CHAPTER-IV

ORGANISATIONAL STRUCTURE & WORKERS INVOLVEMENT IN MANAGEMENT AND ITS IMPACT ON THE INDUSTRIAL RELATIONS

4.1 INTRODUCTION

Design of organisation structure is considered to be a matter of choice among a large number of alternatives. There are various forms of organisation structure; however, not all of them are suitable for all situations because of the differences in contextual variables which affect the organisation structure.

The classification of organisation structure is based on the way various activities are grouped together to create departments and units and prescribing their relationships in the organisation. Thus, there are seven types of organisation structure-line, line and staff, functional, divisional, project, matrix, and free-form. Each of these emphasizes different arrangement of organisational activities. Some of these are designed on mechanistic pattern, for example, line, line and staff structures; some are designed on organic or dynamic pattern, for example, matrix and free-form structures. Others have a combination of both mechanistic and organic patterns in varying degrees. Further, some of the structures are basic, for
example, functional, divisional, etc; some emerge because of overlays which
denote superimposition of one element over another, for example, matrix
structure. Besides the basic organisation structure, organisations may create
committees taking personnel from different departments where the processes
are quite different as compared to a department.

4.2 LINE ORGANISATION STRUCTURE

Line organisation structure is also known as scalar, military, or
vertical organisation and perhaps is the oldest form. This concept holds that
in any organisation or hierarchy derived from a scalar process, there must be
a single head who commands it. Although an executive can delegate
authority, he has ultimate responsibility for results. Line organisation can be
designed in two ways.

(A) Pure Line Organisation. Under this form, similar activities are
performed at a particular level. Each group of activities is self-contained unit
and is able to perform the assigned activities without the assistance of others.
Pure line organisation may be depicted as follows:
(B) **Departmental Line Organisation.** Under this form, entire activities are divided into different departments on the basis of similarity of activities. Each department is placed under one departmental superintendent. All persons in the department are subject to control by the departmental head. The basic objective of this form is to have uniform control, authority, and responsibility.
4.3 LINE AND STAFF ORGANISATION STRUCTURE

Line and staff organisation refers to a pattern in which staff specialists advise line managers to perform their duties. When the work of an executive increases, its performance requires the services of specialists which he himself cannot provide because of his limited capabilities on these fronts. Such advice is provided to line managers by staff personal who are generally specialists in their fields. The staff positions or departments are of purely advisory nature. They have the right to recommend, but have no authority to enforce their preference on other departments.
4.4 FUNCTIONAL ORGANISATION STRUCTURE

Functional organisation structure is the most widely used in the medium and large organisations having limited number of products. This structure emerges from the idea that the organisation must perform certain functions in order to carry on its operations. It seems natural that the organisation begins its operations by emphasising the kind of work it must do to meet its objectives. As it grows and division of labour leads to
specialisation, the organisation has more work to do; it adds new specialties and further divides its presently employed specialties.

Functional structure is created by grouping the activities on the basis of functions required for the achievement of organisational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature and importance. The basic or major functions are those which are essential for the organisation.

Authority relationships in functional structure may be in the form of line, staff and functional. In fact, the concept of functional authority is very appropriate for functional structure. Thus, functional structure is characterised by the following.

(i) Specialisation by functions.
(ii) Emphasis on sub-goals.
(iii) Pyramidal growth of the organisation,
(iv) Line and staff division,
(v) Functional authority relationships among various departments,
(vi) Limited span of management and tall structure.
4.5 DIVISIONAL ORGANISATION STRUCTURE

The second basic structural form employed by organisations is the divisional structure. While growth through expansion of same line of business forces a small organisation to organise on functional basis, growth through geographic and product diversification necessitates the adoption of divisional structure.

Divisional structure, also called profit decentralisation by Newman and others,\(^1\) is built around business units. In this form, the organisation is divided into several fairly autonomous units. Each unit is relatively self-

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contained in that it has the resources to operate independently of other divisions.

**Design of Divisional Organisation Structure**

In designing divisional structure, there are several issues, besides the basis of divisionalisation, which should be adequately taken care of. These are determination of number of divisions, provision of corporate staff activities, and relationship between corporate and divisional management.

