



NINTH WORLD PRODUCTIVITY CONGRESS

JUNE 4-7 1995, ISTANBUL/TURKEY

New Visions and Strategies for the Next Century:

PEOPLE, TECHNOLOGY AND PRODUCTIVITY

PROCEEDINGS

Volume 2



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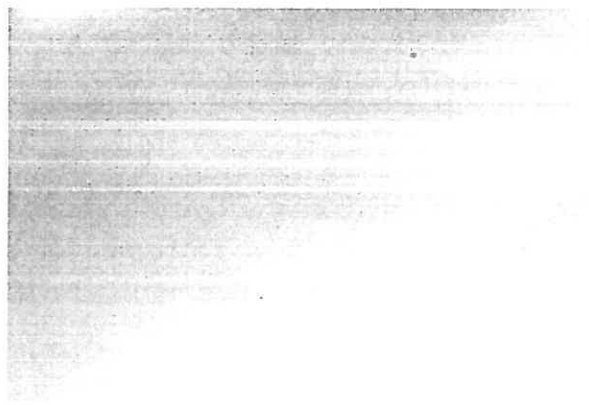
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THE IMPACT OF ORGANIZATION STRUCTURE ON PRODUCTIVITY

ÖZLEM ÖZKANLI, M.A.
National Productivity Center

The economic development of a country is possible, only when required amount of products with high quality and low cost are acquired in all sectors. Thus, the managers must choose the organization structure which provides the most effective usage of sources. In researches, inappropriate organization structure is described as one of the factors which prevents the manager from being productive and effective.

Productivity is the efficient use of sources - labor, capital, land, materials, energy, information - in the production of various goods and services. Another way of defining productivity is "the efficiency with which output is produced by the resources utilized". The most important input of productivity is labor; thus, the most common definition of productivity is "the real output for the manpower or labor extended. "Although helpful, this definition still presents some difficulty. It does not consider the quality of the output but only its quantity.

According to scholars (1), the increase at the productivity level is a function of the organization structure. In other words, there is a relationship between organization structure and productivity. Thus, the relationship between organization structure and enterprise productivity can be clearly seen in the integrated model. The classification here is based on a paper by Mukherjee and Singh. (2)

There are two major categories of productivity factors. (3)

- . External (not controllable)
- . Internal (controllable)

External factors are those which are beyond the control of an individual enterprise whereas internal factors are those within control. (Figure 1)

Since some internal factors are more easily changed than others, it is useful to classify them into two groups:

- Hard factors (not easily changed)
- Soft factors (easily changed)

Organization structure is an important soft internal factor that effects enterprise productivity. According to Robbins(4), organizational structure must help people use their creativity and get their work done on time.

In order to attain the organizational objectives, the appropriate departmentation system, which provides specialisation, division of work, coordination and high level of productivity within the enterprise, must be chosen.

