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Management in Socialist Industry
and Enterprises

Part II

Structure of Management in Socialist
Industry and Enterprises

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3. Structure of management in socialist industry and enterprises

After having dealt with general problems as to the economic position of enterprises and association of nationally-owned enterprises,¹⁾ we would like to explain their structure of management. That can only be done by taking into account these ideas mentioned in connection with the basic principles of the new economic system of planning and managing the national economy and related to the organization of management. This so, because the structure of industry and enterprises doesn't end in itself but serves to fulfil the task of industry and enterprises within national economy.

A given structure reflects a certain level of knowledge about the necessary functions in managing and planning reproduction process. The level of knowledge, however, is not a constant one. It is developed according to newly investigated objective laws of planning and managing reproduction process. A structure of management successfully applied during a certain period will contradict, therefore, itself when the conditions of planning and managing have been changed.

Proceeding from that, we are able to come to first conclusions:

- the structure of management has exactly to reflect definable conditions of reproduction process,
- the structure of management has to be adopted to these conditions of reproduction process.

By recognizing these very facts, it renders impossible simply to transfer a certain structure of management from one branch or enterprise to another. This can only be done as stressed earlier, by taking into account the different conditions given. Since, however, on basis of the uniform reproduction process a lot of conditions are comparable, you will find a certain conformity within the framework of skeleton wards not only within enterprises of socialist but also of capitalist countries. Thus,

1-- c.f. Memo. No. 1 of the Institute of National Planning.

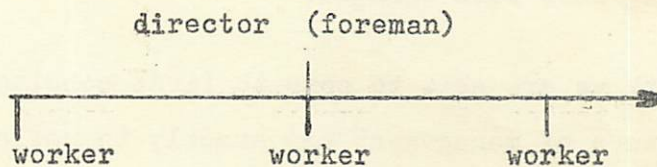
it renders possible to analyse the structure of enterprises in foreign countries and to draw conclusions in favour of management of one's own countries' industry and enterprises.

3.1 Structure of management within industrial enterprises.

The structure of management itself shows the division of labour within managerial activity by leading the reproduction process. It shows, furthermore, which kind of managerial organs were established within this structure so as to carry through reproduction process.

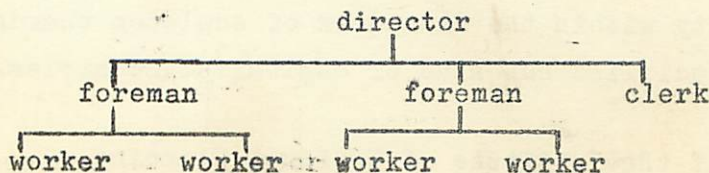
In general, we distinguish one- and multistage systems of management. It depends on the scale of production what kind of stage-system is considered to be the most suitable one.

The one-stage system is characterized as follows:



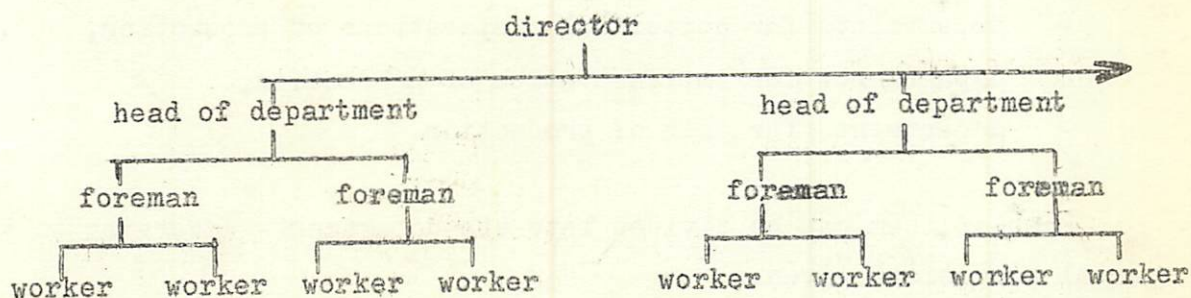
This system is only applicable in handicraft and other small enterprises. The director of an enterprise leads the subordinated workers and clerks directly.

