic person, human relations on the social person, and human resources on the self-actualizing person. The model which emerges in contingency theory has been termed the instrumental person, "the degree to which participants are willing to commit themselves to the group task depends on the degree to which the group's performance will be instrumental in satisfying their needs. This will depend on how important they perceive it to be, whether they believe they have the needed skills and whether their performance in the group will be evaluated or taken into account at the performance review (37).

Contingency theory affords a useful framework for studying organisations operating in diverse environments and testing the hypothesis that different environments require different organisation structures, processes and human relations for optimum effectiveness.
In recent years, Indian management literature has been recording a lively debate on whether Indian organisations should develop managerial concepts and styles based on India's cultural past or follow approaches developed in Western Countries (38-42). Those who support an indigenous management culture believe that such an approach would lead to higher levels of efficiency and productivity among individuals and organisations. An off-quoted case in point is that of Japanese management which has successfully integrated the socio-psychological elements of Japanese society with the structural frameworks and processes of modern technology.

Evertt Hargen who was one of the earliest writers to question the universal application of management principles says "...interpersonal relationships which will be effective in economic activity in a given country depend upon the country's culture. The principles of business administration are not absolute, they are relative to the society (43). A similar position is taken by many other writers such as Gonzales and Obery, Negandhi, Graves, Sinha, Kelley and Worthley, and Chakravarty (44-49, 39).

Thus contingency theories of organisational behaviour seek to test the universality of management principles. New ideas and old ideas are not in themselves good or bad. They are merely used correctly or incorrectly depending upon the situation" (26).
Systems Theory of Organisation:

Any set of elements, that exists in some patterned relationship with one another is called a system. It may be composed of tangible elements, such as the parts of the internal combustion engine or such intangible ones as a system of ideas. Thus a group of people might be specified as the set of elements making upon organisational system or as is commonly the case, the elements might be specified as organisational interactions rather than concrete human beings. Either could constitute a system, as long as the elements are identifiable and the relationship among them specifyable. Systems theory treats organisations as a set of interactions occurring within, but analytically distinct from the larger social environment. Systems theory provides a number of conceptual categories for describing and analysing organisational behaviour. Some of the more salient concepts are system, sub-system, environment, boundary, input, output, conversion process and feedback. System implies patterned interactions or persisting relationships among organisational entities. A system that constitutes an element of a larger system is called a sub-system. The setting within which system occurs is its environment. The analytical line that separates the system from its environment is the system boundary. A system receives inputs from its environment in the form of demands upon the system and supports for its functioning. Through the operation of the system, inputs are subjected to a
conversion process, which leads to system outputs embodying rules to be enforced or policies to be implemented. When system outputs affect the environment so as to modify inputs, feedback occurs.

There is no unifying agreement and amalgamation of views of the modern organisation theorists on various sub-systems in an organisation. Their points of view differ with each other regarding the composition of organisation's elements. If one recognises: structure, planning, measurement, evaluation schemes, rewards, selection criteria as important elements in organisation, another comprehending the contextual dimensions of the organisation as size, technology and environment. However, there may be difference of opinion among the various theorists and researchers regarding the organisational elements and sub-parts identification. Yet the system theory of organisation has made them to accept the entity of organisation as a whole and led it to be believed that it is a system made up of different sub-systems and parts who with relationships and dependence upon each other are ultimately contributing their maximum to the whole. Organisation is not viewed as a chain or parts having no relationship with each other but is rather taken as whole now (50).

Systems thinking has become an integral part of modern organisational theory. Organisations are termed as complex systems comprising of 'inter-related and
interlocking systems'. A general system model of organisation is shown as under (Fig. 1.1)

Fig. 1.1

Flow of Material/Energy/Information

Sub-Systems

Goals and Values
Technology
Structure
Psychosocial
Managerial
Public
Government

In the system diagram drawn by Kast and Rosenzweig, the public and government have been included keeping in view the stress on relationship between organisations and their external environment. In their words, "the goals and values, as well as the technical, structural and psycho-social and managerial sub-systems are shown as an integral parts of the overall organisation. This figure is an aid to understanding the evaluation of organisation theory. Traditional management theory emphasised the structural and management sub-systems and was concerned with developing principles. The human relationists and behavioural scientists emphasised the psycho-social sub-systems and focussed their attention on motivation, group dynamics, and other related factors. The management
science school emphasised the economic technical sub-system and techniques for quantifying decision making and control process. Thus each approach to organisation and management has emphasised particularly primary sub-systems with little recognition of the importance of others. The modern approach views the organisation as a structural socio-technical system and considers each of the primary sub-systems and their interactions (51).