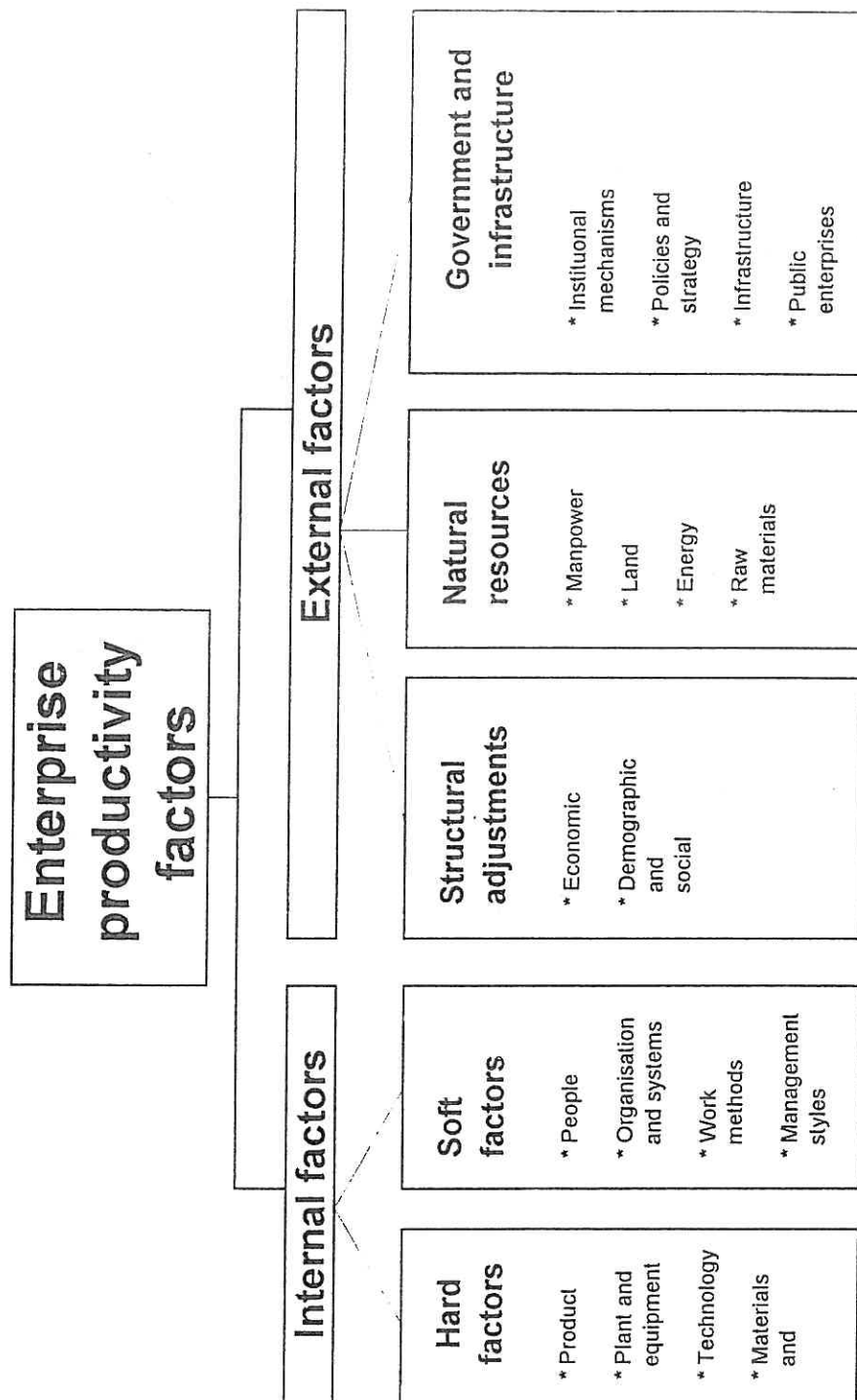


Figure 1: An integrated model of enterprise productivity factors
Source: Joseph Prokopenko, Productivity Management A Practical Handbook, ILO, 1987, p.10

The main aim of this study is to investigate and discuss the important role of organization structure and departmentation in increasing productivity. In the theoretical part of the study, the principles and systems of departmentation are briefly summarized in the aspect of productivity.

Organization is the heart of management. A manager's success depends largely on how well he organizes his personnel and other resources. An organization may want to distinguish between activities and assign them to specialized groups. There are six common bases for dividing the work (and authority over work) into departments : function, territory, product/service, time, customer, process/equipment.

The principles of departmentation are sometimes stated as nearly laws, but they are not always effective and they often have to be modified or abandoned. The elements of organization -the work to be done, personnel environment, and the relationship between the personnel- all have their effect on usefulness of these principles. They are useful guides to follow but not invade laws to be strictly construed.

1. The Principles of Departmentation

The principles of departmentation can be listed as shown below :

- * Division of work and specialization,
- * Coordination,
- * Span of control,
- * Considering the internal conditions of enterprise,
- * Considering the external conditions of enterprise,
- * Minimization of costs,
- * Giving the required attention and importance to work,
- * The balance of authority and responsibility.