The so-called two-stage-system of management is regarded wide-spread in enterprises. It involves a second managerial level within the managerial hierarchy and looks like as follows:



Above all, this system of management is applied to middle-size enterprises. The director implements his activities and duties by using foremen or heads of departments.

The multi-stage-system of management corresponds to the scope of managerial activity within enterprises marked by a large-scale production. It may look like follows:



This multi-stage-system can be extended by using upper-departments and subdepartments within the productive and managerial sphere. That means, according to the scope of necessary managerial activity, there are established, e.g., productive upper-and sub-departments.

Before speaking about the special structure of management in socialist enterprises, some remarks on so-called functional-and directive departments.

The functional system played an important role for increasing the quality of managerial activity. The utilization of its advantages renders possible without contradicting to the principle of one-man direction by affiliating functional organs or departments to the director. These functional departments are mainly engaged in special functions of managerial activity, for example, planning and follow-up.

The directive departments, on the other hand, are expected to deal with

- preparing the conditions and ,
- implementing special parts of the production and reproduction process.

They comprise, therefore, a whole complex of managerial activity due to the single stages of production and reproduction process. It depends on the scope of the enterprise and the conditions of the reproduction process, how many directive departments have to be established. In general, you will find the following directive departments:

- departments for scientific and technological preparation of production,
- departments for commercial preparations of production,
- departments for implementation of production,
- departments for sale of production.

Each of them can be divided into sub-departments according to the special conditions given.

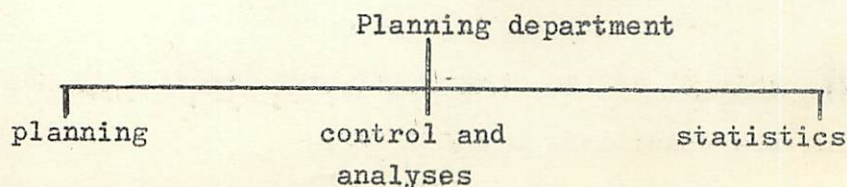
After having dealt with these main features of the structure of management, the specific structure of socialist enterprises is to be discussed. A skeleton chart of a socialist industrial enterprise (metal-processing industry employing about 2000 working people) serves as an example.

(c.f. sketch 1)