An Open System:

In comparison to the closed system organisation which is unaffected by its environment, an open system organisation is one whose functioning is affected by inputs from environment. Environment is the setting or surrounding conditions within which any object, activity or system occurs. The environment or milieu includes human and non-human factors, both tangible and intangible. Thus, for example, economic factors, social factors, religious factors, political factors, customs and institutions may all be features of the environment of an organisation system. Obviously, organisation is a system and in system analysis the environment consists of all phenomena that affect the functioning of system and that are not parts of the system.

It has been stated that "the open system is in continual interaction with its environment and achieves a 'steady rate' or dynamic equilibrium while still retaining the capacity for work or energy transformation" (51). Inputs,
conversion process and outputs are the three components of an open system as shown below (Fig. 1.2).

In close systems, the outside environmental forces and demands don't affect the inputs for their conversion into outputs ultimately causing their affect whether positive or negative on the environment. But do we have such kinds of organisations where the outside forces or compulsions don't reflect upon the internal working of an organisation. Do we have any organisation which has nothing to do with the outside environmental factors. In fact all the three inputs, themselves speak of it that there is not even the remotest possibility of their being in existence in the organisation without having outside the organisational climate and environmental forces affecting these in accordance to the strength and priorities in the society at given point of time. Similarly, when we look at the output section, one again comes to the corner that output also has to be viewed in accordance to the outside factors and forces. The adequate evaluation of the outputs can be made only by taking stock of the marketing, quality, stability etc. of the goods produced. For this the outcome of output
has been measured vis-a-vis the market demands. That is the major reason of the open systems concept having universal applicability.

Information Processing View:

Tushman and Nadler (52) have talked of three important assumptions about organisations emerging out of information processing view. In current times organisations have been termed as information processing systems which don't have certainty to their folds. The three assumptions about organisations are:

1. It is said that organisations are open systems and being so these encounter environmental intertitude and work related task uncertainty. By keeping these two factors in view one becomes aware of that the organisations have precariousness both at internal and external counts, internal because of work related task uncertainty and external because of environmental uncertainty. Task uncertainty has been described as, "the difference between the amount of information required to perform the task and the amount of information already possessed by the organisation (53)."

2. "Given the various sources of uncertainty, a basic function of the organisation's structure is to create the most appropriate configuration of work units (as well as linkages between these units) to facilitate the effective collection, processing, and distribution
of information" (52). In simple words it can be put up that the relevant information is much required for and to cope with it the organisations are systems processing information.

3. We are aware that the organisations are normally so designed that there are various sub-units, sub-parts, sub-systems of a one whole system, i.e. organisation. These sub-parts or sub-systems, have to be so designed, whereby effective co-ordination between these could be established. Again for what, for processing proper information to reduce the uncertainty.

Organisational Effectiveness:

Recently there has been a flurry of research and debate on organisational effectiveness. In the last three or four decades numerous articles and monographs have appeared with the "effective organisations" or the "efficient organisations" in their titles. Social developments, such as, regulation of business, new public welfare programmes, decline in productivity, technological developments and changing opinion of educational, management practitioners, management consultants have focussed public attention on the need for optimum organisational performance in order to achieve the best allocation of society's resources.

Interest on OE, is of course, not a recent phenomenon, since Adam Smith 'Society has tried to organise human activity to yield the highest output. Organisations
are continually reporting results for which they are held accountable, traditionally by owners or stockholders and more recently by other interest groups. In addition to the interest groups associated with a particular organisation, the public at large including Government officials and academic researchers have become preoccupied with the factors that account for and that can be manipulated to improve effectiveness.

Organisational effectiveness is not only a central theme in the practical sphere, it is a central theme in the organisational theory as well. In fact it is difficult to conceive of a theory of organisations that does not include the construct of effectiveness. Most of the Central Research areas eventually must deal with it to explain intra or extra organisational variables.

Although there has been a growing interest in OE, the literature on the topic is still preliminary state. There are no definite theories. There is no agreement on a definition for OE. The number of definitions vary with the number of authors who have been pre-occupied with the concept. In addition to the different definitions of OE there is a tendency to view effectiveness as either one dimensional or multi-dimensional. Underlying these differences in conceptualisation are different views of the nature of organisation, which implicitly or explicitly determine the conceptual definitions of effectiveness. In one view an organisation is seen as rational set of
arrangements' oriented toward achieving certain goals. From this position effectiveness is defined in terms of goal attainment. Others take an open system view of organisations and define effectiveness as the degree to which the organisation can preserve the integration of its parts. In this view of organisations, adaptations and survival become measures of OE.

