CHAPTER-III
CHAPTER-III
HINDUSTHAN FERTILIZER CORPORATION - NAMRUP UNIT
ITS STRUCTURE OF MANAGEMENT

3.1-Introduction:-

After making a detailed discussion about the origin, objectives, programmes and various problems of the Namrup unit of Hindustan Fertiliser Corporation, it is felt fit to make detailed discussion about the organisation structure and managerial style of the Corporation. The Namrup unit of the corporation was established to achieve some lofty objectives. However to achieve the objective of an organisation managerial efficiency and effectiveness is a must, and it is dependent to a great extent on the organisation structure and dynamic managerial pattern. Namrup unit of H.F.C. is a public sector undertaking of the Govt. of India, which engaged in the production of plant nutrients. The fertiliser industry has its long history in the country and in recent years due to its wide creditability under the domain of private sector, it becomes necessary to assess the managerial efficiency in relation to organisational set up and managerial style.

3.1.1 Rationale of the structure of management:-

Modern organised society requires different organisations to perform various functions with the primary motive of satisfying diverse human needs and application and hence tremendous growth of innumerable organisations
have taken place throughout the world. All organisations are structured
mainly to contribute the success and overall development of their
organisational purposes. Structure is thus a rational device to achieve the
purpose of organisation in the most effective manner.

Mooney and Ruby have described structure on the "Plan by which
a group of people pool its efforts towards designated objectives through
definition, and division of objectives, responsibilities and authority"3.1. Thus
the organisation structure is the basic framework for a set of objectives that
an organisation performs. Structure of an organisation is not only a
skeletology of an organisation, but "sound organisation is more than a chart,
it is the mechanism through which management directs, co-ordinates and
control the business"3.2. As a matter of fact, the strength of an organisation
depends on the structuring the organisation. However it should also be kept
in mind that, the organisation structure is not an end but a tool for
accomplishing enterprise objectives.

Again there is no ready made master plan or any tailored
explanation as to how an organisation should be structured in the most
appropriate manner. On the other hand there exists no definite ideology or
universally accepted principles to structure an effective organisation.

3.1 James D. Mooney and Alan C. Ruby, Principles of organisation-P-1-4.
An effective pattern of structure is a matter of intuition or through the process of re-organisation through experiences on particular problems faced by them in their day to day work.

Designing the organisation structure is a very complex problem. Albert Wickesberg writes—"It should be remembered that within any business firm there are many and various tasks to be performed. There are many organisational units and what makes for a satisfactory grouping of activities in one situation or at a particular hierarchical level may be in appropriate for another"\(^3\). Consequently there will be a variety of groupings based on executive evaluations and judgement in each instance and situation.

Organisational patterns are not similar, it varies according to size of the organisation, character of developmental process and peculiarities of problems faced by them. Structures are always in continuous flux, having developed out of previous forms and changing in to new ones. Structure requires adaptability, flexibility and adjustability to changing internal and external conditions. A structure cannot remain rigid and static. It is bound to change with the changing situations.

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3.3- Allen. I.A, Management & Organisation -P-48
The organisation is a living, dynamic organism. For the healthy growth and survival, it needs to be maintained, serviced and reorganised from time to time in consonance with particular requirement of the organisations.  

From the above discussion it is clear that, well planed, scientific analysis of various aspects and facts of organisation is required to determine weakness and strength of its structure. In our country we do not know much in this direction and continuous neglect of structural aspects of organisation has resulted in bottlenecks, conflicts and inefficiency. Generally speaking in India public undertakings have not taken due cognisance of the fact that the effectiveness of organisation largely depends on its structure and that "wrong structure will seriously impair business performance and may even destroy it."  

3.3-Hindustan Fertiliser Corporation of India Limited-Its Organisation:  
Hindustan Fertiliser Corporation of India has several units and zones and all these units and zones are functioning within and under the organization superstructure of the corporation. So it is essential to study the organisation  

3.4-N.R.Singh-Study in some aspects of public sector enterprises in India.-P-92.  
3.5-Peter F. Drucker- Management tasks Responsibilities Practices-P-519.  
3.6-S.K.Mukherjee& Duleep Singh-Management of Productivity P-3.
structure of Namrup unit of H.F.C. and hence we have endeavored to undertake a systematic study of the organisation structure of the Corporation before dealing the structure of its Namrup unit.

In the organisational structure of the corporation divisionalisation plays an important role. If we analyse the reasons for divisionalisation we will find the following causes:

3.3.1 Objectives set by the Memorandum of Association: -

The Object clause in the Memorandum of Association of the Corporation clearly states that the Corporation is established “to carry in India or any part of the world all kinds of business relating to fertilisers, heavy water, cement coke and there by-products in particular”3.7.

3.3.2 The policy of the Government: -

Another basic reason for divisionalisation of the organisation structure of the Corporation is the policy of the Government. The growth and development of fertiliser industry in the country became the responsibility of the Government after the adoption of the Industrial policy Resolution, 1956. The fertiliser production policy of the government gives the corporation a free hand in expanding its business by setting up operating units in different geographical locations in the country.

3.7-Memorandum of Association; The Fertiliser Corporation of India Limited. P-2.
3.3.3- Market Condition:-

Agriculture is the backbone of our economic development in our country and for increasing agricultural productivity in the country the use of fertiliser is the must. There is a nation wide demand for fertiliser in the country and demand for fertiliser nutrients have been increasing over the years. Further by locating small fertiliser units, in close proximity of potential markets, economies in cost can also be realised. This is also a determining factor for divisionalisation of the organisation structure of the Corporation.