2. The Departmentation Systems

The productivity in enterprises depends on the activities, aims and departmentation according to the environmental conditions and technologies. It is better if these are set in the establishment stage of the enterprise but, because of the failures in the system or the changing environmental conditions, reorganization can be needed. The functions which are needed in all enterprises are finance, production, marketing and organization. The main functions can be carried out by a manager in small enterprises. But, when the enterprise gets larger, the work can only be carried out by a certain number of individuals or groups. This can be achieved by departmentation within an enterprise.

For work to be done in complex organizations, like large hotels, these organizations must divide authority according to some logical basis. One manager cannot, after all, do everything. This division of authority is called "delegation". The departmentation systems which are seen in enterprises can be listed as shown below:

- * Departmentation By Enterprise Function
- * Departmentation By Territory
- * Departmentation By Product/Service
- * Departmentation By Time
- * Customer Departmentation
- * Process/Equipment Departmentation

Departmentation Principles Departmentation Systems	Speciali- zation	Coor- dination	Span of Control	Considering the internal conditions of enterprise	Minimization of costs	Giving the required attention and importance	The balance of authority and responsibility	Considering the external conditions of enterprise	Total
Departmentation By Enterprise Function	2	1	1	2	-1	2	2	2	11
Departmentation By Territory	2	0	-2	1	0	2	2	2	7
Departmentation By Product/Service	2	0	-1	-2	-1	2	-1	-2	-3
Customer Departmentation	2	1	-1	-2	-1	2	-1	2	2
Departmentation By Time	0	-1	-1	2	1	2	0	2	5
Process/Equipment Departmentation	2	-1	-1	2	2	2	0	-2	6
Mixed Departmentation	2	2	2	2	2	2	2	2	16

Table 1 : A Comparative Matrix of Departmentation Principles and Systems

* Mixed Departmentation

The hospitality industry uses each of these departmental divisions. But, function and product are the most common bases of departmentation at the operating level, while territory and customer are the most common at the corporate level.

The well-known features, advantages and disadvantages of these systems will not be repeated here. This topic will be analysed in the aspect of enterprise productivity.

3. The Analysis of Departmentation Principles and Systems in The Aspect of Productivity

There should be an analysis and synthesis process in order to decide which departmentation system should be used in an organization. After the evaluation of both the internal and external factors affecting the enterprise and the principles of departmentation, first separately, then comparatively, the most appropriate organization system can be formed.

3.1. A Comparative Matrix of Departmentation Principles Systems

In the analysis of departmentation principles and systems, from productivity point of view a new approach. A Comparative Matrix of Departmentation Principles and Systems" is improved. (Table 1)

The points are evaluated according to 5 different scales.

	not much unsuitable	suitable	neutral	suitable	highly suitable
	-2	-1	0	1	2

The evaluation points are given considering the principles of departmentation and both the priorities - and the weaknesses of the departmentation systems. The evaluation process is objective and depends on scientific management.

In the systems of departmentation if those principles are highly suitable in the aspect of productivity 2 points; if suitable 1 point; if neutral 0 point; if not much suitable 1 point and if unsuitable -2 points are given.

The sum of horizontal points in the table is the evaluation of suitability of each departmentation system to the departmentation principles from the productivity viewpoint of an enterprise. As a result of this evaluation, the systems of departmentation can be put in order, from highly suitable to unsuitable due to the departmentation principles. It is believed that a proper departmentation system would increase the enterprise productivity.

In addition, through evaluation of the departmentation systems at the administrative levels from the enterprise productivity viewpoint, validity of the systems is discussed at higher, middle and lower management levels.

3.2. The Analysis of Departmentation According To Productivity

The suitability level of the principles of departmentation to the systems were handled one by one and analyzed from the productivity viewpoints in comparative matrix.

On the matrix, the sum of horizontal points show the evaluation of the suitability of every system in the aspect of productivity.

It is believed that a system which is suitable to all departmentation principles increases productivity. In the comparative matrix, "Mixed Departmentation System" has maximum total point. At this system, the disadvantages of one departmentation system is balanced with the advantages of another. Therefore, organizational goals can be achieved; productivity, quality and profitability can be increased.