The failure to develop a coherent conceptualisation of effectiveness has led to the current disarray in the pertinent research which shows little cumulative character. Most empirical studies so far seem to be study of convenience, that is, what a particular criterion of effectiveness variable was available, it was used. There is no programmatic line in this literature. For example, although the Seashore and Yuchtman 1967's system resource approach is widely quoted, no coherent line of research has emerged from their provocative conceptualisation of OE. Campbell and his associates 1974 who have conducted the most extensive review of literature, attribute the current state of empirical research to the lack of theory of organisational effectiveness.

Critical Issues of Organisational Effectiveness:

In order to face the basic challenge to the conceptualisation of OE, any framework should explicitly deal with the following major problems:

The first is the nature of organisation. Any theoretical development of OE must make explicit a view of the
organisation. For example, an elaboration of domain of effectiveness along the lines of Seashore and Yuchtman requires that organisations be viewed as comprising input, transformation and output system.

The second problem is definition of OE. A precise definition of OE is needed. In the past most definitions have been derived from the goal or system approach, but these definitions are quite general. The idea of optimum allocation of resources to maintain the organisation (system approach) is at best a vague definition. It will be necessary to reconcile the roles of goal and system approaches in the definition of effectiveness. For example, is organisational survival or growth part of the effectiveness definition. It will also be necessary to include a precise set of dimensions in effectiveness definitions. For example, the identification of organisational effectiveness criteria, the measurement of those criteria and the standards to judge movement along those criteria seem to be critical dimensions in organisational effectiveness definition.

The third problem is the domain of effectiveness. Little work has been done on specifying the construct space of effectiveness. A review of OE studies indicates that criteria, such as, adaptability or flexibility are frequently included as part of OE. The question of whether these constitute a core set of criteria needs to be examined. If one adopts a multi-dimensional definition, then the inter-relationships of the criteria needs to be
addressed. Can the criteria be addressed in some factor analytic way or is their some hierarchical ordering among them? Certain conditions such as greater adaptability lead to greater productivity or are both these criteria independent components of effectiveness.

The fourth problem is that of constituencies: Once the criteria of effectiveness have been identified, a problem still exists as to whose perspective should dominate in the use of these criteria. It is the perspective of owners, employees, managers or public at large that determines the type of criteria and the level of effectiveness desired. Should we think of effectiveness in terms of the organisation itself or in terms of various interested groups, or in terms of contribution to society? Switching from the organisational to societal perspective substantially change the assessment of the OE.

The fifth problem is that of determinants. A framework must be developed that defines determinants of OE. The problem is complex since the determinants are found at individual, role, group, organisational culture (age, location, size), and environmental level. The framework must also separate the determinants of OE from criteria of effectiveness. In the past the distinction has been blurred.

The sixth problem is that of research strategies. Given the current stage of empirical literature of effectiveness, it is important to examine carefully the
strategies for continuous research on effectiveness. Does research on OE be carried on at the organisational level, if so, this would require a large sample of organisations, which would probably be difficult and expensive to obtain, or, can one conduct experiments about processes relevant to effectiveness? Should one develop universal criteria of effectiveness for analysis across different organisations? Can organisations with different goals be included in a comparative analysis of OE? Once the theoretical specification of the OE construct is under way, there is need to define research strategy for attacking this construct.

As number of difficulties are encountered in the conceptualisation of OE, some researchers suggest that the theme of OE should be left out from the study of organisational theory. From a research perspective it may be true that OE defies definition and measurement. But from a practical standpoint all of us use some operational definition of OE on a regular basis. Let us elaborate our practical point of view further. We all make OE judgements regularly, whenever we buy stock, select a bank for our deposits, select a school or the college for admission to our children, or a repair shop to get our car repaired, also to choose as to which organisation will get our donation and make other similar decisions. Managers and administrators also make regular OE judgements when they appraise and compare units or allocate budgets to these
units. The fact is that evaluating the effectiveness of an organisation is a widespread and ongoing activity. When managers seek answers to whether things are going well, what needs change or attempts to compare units with other units or their organisation with others, they are making OE judgements, may be in unspoken language.

Through this study of ours we propose to address ourselves to a few of the problems raised under the head 'critical issues of OE,' especially, to develop an appropriate definition of OE, to identify criteria in respect of which OE can be measured, to compare different types of organisations with regard to chosen criteria of OE, to find out relationship of OE with certain variables like, managerial effectiveness and organisational structural components, viz., centralization and formalization.

Managerial/Management Effectiveness:

Organisational effectiveness is said to be function of several independent variables, such as, age; size; location; strategy; structure; technology; managerial effectiveness and so on. However, managerial effectiveness seems to leave greater impact in determining success/effectiveness of an organisation.

