

# **STUDIES ON THE ORGANIZATIONAL STRUCTURE, LEADERSHIP STYLES AND COMMUNICATION IN THE SEAFOOD INDUSTRY IN KERALA (INDIA) WITH RESPECT TO THEIR APPLICABILITY FOR INTRODUCING TOTAL QUALITY MANAGEMENT**

by

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## **ABSTRACT**

India has been exporting frozen seafood since 1953. The country now has 439 seafood factories of which 33 % are located in Kerala. Seafood constitutes 4.5% of the total export earnings of the country contributing about US\$ 1125 per annum. Two hundred thousand people are directly involved in the business and the country exports to over 50 markets worldwide, the main markets being Europe, Japan and the United States. With the expansion of the markets and with the increase in the number of suppliers, product variation became a major problem. Contamination with harmful microbes and filth have been reported as the major problems associated with seafood exports from India. Even though the country tried different quality control systems from end product inspection to in-plant quality control system to self-inspection in approved units, rejection and block listing has been a regular bottleneck in the expansion of the market. The total ban on the import of Indian marine products by the European Commission (EC) has led to the introduction of HACCP concepts for quality management in India. Countries like Japan have successfully adopted Total Quality Management System in their factories with great success.

A study was conducted on the possibility of introducing Total Quality Management Systems incorporating HACCP as the core concept in Kerala for successful and sustainable development of seafood markets for Indian exporters. The paper reports the results of the study conducted on the organizational structure, leadership styles and communication systems prevailing in the various seafood factories in Kerala with respect to their applicability to Total Quality Management Systems in these factories. The study shows that 43% of the seafood factories in Kerala are partnership companies, 28% are public limited companies and the remaining 29% proprietary concerns. Typical organizational structures of the partnership companies, public limited companies and the proprietary concerns are reported. The organizational structures of the public limited companies show that 50% are based on typical line functions and the remaining 50% have line and staff functions. The management in all the factories studied adopt autocratic or feudal leadership styles. This is not suitable for introducing Total Quality Management in these factories. An egalitarian leadership model is developed to suit the seafood industry in Kerala. The paper also discusses the type of communication prevailed in the seafood industry in Kerala. The communication system in the seafood industry in Kerala is also not suitable for successful implementation of Total Quality Management.

## **INTRODUCTION**

Organizational structure is one of the most important elements of management for study in any field of human activity. Organization makes use of specialization, by allocating specific jobs to those who are considered most suitable for the specific jobs and also establishes effective communication between workers, supervisors and managers in the factories. It helps to establish the relationship between different departments engaged in similar jobs so as to integrate the efforts of various departments towards a common objective. The term organization is defined by many authors differently, Allen (in: Lal, 1990) defined organization as "the process of identifying and grouping the work to be performed, defining and delegating

authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives”.

The Total Quality Management Approach identifies basic organizational problems. Effective problem solving at the early stage of a TQM process is advisable in order to understand the organization's strength and weaknesses. Kangi and Asher (1995) stressed the necessity of practical methods for developing a TQM approach for solving the basic problems affecting the organization's activities. Effective problem solving at the early stage of a TQM process is advisable in order to understand the organization's strength and weaknesses. An analysis of the organizational structure and design of seafood plants is important to understand the level of adaptability of TQM. Even though there is not even a single study on the organizational structure and design of seafood plants in India, a number of studies have been carried out elsewhere on the three main organizational design approaches: Classical, Behavioural and Contingency approaches.

There have been a number of theoretical perspectives that have emerged over the years that can be classified as belonging to the classical approach. Two separate branches of classical school have developed. The first one gave emphasis on the management of jobs (Scientific Management). Among these, Taylor's work on Scientific Management is important (Taylor, 1911). The second gave emphasis on management of organizations (Administrative Theory). Another important organizational design approach is the Bureaucratic approach, conceptualized by Max Weber, who believed that the key to the survival of an organization was through mechanisms that increased the efficiency of the organization's activities. The Weberian model is based on a number of important characteristics as: (1) Division of labour, (2) Well-defined rules and procedures, (3) Authority, (4) Impersonality, and (5) Careers. These characteristics of an "ideal" bureaucracy established a major organizational movement (Weber, 1947). Bennis (1966) assumes that bureaucracy will wither and become less prevalent in organizations because managers will be unable to manage the tension, frustration and conflict between individual and organizational goals. In addition, bureaucracy will fade because of the scientific and technological revolution in industrialized nations.