3.3.4- Availability of Resources :-

To set up a fertiliser plant, availability of basic infrastructure and other resources is the must. Further, balanced economic growth of the country is a predominant Government policy. Therefore, in order to provide fast, efficient and timely service by properly utilising the resources available in different parts of the country, the Corporation organises its activities on geographical basis also.

It is evident from the above discussion, that the divisionalisation of the Corporation is geographical as well as functional. Special responsibilities and functions are assigned to different units of the organisation. The different units perform production, marketing, sales and distribution
functions, while it is the responsibility of the Planning and Development Division to procure the technical know how and to undergo technical research, the man power training and manpower advisory functions. The divisionalisation in the Corporation is thus geographical- cum-functional.

These units, divisions, expansion divisions, special divisions and marketing zones are structures under wholly or largely separate administrative management within the common super structure of the Corporation. They function and administrated as same autonomous components of the Corporation and under its general control within the overall framework of its objectives and policies.

3.3.5. Management Style of the Corporation :-

The Corporation is managed, controlled and conducted by the Board of Directors. The Articles of Association of the Corporation provides that there should be minimum of three Directors and maximum of fifteen (15). The Directors of the Corporation are appointed by the President of India. The President of India has retained the power to remove any Director including the Managing Director, Chairman or any Executive Director of the Corporation. At each Annual General Meeting of the Corporation, all the Directors except the Managing Director and the Executive or Resident Director requires to retire from office, but are eligible for re-appointment.
The activities of the corporation is controlled and conducted by two types of Directors nominated and functional. The nominated Directors usually represent different fields of specialisation and public interest. Functional Directors are paid as the full time employees of the Corporation and are entrusted with the responsibilities of the day to day functions of the Corporation.

The pattern and size of Board of Directors of the corporation is shown in the following table.

**TABLE - 3.1**

*Size and pattern of Board of Directors of H.F.C.*

<table>
<thead>
<tr>
<th>YEARS</th>
<th>DIRECTORS</th>
<th>Functional</th>
<th>Nominated</th>
<th>Functional Directors as Chairman cum-Managing Director</th>
<th>Total No. of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>-</td>
<td>12+2*</td>
<td>-</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>1978-79</td>
<td>2</td>
<td>8</td>
<td>1</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>1979-80</td>
<td>4</td>
<td>8</td>
<td>1</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>1980-81</td>
<td>4</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1981-82</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>1982-83</td>
<td>6</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1983-84</td>
<td>6</td>
<td>7</td>
<td>1</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>1984-85</td>
<td>4</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1985-86</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>1986-87</td>
<td>4</td>
<td>8</td>
<td>1</td>
<td>-</td>
<td>12</td>
</tr>
</tbody>
</table>

*-12 Nominated Directors, one M.D. and one Chairman.

Source - Data collected from G.M's Office, Namrup Unit.
For the successful achievement of the organisational objectives of an organisation the composition of Board of Directors is very important\textsuperscript{3,8}. The Board of Directors has to perform a lunch of duties and the primary function is to take decisions on planning and policy matters. As such the composition of Board of Directors is very important for effective, successful and practical workings of the corporation. The following table shows the composition of Board of Directors in the corporation.

\textbf{TABLE-3.2}

\textbf{Composition of Board of Directors of Hindustan Fertiliser Corporation of India Limited}

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DIRECTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1977-78</td>
<td></td>
</tr>
<tr>
<td>1978-79</td>
<td>4</td>
</tr>
<tr>
<td>1979-80</td>
<td>4</td>
</tr>
<tr>
<td>1980-81</td>
<td>4</td>
</tr>
<tr>
<td>1981-82</td>
<td>6</td>
</tr>
<tr>
<td>1982-83</td>
<td>6</td>
</tr>
<tr>
<td>1983-84</td>
<td>4</td>
</tr>
<tr>
<td>1984-85</td>
<td>4</td>
</tr>
<tr>
<td>1985-86</td>
<td>4</td>
</tr>
<tr>
<td>1986-87</td>
<td></td>
</tr>
</tbody>
</table>

Source:- Data collected from G.M's Secretariat, Namrup Unit

1-Fuctional; 2-Government Officials; 3- Scientist & Engineer; 4- Business Managers; 5-Labours; 6-Consumers; 7- Members of Parliament; 8-Directors of other public sector undertakings.

\textsuperscript{3,8} Dr. K.M.Upadhaya; Significance of Chairman's speech; Company News and Notes, 1980, P-15
All the members of the Board generally do not take part in the day to day activities of any organisation. To implement the policy which is formulated by the Board; the Board of Directors delegate some of their powers to one of the Directors who is known as Managing Director. In this Corporation also, there is one Managing Director who gets substantial powers from the Board to look after the day to day management of the Corporation.

The managing Director of the Corporation is the chief Coordinating authority and, as such, he renders necessary advice, suggestions to the constituent units and divisions and also asks them to furnish to him such information, data and materials which are related to their units/divisions as he may require from time to time. On the basis of the suggestions and reports which are obtained from various Divisions and Units, the Managing Director prepares the general policy and he is required to submit the same to the Board for its approval.

It is the duty of the Managing Director of the corporation to look after, and to exercise supervision over the working of different Units/Divisions of the Corporation. The Managing Director delegates some of his powers to the Functional Directors and to the Executive Directors of different Units and Divisions.
The executive structure of the Corporation has undergone various changes. From its inception to till 1977-78, the executive structure of the Corporation comprised of the Managing Director, the Secretary of the corporation, a Personnel Adviser and a Public Relation Adviser. The head of the planning and development division functions as the technical adviser to the Managing Director. In the year 1983-84 the Government of India decided to appoint full time Chairman cum Managing Director instead of a Chairman and a Managing Director. This structure continued till 1987-88 and hence, besides Chairman cum Managing Director there was no functional Directors in the Corporation.