The departmentation systems are listed in order, according to their horizontal points as shown below:

1. Mixed Departmentation (16 points)
2. Departmentation By Enterprise Function (11 points)
3. Departmentation By Territory (7 points)
4. Process/Equipment Departmentation (6 points)
5. Departmentation By Time (5 points)
6. Customer Departmentation (2 points)
7. Product/Service Departmentation (1 points)

4. The Analysis of Departmentation Systems and Principles In The Aspect of Productivity At Hotels

The basic principles and systems of departmentation pertain to all industries. Therefore it is suggested that, all evaluations and the comparative matrix are also valid for hotels. Since the tourism sector has a great contribution to the balance of payments and employment capacity of a country, in the last decade great importance has been given to the development plans of our country. But on the contrary, expected development rate has not been achieved. Especially; productivity level of the hotel industry is low. According to the scholars, inappropriate organization structure is one of the factors that decreases the productivity level. In this aspect, it is assumed that there is an important role of departmentation in the effective organization of hotel. In order to test the results based on the theoretical part of the study, a sample hotel has been chosen. The hotels can be defined as "Human Industry" as they depend on manpower working 365 days and 24 hours. In order to see the departmentation systems in all stages of management levels, a five star big hotel has to be taken in the scope of the paper. In the practical part, observation, interview and application techniques are used. At the sample hotel from top to the bottom, with every personnel, face-to-face interviews have been done with the help of a questionnaire. These informations are checked during three weeks of application at the hotel. The organization structure of the hotel is analysed considering departmentation principles and comparative matrix. An organization structure proposal, assumed to increase productivity is improved. This model is compared with the organization structure of the sample hotel. The reasons for the deviations are analysed.

4.1. The Organization Structure Of The Hotel

4.1.1. The Analysis Of The Managerial Levels

The General Manager of the hotel is appointed by Government Employee Retirement Fund, Emek Construction and Management Inc., Hotel Industry Department. Primary departmentation is based on the functions of the hotel. Functional departmentation implies grouping workers who are all doing the same thing. The General Manager has the responsibility and authority to run the operations. Under him, there are seven major divisions: Rooms Division Manager, Food and Beverage Manager, Personnel Manager, Accounting Manager, Technical Service Manager, Marketing and Public Relations Manager and Purchasing Chef.

At the intermediate managerial level of the hotel, departmentation is based on functions and product/ service. The Rooms Division is subdivided, according to service, into four categories: Front-office, Housekeeping, Laundry, Telephone Operations Service. The Food and Beverage Department is subdivided, according to function, into three categories: Banquet Chef, Kitchen Chef and Maitre D'Hotel. The Kitchen Chef is responsible for all food production. Under him, there are five major divisions: Cafeteria Chef, Head Cook, Pastry Chef, Steward. Departmentation is based on functions. The head cook works with the various other cooks, including the Banquet Cooks. The Banquet Chef makes banquet arrangements and also directly supervises the food and beverage analyst the banquet waiters and waitresses, most of whom are called in only when needed. A Steward is responsible for the dishroom, the potwashers, the storeroom, buffets and the various cleaning and housekeeping functions.

The departmentation by function is probably the most common system used by the hotels, especially at the lower managerial level. At this level of the hotel, there are reception and reservation clerks, vale d'chambre, femme d'chambre, laundry workers, dishwashers, porters, waiters, cooks, accounting clerks, cashiers and electricians. (Figure 2)

Besides, Laundry, Front-office, Housekeeping and Telephone Operating Service the departmentation is based on time. The use of shifts is common in hotels. Except for problems of supervision and the question of efficiency, this form causes few managerial problems.