The management processes are different in various industries and environments. Burns and Stalker (1961) studied twenty industrial organizations to assess the pattern of managerial activities in planning, organizing, controlling and their relations to the external environment. They found that each firm in their study sample could be viewed as an information-processing network. Lawrence and Lorsch (1969) conducted field studies to determine what kind of organizational design was best suitable with various economic and market environments. Davis and Lawrence (1977) gave a detailed description about Matrix Design, a product structure superimposed on a functional structure, that is fast becoming the most popular form of organizational structure.

The organizing function acts as one of the major sources of development for the needed skills and roles performed by the manager. The influence component relates strongly to developing conceptual skills, and the coordination component is a determinant of diagnostic skills. In a similar manner, the various interpersonal, informational and decisional roles are affected by how the organization is structured (Szyilagyi, 1981).

Quality improvement demands the total commitment of the whole management system. According to Deming (1986) it is not enough that top management commit themselves for life to quality and productivity. They must know what it is that they are committed to – that is what they must do.

According to Vardaman and Halterman (1968), communication means the flow of material, information, perception, and understanding between various parts and members of an organization. It also means all the methods, means and media of communication (communication technology), all the channels, networks, and systems of communication (organizational structure) and all the person to person interchange (interpersonal communication). It includes all aspects of communication: up, down, lateral; speaking, writing, listening, reading; methods, media, modes, channels, networks, flow; interpersonal, intra-organizational and inter-organizational.

It is mere common sense that the intelligence of a handful of technocrats, however brilliant and smart they may be, is no longer enough to take them up with a real chance of success. Only by drawing on

the combined brainpower of all its employees can a firm successfully survive in today's world of changing environment and markets. Team building is the only solution in this respect. Only by carrying out planning and causal analysis in work groups, like quality improvement groups or quality circles, a full utilization of the intellectual resources of the firm is possible. Quality goals and quality policies are the basis of quality plans. Most of the seafood firms in India do little in this area. Quality goals and quality policies have a definite function in TQM.

Sadgrove (1996) classified the leadership structure in an organization into four categories; autocratic, feudal, egalitarian and anarchic. According to him, an egalitarian company is a much more liberated place to work. Here people communicate both up and down their own department and across their departments. Teams can be formed to solve particular problems. Because the structure is flexible, it can grow and contract in response to the market. This is the culture expected by TQM.

## **METHODOLOGY**

Twenty-four seafood factories out of the total of 120 factories were randomly selected for the study using a stratified random sampling technique for collecting general information of the seafood factories in Kerala. Out of this, ten factories were further selected at random for detailed study on the organizational structure and design, leadership style, communication and motivational aspects. To collect information on these aspects from three levels in the hierarchy (top management, middle level, floor level) pre-tested questionnaires were used. Rapid rural appraisal technique was used to get first hand information from the employees and management as described by Ward (1996). The classification of the organizational structure of the factories has been done based on the procedure described by Sadgrove (1996) to find out the leadership style and communication prevalent in the factories.

## **RESULTS AND DISCUSSION**

The study shows that 43% of the seafood factories are partnership companies, 28% are public limited companies and remaining 29% proprietary concerns. The public limited companies are all of recent origin and came into existence in the late 1980s and early 1990s. Entrepreneurs who were already in the seafood business for a long time established 90% of the public limited companies. On critical examination of the public limited companies it could be found that most of the shareholders are belonging to a single family or their relatives. This status of the company reduces the cosmopolitan climate in the decision making process of the public limited companies. Family members or their relatives run most of the partnership companies.

Coordinating the units and departments of an organization is an extremely important but massive and costly managerial activity. The organizing function acts as one of the major sources of development for the needed skills and role performed by the manager. The influence components relate strongly to developing conceptual skills, and the coordination component is a determinant of diagnostic skills. In a similar manner, the various interpersonal, informational and decisional roles are affected by how the organization is structured (Szilagyi, 1981) Kossen (1991) defined an organization as a group of individuals structured by specialized activities and levels of authority. The organizational structures of the public limited companies show that 50% are based on typical line function and the 50% have line and staff function. According to Szilagyi (1981), as organizations increase in size and complexity, it is necessary to introduce personnel with specialized knowledge and skills. This creates the arrangement of line – staff functions.