At the corporate level, some departments will be created to took after the activities which do not strictly fall within the purview of any division. These departments often provide services to divisional management.
4.6 PROJECT ORGANISATION STRUCTURE

The major reform in the traditional functional structure has come from a group of closely related structures having titles such as project management programme management, systems organisation, product management, brand management, and matrix structure. All these have in
common that they provide a horizontal grouping together of a number of functions which might otherwise be labeled functional departments and exercising staff and functional authority. Out of these, project organisation structure and matrix organisation structure have become quite popular. The basic idea behind these structures is that since environment changes very rapidly, the organisation must take up various activities on project basis, that is, adding the required ones and deleting the unnecessary ones.

The establishment of project organisation calls for appointment of a project manager who is responsible for the completion of the project. He coordinates the activities of the project. He prescribes what is to be done, when it is to be done, and how much resources are required. The functional personal are drawn from various functional departments and functional managers decide who in their department will perform the task and how it will be done. Thus, project manager is a unifying and focal point for the project activities.
Project organisation structure

4.7 MATRIX ORGANISATION STRUCTURE

Matrix organisation structure is essentially a violation of unity of command and therefore, whole classical concepts related to the principle of unity of command are violated. Matrix structure is the realisation of two-
dimensional structure which emanates directly from two dimensions of authority. Two complementary structures pure project structure and functional structure are merged together to create matrix structure. Thus, matrix structure not only employs a multiple command but also related support mechanism and associated organisational culture and behaviour. Thus, it shows many organisational overlaps not only in terms of command system but also in terms of whole organisational processes and behaviour. For example, Davis and Lawrence have presented matrix structure as follows.²

\[
\text{Matrix} = \text{Matrix} + \text{Matrix} + \text{Matrix} + \text{Matrix} \\
\text{Organisation} \quad \text{structure} \quad \text{systems} \quad \text{culture} \quad \text{behaviour}
\]

Sometimes, matrix and project structures are considered to be the same. However, there is a difference between the two. In project organisation, separate identifiable units are created for taking and managing projects, and complete responsibility for the tasks as well as all the resources needed for their accomplishment are usually assigned to one project manager.

**Design of Matrix Structure**

In matrix organisation structure, a project manager is appointed to coordinate the activities of the project. Personal are drawn from their respective

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functional departments. Upon completion of the project, these people may return to their original departments for further assignment. Thus, each functional staff has two bosses—his administrative head and his project manager. During his assignment to a project, he works under the coordinative command of the project manager and he may be called upon by his permanent superior to perform certain services needed in the project.

4.8 VIRTUAL ORGANISATION STRUCTURE

The concept of virtual organisation or corporation along with virtual team and office has entered management field very recently. The literal meaning of virtual is having the efficacy without the material part; unreal but capable of being considered as real for the purpose. Based on this concept, virtual corporation has been defined as follows.

"Virtual corporation is a temporary network of independent companies-suppliers, customers, even erstwhile rivals-linked by information technology to share skills, costs, and access to one another's markets. It will have neither central office nor organisation chart. It will have no hierarchy, no vertical integration". 3

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3 The Virtual Corporation", Business Week, February 8, 1993, pp. 98-100.
HR = Human resources
ICFD = Ice cream and frozen desserts

Virtual Organisation

4.9 WORKER'S INVOLVEMENT IN MANAGEMENT

Worker's participation in management has been widely advocated not only for ensuring industrial democracy and industrial harmony but also for developing human resources.

Worker's participation is a means of industrial democracy, industrial peace and harmony communication, consultation and cooperation between workers and management, a basis for trust and amity. It must reduce industrial conflict and increase industrial peace.
(A) **Industrial Democracy**

Democracy is 'Government of the people, by the people and for the people', Industrial Democracy should likewise, means management of a unit by the people, and for the people. People here concerned with a unit-the owners, the managers, the workers, the customers, the suppliers, the state and the society as a whole.

The purpose of industrial democracy is to give the workers a sense of belongingness to the organisation and a sense of commitment to various decision taken.

Recently industrial democracy has, become area of great interest. The possible gains from effective functioning of industrial democracy include:-

(i) More share of workers in making decision that affect their work, there would be less likelihood of their taking actions that lead to interruption work. This will lead to industrial peace.

(ii) Peaceful resolution of industrial conflict would reduce the loss of production.