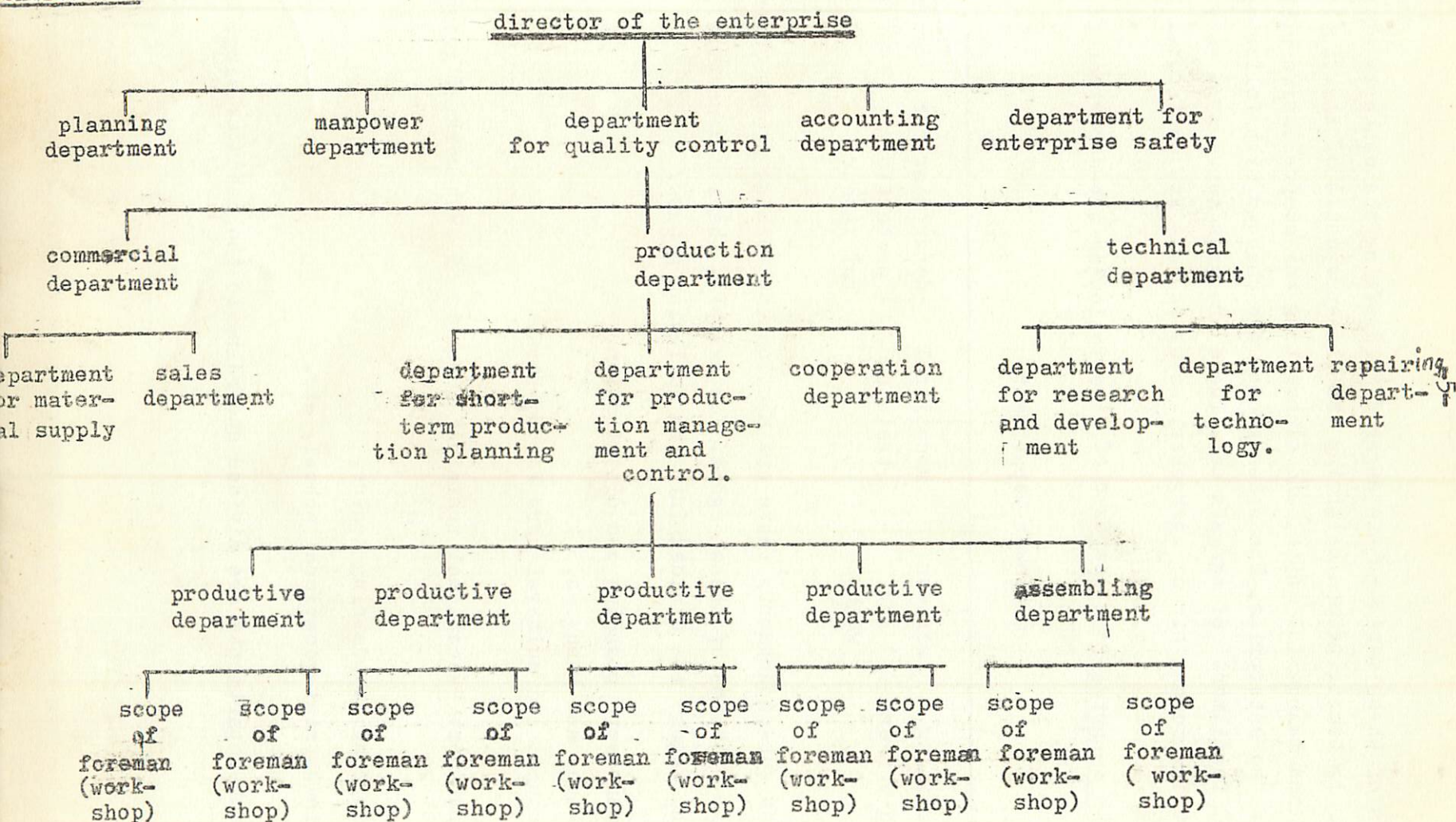
We would like to explain the single organs within the skeleton chart in more detail.

The director of an industrial enterprise usually disposes of one or two personal secretaries and a secretary's office. Furthermore, the department for enterprise organization is directly subordinated to him.

The planning department is divided into sub-department or sections like follows.

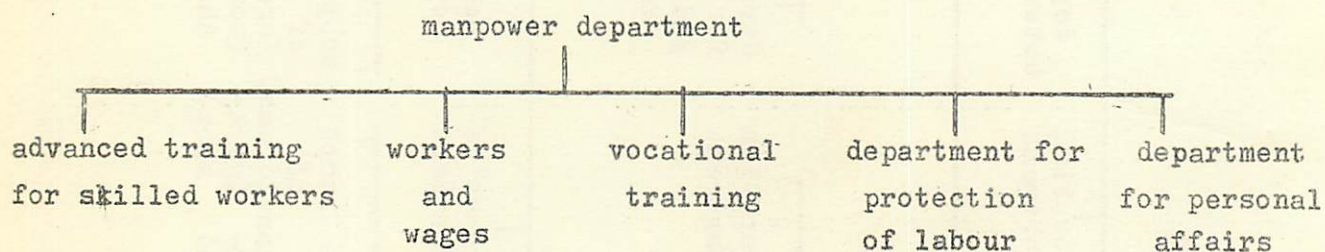


SKETCH "1"



The members of these sections are engaged in drafting the concepts of the plan-proposal, combining and balancing the plan-proposals of the single productive and managerial units, and elaborating the comprehensive plan-proposal of the enterprise. The other groups are charged with follow-up and analysis of fulfilment of targets set. These analyses serve as a very significant instrument of top management so as to take its decisions.

The manpower department is composed of the following sub-departments:



Within these sub-departments there are sections or working groups dealing with special problems of these organs. For example, the sub-department "workers and wages" is divided into the following groups:

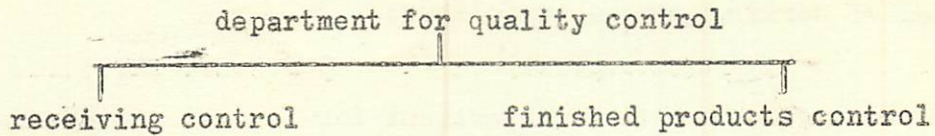
- manpowers planning and distribution,
- wages and bonusses,
- social and cultural care for workers.

