

# Organizational structure and process design essay



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Martini was ranked twentieth in terms of worldwide sales volumes amongst vehicle manufacturers, and has been the largest passenger car manufacturer in India. In fiscal 2002, it had the highest sales volumes of 339,964 cars and a market share of 58.%. Martini has a diverse product range that includes ten basic models with over 50 variants, of which nine models are manufactured locally and one is imported from Suzuki. A timeline showing the evolution of Martini over the years is given in the appendix. Martini's manufacturing facility comprises three integrated plants (all located in the same premises) located at Surajpura in the state of Haryana. The production facility capability at each plant is upgraded on an ongoing basis to improve productivity and quality.

At present, it has an installed capacity of 350,000 vehicles per year, which is the highest among passenger car manufacturers in India and among all passenger car manufacturing facilities of Suzuki's subsidiaries outside Japan. There are total 17 manufacturing shops and are capable of producing more than 50 variants of the nine basic models manufactured, with different specifications, within the same day. The production of a car occurs in the following stages: Press Shop, Weld Shop, Paint Shop, Assembly Shop, Machine Shop and Engine shops.

Martini has an extensive sales and service network, the largest network of dealers and service centers amongst car manufacturers in India. As of March, 2003, they had 178 authorized dealers with 243 sales outlets in 161 states. For service, they had 342 dealer workshops and 1,545 Martini Authorized Service Stations, or Amss, which covered 898 cities in India backed by Express Service Centers on 30 highways across the country. For the supply

of raw materials, components and spare parts of their products, they have 299 vendors all over the country.

Vendors located within a radius of 100 km from their facility supply the majority of our components. As of March, 2003, Marti had 4, 590 employees, Including 614 engineers, 84 MBA graduates and 24 chartered accountants. Methodology dramatic changes in its task environment presented an interesting period to understand. Also we had a person with more than six years of experience in Marti in our group and we were able to leverage his contacts within Marti to get the required information. We interacted with a member of Senior Management of Marti at Delhi through e- mail.

This gave us a broader picture of structure and strategy of Marti. Then we interviewed the head of Regional office of Marti at Bangor which helped us understand the dynamics of its vendor, dealer relationships better. We also chatted with a MULL employee undergoing training at SCM Japan to get a feel of culture of Suzuki. Last but not the least we interacted with summer interns and ex-employees of Marti at MM Bangor. All these formal and informal interactions helped us form a holistic view of the organization and we were better able to appreciate the systems and processes at Marti.

Organizational Structure Marti has a Functional organizational structure with Horizontal Linkages. The activities are divided broadly based on following functions Finance, Marketing, Engineering, Sales, Spares, Production, Materials, Production Engineering, Parts Inspection, Quality Assurance, Maintenance, Human Recourse Development, Information Technology, New Business, Administration As, it is a very big organization, these are further

divided into smaller divisions, based on various criteria (product, plant, location etc).

There are total 29 divisions in Marti, and are headed by one Divisional Head, which is a Functional post. Then these Divisions are further divided into 132 Departments, which are headed by one Department Head, which again is a functional post. A smaller version of the organizational chart is shown below. The complete Organizational Chart is attached in the Excel file.

Organizational Structure of Marti Functionally, the structure of Marti is very flat. The employees are divided in just six functional levels, namely Workers & Technicians, Supervisors, Executives, Section Managers, Department Manager, and Division Manager.

Division Managers then report to Directors. However, hierarchically, these are divided into different levels, like, Technicians are divided in 7 levels (L-1 to L-7), Supervisors in 3 levels (L-8 to L-10), Executives and Managers in 4 levels (L-11 to L-14). Above this the Levels are signaled as IDEM (Anchorage Department Manager), DAMP (Department Manager), DVB (Deputy Division Manager), and DVD (Division Manager). The Section Manager, anybody from levels L-11 to L-14 can be a Section Manager, an IDEM or a DAMP can head a Department, and an DVB or DVD can head a Division.

Increasing importance of Boundary Spanning Units: With the increase in competition MULL has realized the importance of boundary spanning units. It requires its employees to pay frequent visits to showrooms of other car manufacturers to get information as to how they deal with their customers and what are the services offered by them. Once Punned, our group member

was asked to pay visit to a Hounded showroom. He talked to the sales representative there and elicited as much information as he could. When Punned was asked his telephone number he gave a fake number by changing the first and the last digit.

Punned was surprised when he received a call from the sales representative after two days (the person must have really tried different numbers). When asked about his decision, Punned told him that he has already bought a Marti Zen. The sales representative congratulated Punned for the new car and at the same time he asked what led Punned to prefer Zen to Santos. During the entire conversation the representative was polite and enthusiastic. The amount of determination and dedication shown by this person was missing on part of the sales force of MULL and this was the feedback given by Punned to his top-level managers.