(iii) Democratisation may lead to human happiness in the industrial harmony.
(B) **Worker's Participation**

Worker's Participation is not the same thing as industrial democracy. Industrial democracy is an ideal and ultimate goal that should be approached for the benefit of the employees, the industry and the society as a whole, whereas worker's participation is a process through which efforts are being made to approach that goal. It is an essential step in the direction of industrial democracy. The term 'workers participation' means different things to different people, depending upon their objectives and expectations.

*For management* - It is joint consultation prior to decision making.

*For Workers* - It is co-decision or co-determination.

*For Trade Union Leaders* - It is the harbinger of a new order of social relationship and a new set of power equation within organisation.

*For Administration* - It implies the association of labour with management but without final authority or responsibility in the decision making process.

(C) **Participative Forms**

a. **Collective Bargaining**

Collective Bargaining is a procedure by which the terms and conditions of employment of workers are regulated by agreement between their bargaining agents and the employees.
- It is a relation of give and take.
- It is process of retreat without seeming to retreat.
- It is a process of persuasion and reasoning.
- It is a power relationship.

Collective Bargaining is done periodically or on a continuing basis between management and worker's representatives, on issue over which the interest or workers and management are competitive, such as wage rates, bonus rates, working hours, and number of holidays. The agreements arrived at are normally binding on the parties. In actual practice, each party tries to outbid the other and get maximum advantage by issuing necessary threats and counter-threats, like strikes, lock-outs and other direct actions.

b. Works Councils

These are exclusive bodies of employees, assigned with different functions in management of an enterprise. In some countries their role is limited only to receive information about the enterprise.
c. **Joint Management Councils and Committees**

These bodies are mainly consultative and advisory. As these are only consultative and advisory, neither the management nor the workers take seriously.

d. **Board Representation**

The role of worker's representation on the board of directors is essentially one of negotiating the worker's interest with the other members of the Board. The effectiveness of worker's representative at the Board depends upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of worker's representatives on the Board.

e. **Worker's Ownership in Enterprise**

It refers to the complete control of management by workers through an elected Board and worker's council. This system prevails in Yugoslavia. In this system two different sets of persons perform two distinct managerial and operative functions. Though workers have the option of influencing all decisions taken at the top level, yet in actual practice, the Board and the top management team assume a really independent role in taking major policy decisions for the enterprises, specially on economic matters.
f. **Equity Participation**

In March 1994, the company Steel Authority of India proposed to offer a maximum of 200 shares to each of its 1.91 lakh employees. All regular employees who were on the rolls as on April 1, 1992 and who continued to be on the rolls on 17th March, 1994 will be entitled for shares.

Sachar Committee and Ravindra Verma Committee focus some light on equity participation. A Committee was set up by the Government of India under the Chairmanship of Rajinder Sachar in June 1977. Their suggestions about equity participation included:-

(i) 10 to 15 percent shares should be reserved for workers which can be called 'Workers Share'.

(ii) If offered shares are not bought by the workers, same can be offered to share holders or public.

(iii) Section 81 of the companies act should be suitably amended for this purpose.

(iv) Employees and workers should be granted loan by the company not exceeding Rs. 1200/- (upto 12 months salary)

Trade Union representative totally rejected this type offer.
Ravindra Varma Committee said that not less than 10 percent of the new shares should be reserved for workers of the same organisation in future. The committee vision was not very clear about equity participation.

In this reference (equity participation) it would be quite suggestive on the part of a company to offer its shares to its own people (managers, executives, supervisory staff, all categories of employees).

g. **Worker Director**

Workers Director is another form of participation widely discussed in India. But could not practiced.

The Sachar Committee report, submitted in August 1978, suggested that worker Director must be a workman from the same unit elected by secret ballot participated by all the workers at the company's premises.

Ravindra Verma Committee, which felt the need for a three-tier-model, had supported the corporate level representation, i.e., worker-director also.

**(D) Level of Participation**

To achieve the objective of Industrial Harmony and Peace, participation is possible at all levels of management. The areas and degree would differ considerably at different levels of management.
The levels of participation may range from mere information sharing to decisive participation as given below:-

a. **Information Participation**

Information sharing may be such items as may be agreed to like production, profit and loss or balance sheet; economic condition of the plan, plant stability in Industry etc. worker's have no right of close scrutiny of the information provided.

b. **Consultative Participation**

Welfare programmes and methods of work and safety are the areas where workers are consulted. Management has option to accept or reject the suggestions. Here, the members get an opportunity to express their views.