In the year 1987-88, Government of India constituted a Fertiliser Study Team consisting 6 Indian experts and 4 United States experts. The Indian experts included two senior officers of the corporation. This Study Team recommended for re-organisation of the public sector fertiliser Industry of the country. But the recommendations were deleted by the Board of Directors and officials of this Corporation and this was communicated to the Government of India. However, the recommendations were accepted by the Government. The Study Team recommended that the various areas of functioning of the Corporation should be assigned to five functional Directors, i.e. Production, Technical, Projects, Finance and Marketing. The
Managing Director was to discharge the responsibilities of Technical Director also.

In order to provide for adequate co-ordination and uniformity in the administration policies and procedures, the Managing Director and the Financial Director have constituted themselves into a committee which is named as the Executive Committee for Functional Directors. The Committee meets frequently to discuss the issues of common interest and to take decisions on managerial and administrative problems.

The Managing Director of the Corporation, appointed by the President of India; and the Managing Director is the whole time Chief Executive Officer of the Corporation. The Managing Director of the Corporation is guided by the Board of Directors for performing his managerial duties. For administrative convenience, the constituent Units and divisions at Namrup, Durgapur, Haldia, Barauni and Marketing zone and the planning and development division of the corporation are headed by the Executive Directors.

There is Finance Director at the Head quarter in Delhi who is also appointed by the President of India. The Finance and Accounts Officers for the constituent units and divisions are also appointed by the President of the basis of the recommendations of the Board of Directors. The Executive
Directors of different units and zones are being assigned by the departmental heads for performing their day to day works.

**3.5- Functions of the Top Level Management:-**

In any organisation, the top-level management is associated with planning and policy formulation objectives. In this Corporation also the top-level management is engaged in such types of activities.

**3.5.1-Planning Function :-**

In the Corporation, under the planning function, it is required to prepare the budget. The budget is prepared once in a year and generally it is prepared in the month of September/October to fit it with the Government of India's policy. The responsibility of preparing the budget vests on the Director of Finance and he is assisted by Chief Finance and Budget Officer. Generally a mid-year review is made in May/June when the performance is received and target is re-adjusted if necessity arises. The budget includes three budgets i.e., revenue budget, expenditure budget and a capital budget. The first stage of preparing the budget starts from the constituent units and divisions when they prepare preliminary drafts. The final budget is prepared after joint consultation with the Managing Director and Functional Director in the Central Office. The budget emphasises financial as well as performance appraisal target in details.
It is heartening to note that the Corporation does not have separate budget to measure the standard in all areas of operation; i.e. production, inventory, maintenance marketing, finance etc. Besides, the revenue budget and performance budgets are applicable for a particular year of operation. The long term planning is made in a rudimentary manner. The planning is made to suit the requirements of the Government’s Five Year Plans. Only some adhoc planning are made for future modernization / rationalization / expansion of the existing plants. No systematic planning process exists in the Corporation. This is one of the areas where urgent attention of the management of the Corporation becomes necessary.

3.5.2- Management Control:-

Planning and controlling may be considered as the two sides of the same coin. Planning will be futile if proper managerial control were not exercised in the process of implementation of the plan. The objective of controlling is to locate adverse trends and problems and seeking solutions and assisting the operating level personnel to achieve the target laid in the budget.

The management of Corporation has not yet been able to go all the way in this direction. However, a management information system which was introduced in the Corporation is partially effective in accomplishing this objective.
The management information system of the corporation comprises obtaining, abstracting and analysing the data from units and divisions and finally presentation to the top management for decision making purpose. This system was introduced in July, 1970 when it was under Fertiliser Corporation of India.

The inputs of this management informations system is the different information's which are supplied by the units and divisions. Such information's are also termed as management returns. The area wise management returns contains:

(A) Production :-

1. 'Production and Forecast' - monthly MISI-1
2. 'Product wise production plan' - Quarterly - MISI-2
3. 'Quantified analysis of variation from the target' -Quarterly MISI-3

(B) Marketing :-

1. 'Sales and forecast' - Monthly.
2. 'Despatches and forecast' - Monthly.

(C) Financial results :-

1. 'Summarised earning statement' - Monthly.
2. 'Reconciliation of actual profit / loss with planned profit / loss'
3. 'Variable cost Analysis' - Monthly.
4. 'Fixed cost Analysis' - Monthly.

(d) Working Capital Management :-
1. 'Working capital Analysis' - Monthly.
3. 'Cash Flow Forecast' - Quarterly.

(E) Inventory Management :-
1. 'Store Excess Inventory Reports' - Half yearly.
2. 'Spares - Excess Inventory Reports' - Half yearly.
3. 'Insurance Item - Excess Inventory Reports' - Half yearly.

The information's obtained under the above lines are processed and analysed and then the reports are prepared. There are two types of reports, one is 'Monthly Status Report' and another is 'Quarterly Management Ratio Report'. These reports are brought out for the internal use of the top management.

The Management Returns are required to be submitted by the units and divisions to the central office by 7th of the following month and the Monthly Status Report is prepared by the 15th of the month. The Finance Director is required to issue the report along with an evaluation report prepared on the basis of the information projected in the Monthly Status Report. The Finance Director thus keeps the other Directors of the
Corporation and other related officers of the Central Government informed about the performance of the Corporation. The report is also discussed in the meetings of Board of Directors. The copies of the reports are also sent to the general managers with the necessary instructions. This monthly status report is a brief and handy document for the management as well as for the different units and zones of the corporation. Generally the report contains some statistical analysis of the performance of different units and zones and also the overall performance of the corporation. The analysis is presented graphically also.