The increasing importance of Boundary spanning units can also be seen in the importance of department like Marketing and service. The head of Marketing and sales department reports directly to the MD whereas other departments like Finance and Production have to go through Joint Managing Directors. Horizontal Information Linkages 1 . Lamination Systems Various Information Systems play a significant role in providing Horizontal Information Linkages. These Information Systems are well integrated and provide most of the information required by different departments.

Most of these Information Systems were developed over time by the IT Department of Marti. These Systems have evolved over time according to the changing information needs. The largest of such Information Systems is

Production Management System, which provides the production related information to all the concerned departments. Some of the others are: Finance and payroll system, Marketing & sales systems, Spares Systems, Extranet with Dealers, Data warehousing and various MIS systems, Supply Chain Integration Initiatives (Extranets), Knowledge Management Portal, Vehicle tracking system etc.

Apart from these Email, messaging and workflow systems also play an important role. In some of the Departments, one person is designated as ? Coordinator? For different activities, which have a liaison role with other departments. An example is the ? Quality Coordinator? In the Production Shop, who is a ? Single window? For communication related to quality related issues. 3. Task Force In some specific short term tasks, various ? Cross Functional Teams? Are formed taking people from all related departments to achieve the specific targets.

Mostly they are used for Quality Improvement, Problem Solving, Cost Reduction, New product Development, New Product Trials related issues. Structural Dimensions 1 . Formalization The automobile industry is a process driven industry. In Marti also, the formalization is very high, all the operation procedures, standards, methods, instructions are written down formally. Apart from the ? Company-wide Procedures? , all Departments have their ? Department Procedures?. These Department Procedures fine the scope of work for the department as well as the roles and responsibilities and work flows.

These procedures are approved by the Division heads, and are available to all concerned (mostly in the form of electronic copy), and also available for other departments for reference. In production shops, the standard operating procedures are documented, and displayed on the work stations. They are called ? Marti Operations Standards? Or MOMS. Similarly Marti Engineering Standards (MESS), Marti Inspection Standards for Parts (MIS-P), Marti Inspection Standards for Testing (MIS-T) etc are also available.

Changes in all these documents are recorded for the purpose of back-tracking purpose. 2. Specialization The functional structure and further division of labor makes high degree of specialization in Marti. 3. Hierarchy The span of control becomes a very interesting dimension in Marti because most of the posts are functional in nature. If we look at the Section Manager in some department, then there might be 4-8 people of different levels (L-1 to L-13) directly some cases, people working at as high level as L-13 do not have a direct sub-ordinate to them.

The span of control is generally in the order of 3-? 6 at the top management bevel, 4-? 8 at the middle management level, and 0-5 at lower management levels (other than production). In production departments, the span of control at lower management level goes up to 40-? 50, as those many workers and technicians directly report to a line supervisor/ shift in-charge.

4. Centralization The Centralization is very low in Marti, as the decision making authority is quite De- centralized and distributed across all levels. .

Professionalism Marti can be rated high on the Professionalism dimension, as most of the Jobs require technical skills, and in some specific areas like Design and R&D, special raining at Suzuki is also required. This is also

evident from the fact that around 1900 employees of Marti have been trained at facilities of Suzuki so far, and in the total work force, Marti has around 80+ Mambas, 600+ Graduate Engineers, 200+ Diploma Engineers, and all the workers and technicians require minimum qualification of IT'.

**Use of Project based Teams** In view of increasing competition in the automotive sector Marti has tried to use a project based structure to tackle specific problems effectively. Around two years back in a meeting of middle and senior level executives it was decided to form teams which would focus on specific goals. Around thirty teams comprising or 8 ? 10 members were formed. These teams had specific mandates in terms of cost reduction, new product development and were given resources and authority in order to implement their projects.

For example, one team worked on value analysis and value engineering for specific components for cost reduction. Another team worked on improving the JDK Power ratings that Marti secured for IIS (Initial Quality Service). These teams were working on a high priority and all departments were expected to co-operate. Also they reported to the JDK directly and this helped them o sort out any problems they encountered. The best performing teams were awarded handsomely. Culture Corporate culture of a company reflects the kind of relationships its employees have with each other and the kind of bonding they feel with the company? Ideal and values. It also reflects the kind of strategy a company follows. Marti which initially started as a US even though in collaboration with an NC like Suzuki had a bureaucratic culture. A near monopolistic hold on the market made for a free- But ever since liberalizing and prevarication the culture of Marti has undergone a EAI

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change. A small example will suffice: The day of a Marti Employee started with signing the attendance register and coming late by half an hour or an hour was not uncommon but now with electronic swipe card based attendance a one minute delay can cost you a day's salary.