The sub-department "vocational training" consists of such working groups as:

- apprentice training centre,
- industrial vocational school, etc.

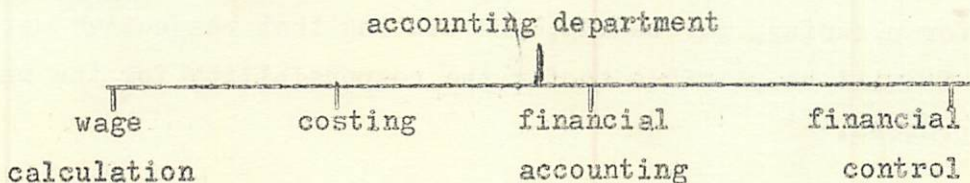
The other sub-departments are divided according to the needs arising.

The department for quality control consists of, in general, two sub-departments:



The receiving control deals with checking up the quality of the receiving materials and components. This department, however, has lost significance under socialist relations of production. This so, because any enterprise is forced to deliver its products according to standards of quality set by state authorities. In doing so, the sub-department for finished products control has increased its role and importance. Products which don't correspond to this standard can be refused by the buyer at the expense of the supplier.

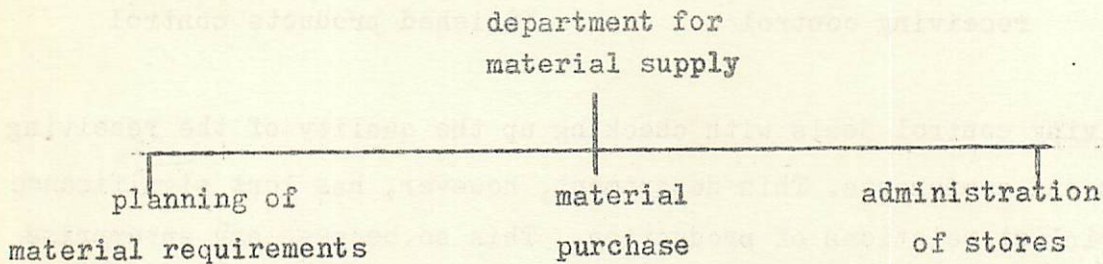
The accounting department is usually divided into the following sub-departments:



The wage calculation, in turn, comprises such sections as gross and net wages and wage-statistics. The section for costing deals with costing for different departments and single products, while the financial accounting is engaged in such problems as current account, application, and in filing vouchers or registering them. Moreover, the financial control has to work out financial analyses, statistics, and it is charged with the internal audit.

The department for enterprise safety as it is expressed by the designation, is responsible for supervising the entry and exit of working people of the enterprise and visitors.

The commercial department, in large-scale production enterprises subordinated to a director, is generally divided into the following departments or sub-departments as material supply and sales. These, in turn, are composed of working groups as follows:



These sub-departments or working groups themselves are mainly divided according to the materials needed. Thus, you will find working groups dealing with planning gray-iron, products of rolling mills, etc. In other enterprises, the subdepartments are arranged according to the stages of circulation process. Due to the implementation of the production principle, new trends in the foundation of working groups within departments for material supply have been developed. One working group, for instance, is responsible for planning, purchasing, and storing that respective material. In doing so, it will be possible to fix the responsibility for the whole circulation process.

Besides the sales department, subdivided according to the main products to be sold and as to main commercial functions like investigations of demands, fairs, etc., some other managerial units are directly subordinated to the director of the commercial department as well .