c. **Associative Participation**

Here the management is under a morel obligation to accept and implement the unanimous decision of council. The role of the council is not just advisory.

d. **Administrative Participations**

Matters covered here are welfare measures and safety operation of vocational training and apprenticeship programmes, preparation of schedules of working hours, holidays, payments for valuable suggestions received and other matters agreed upon by the members. In this kind of participation
decisions, already taken, comes to councils for implementation with
alternatives to select from them.

e. **Decisive Participation**

   Jointly taken decision on matters related production, welfare etc.
Workers Participation in management can deal with and exercise
supervisory, advisory and administrative functions on matters concerning
safety, welfare etc.. Though the ultimate responsibility is vested in
management. The matters of individual grievances are excluded from its
shape.

**(E) Scheme: On Worker's Participation in Management**

   The recommendation of the 21 member committee on worker's
participation in management and Equity were considered by the
Government. Government Formulated and introduced a new comprehensive
scheme on a voluntary basis for worker's participation in management on
30\textsuperscript{th} Dec., 1983.

**Features of the Scheme:-**

(i) The Scheme would cover all Central Public Sector Undertakings
except those which are given specific exemption by the
administrative ministry or department concerned in consultation
with the ministry of Labour.
(ii) All undertaking of the Central Government which are run departmentally will be excluded from the new scheme. This is because joint consultative machinery is expected to exist in all governmental undertakings which contain proper mechanism of employee's participation in these undertakings.

(iii) The scheme will be operated at both the shop floor and plant levels. There is also provision for introducing it at Board Level. The scheme provides for an equal representation at the shop floor and plant level forums. The representation of the workers would cover different categories of workers such as skilled and unskilled, technical and non-technical. Managerial personnel would be excluded but supervisors such as foreman; Charge man, etc., would be covered. Each party will have a representation of 5 to 10 members depending on the size of the workforce. Another special feature of this scheme is that it envisages adequate representation for women in the participative forums where women workers constitute 10 percent or more of the total workforce.

(iv) The functions of the participative forum have been made more elaborative and comprehensive in the new scheme. At the shop floor level, the participative forums will look into a wide range of functions such as production facilities, storage facilities in a shop,
material economy, operational problems, wastage control, hazards, safety problems, quality improvement, production schedules, cost reduction programmes, formulation and implementation of work system design, welfare measures etc.

(F) **Connotations and Practices in Other Countries**

Worker's participation is know by various other names also. these are-

- Worker's Participation in Industry, Labour-Management Co-operation, joint Consultation; Worker's Control, Joint-Decision making and co-determination. They represent different forms of participation, which differ only in degree, not in nature.

- In U.S.A. Participation in known as union-management, co-operation, which operates through collective bargaining agreements.

- In great Britain and Swedan, participation is in the form of joint consultation through joint consultative committees. These committees have only advisory power.

- In West Germany participation is in the form of co-determination and auto-management through workers councils and co-determination committees.

- In France, it has taken the shape of works committees.
- In Belgium, participation in management is through joint-works councils.

- In Yugoslavia, where enterprises are owned by society as a whole, the units are run by the employees themselves under a scheme known as 'Self-management' which operates with the help of an elected worker's councils and a management board.

- In India it is 'Labour-management co-operation' and worker participation in management and it is sought to be brought about through the agencies of works committees, join management councils, shop councils, unit councils, and joint councils.

(G) Progress and Problems in implementing schemes

In spite of various efforts the workers participation scheme in India are not satisfactory. The worker's representative seem to be concerned more with redressal or grievance, higher wages, better condition of work and security of service than with larger problems such as reducing absenteeism, increasing productivity or suggesting better methods for a more efficient utilization of plant and machinery. The main difficulties in implementing the schemes are-

- Worker's participation has suffered largely at the hands of employees who felt that such efforts will take away them from their right to manage. They also consider bipartite bodies as substitutes for trade
unions. Large scale government interferences, issuing of decrees, enactment of Laws and formulating legislative bodies have also been responsible for this attitude. Likewise Trade Unions consider these bodies as their rivals.

- There has been a lack of proper understanding between employers and employees regarding the concept, purposes benefits of the scheme.

- The existence of a number of joint bodies has caused confusion and duplication of efforts as well as wastage of time and energy.

- Progressive employers with long standing tradition of a healthy system internal communication and consultation with their employees find the new schemes to be superfluous.

- Inter and Intra Union rivalry has made the working of the scheme somewhat difficult.