Earlier many workers used to come and sign the attendance register and then sub-contract their work to a temporary labor at the rate of around Rs. 50 per day as compared to amounts around Rs. 10,000 per month paid to them. With assured employment there was little incentive to contribute towards the well-being of the company. Even MULL employees who used to have a training stint in Japan used to feel frustrated and alienated by the work culture in MULL after finishing their training. A reflection of this culture was the worker strike which crippled Marti in 2001. After recovering from the strike Marti had a perceptible change in culture.

A IVR scheme introduced soon afterwards increased the sense of insecurity amongst employees, but it was all for a good cause. A hiked component of variable pay further brought company and employee interests in sync. An interesting ritual of starting the day with a two minute exercise on Japanese music was introduced. Also they have a common uniform and common canteen since the very beginning. So you can really walk into the company canteen and eat with the MD Agnish Chatter. Now MULL has more of a mission culture with a clear mandate to maintain its market share and act as a small car sourcing hub for Suzuki.

A look at company's vision statement makes an interesting study. The company's vision is to be the leader in the Indian automobile industry,

creating customer delight and shareholders wealth, a pride of India. After its acquisition by a Japanese company does its vision of being the pride of India? Whosoever said that elaboration is not full of ethical dilemmas! Comparing the culture of Marti to other companies in India it is most similar to Hounded and Deadwood in India, companies which have East Asian origins.

Lot of stress is laid on team work and treating the company as an extension of one's family. Innovation is also encouraged an example being the constant innovations in terms of process improvements using quality circles in Marti. Of late an overtime culture has also slowly made its way into Marti with the promotions linked to 1800 feedback and staying late being used as a tool to signal your dedication and hard work. At this point it will be interesting to compare and contrast the culture and practices at Marti and its Japanese parent Suzuki Motor Corporation of Japan.

Organizational Structure and Work Culture at SCM, Japan A brief description of the Organizational Structure of Suzuki Motor Corporation Japan company consists of 8 divisions. These are further divided into subdivisions and departments. Organizational Structure of SCM, Japan is whoso in the appendix. Differences between Work Culture at Suzuki Motor Corporation Ltd. And Marti Dog Ltd. We interviewed A. B. Sinai, who is Deputy Manager (Engineering) at MULL and has en training for the last two years at Suzuki, Japan. During the course of this interview we discovered several interesting differences in the work culture between MULL and SCM. Employment at SCM tends to be a lifelong commitment. This means that neither the company lays off its workers nor the employee leaves the company for employment elsewhere. Hence any new employee joining the company is an important

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occasion and is celebrated in a series of ceremonial parties. ? The company trusts its employees to a greater extent and the employees in turn respond by being totally devoted to the company. There is no system of monitoring attendance through I cards and no system of punishments. The employees do not use the official telephone for personal calls.

Also, there is less conflict and more team spirit. All assignments are given to teams. If one employee is not able to work then the others in his team try to help him. ? There is a strict hierarchy within the organization and the promotions are based on seniority. A Sunshine (entry level) takes 8 years to become a Cockroach (asst. Manager) and 8-10 years after that to become a Cache (Manager). There is very little rotation between departments. ? There is a higher degree of precision in the planning. Jobs are allocated on an hourly basis. Meetings are short and focused.

All employees record their movements on a board so that they can be easily tracked. ? Official timings are from 8: 45 AM to 5: 30 PM. However, most employees work from 8: 45 to 7: 00 PM on Wednesdays and from 8: 45 AM to 10: 00 PM on other days. The number of working days in a year is only 240. Power and Politics In MULL the control and power is mostly in the hands of management. During the workers strike in 2000 the management refused to agree to the workers demands. The officers ran the plant by supervising the operations of the plant and hiring untactful labor. This made it difficult for workers to sustain the strike.

They had to call off the strike and were in fact forced them to agree to some changes laid down by the management. Have acted as conflict resolves

whenever there have been any conflicts within or between departments.

Many times the departments play politics with other departments by trying to use the referent power available due to closeness with Japanese

management. With the increase in stake of Suzuki Motor Corp.. The

legitimate power of the Japanese management has further increased.

Strategic Profile A strategy is a plan for interacting with the competitive environment to achieve organizational goals.

Organizations have goals that define where it wants to go and strategies

define how it will get there. Strategy is usually one or more competitive

actions. It involves choosing whether the organization will perform different

activities than its competitors or will execute similar activities more

efficiently than its competitors do. The strategic profile of Marti can be

described using the following models: 1. Porter's competitive strategies:

MULL introduced 'Marti 800' in 1983 providing a complete facilitate to the

Indian car industry. The car was launched as a "People's Car" with a price

tag of Rs. 000. This changed the industry's profile dramatically. Marti 800

was well accepted by middle-income families in the country and its sales

increased from 1, 200 units in 1983 to more than 200, 000 units in 1984. Since

then, MULL specialized in low-cost leadership. However its focus was not

limited to small cars. MULL extended its product range to include vans, multi-

utility vehicles (Moves) and mid-sized cars. Hence it has low-cost leadership

with a broad focus according to the framework of Porter's competitive

strategy. 2. Miles & Snow's Strategy typology: This framework is based on the

idea that managers seek to formulate strategies that will be congruent with

the external environment. Organizations strive for a fit among internal

organization characteristics, strategy and the external environment. This framework describes four strategies? The prospector, the defender, the analyzer and the reactor. Marti has always maintained stable products with minor innovations aimed improving the utility of products. In 1983, it saw opportunities and innovated by launching Marti 800. It introduced cars in other segments like mid-car and multi- utility segments.