The organizational structure of public limited companies consists of Board of Directors at the helm of affairs, and a Managing Director appointed by the Board of Directors to look after the day-to-day affairs of the company and report to the Board of Director from time to time. A General Manager or senior manager assists the Managing Director. The line functions are broadly classified into operations, administration and finance. Operation is the major function in the seafood factories. Senior manager (operation) who is further assisted by a purchase manager in the production section, and production control manager in the production control and quality assurance section completes the operation division. The general administration is a small department in most of the factories. A finance manager assists the general

manager in the financial aspects. Recently some companies have also introduced a personnel section to look after the welfare of the employees with personnel manager in charge of the section and directly reporting to the general manager. Technologist and supervisors who directly report to the respective managers further support the functional lines. The supervisors directly control the floor level workers in different sections. Line groupings are those units that are directly involved in producing the products or services but staff groupings are those units that perform in support of the line function Szilagyi (1981). According to Kossen (1991), staff members don't ordinarily have direct authority over line members, although there are numerous exceptions. Because of their technical or professional knowledge, staff members commonly provide assistance or advice to line members, which helps to free line managers from details that are neither directly related to daily operations nor require specialized skills and knowledge.

In case of partnership companies, the major partner acts as the managing partner and the remaining partner look after the various functions of the organizations. In most of the partnership companies a clear-cut delegation of powers has been noticed with respect to the authority of partners. The majority of the partnership companies have three functional departments namely – production, administration and marketing. A production manager heads the production department. The production manager looks after both production and quality assurance of the company. Technologists and supervisors assist the production manager and quality assurance manager. The organizational structure of partnership companies shows typical line authority structure Kossen (1991).

The pattern of organizational structure in proprietary companies is more or less similar to the partnership companies except the fact that the proprietor heads the company and functions as an autocratic leader.

Sadgrove (1996) discussed leadership structure in an organization into four categories – autocratic, feudal, egalitarian and anarchic. The study shows that 71% of the seafood factories in Kerala are following an autocratic style of leadership. Here the proprietor functions as a dictator with little authority delegated to lower levels. According to Sadgrove (1996) in an autocratic set-up one person is at the centre of the business, nothing happens without his approval. The present study in the seafood factories in Kerala was in perfect agreement with Sadgrove's findings. The remaining 29 % follow a feudal leadership style (Figure 7). These factories are all public limited companies. In the feudal company, the people at the top were far away from the bottom and the two never communicated each other. Sadgrove (1996) also reported similar findings. So the structure is rigid. Public limited companies in Kerala show typical feudal leadership style. An egalitarian style of leadership model is recommended for the seafood factories in Kerala to transform them into TQM factories. This is a basic necessity to apply any quality management measures in the seafood factories. Without this transformation all other efforts to improve quality through the modern concepts like HACCP or ISO 9000 would not be successful. According to Sadgrove (1996) an "Egalitarian" company is a much more liberated place to work. Here people communicate both up and down their own departments. Teams can be formed to solve particular problems. Because the structure is flexible, it can grow and contract in response to the markets. This is the culture expected by Total Quality Management.

In the seafood processing industry in Kerala, communication from top management to floor level employees is not satisfactory. Top managers are unable to communicate with floor level employees. According to Dahlgard et al. (1995), a central element of leadership is the ability to communicate the goal to employees so perfectly that they unequivocally accept it as common goal of the group. Leadership's most important role is to help people do a better job.

The overall communication in the factories is not satisfactory as 40% of the information is passed through oral communication. This has every chance of distorting the information in the communication channels. Only 10% of the communications are found to be participatory in nature. This shows a very high communication gap in the factories with autocratic style of leadership. The main media of communication are oral or through notice boards. Informal channels dominate the communication network, but meetings are also occasionally called to settle disputes. The horizontal communication is all informal. The employees have upward communication only to report their grievances. No official upward channel is provided for the lower level employees to express their ideas about products or quality assurance.

A communication system that only gives specific directives about job instructions and procedures and fails to provide information about job performance or rational-ideological information about the job has a negative organizational impact. According to Luthans (1977), this type of downward orientation promotes an authoritative atmosphere, which tends to inhibit the effectiveness of the upward and horizontal system of communication.