We can classify the services and operations, according to the relationship with costumers, into two major types:

1- Front-of-the house: There are face-to-face relations with customers. (Front-office, Maitre D'hotel)

2- Back-of-the house: Usually there are not any face-to-face relations with costumer. (Accounting, Technical Services, Telephone Operations Services)

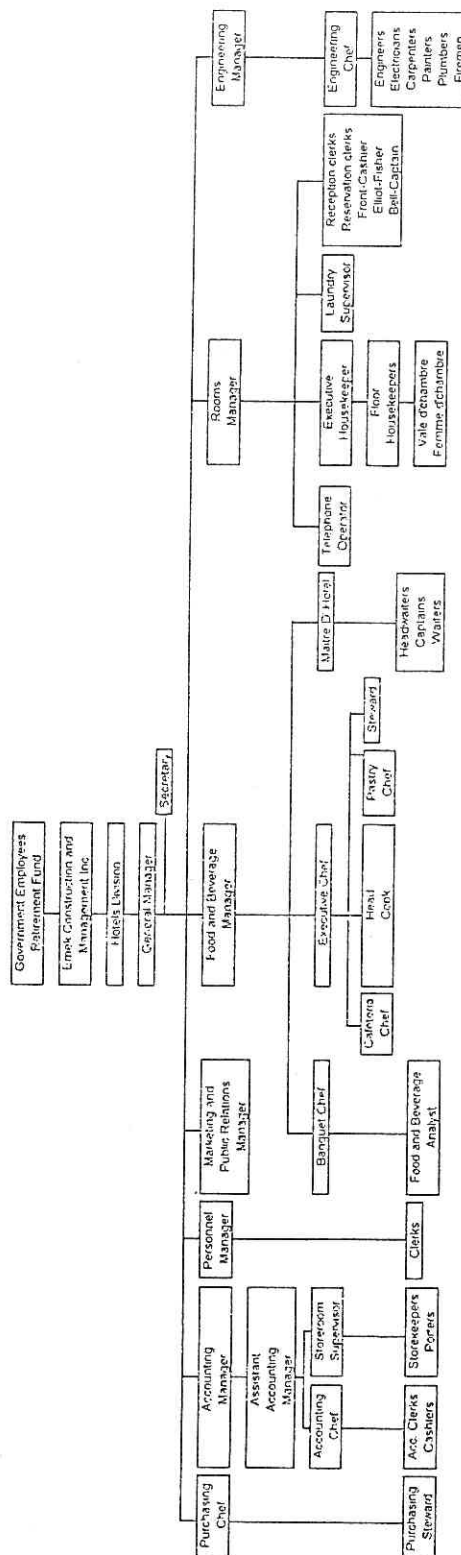


Figure 2: Organization Chart of the Sample Hotel

4.2. Analysis Of The Organization Structure In The Aspect Of Productivity

4.2.1. The Analysis Of The Departmentation Principles In The Aspect Of Productivity

a) Specialization

Primary departmentation is based on the functions of the hotel. Every division is controlled by experienced managers. This situation is suited to the specialization principle. The purposes of specialization are to increase productivity, make supervision easier and to produce better control. Especially, in the hospitality industry, qualified personnel is very important to increase productivity. However, at the sample hotel personnel is not sufficiently qualified. Because of the personnel policy, qualified people do not come to the empty permanent staffs. Besides, the personnel turnover rate is very high. The hotel is a public enterprise as it is managed by Emek Construction and Management Inc. The principle of fitting the right person to the right job rather than hiring just whomever comes along is not absolutely valid for the sample hotel. An on-the-job training program is not even developed at the hotel because training is very expensive whereas the lack of on-the-job training is the reason for poor service and unsatisfied customers. An unsatisfied customer may never return. Thus, the lost revenue from poor service far exceeds the cost of training a worker properly. Besides, personnel needs more time for specialisation. However, departmentation based on functions at the intermediate and lower management levels of the hotel, improves specialisation and increases productivity.

b) Coordination

The centralization in the hotel provides better management control and better management since the top people can stay more informed and involved. Whereas the advantages of centralization can turn into disadvantages in some circumstances. For example, to clear all decisions through a top authority is cumbersome. It stifles initiative among employees. The general manager may not be truly aware of the individual facts and circumstances. Thus, may not make the best decisions about them. For instance, the hotel maintains one central kitchen. The food production decision is made by The Executive Chef and The Food and Beverage Manager. Another example for better coordination is the comparison of the former and present organization charts of the hotel. The Rooms Division is established in order to coordinate the activities of Front-Office, Housekeeping, Laundry and Telephone Operations Service.