The monthly status report contains summary of the Corporations overall performance against target and also inter unit comparisons in the following areas.

FOR FUNCTIONING UNITS

A) Production:-

I) Product wise production in terms of Nitrogen.

II) Cost of production - variable cost.

III) Maintenance Expenditure

IV) Financial Results

    Revenue

    Expenditure
Grows profit (before interest)

V) Inventory

Finished goods

Raw materials

Stores and spares.

MARKETING ZONE

i) Product wise sales - Quantity & value.

ii) Stock and pending order position.

3.5.3. Quarterly Management Ratio Report :

The management Reporting Division at the central office also prepares and issues a report which is called Quarterly Management Ratio Report. As the name suggests, Management Ratio Report incorporates different ratios covering key areas of operations and is presented to management in every quarter.

Ratio is a figure express in terms of another. Ratio is also the most useful and widely used tool to represent the efficiency of any area. Inter unit comparison, Inter departmental comparison can be done by using ratio. By using this powerful tool, it is possible to determine the areas requiring detailed analysis and corrective action.
The Quarterly Management Ratio Report provides an interunit comparison through management ratios. This report helps the management to understand the current position of different units in a more detailed manner through interunit comparison and identify areas of improvement. There are some 10-12 ratios covering production, efficiency, inventory, marketing, and finance, etc. and have been developed to enable interunit comparison of performance in these areas.

The Quarterly Management Ratio Report contains the following aspects and it is normally issued by the end of the month following the quarter.

Management Ratios

The report contains 15 management ratios. These ratios are -

A) Finance Management:

i) Ratio of Gross Capital employed. It is calculated as-

\[
\text{Profit before depreciation & interest} \quad \frac{\text{Gross Capital employed}}{\text{Gross Capital employed}} \times 100.
\]

ii) Ratio of Net Capital Employed. It is calculated as-

\[
\text{Profit before interest} \quad \frac{\text{Net Capital Employed}}{\text{Net Capital Employed}} \times 100.
\]
iii) Net Profit Ratio, which is calculated as -

\[
\frac{\text{Net Profit (before interest)}}{\text{Net Sales}} \times 100
\]

iv) Turnover on working capital, which is calculated as -

\[
\frac{\text{Cost of Production}}{\text{Working capital}} \times 100
\]

This ratio is expressed in terms of months.

B) Production:

I) Overall Nitrogen efficiency Ratio in percentage.

II) Cost of production to selling price (product wise) in percentage.

III) Variable cost of selling price (product wise) in percentage.

C) Sales:

i) Debtors Turnover Ratio which is calculated as-

\[
\frac{\text{Book Debts}}{\text{Total Sales}} \times 100
\]

It is expressed in terms of number of days.

ii) Ratio of Book debts to credit sales which is calculated as -

\[
\frac{\text{Book Debts}}{\text{Credit Sales}}
\]

It is also expressed in terms of number of days.
iii) Stock Turnover Ratio, which is calculated as -

\[
\text{Stock (Finished goods) \over Sales}
\]

This ratio is expressed in terms of number of days.

D) \textit{Materials}:-

i) Stock of Stores to consumption.

ii) Stock of Spares to consumption.

iii) Stock of Raw materials to consumption.

E) \textit{Personnel} :-

i) Salaries and wages entitled to employees.

ii) Wages to casual labour and payment to contractors to salaries and wages.

3.6. Managerial Control :-

Managerial control and review over the organisational activities are the must to achieve the organisational goal. In the Corporation managerial control is exercised through delegation and review. The central office fixes the target through normal budgeting procedure for the corporation and for the different units. The budget of the Corporation is prepared in a detailed manner by taking into consideration of financial and physical aspects. The financial and physical targets are broken down to monthly and quarterly figures. In the Quarterly Review Meetings of the operating units in the area
of production, inventory, marketing and finance performance of the units are reviewed in detail. In these meetings, the performance variances are also calculated and necessary actions are taken. The Corporation’s performance target is also reassessed in some cases and the Monthly Status Report alert, the top level management including the Directors and General Managers of different units about the problems and performance, and enables them to take necessary remedial measures. At these Quarterly Review Meetings, the actions taken by the units are also reviewed.

The Quarterly Review Meetings are of following types:-

A. The Quarterly Production Review Meetings :-

The object of these meetings are to appraise the performance of the operating units to analyse their persistent problems are analysed in depth and to find out corrective measure. Finally the year wise results are also received to identify likely shortfalls. The matters covered in the meetings are production, process effectiveness, maintenance, break downs and financial position.

The General Managers, Chief Production Manager and the associated staff personnel attend these meetings. The Directors, production is the chairman and other functional directors also attend these meetings.
B. The Quarterly Material Management Review Meetings:

At these meetings, the position of inventories at the end of the previous quarter, i.e. raw-materials, stores and spares etc. is reviewed to identify variation from standards. Inventory control procedures, procurement policies and procedure for the disposal of surplus stores etc. are also discussed and decisions arrived at. These meetings are attended by Director, Production and Material Managers of all units and Divisions and associated staff personnel also attend these meetings.

C. Quarterly Marketing Review Meetings:

In these meetings all aspects of marketing are reviewed against standard/target set in the budget. Problems faced and hindrances of maximising the sale of products are discussed in detail. The Corporation performance is compared with the other fertiliser manufacturers to identify the gap in Corporations sales policy, procedures and techniques. Sales planning is also made in these meetings. These meetings are attended by the chief of the marketing zones, Regional Sales Managers and Area Sales Officers. The Production Directors presides over these meetings.