Such units are:

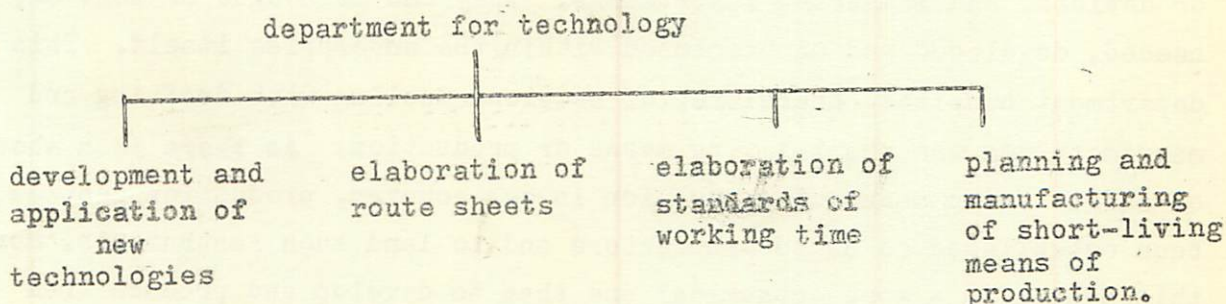
- internal transport (between departments),
- external transport,
- garage, etc.,
- general administration (cleaning),
- post and telephon office, etc.

In many cases, cash for current payments is subordinated to the director of the commercial department, too.

The production department comprises the three departments already mentioned in the skeleton chart. These, in turn, involve special working groups established in line with the respective main tasks which can be described as follows:

- planning of productive capacity,
- elaboration of master schedules for manufacturing of products,
- working out of short-term plans for the single productive departments,
- working out of vouchers, e.g. voucher of wage, etc.,
- optimal machine loading,
- store-keeping of semi-finished products etc.,

To the head or director of the technical department are subordinated the departments for research and development, technology and the preparing ^{department}. The department for technology is charged with preparing and implementing all the problems concerning the technology of production process. It is divided, therefore:



The conceptions or terms used in this connection are more or less translations of such terms applied to our country. That is why it is necessary to discuss the contents of these tasks in detail.

The first mentioned department, for example, deals with utilizing new methods of production including manufacturing of products, materials handling, and quality control applicable in the future. This has to be done by taking into consideration the conditions of production given, possible changings, and their economic effects.

The elaboration of route sheets means the description of a technological process necessary to manufacture a certain product or component. Such a technical description of a manufacturing process contains:

- the single operations within a manufacturing process,
- the necessary machines, instruments or tools,
- the working time needed to implement this operation,
- the qualification of the worker required,
- the amount of wage paid for this operation.

The route sheet comprehensively explains, therefore, the "Know-how" in order to get a certain product or component. Since the drafting of route sheets is closely connected with the elaboration of standards of working time and material consumed, corresponding working groups are affiliated to the department for technology.

Short-living means of production are instruments or tools, mechanism or devices, and measuring instruments. They can be bought or lent or, if needed, developed and manufactured within the enterprise itself. This department consists, therefore, of sections dealing with drafting and manufacturing the short-living means of production. As there is a shortage of short-living means of production in our country, production centres have been established so as to manufacture and to lend such instruments. Moreover, this method is a more economical one than to develop and produce them within every industrial enterprise itself.

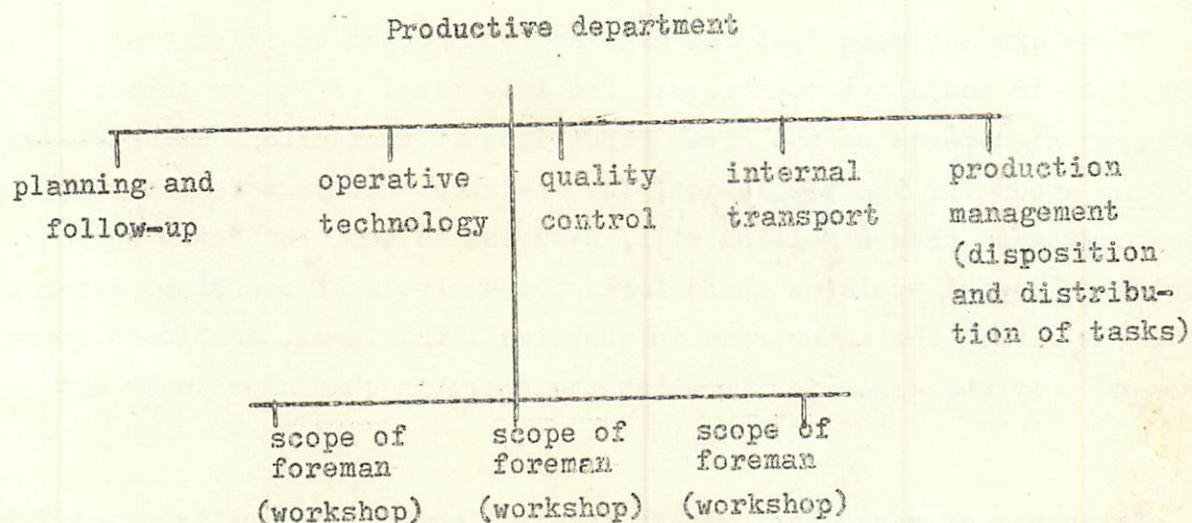
The repairing department is responsible for :