c) Span Of Control

The Hotel Manager has a Food and Beverage Manager, a Rooms Department Manager, an Accounting Manager, a Personnel Manager, a Marketing and Public Relations Manager, a Technical Service Manager and Purchasing Chef, all of whom report directly to him. In addition to these seven managers, The Hotel Manager routinely consults with supervisors one or two levels below him. For instance, he discusses problems with The Banquet Chef or Housekeeper. They feel quite free to consult the General Manager personally, if a problem arises. This hinders better control and coordination at the hotel. Increasing the number of subordinates (an arithmetic increase) also increases the number of relationships between the subordinates (a geometric increase). Two Assistant General Managers for service and operating departments are supposed to

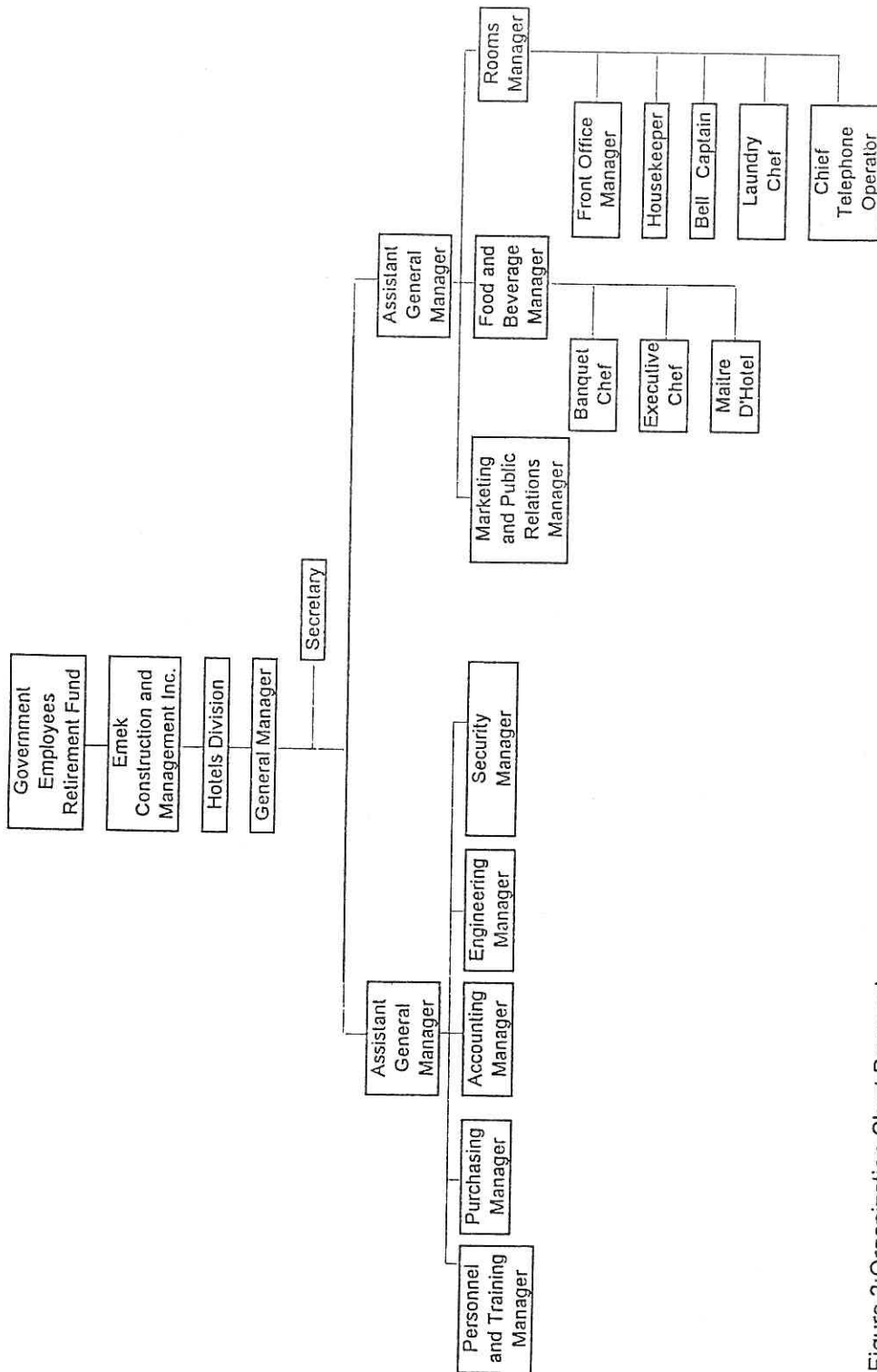


Figure 3: Organization Chart Proposal

facilitate control. Besides, the delegation of authority provides the decision making and application process to be more effective.

d) The Internal Conditions Of The Hotel

Internal conditions especially about personnel, effect the productivity level of the hotel. The number and quality of the personnel is not enough, the personnel turnover rate is very high and an on-the-job training program has not yet been established. Besides, there are shifting workers at The Front-Office, Telephone Operations Service, Laundry and Housekeeping Divisions.

Some conflicts in the informal relationships have been observed during the application part of the study. For instance, small conflicts between front-office and housekeeping affect the productivity level of the hotel. But, the problems have been solved in a short period of time.

There has been, informal communication for years, for example rumors about the purification of the hotel, which decreases the motivation of the personnel. The top management must increase working conditions to motivate the staff personnel.

e) Minimization Of Costs

"April 5 Economic Decisions" affect every expenditure of the hotel, additionally savings in every division are increased. According to the "Personnel Planning Report" of Emek Construction and Management Inc., the big amount of personnel expenditures is the most important reason of the hotel loss. In order to make profit, top management decreased the personnel surplus from 242 to 160 people. At banquet arrangements, most of the banquet waiter and waitresses are called in only when needed. During the interviews with hotel personnel, it has been mentioned that these applications decreased service quality, personnel motivation and productivity level.