Myrdal was probably right when he insisted in his *Asian Drama* that underdevelopment is a total concept, it applies also to a society's capacity to develop an adequate cadre of managers. It is held that shortage of high talent
managerial resources limit a country's capacity to absorb capital, restrict its ability to attract capital, and reduce the effective utilization of the raw material and man power resources which a developing country may possess. While individual firms and industries can afford an inefficient manager, a country on the "take off run" can not. The process of development will be slowed down if mediocrities replace the best in business leadership (56).

Silver and Sherman (1974) holds that the real swing factor is the effectiveness of managers who lead and release the motivator of their employees within the organisations social system. Managers are the quarterbacks and other players any good capital equipment and physical facilities-can be purchased down the street. The consideration then is the effectiveness as well as the subsequent efficiency of the managerial personnel that cause organisation ship to sunk or float (57).

Our attempts here would be to develop a suitable definition of the term managerial effectiveness, search out suitable criteria for measuring managerial effectiveness, compare different types of organisations with regard to chosen measures of ME, and trace out its relationship with organisational effectiveness and also to find out whether managerial effectiveness can be predictor of OE.

Organisational Structure:

The organisation theory as we discussed elsewhere in this chapter is full of talks regarding the theme of
organisational structure. It is said that the success of an organisation depends to a greater extent on the type of organisational structure one adopts. Renesis Likert considers structure as the most important factor which influences the OE (10). Reiman's study also confirmed that structures as an independent variable affects several factors like technical, economic and human, which in turn act as intervening variables for behaviour, they determine organisation productivity and members satisfaction (58). Richard Steeirs also identifies the influence of organisational structure on OE (59). Reiman and Negandhi in their study of 20 manufacturing organisations in India also found the relationship between the organisation structure and OE (60).

This is true only for business world organisations but also for other types of socio-political organisations. For instance, there has recently been a lively debate in our country as to whether India should shift to presidential form of Government to realise its socio-economic goals which remain unfulfilled even after 43 years of independence. Only very recently our neighbouring country Nepal replaced its autocratic form of Govt. by a democratic form of Government. The process of change going on in East European countries is not merely a change in their ideological thinking but can partly be referred to bring about an open and decentralized form of Government in these countries.
There are two important dimensions of organisation structures, viz, formalization and centralization. Formalization simply means the prevalence of written rules and regulations in every sphere of activity. There is hardly any discretion left to an individual in the performance of his task/activity. The formalization may be both helpful and unhelpful for an organisation. Certainly it brings about standardisation, specification to work processes, creates stability in the system, checks favour, but than it discourages flexibility and planning. Another important property of organisation structure is centralization. Centralization usually means concentration of formal authority to take decisions at a single point, that lies with the top level management. The organisational effectiveness is determined by the extent to which organisational structure is centralized or decentralized. Centralization of decision making power also have both merits and demerits. While centralization may bring about stability to the system, it will discourage flexibility. It may be helpful in producing cohesive work force but will generate frustration among employees and so on.

Our attempts here would be to see whether formalization and centralization correlate organisational effectiveness in any significant manner. Also can they be considered predictors of OE.
The Relevance of Comparative Study:

Essentially, we have three types of organisations in the industrial set up of our country, viz., public, private and cooperative. These three types of organisations differ in the matter of basic objectives, pattern of ownership/financing and management, and also partly in the matter of strategy and structure followed by them. While private sector is the oldest, the public and cooperative sectors have come into existence only after independence. Of course, the public sector's growth is more rapid than that of cooperative sector. Private sector since beginning carries basic motto of making profits by all means, that is through efficiency or otherwise. The public and co-operative sector's primary objective is to serve society and making profits is only their secondary objective and that is through efficiency only. Public sector is wholly and exclusively owned/financed and managed by the state, whereas, exactly reverse happens in case of private sector, that is they are totally owned, financed and managed by the individuals or groups of individuals. The cooperative sector falls somewhat in between. They are fully owned and financed by the registered co-operative societies and managed in part by the societies and in part by the state also. These three types of organisations seem to be different in the matter of structural arrangements, viz., the public and cooperative sectors appear more formalized and
centralized, whereas, the private sector does not seem to be so.

A Comparative study of these three types of organisations is called for as to observe whether they really differ in regard to organisational effectiveness, managerial effectiveness, centralization and formalization. Now, if they differ in the matter of organisational effectiveness, then in what constituent part or parts of OE they differ so that the same part/parts may be especially looked into in order to strengthen the overall organisational effectiveness. The same treatment can be given to other three variables, viz., managerial effectiveness, centralization and formalization. The relationship among these four variables sector wise / industry wise should also be studied upon.

In order to cover up the entire industrial set up of our country, a large sized sample is required which is not possible for an individual researcher. Thus, the study has been confined to the sugar industry operating in Northern part of our country so that some meaningful conclusions can be drawn. Obviously, our findings will be applicable to the chosen universe in the strict sense of the term.
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