

# Organizational structure of maruti udyog limited



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Organizational structure represents the manner in which responsibility and authority are distributed as well as how work procedures are executed within organizational arms. There are several variables dictating the most suitable structure which is going to meet organizational mission and vision at the long run. Centralization of power, hierarchy design and horizontal incorporation are factors to consider while putting up an organizational structure. Another factor of paramount importance in the design of optimal organizational structure is the core processes of a firm. The structure must be able to reflect key processes of an organization starting from source material to delivery of finished products. For any organization to achieve optimum results possible, it is crucial to select structures which match predetermined objectives, features of necessary processes and means of controlling those processes (Groth, 1999). Processes are very fundamental to every organizational structure model. For example, information and decision process are available in almost all subsections of the entire structure. Based on underlying roles and purposes, organizational structure can be seen as body framework of the firm while processes represents mental capability (Galbraith, 2002). Therefore there are two elements of any organizational structures namely: processes and structure. It is therefore implicit that any structure makes sense if it is based on required processes.

A process-based organizational structure as this paper is going to explore needs a number of processes to complement one another so as to function as a unit. Despite process teams and owners autonomy in inculcating high level of self-management, there has to be a mechanism within the structure which bring together different processes. (ref 1996 copipaste) Due to the

fact that process-based organizations are designed to have independent processes managed by autonomous units, emphasis should be put in place to facilitate formulation of logical objectives and performance parameters of every unit. These features must be obtained from the strategy through connecting strategic options to production and consumer processes. Semi-autonomous units are constructed in such a way that there would be minimal daily coordination. This is only possible if management take upon itself to define units objectives geared towards sustainable business control.

Global manufacturing organizations are experiencing several challenges resulting from fluctuations in demand profiles, irregular supply profiles and high customer's expectations. As a result of this, there is an ever-rising need to develop factory performance which is the sole means of creating value for consumers. Among many others channels of improving performances is the design of a structure which just fit manufacturing processes in the best manner possible. The ultimate result of optimal structure should gather for core processes through labor capacity maximization, reduction of run times and general minimization of liabilities. This essay will focus on organizational structure of Maruti Udyog Limited and how best it fits to its conversion of raw materials to finished goods. It is a subsidiary company of Suzuki Motor Corporation which is one of the global leaders in automobile manufacturing and distribution. Maruti was chosen due to its readily available information and global market share.

## **Organizational Structure**

Maruti is characterized by functional organizational structure having Horizontal linkages. Based on automotive engineering operations, the firm's <https://assignbuster.com/organizational-structure-of-maruti-udyog-limited/>

organizational structure has several divisions. These encompass the following functions: Engineering, Sales, Finance, Spares, Administration, New Business, Information Technology, Human Resource Development, Maintenance, Quality Assurance and Parts Inspection. Being a large organization it is Maruti's organizational chart is further subdivided in to smaller sub sections depending on other criteria like location, plant, product etc. Maruti has a total of 29 divisions operating under one Divisional Head who is serving as Functional post in the structure. The structure further reveals that within these divisions are 132 departments under stewardship of one departmental head. These Department Head are also functional posts. This structure is designed on the same pattern as that of Japanese Suzuki Motor Company which is Maruti's partner. Human resource planning, plant layout and installation of production facilities are intrinsic in nature to Suzuki Motor Company's structure.

Organizational chart at Maruti is functionally flat. A functionally flat organizational structure means that there are few levels of administration hierarchy (ref 13). It is a desirable kind of structure since problems related to information delays, misinterpretations and corruption are minimized. This is possible because information will go through few hierarchy levels before getting to intended recipient. There are only six functional levels in which employees can be divided in to. It implies then that every employee must fall in either of the following level: Division Manager, department Manager, Section Manager, Executives, Supervisors or Workers and Technicians. 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 designated as IDPM (In charge Department Manager), DPM (Department Manager), DDVM (Deputy Division Manager), and DVM (Division Manager). The Section Manager, Department Manager and Division Manager are all Functional posts, which means anybody from levels L-11 to L-14 can be a Section Manager, an IDPM or a DPM can head a Department, and an DDVM or DVM can head a Division.