The following communication channels are used by the management to communicate with the floor level employees in the seafood processing industry in Kerala. In the case of permanent employees they use formal channels like issuing notice and calling meeting for direct communication. The written communication is usually routed through the hierarchical levels. In the case of contract employees, the communication is passed through the respective managers and the contractors. Usually informal oral communication is passed to the contract employees through the contractors. Kossen (1991) point out that a principal advantage of oral communication over written communication is that spoken message allow you to receive instant feedback. With written communication, feedback may be delayed or even non-existent. Telephone communication, although not face to face, have some of the same advantages as face to face communication.

Traditionally, one of the dominant themes of communication has been the so-called downward system. The downward system is more accurately portrayed as superior-subordinate communication. There are personal linkages, not just information flow, in the downward systems (Luthans, 1977). Katz and Khan (1966) identified five general purposes of superior-subordinate communication in an organization. They are, to give specific task directives about job instructions, to give information about organizational procedures and practices, to provide information about the rationale of jobs, to tell subordinates about their performance, to provide ideological-type information to facilitate the indoctrination of goals.

In the seafood processing industry in Kerala, if the top management notices any quality defects or problems this is usually communicated to the lower level employees only through oral communication or through a meeting. The employees feel that the exact facts are not properly communicated. Inadequacy has been noticed in all the factories regarding proper communication. Bedeian (1986) discuss the major precautions that can be taken and approaches used to minimize communication breakdown. They are: obtain feedback, encourage upward communication, use face to face communication where possible, engage in deep sensing, avoid credibility gaps, anticipate rumours, write for understanding, watch your timing, be sensitive to needs and feeling of others. Simpson (1959) points out, in today's increasingly large and complex organization, communication across the chain of command has become quite important to organizational performance. This type of communication is referred to as lateral communication. The need for lateral communication is created primarily because of problems with the organization's structure. First, there is the issue of time. Frequently, information must be transmitted across organizational functions for decision making purposes, such as a customer complaint on product quality that is received by a sales representative, but must work its way to production unit manager. Under normal circumstances, this information would be transmitted along the chain of command of the marketing function, and then down the manufacturing chain of command to the responsible manager. When time is critical, as in solving a serious customer problem, this form of communication can be less than satisfactory.

In the seafood processing industry in Kerala, all the employees interviewed at different levels feel that the communication gap at different levels is the main cause for difference of opinion and conflict in the factories. Szilagyi (1981) points out that mutual personnel exchange (conflict resolving strategy) involves increasing the communication and understanding between groups by exchanging personnel for a time. The assumption underlying this strategy is that the exchanged personnel can learn about the other group and communicate their impression to their original group.

Employees in the seafood processing industry in Kerala also feel that improving the open and efficient communication in the factories will lead to improved quality and productivity of the industry.

The study shows that the main type of communication in the factories is only informal, that is oral communication. Szilagyi (1981) reported that the open plan design of the work place improves communication and performance between organizational members when there is a need for frequent verbal (face-to-face communication).

The top management of the seafood processing industries in Kerala considers the production turn over as the important contribution of the employees and does not provide any opportunity for the employees to participate actively for the improvement of the quality of the products or quality of the factories. Ramachandran (1990) reported that the fish processing industry in Kerala and elsewhere in India has totally neglected the contribution of workers in the productivity, quality and overall growth of the industry. This total neglect of workers is one of the main reasons of low productivity, low quality of the output in the industry.

Ninety percent of the seafood processing factories do not have any quality team comprising employees from different levels. Only 10% of the factories have an HACCP team, which includes floor level employees. These 10% of the factories have instituted HACCP teams as a result of pressure from the EC Directive (91/493/EEC) and have obtained EC approval. Many researchers and authors have pressed the need for workers involvement in productivity and establishment of quality circle (Udapa, 1983; Smith, 1983; Rai, 1984; Chandreshekharan 1986; Ramachandran, 1990). This will improve the productivity and quality of the product.

The major source of communication between the middle managers and the top-level managers is through informal channels, 50% of them oral. Other important means of communication are written memos, letters, meetings, display of information in the notice boards, or direct discussion. The horizontal communication mainly takes place through direct communication or through informal networks. Similarly, the downward communication originated from the middle level also takes place through direct communication or through informal channels. In fact the main communication link between the lower employees and the middle level are found to be the supervisors. They are found to be the linking pin between the lower level employees and the middle level managers.

Open communication with participatory type of management can definitely improve the commitment of the employees and improve the quality and productivity of the seafood factories. For this there is a need for change in the existing pattern of leadership styles, organizational structures and communication systems in all the factories.

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