Since 1990, Marketing and Public Relations Department, Security Department, Personnel and Training Department are supposed to be established. As the cost of a new department is high, only Marketing and Public Relations Department has been established. At the end of 1994, the Governor of Province has forced the hotels to establish a Security Department, because of the increasing terror events especially in big cities. Besides, Purchasing Department is supervised by a chef, not by a manager, in order to minimize the personnel costs. "Banquet Chef" is appointed to decrease the food and beverage cost.

f) Giving the required attention and importance:

The Security Department is very necessary in a five starred hotel. The Night Manager was responsible for the security of the hotel for many years, but "The Security Department" will be established in a short period of time. The General Manager of the hotel has so much work to do. As mentioned before, he can not manage to do all of them properly on time. The number and characteristic of work that one person can do is limited. He can not give required attention and importance to the planning, organizing responsibilities. For that reason, the important tasks that need high attention must be given to the department managers. For example, The Security Department must be appointed to a higher position in the organization chart. Under General Manager, Only The Purchasing Department is supervised by The Chef. However, this department affects directly the costs and revenues of the hotel. According to this principle, that department

must also be directed by a manager. Besides at a five-starred hotel organization chart, generally banquets are arranged by Banquet Managers, not Chefs. These departments are important for hotels. To establish new departments or to increase the management level of the work affect productivity.

g) The Balance Of Authority And Responsibility:

There is a conflict between The Food and Beverage Manager and Banquet Chef about the duty, authority and responsibility. Although there are four departments under him, the Rooms Division Manager does not have enough authority. In order to increase productivity at the hotel, the balance between authority and responsibility must be provided. A manager can be rightly held responsible for results only as far as his or her effective authority extends.

h) The External Conditions Of The Hotel

External conditions are government policies and institutional mechanisms, political, social and economic conditions, the business climate, availability of finance, transport, communications. They affect individual enterprise productivity, but the organizations cannot actively control them.