### **Increasing importance of Boundary Spanning Units**

In an attempt to beat ever rising competition challenges, Maruti Udyog Limited has incorporated several techniques within its organizational structure. One outstanding technique related to its core processes is benchmarking. Using boundary spanning units, the company expects its employees to constantly visit stalls of fellow automobile manufacturers so as to get a real picture of latest trends concerning customer relations. The relevance of boundary spanning units is directly related to importance of company's divisions like Marketing and Sales. In that case therefore leaders of Sales and Marketing department reports directly to the Managing Director's office because they are viewed as core processes in shaping the success of the company. On the other hand, supporting departments such as Production and Finance goes through joint Managing Directors.

### **Horizontal Information Linkages**

To achieve desirable Horizontal Information Linkages, a variety of Information Systems are brought in to play. Such Information Systems are suitably customized to meet information requirements of all departments. Information Technology Department of Maruti developed such systems to fit

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its core processes as well as interdepartmental relationships. Dynamism of such systems is directly attributed to constantly changing needs of manufacturing processes. The biggest system of all is Production Management System. The system is helpful in supplying relevant information related to production in all departments. Other systems are more specialized programs used in specific departments.

To achieve efficient communication and accountability, some departments have employees within their internal structure whose role is to link internal issues to other departments. As an illustration, Quality Coordinator is the only person in production floor who can give information regarding quality. Maruti's structure is versatile to some extent. An attempt to meet changing needs of every time production, the firm's structure incorporates short term tasks. People from relevant departments are taken to achieve specific tasks. They are normally used in seeking a quick fix of rising challenges.

## **Structural Dimensions**

Automotive industry is dependent on processes. In that case therefore there must be acceptable blue print guiding individuals in all levels of hierarchy on how to achieve targets and objectives. Therefore, Maruti has formalization cutting across all operational procedures, methods, standards and instructions well documented. On top of having procedures which cover all hierarchy levels, all departments have their own procedures to suit core processes describing their specific roles. The department customized procedures describes the scale of tasks for each department on top of roles and responsibilities in facilitating smooth work flow. A synergy is attained through approval of such custom made procedures by Division Heads.

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Despite being a one department's affair, such instructions are made available to others for reference purposes. In manufacturing floor, standard operating procedures are well documented and put in easily accessible and seen areas within work stations.

Attributes of Maruti's functional structure depicts that it allows for high level of specialization despite leaning towards flat functional structure. Extend of control is an exciting point of perception in Maruti's organogram. This is so because majority of positions 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 reporting to him without any level-wise hierarchy amongst themselves. Therefore, in 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 level, 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.

Decentralization of decision making in Maruti is another admirable feature of its organizational structure. All level of hierarchy has the autonomy of making decisions affecting their roles in execution of core processes. This kind of organization encourages professionalism. The nature of its operations demands that professionalism should be high because majority of tasks demand technical skills. Special areas like R&D and Engineering Design call for highly specialized skills. Reliable sources reveal that employees in excess of 1900 have undergone training at Suzuki facilities. Suitability of Maruti's

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functional organizational structure is evident in its ability to provide room for these specialized skills to be utilized. Maruti's workforce of 80 MBAs, 200 and more diploma Engineers and more than 600 graduate engineers have a place in company's structure. The appropriateness of this structure is evident because it allows core processes personnel to determine how overall outlook would be. It is then a process-based kind of structure.