3.6. Structural Position of Namrup Unit in the Corporation:

The Namrup unit of Hindustan Fertiliser Corporation of India is vertically linked with the central office Internal consultant committee,
executive committee of functional directors and Board of Director of the corporation. The structure is shown in the diagram attached herewith.

The horizontal structure of the units is linked with Eastern marketing zone, fertilizer production and agriculture research center, planning and development division, chief training and manpower agency and central purchase office. On the other hand the vertical down ward structure of the unit is divided into four major departments i.e. Production, Finance, Administration and Expansion.
CHART 3.1
STRUCTURAL POSITION OF NAMRUP UNIT IN HINDUSTAN FERTILISER CORPORATION OF INDIA LIMITED

- CHAIRMAN
- BOARD OF DIRECTORS
- MANAGING DIRECTOR
- DIRECTOR PRODUCTION
- DIRECTOR PROJECT
- DIRECTOR MARKETING
- DIRECTOR FINANCE
- DIRECTOR PERSONNEL AND INDUSTRIAL RELATIONS
- EXECUTIVE COMMITTEE OF FUNCTIONAL DIRECTORS
- INTERNAL CONSULTANT COMMITTEE

- FERTILISER PROMOTION AND AGRICULTURE RESEARCH CENTER
- EASTERN MARKETING ZONE
- EXECUTIVE DIRECTOR NAMRUP UNIT
- PLANNING AND DEVELOPMENT DIVISION
- CHIEF TRAING AND MEN POWER AGENCY
- CENTRAL PURCHASE OFFICE
- ZONAL OFFICE
- EXECUTION
- PRODUCTION
- ADMINISTRATION
- FINANCE
- REGIONAL OFFICE
- DISTRICT OFFICE
- RETAILERS
- CONSUMERS
3.6. Functioning of the Unit :-

The Executive Director of the Corporation is responsible for the various functions and activities of the unit. The Managing Director of the Corporation delegates substantial powers to the General Manager for the smooth functioning of the unit. Accordingly Delegations of Power Clause in of the Articles of Association of the Corporation the size will be responsible for Co-ordination, direction and control of all activities of the organisation set up for the project in his charge. It is expected that the for Executive Director should tie all departmental policies with the general policy of the Corporation and to establish satisfactory conditions of employment to ensure that affairs of the project are managed in the most economical, business like and ineffective manner. 3.8 Thus the Executive Director of the unit is free to shape the structure of the organisation accordingly to his suitability. Generally, the Executive Director shapes the structure of the unit in such a way, as it helps him to perform the work efficiently, to promote effective co-ordination, to facilitate the process of directing and controlling of the various activities of the unit.

3.8 The Clause in respect of Delegation of power to General Manager by Managing Director, clause 27(i)
Till now there is no specific model is developed in designing the pattern of organisation on the basis of department allegation. Explaining the complexity of departmentalisation, Albert K Wickesberg mentions that within any business firm there may be many and various tasks to be performed and there are many organisational units. The structure of an organisation may not be suitable for another unit. He emphasises that, there will be a variety of groupings based on executive evaluations and judgement on controlling suitability in each instance or situation. And these guiding similarities and the resulting organisational groupings change over time unit, changing duties and changing human skills.\(^3,9\)

The study of the Namrup unit will show that, the process of Departmentalisation is influenced by intuition and experience, executive evaluations and experiments and adoption to changing needs and situations.

**3.7 Study of Departmentalisation Process in Namrup Unit:**

The first official record of departmentalisation appears in the project report of the unit. Under the report the organisational structure of the unit was divided into thirteen (13) major departments.

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3.9 Albert K. Wickesberg, 'Management Organisation’ Chapter - 4 ‘Developing the Organisation Structure’ Page - 49
The following table shows the departments and number of employees in each department:

**TABLE - 3.3**

Department and Employees – Namrup Unit

<table>
<thead>
<tr>
<th>DEPARTMENTS</th>
<th>NUMBER OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager</td>
<td>1</td>
</tr>
<tr>
<td>Company secretariat</td>
<td>15</td>
</tr>
<tr>
<td>Planning &amp; Development:-</td>
<td></td>
</tr>
<tr>
<td>(a) Operational Staff</td>
<td>588</td>
</tr>
<tr>
<td>(b) Laboratory Staff</td>
<td>100</td>
</tr>
<tr>
<td>Personnel Welfare</td>
<td>58</td>
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<tr>
<td>Medical</td>
<td>105</td>
</tr>
<tr>
<td>Civil Engineering</td>
<td>196</td>
</tr>
<tr>
<td>Security</td>
<td>126</td>
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<tr>
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<td>81</td>
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<td>Stores</td>
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</tr>
<tr>
<td>Purchase</td>
<td>63</td>
</tr>
<tr>
<td>Maintenance</td>
<td>692</td>
</tr>
</tbody>
</table>

Source - Project Report; Hindustan Chemical and Fertiliser Limited, Assam Fertiliser Project.

Total-  
(a) During Construction - 2126

(b) During permanent set up - 1981

The second attempt of departmentalisation was made in the year 1968.