The economic conditions of our country, privatization projects affected the hotel productivity. Since 1990, privatization or purification of the hotel has been indicated through informal communication. The hotel belongs to Government Employees Retirement Fund. In the public sector, for modernization and restoration activities, there is a restricted amount of money. The decision process is very slow. In order to compete against rivals, these investments have to be made to increase service quality. Otherwise the decrease of the room prices, decreases the profits of the hotel. This is the handicap of the sample hotel.

4.2.2. An Organization Structure Proposal

The organization structure of the sample hotel is analysed considering departmentation principles and productivity. Some organizational problems have been determined. An organization structure proposal, assumed to solve these problems and increase productivity, is intended to be improved. (Figure 3) Nevertheless, an ideal organization plan constitutes a standard, and, by comparing present structure with it, enterprise leaders know what changes should be done when possible.

At the top management level, two Assistant General Managers, responsible from service and operating departments, are assumed to solve the problems mentioned at coordination and span of control principles. The delegation of authority in the hotel, makes decision making and communication process more effective. It is only necessary to get the work done. The General Manager can concentrate on the planning and policy making process. Besides, delegating authority develops management talent in the organization.

As people look for other jobs or enter retirement, the hotel must keep up with the turnover. A third, related reason for maintaining subordinate management and supervisory jobs is to keep bright, eager employees engaged and excited about their work by giving them increased responsibility. On the other hand, personnel costs increase.

At an intermediate management level, in order to give necessary attention and importance to the work, a Security Department is established. A Purchasing Manager, a Rooms Division Manager and a Front-Office Manager, Chief Telephone Operator have to be appointed. It is also suitable for the coordination principle. The Personnel Department has to be a Personnel and Training Department.

In the hospitality industry the suggestions above may increase the productivity:

* The most important source in the hospitality industry is labor, so worker's proficiency in doing the job, specialization and division of work are extremely important. Planning the organization structure helps to determine future personnel needs and attendant development programs. Without knowing which managerial personnel will be needed and what experience to demand, a hotel manager cannot intelligently recruit and train men. Job proficiency depends on proper training, having the appropriate mental and physical dexterity for the job, and the degree of experience in the job.

* In hotel industry to achieve the goals of the organization, the work must be grouped into common tasks and the activities which have relation with each other and have the same objective must be grouped together in order to supply coordination.

* During the departmentation process to make the supervision of the factors - personnel, costs, capital, revenue, quality, marketing, stocks -easier; we have to pay attention to the points below:

- The people or the positions supervising each other must be separated.
- In order to make the interdivisional comparisons easier, the divisions must have the same characteristic and conditions.
- In order to make the supervision easier, the manager of the divisions must be determined.
- Work must be grouped into common tasks to make supervision easier.
- The work units must include all the work that has to be done and eliminate both job duplication and uncertainty about who does what.
- The organizational climate must be taken into consideration.
- Cost-benefit analysis must be made during departmentation in order to minimize the costs, because every new division means new costs.
- The important activities for the success of hotels must be grouped in a separate organization division or the division must be increased to higher positions of hierarchy. This provides a chance to give necessary attention and importance to the work.
- The authority-responsibility balance must be determined in job descriptions and specifications in order to increase productivity.
- The internal and external conditions of hotel must be taken into consideration. Dynamic and flexible organization forms are increasingly required in growing, changing, complex, hospitality firms. Adaptations to changing the environment is very important for effective organization structure.
- The optimal balance between centralized and decentralized management must be determined at hotels.

CONCLUSION

The productivity of employees directly concerns a hospitality manager and to a great extent, controls his chances for success. An increase in productivity may

result in greater profits and more benefits for the employees themselves. Productivity is the key to an improved standard of living.

Organizing is essentially aimed at developing an intentional structure for effective performance. In order to make an organization structure work productive, the principles and systems of departmentation must be understood and put into practice.

The principles and systems of departmentation are sometimes stated as nearly laws, but they are only useful guides to follow. The factual background of each company's operations, needs and internal-external conditions must be considered in applying them.

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