On the light of increasing competition in automobile industry, Maruti has attempted to employ project based structure which is directly related to process based organizational structure. This has enabled the organization to amicably deal with specific challenges. About two years ago in a meeting attended by middle-level and senior members of staffs, it was resolved that teams focusing on specific problems would be formed. As a result, around thirty teams consisting of 8 to 10 members each were created. These teams were charged with specific tasks in areas like cost cutting and new product development. They were further empowered to implement their proposal through availing of necessary resources. A resounding example is a team which focused on analyzing value and value engineering with an aim of cost cutting. Another team of similar magnitude of significance worked on developing JD power rating which Maruti employed for initial Quality Service (IQS). The importance of these teams was evident on the kind of priority their operations were given. All departments within the structure were expected to accord them maximum cooperation. As a result of this, Maruti's structure was momentarily modified to suit emerging needs of new levels of hierarchy. The teams reported directly to JDM. The ultimate result of these process-based modifications in organizational structure was substantial cost



reduction and development of Initial quality Service. The idea of reporting directly to JDM was very helpful in sorting out any difficulty they encountered. Removal of bureaucratic hurdles proved to be the best way of eliminating communication problems within an organization. The teams which performed exemplarily were equally compensated with handsome rewards. This scheme revealed that optimal performance can be achieved through reviewing organizational structure so as to meet emerging needs.

Although the foundational source of Maruti's structure is core processes, human resource factor is also considered. A lot of emphasis is being put in to consideration in the manner in which human capital is acquired and mentored. Acquired personnel are made to undergo detailed training program aimed at optimization of their productivity. It is important to underscore the fact that however lean the structure might be, the best structure is the one built in people's minds. Training will also serve to enable good organizational culture and effectiveness. Feelings of learning through out organization remain in the minds of individuals who get in to the system through training. It is a desirable character which will in the long run ensure smooth running of organization. In an attempt to effectively manage the process-based structure at Maruti, 360 degree appraisal system was adopted. This is a wide scope way of evaluating employees not only by superiors but also by fellow peers and subordinates. Appraisal schemes should be accurate as much as possible. Qualitative factors of appraisal which were once a reserve of services sector is finding its way in to manufacturing firms, Maruti included. Amid small offices being transformed to open offices, top-down approach of appraising employees is being edged

out. One company which positioned itself on progress to further demonstrate and open up its employees appraisal process is Maruti Udyog limited.

Introduction of revolutionary 360 degree feedback scheme is a move on the right direction aimed at fostering performance. Flatness in hierarchy is actualized by such feedback system. Steep hierarchical structure is not supported by this kind of employee evaluation. The decision by Maruti to adopt 360 degree feedback system must have been motivate by the strong urge enhance structural flatness evident in its organizational chart.

Since Maruti's production methods demand highly qualified and motivated workers, there is a need to design a hierarchy which is going to introduce peaceful industrial relation. This critical component of governance is a leading factor of company's success in 1980s and 1990s.

Coordination is easy to achieve in this kind of structure because power and control remains squarely as prerogative of management team. A good illustration of this was revealed in workers strike witnessed in 2000. During the strike, management declined to yield to workers' demands. However, operations were not grounded because the officers ensured smooth running of the facility through supervising operations and hiring contractual personnel. This kind of approach facilitated by articulate structure curtailed further efforts of sustaining strike. They were then forced to not only call off the strike but also agree with radical changes postulated by management.

Relationship with outer bodies is also enhanced by the organizational structure adopted by Maruti. Long-term resource transactions and flows should be maintained. This is only achievable through building and

maintenance of good working relationship with business partners. Maruti's structure which plays a key role in this aspect allows for integration of other bodies such as government, suppliers and distributors. It is totally impossible to go alone in current business setting. Relationships with other firms' influence to a large extent success of a company.

### Conclusion

Maruti Udyog limited has cut itself a business niche in automotive manufacturing through continual review of its structure. Changing ownership portfolio coupled with turbulent market demands has called for organizational structure which just fit the core processes. Despite facing stiff competition from competitively advantaged sides the company has been able to grow in its profit margin for the last ten years. This can be attributed to among many factors, its articulated custom made organizational structure.