Since then, it maintained stable business for all its brands. Therefore Marti can be called? Analyzer?, which is a combination of prospector and defender. Inter Organizational Relationships Inter organizational relationships are the relatively enduring resource transactions, flows and linkages that occur among two or more organizations. In today's business organizational relationships play a major part in the success of a firm. Marti and Government of India The Government of India has been a shareholder in Marti Dog Ltd. From the beginning. Till a few years ago the Government had a majority stake in Marti which as reduced recently.

At present its share in Marti is 18. 28%. The relationship between Marti and government has always involved a third player, the Suzuki Motor Corp.. Government has never been involved in day to day working of Marti. But it had been involved in the strategic decisions in the past. For example introducing new models of cars required the prior approval of Project Approval Board which is under the Ministry of Industry. In 1998 the Government signed a contract with SCM under which the appointment of Chairmen and Managing Directors would be made only after mutual consultation.

This was a result of a bitter quarrel between Government and SCM regarding management succession. Interdenominational Relationships of Marti With a decrease in shareholding the direct involvement of government in Marti has reduced. But there are many other ways in which the Government decisions affect Marti. Any changes in the Pollution Emission norms made by the Government have a direct impact on Marti. Similarly other policies of the government may have a direct or indirect impact on Marti. Marti and Other Auto Makers For a firm like Marti the role of inter organizational relationships is extremely important.

Fro the time of its inception Suzuki Motor Corporation (SCM) has been involved in the production part of the organization with all the designs being provided by SCM. SCM has recently become the parent company of Marti with a 51% stake in Marti. This has enabled Marti to have even stronger ties with SCM. Also many Japanese managers are a part of Marti? s Management team. These kinds of relationships help companies to tide over crises that may occur from time to time. To quote a recent example, Marti Dog Ltd has been under pressure to meet the high demand for diesel vehicles, particularly Zen and Esteem in India.

To meet this demand Marti has asked the parent company Suzuki Motor Corporation to find an immediate solution for supply of diesel engines. Following this, the Japanese company is exploring the twin strategy of in-house production and procuring from other manufacturers like Fiat, People and Volkswagen. The above example illustrates how relationships can be built like a chain from one organization to another and so on. The companies which earlier used to adopt an survive in today? s business environment.

Marti and Vendors Most manufacturing organizations have to depend on vendors and suppliers for providing some components.

Marti also has to depend on other organizations like vendors for components required in the production of cars. Some of these are in India and some are abroad, notably Japan. The total value of components purchased from Suzuki by the company in fiscal 2002 was Rs 780.4 crore. Marti has a Resource Dependence relationship with many of its vendors. For example DC Engineering, is its main supplier of cylinder blocks for engines. It accounts for nearly 70 per cent of the total supplies to Marti with the rest coming from Hindu Group Company Norse Foundries, Matte Auto and Karakas Oil Engines.

Such relationships lead to the company being dependent on the resource provider. It can be detrimental as they may lead to problems in case the key supplier is not able to honor its commitments. This happened with Marti this year when there was a three month long strike at DC Engineering. This led to a drop in production for Marti. August sales in August fell by 4.2 per cent to 32,127 vehicles. This underlines the importance of having sufficient redundancy and not depending too much on a single or a few suppliers. Marti and Dealers Another important area is relationship with the dealers.

It has to have linkages with dealers in various locations for selling the cars and providing after sales service. Having a good relationship with dealers is very important. They act as the front end of the company and the end customers perceive them as a part of the organization. Marti interacts with most of the customers through dealers only. Thus the dealers also have to perform the role of boundary spanning. Marti has 250 dealers across India.

Out of them 17 dealers are in Karakas and 5 in Bangor. Marti has Regional Sales offices to manage the dealer networks.

Dealership provides 3 major revenue areas: sale of cars, service and sale of spares. Also dealers can become Franchisees of services like ? Marti True Value? And ? Marti Finance?. Marti conducts random checks and audits in order to maintain the high quality and service standards. It also keeps informal control over the HR policies of the dealers to ensure employee satisfaction. Earlier dealers used to have a couple of salesperson. Marti has done a study and come up with a conclusion that a salesperson can at maximum handle 25 enquiries to give 8 quality sales per month.