In the proposed permanent set up the total structure at the unit was to comprise twenty eight (28) departments as shown in the following table:-
TABLE - 3.4

Proposed Permanent Set Up - Departments & Employees Namrup Unit

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>NUMBER OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Managers Office</td>
<td>4</td>
</tr>
<tr>
<td>Secretariats</td>
<td>15</td>
</tr>
<tr>
<td>Deputy. General Manager(Technical)</td>
<td>4</td>
</tr>
<tr>
<td>Production</td>
<td>436</td>
</tr>
<tr>
<td>Training</td>
<td>30</td>
</tr>
<tr>
<td>Chief Engineer (Maintenance) Office</td>
<td>5</td>
</tr>
<tr>
<td>Development Cell</td>
<td>22</td>
</tr>
<tr>
<td>Mechanical</td>
<td>334</td>
</tr>
<tr>
<td>Electrical</td>
<td>118</td>
</tr>
<tr>
<td>Instrumentation</td>
<td>57</td>
</tr>
<tr>
<td>Civil Engineering Department</td>
<td>38</td>
</tr>
<tr>
<td>Safety Cell</td>
<td>38</td>
</tr>
<tr>
<td>Material Management</td>
<td>51</td>
</tr>
<tr>
<td>Chemical Laboratory</td>
<td>5</td>
</tr>
<tr>
<td>Public Relations</td>
<td>4</td>
</tr>
<tr>
<td>Deputy General Manager (Adm) office</td>
<td>3</td>
</tr>
<tr>
<td>Legal</td>
<td>1</td>
</tr>
<tr>
<td>Vigilance</td>
<td>2</td>
</tr>
<tr>
<td>Personal</td>
<td>19</td>
</tr>
<tr>
<td>Welfare</td>
<td>3</td>
</tr>
<tr>
<td>Canteen</td>
<td>31</td>
</tr>
<tr>
<td>School</td>
<td>49</td>
</tr>
<tr>
<td>Estate</td>
<td>48</td>
</tr>
<tr>
<td>Farm &amp; Horticulture</td>
<td>11</td>
</tr>
<tr>
<td>Fire Service Cell</td>
<td>28</td>
</tr>
<tr>
<td>Medical</td>
<td>38</td>
</tr>
<tr>
<td>Marketing</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Records from the personnel department; Namrup unit.
These departments were structured as shown in the diagram attached herewith. The pattern which was suggested is suitable for the theoretical interpretation purpose. Under this structure the organisation is headed by the Executive Director and departmentalised into three major functions, namely Technical, Financial and Administrative headed by Deputy General Manager (Technical), Finance Manager and Deputy General Manager (Administrative) respectively.

Deputy General Manager (Technical) is mainly responsible for the proper functioning of the departments of Production, Maintenance, Material management and Chemical section. The Deputy General Manager is also required to maintain inter and intra departmental co-ordination. Apart from these basic activities, training and safety were also placed under his charge, perhaps in consideration of the fact that training would be largely technical and safety measures were predominantly concerned with personal working in the plants.

Deputy General Manager (Administration) was responsible for functioning of the Departments of Personnel, Medical, Marketing, Legal, Security and Vigilance and for the co-ordination of their respective functions. It may be also noted that, marketing is also placed under Administration though it is highly a specialised function of the unit. So it is
CHART 3.2
DEPARTMENTALISATION IN NAMRUP UNIT

EXECUTIVE DIRECTOR

DEPUTY GENERAL MANAGER (Technical)

PRODUCTION

DEPARTMENTALISATION

MATERIAL MANAGEMENT

ELECTRICAL

CIVIL ENGINEERING

MAINTENANCE

CHEMICAL

FINANCE

SALES

STORES

MATERIAL

ACCOUNTS

MANAGEMENT INFORMATION SYSTEM

INTERNAL AUDIT

CAPITAL BUDGETING

PUBLIC RELATION

INDUSTRIAL ENGINEERING

SECURITY

PERSONNEL

SCHOOL

WELFARE

ESTATE

INDUSTRIAL RELATIONS

CANTEEN

MEDICAL

MARKETING

LEGAL
rightly deserved to be placed under one Dy. General Manager as an independent department.

The other departments, i.e. Industrial Engineering, Secretariat and Public Relation Departments were directly placed under the General Manager as they were expected to function as Advisor/Staff departments for better control and co-ordination of technical, procedural and human problems.

Functionalisation is the basis of departmentalisation process. It is the process of breaking the different activities of an organisation into a number of specific functions and further splitting them into possible smaller functions until functions are distributed to individuals. Next to Functionalisation is the departmentalisation which is the method of choosing functions of similar nature and bringing them and grouping them together under different departments for better control and co-ordination.

The organisation structure of Namrup unit is a functional part of the Corporation and has production as its prime objective. The central activity of the unit is production and the other activities are center around towards the achievement of the primary objective of production.

The Executive Director of the Namrup unit acts as a directing, controlling and co-ordinating head in the vertically down ward structure of
the unit in the Corporation. In relation to the vertically upward structure of the corporation he is the liaison office, who links the corporation with the unit and is the hyphen that joins the unit with the Board of Directors, the Managing Director, the Internal Consultative Committee etc. He is responsible to the Board of Directors through the Managing Director for overall performance of the unit and is responsible to Managing Director for the proper discharge of specific functions, the unit is required and called upon to carry out and for effective overall performance e.g. production, finance, personnel etc.

3.8 Delegation of Power :-

Departmentalisation in the Namrup unit of the corporation has been on the basis of division of the total amount of work to be accomplished into various work groups with specific allied jobs to perform. The process has continued with sub-division of these work groups and departments in to sub-groups or sections for smooth, speedy and effective work until their work flowed and responsibility slopes down to the individuals.

Functionalisation and departmentalisation in the organisation structure will remain as skeletal and unsuited to the attainment of the set of objectives, if not, supplemented by proper delegation of power and responsibility along with de-centralisation and devolution of work.
Emphasising the role of delegation of power in efficient working of public sector enterprises, the their five year plans lay down that the management of Public Enterprises should have sufficient freedom of action and should be able to function in their operations with considerable speed. Similarly emphasis has been given in the subsequent Five Year Plan, of Government of India.