- current supervision of all means of production,

- capital repairs of means of production (unless they are not carried through within specialized enterprises.)

These functions are realized in line with the department of production management so as to avoid disturbances of the production process.

The productive departments are directly subordinated to the director or head of the production department. It depends on the scope of such a department and the conditions of production how its structure is composed. To give an example, the skeleton chart of a productive department, comprising about 150 workers, may look like the following:



The skeleton chart shows that, like to the director of an enterprise, some functional organs (in general one person only) are subordinated to the head of a productive department. This so, in order to make sure his responsibility for the production process within his department.

But, there is no general rule or description how to organize the management of a productive department. It depends, more than at the other stages of the managerial hierarchy, on the different conditions of production given. For example: under conditions of mass-production, the functional

organs within productive departments are more centralized than under conditions of single-production, or, highly mechanized manufacturing of products needs another technical supervision than a low mechanized one. When drafting the skeleton chart of a productive unit, it is necessary, therefore, to study the conditions of production given and to choose such functional organs ensuring a continuous and smooth production process.

The scope of a foreman comprises about 30-50 workers. In accordance with the different conditions of production, working teams within the scope of a foreman have been established. But this is only useful if a strong collaboration is enforced by the conditions of production. Thus, working teams are dominating within assembling shops.

These are the main features of a skeleton chart of industrial enterprises in socialist countries. The importance of one or another part of management depends on the given conditions of production. Enterprises producing goods for the population, for instance, have a more extended sales department than a rolling mill. Needless to say, the basis for any drafting of a useful skeleton chart forms the analysis of necessary managerial activities within the enterprise in question. The ideas, mentioned above, represent only the direction in which the skeleton chart has to be set up.

3.2. Structure of management within associations of nationally-owned enterprises.

In the past, the structure of associations has been changed very often. These changings of the structure have been brought about by the alterations of their tasks and in their economic position. If, at present, the association bears full responsibility for the entire reproduction process of the subordinated enterprises, the structure has to correspond to these tasks. Thus, the structure of an association has to correspond to that of an industrial enterprise. As, however, some tasks pass over the responsibility of enterprises, new departments have to be established within the structure of associations. This holds true, especially for such problems as:

- prospective planning on the basis of producer groups,
- organization of social division of labour between subordinated enterprises,
- standardization of components and products,
- calculation or verification of prices calculated by the enterprises,
- distribution and redistribution of financial funds.

Proceeding from these additional tasks, the structure of management of associations of nationally-owned enterprises has been drafted as follows. (The structure of the association producing and selling hard-ware: knives forks, keys, etc.- shall serve as an example). s.f. Sketch 2