- Absence of proper training and education has made the working of the part of the workers.

- Delay in implementing the suggestions and recommendations of these bodies has often led to the warning of workers interest in such bodies.
4.10 SUGGESTIVE ISSUES FOR WORKERS' PARTICIPATION IN MANAGEMENT

- The selection of active workers representatives in the participative forum.

- The efforts to minimise inter-union rivalry.

- Their should be closely formulated objectives for participation and should be mutually agreed upon.

- There must be strong, democratic and representative unionism for the success of participation in management.

- Too much emphasis on hierarchical structure and close supervision in not conclusive to participation.

- Inculcating enthusiasm among workers for the effective consultation for formulating the policies that effect them directly.

- Management and workers both must develop a favourable attitude and outlook.

- Employers, trade unions & Government can play a major and meaningful role in organising and conducting training programmes and in developing skills among representatives.
4.11 OBJECTIVES OF WORKERS' PARTICIPATION IN MANAGEMENT

Workers' participation in management is recommended to achieve the following objective:

(i) Increasing productivity for the general benefit of the enterprise, the employees and the community.

(ii) Giving employees a better understanding of their role in the working of the industry and of the process of production.

(iii) Satisfying the workers' urge for self-expression.

(iv) Achieving industrial peace, better relations and increased cooperation in industry.

(v) Development of human personality.

(vi) Development of leaders from within the industry.

4.12 IMPORTANCE OF WORKERS' PARTICIPATION

Workers' participation in management has assumed great importance these days because of the following advantages.

(A) Reduced Industrial unrest. Industrial conflict is a struggle between two organised groups which are motivated by the belief that their respective interests are endangered by the self-interested behaviour of the other. Participation cuts at this very root of industrial conflict. It tries to remove or
at least minimise the diverse and conflicting interests between the parties, by substituting in their place cooperation, homogeneity of objectives and common interests. Both sides are integrated through participation and decisions arrived at become "ours" rather than "theirs".

(B) **Reduced misunderstanding.** Participations helps dispelling employees' misunderstandings about the outlook of management in industry. These misconceptions would otherwise die hard, and their damaging effect needs no explanation. In addition, the difficulties which management encounters in managing the enterprise will be appreciated by the employees.

(C) **Increased organisational balance.** If workers are invited to share in organisational problems, and to work towards common solutions, a greater degree of organisational balance occurs because of decreased misunderstanding and industrial and group conflicts. Participation leads to increased understanding throughout the organisation. People learn that other have also problems besides themselves.

(D) **Improved communication.** It is seldom possible for managers to have knowledge of all alternatives and all consequence related to the decisions which they must make. Because of the existence of barriers to the upward flow of information in most enterprises, much valuable information possessed by subordinate never reaches their managers. Participation tends to break the barriers and makes the information available to managers. To
the extent such information alters the decisions, the quality of decisions is improved.

(E) **Higher productivity.** Increased productivity is possible only when there exists fullest co-operation between labour and management. It has been empirically tested that poor 'labour management relations' do not encourage the workers to contribute anything more than the minimum desirable to retain their jobs. Thus, participation of workers in management is essential to increase industrial productivity.

(F) **Increased commitment.** An important prerequisite for forging greater commitment is the individual's involvement and opportunity to express himself. Participation allows individuals to express themselves at the workplace rather than being absorbed into a complex system of rules, procedures and systems. If an individual knows that he can express his opinion and ideas, a personal sense of gratification and involvement takes place within him. This, in turn, fortifies his identifications with the organisation resulting in greater commitment.

(G) **Industrial democracy.** Participation helps to usher in an era of democracy in industry. It is based on the principle of recognition of the human factor. It tends to reduce class conflict between capital and labour. It also serves as a support to political democracy.
(H) Development of Individuals. Participation enhance individual creativity and response to job challenges. If given the opportunity to question and suggest, instead of having to follow rigid set of instructions, the employee's natural ingenuity and ability are allowed expression. Individuals are given an opportunity to direct their initiative and creativity towards the objectives of the group. This facilitates individual growth.

(I) Less resistance to change. When changes are arbitrarily introduced from above without explanation, subordinates tend to feel insecure and take counter measures aimed at sabotage of innovations. But when they have participated in the decision-making process, they have had an opportunity to be heard. They know what to expect and why. Their resistance to change is reduced.