3.8.1 The Memorandum and the Articles of Association :-

The Memorandum of Association of the Corporation underlines the responsibility entrusted to it. The Object Clause of the Memorandum state the functions that the Corporation is constituted to perform. It is the Articles of Association which set forth the mode of operation of the corporation and the details of the internal administration and its relationship with external world.

The powers of the Board are derived from Articles 67 and 68 of the Articles of the Association of the Corporation. The Board of Directors with the approval of the President of India can sub-delegate its powers in certain matter to the Internal Consultation Committee, and the Managing Director.
The Board also grants permission to the Managing Director to sub-delegate some of his powers to his immediate subordinate officials.

However, the Articles of Association of the Corporation empowers the President of India/Government of India to reserve the power relating to Board of Directors, their appointment, term of office, removal and appointment of senior officials, execution of major capital works etc. Apart from this, it is specifically mentioned in the Articles of the corporation that Governmental directives can be issued superseding the Articles. These directives issued by the Government from time to time are obligatory for the Board of Directors.

3.9.1 Delegation of Power to Managing Director :-

The Board of Directors of the Corporation may delegation some of its powers to the Managing Director for the smooth and efficient functioning of the day to day activities of the Corporation. The delegation by the Board empowers the Managing Director to sanction expenditure and authorise disbursements within the allocation made for specific purposes in the approved budget.

In pursuance of the above power he can obtain stores and materials and machinery etc., subject to the condition that a statement should be placed before the Board after making such an expenditure. He can enter
into contracts with third party and execute contract and can enhance the contract rates subject to the provision that the reasons for enhancement of the contract rates are recorded in each case in writing. He has in emergent situations, power to incur expenses for which provisions have not been made in the budget or in excess of allocations to specific purposes in the budget.

3.9.2 Delegation of Power to the Executive Director:-

In a multi unit organisation like the Corporation delegation of power to the unit heads is of great importance. It is indeed the extent of delegation which determines the extent of autonomy allowed to the unit management to function effectively at unit level. The maximum possible autonomy should be allowed to the different units for effective working and quicker decision at the plant level.

The Executive Director of the Corporation has been delegated full powers within the budget allocated to him with the idea that the direct control from central office will disappear and the main responsibility of the Board of Directors are limited to general policy making, planning, supervision and co-ordination of overall business of the Corporation. The other important responsibilities of the corporate office are its consultative and advisory functions to various constituent parts of the corporation and to
maintain liaison with the Government and other allied agencies, e.g., The Fertiliser Association of India, the Bureau of Public Enterprises etc. Besides the Board of Directors, control the functioning of the unit through the Management Information, Review and Control System as already mentioned.

On personnel matters, the Executive Director is empowered to take decision on the lower managerial grade of the unit. The recruitment and promotion of higher managerial grade require the permission of the Board of Directors. On construction side the Executive Director is empowered to look after the plans made by the corporate office. For purchases the Corporation is having the central purchase wing for making the purchases of basic raw materials. The Executive Director is empowered to make only some specified purchases.

3.9.3 Delegation of Power by the Executive Director to the Departmental Heads :-

The delegation of power to different departments is also very important for the efficient functioning of the organisation. The process and technique of delegation of power to the various departmental heads are the same that adopted by the Board of Director or the Managing Director to delegate their power. However, in this process of delegation of power, it
provides functional values to the multi-departmental organisation, defines status of the head of the departments and make out channels of communication and levels of decision making, leaves inter dependence and inter relation of one function with another function and inter locks them all into a compact organisation structure.

3.10 Delegation of Power - A Retrospect. :-

The formal delegation of power can not be a suitable criteria to measure the effectiveness of real decentralisation of power. The success of decentralisation depends upon the degree and extent to which delegated powers are actually practiced at levels below the delegators.

No doubt, formally sufficient power has been delegated to the Executive Director of the unit by the Managing Director and is being sub-delegated to the heads of Departments and officers below them by the General Manager, yet, there is in actual practice, a positive tendency towards centralisation and concentration of powers by delegators, with the results that there is excess of dependence on unit management on the central office and officers below Executive Director on the Executive Director. Besides the jurisdictional controversies, this appears to be due to the fact that the spirit behind decentralisation and delegation and power has not been given effect to by delegators and delegates consciously or unconsciously the
former wishing to retain control and to avoid risks of errors at lower levels and later wishing to play safe and split responsibility to higher levels.

Real decentralisation and delegation of power are operational requirements. For operational efficiency of the Corporation and the unit there should not be only devolution of work but effective centers of responsibility and accountability should develop with actual exercise of delegated powers at subordinate levels in the ordinary course of day to day work to facilitate efficient and quick dispatch of business furtherance of the Corporation and units objectives.

3.11 Manpower Recruitment and Human Resource Development of Namrup Unit. :-

The process of manpower planning and human resources development is becoming stagnant due to the cumulative effect of imbalance between high turnover and non induction of qualified and young manpower. The recruitment to man the key positions for continuous and smooth running of the plant is kept in abeyance for last nine years and this is affecting the entire organisation. The situation will further aggravate with the implementation of revamping scheme for the unit. The following table will make their observation clear.
### Table—3.5

**SANCTIONED STRENGTH Vs. ACTUAL POSITION**  
(Managerial and Supervisional Group)

<table>
<thead>
<tr>
<th>GROUP</th>
<th>Sanctioned</th>
<th>Actual in Position</th>
<th>Shortage</th>
<th>Qualification Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Engg. Degree</td>
</tr>
<tr>
<td>Sr. MGT</td>
<td>10</td>
<td>4</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Mid. MGT</td>
<td>13</td>
<td>9</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Jr. MGT</td>
<td>122</td>
<td>100</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Sr. MGT</td>
<td>8</td>
<td>8</td>
<td>--</td>
<td>8</td>
</tr>
<tr>
<td>Mid. MGT</td>
<td>34</td>
<td>33</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>Jr. MGT</td>
<td>147</td>
<td>115</td>
<td>32</td>
<td>6</td>
</tr>
<tr>
<td>Sr. MGT</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Mid. MGT</td>
<td>21</td>
<td>13</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Jr. MGT</td>
<td>65</td>
<td>50</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Werossion</td>
<td>426</td>
<td>335</td>
<td>91</td>
<td>87</td>
</tr>
</tbody>
</table>

Source - Data collected from personnel Dept. Namrup unit on 24.08.99.