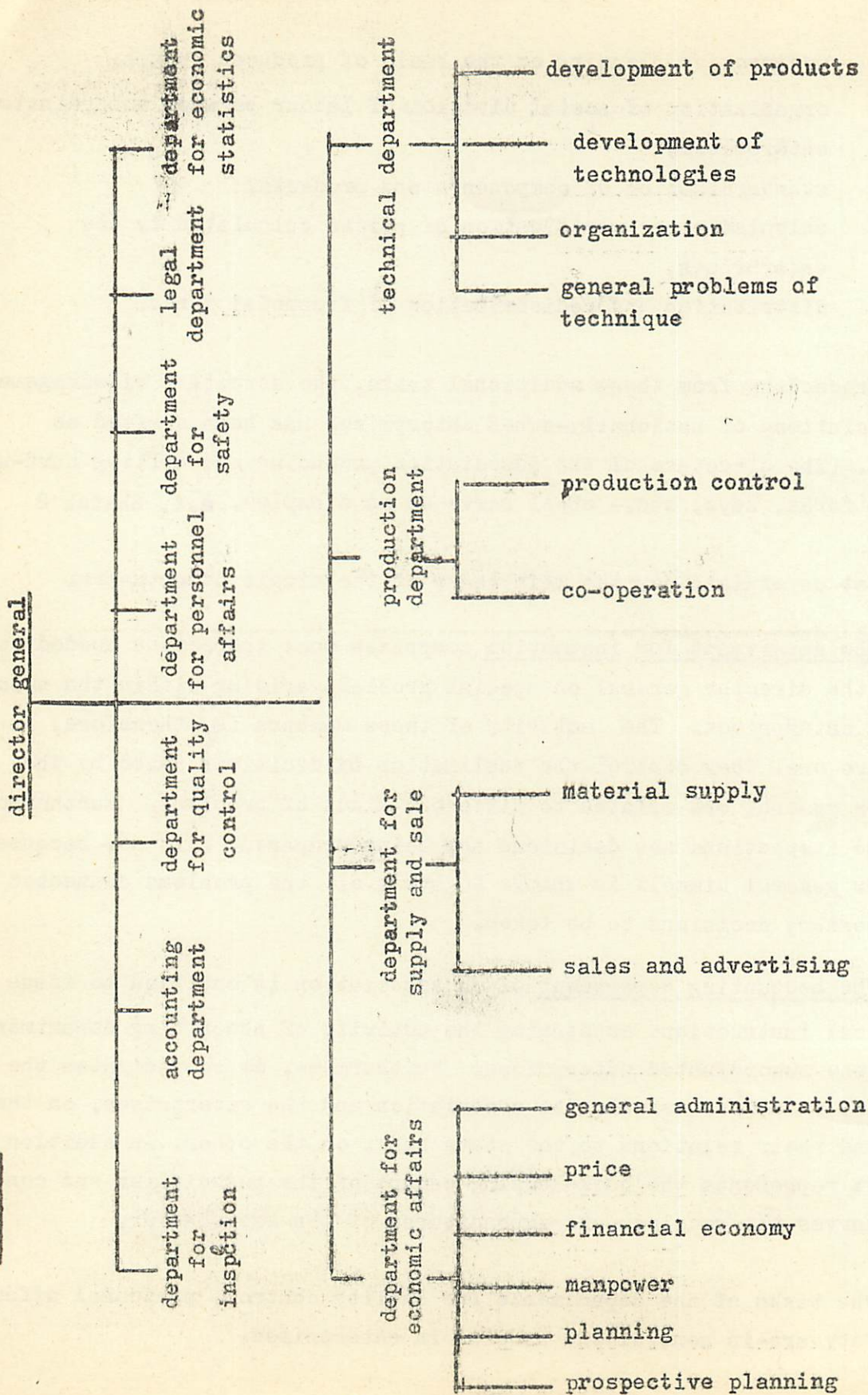
Let us explain now the main tasks of the single departments.

The department for inspection comprises some inspectors needed to inform the director general on special problems arising within the subordinated enterprises. The activity of these members is, therefore, an operative one. They control the realization of decisions taken by the director general and related to different kinds of problems. Furthermore, by these inspections new decisions are being prepared. This so, because the director general himself is unable to study all the problems connected with the necessary decisions to be taken.

The accounting department of an association is entitled to issue methodical instructions concerning the activity of accounting departments within the subordinated enterprises. Furthermore, it coor-dinates the financial relations between the association and the enterprises, on the one hand, and their relations to the state bank, on the other. In addition to this, it represents the book-keeping centre of the association and conducts and observes the receipts and expenditures of the association.

The tasks of the departments for quality control, personnel affairs, and safety are-in general-the same as in enterprises.

Sketch 2



The legal department is charged ^{with} supervising and controlling the enterprises in all questions as to the observance of legal instructions in ~~their~~ activity. That means, e.g., that the legal department is expected to observe the conclusion and fulfilment of contracts, and it represents the association in lawsuits.