If we analyse the above table it will be clear that there is an acute shortage of manpower in the Corporation. In Operation, Maintenance and Engineering support departments, about 21% posts of managers and junior
executives are lying vacant. In junior executive cadre in operation, maintenance and engineering support departments there is a total bankruptcy of quality manpower. Number of engineering graduates constitutes only 20% of the sanctioned strength. Most of the posts are filled up in this category from the rank to cope up with immediate requirement. The position in non technical departments can also be judged from the following Table.
Table 3.6
SANCTIONED STRENGTH AND ACTUAL POSITION
MANAGERIAL & SUPERVISORY GROUP.

<table>
<thead>
<tr>
<th>GROUP</th>
<th>Sanctioned</th>
<th>Actual in Position</th>
<th>Shortage</th>
<th>Qualification Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Prof. Degree</td>
</tr>
<tr>
<td>Finance / Material / Personnel / IRP.</td>
<td>Sr. MGT</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Mid. MGT</td>
<td>11</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Jr. MGT</td>
<td>62</td>
<td>61</td>
<td>4</td>
</tr>
<tr>
<td>Administration / Law / P.relation / Prg.</td>
<td>Sr. MGT</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Mid. MGT</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Jr. MGT</td>
<td>13</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Medical support group</td>
<td>Sr. MGT</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Mid. MGT</td>
<td>4</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Jr. MGT</td>
<td>11</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Overall position</td>
<td>109</td>
<td>92</td>
<td>17</td>
<td>25</td>
</tr>
</tbody>
</table>

Source - Data collected from personnel Dept., Namrup unit on 24.08.99
The above Table clearly indicates that in non technical departments also there is shortage of manpower. There is about 16% posts in key managerial and junior executive level are lying vacant. Most of the junior executive posts are filled up from the rank by promotion to cope up with immediate work load. About 94% of the junior executives are in the higher age group (i.e. 40 years and above) and difficult to upgrade them for higher responsibility.

In the workman category also, there is acute shortage of certain skilled categories which are quite vital for operating and maintaining the plants. These categories are - Rigger, welder, Boiler, Attendant and skilled operators. The age group of existing work group is also 40-50 years and above. Therefore, it may not be possible to rationalise the manpower profile of the Corporation by upgrading skill of people from excess category to make up shortages in the above mentioned vital categories. This is creating a total imbalance in the manpower resources.

3.12 The Standard of Management of Namrup unit of H.F.C.- An Overview :-

After examining the present organisation structure both at Head Office levels and unit levels, it is now deemed fit to make a review of the organisation structure of the Corporation on the basis of its profound
objectives. It has been mentioned in chapter – I, that after making profits in the beginning years of its inception the Corporation including Namrup unit suffered very heavily in terms of profitability during the recent years. The continuous erosion of financial health of the Corporation and continuous failure to fulfil the profound objectives of the Corporation have caused a serious concern to all quarters who are directly or indirectly associated with this Industry. This cause of concern is aggravated when the corporation was declared as “sick” and was refereed to B.I.F.R. However, a hope is generated when the Government of India have declared a revival package to the Namrup unit of the corporation. After the implementation of the revival package it would require to project a sound organisation structure for its healthy survival.

From the foregoing discussion, it becomes evident that the overall administration of the unit has been carried out at two different levels: at the top, the Board of Directors act as the top level policy making body under which the Executive Director, of different units function.

The administrative structure of the corporation at head office level discerns that the head office is staffed with a top heavy structure with fancy designation. Different committees have earlier referred to this fact of heavy structure at top level, whereas more thrust is to be given on the efficient
operation of activities at the unit level. It is painful to notice that Haldia unit of the Corporation still not starting its production since its inception due to the causes best known to the corporation.

In running the affairs of the corporation it is essential that professional persons be appointed at different posts to discharge the activities efficiently. Appointment of professional persons in the present organisational structure of the unit has been seen to be negligible. In addition due to cessation of fringe benefits and other incentives there is a tendency on the part of the existing work force of the Corporation to leave the organisation. Thus it is most essential to provide bridge benefits and other incentives to keep these employees with the Corporation.

An in-depth study of the organisation structure at unit level discloses that the entire responsibility of the unit is vested with the Executive Director of the unit who is completely dependant on the Head office for supply of necessary inputs for proper up-keep and maintenance of the unit. Again the financial authority which granted to the unit is also very limited. For all necessaries he has to run to the head office due to the exclusive centralised management. As a matter of fact the position of at times the position of the Executive Directors has been seen to be very delicate owing to chronic paucity of fund. Due to the over dependency on
the corporate office and due to centralised management system of the corporation there is delay in decision making process. The unit management is required to obtain green signal to take a decision on some matters particularly Plant maintenance, appointment, promotion etc. Again the paucity of fund in the hand of unit management has aggravated the problem of quick decision making process.