The department for economic statistics is charged with elaborating statistics and analyses needed to prepare decisions to be taken by the top management. Furthermore, it is responsible for preparing the industrial reports over against superior authorities and the Governmental Administration for Statistics.

These are the functional organs of the director general. Concerning the tasks of the so-called directive organs headed by a director, we have to keep in mind the following facts:

The departments for prospective planning have newly been established. This so, because the prospective planning plays a increasing role in managerial activity of associations and enterprises. The main tasks of such a department are:

- to analyse scientific and technological progress and its effects on the products, technology etc. of the association and the directly or indirectly subordinated enterprises;
- to work out or to lead the elaboration of scientific and technological conceptions of the producer groups;
- to prepare and conduct the drafting of prospective plans of the association and enterprises;
- to advise those departments preparing and drafting annual plans.

For this activity decisively influences the future development of the branch, highly qualified scientific and technological personnel and economists have to be selected for this department.

The department of planning economy or the planning department deals with current affairs of planning. That means, it is charged with:

Scientifically-based elaboration of orientation data and distributing them between the subordinated enterprises,

- drafting the annual plan of the association.

In addition to this, the planning department is entitled to issue methodical instructions concerning the elaboration of plan-proposals, the contents of the single plans, and the blanks or printed forms to be used. The uniform procedure of working out the plan-proposals is urgently needed if data-processing machines are to be utilized for balancing and summarizing the single plan-proposals.

The manpower department of an association has been established so as to make sure a high degree of conformity in all questions concerning workers, wages, labour productivity, vocational training, socialist competition, etc.. It is charged, therefore, with instructing and supervising the subordinated enterprises. That's true, especially, for:

- elaborating of scientifically-based labour standards,
- applying the wage rates (tariff regulation of wages),
- preparing the organization of socialist competitions,
- developing the creative faculties of working people, etc.

Besides this, the manpower department shoulders the responsibility for such problems, as vocational training, advanced training of skilled worker, etc., concerning the branch as a whole.

The department for financial economy has to take over some special tasks of financial policy closely connected with the elaboration of prospective and annual plans. Such problems are:

- the planning and distribution of financial funds of the association,
- the planning of application of financial funds,
- the follow-up of the application.

This department, has, however, like the other functional organs, only advisory functions. That means, instructions regarding the funds are elaborated by members of this department. After being confirmed by the director general, the advanced suggestions will become directives or instructions for the subordinated enterprises.

The departments charged with calculating and verification of prices have been established to direct the price policy within one association. In doing so, this department is expected to develop methodical instructions how to calculate prices and it has to supervise or verify the prices for the single products or components calculated by the subordinated enterprises.

With regard to the activity of the department for supply and sale, the association distinctly differs over against the duties of an enterprise. This so, because the association doesn't produce any products. Thus, the material supply has generally to be organized by the enterprises themselves according to their special requirements. The association supervises, however, the process of concluding contracts and their fulfilment. Methodical instructions concerning this procedure are issued by the department under discussion.

As to the sale of products, the role of an association is a more and more increasing one. The main reasons are the following:

- the main tasks of enterprises are arising out of their production,
- the sales organization implies high expenditure (foreign markets),
- it becomes more and more uneconomically for a single enterprise to set up and maintain its own service,
- investigation of markets can only be done economically if groups of products are included, etc., .

If so, the centralization of sales functions represents the most economic way to solve the problems in question. In some associations, therefore, sales and advertising centres have been established. They are charged with all the duties connected with the sale of products. To the enterprises remain only these functions of the immediate packing up and transporting. This doesn't mean, however, that the enterprises have lost their responsibility to produce first class and easily saleable goods. On the contrary. The centralization of sales aims only at setting free the enterprises from a lot of administrative tasks and concentrating their efforts on the improvement of products and the rationalization of production process.

The increasing division of labour in industry forces us to develop a comprehensive system of collaboration among enterprises. That's true within the scope of a industrial branch as well as the industry as the whole. The system of collaboration within one branch is to be conducted by the respective department of the association.

The cooperation department forms the leading centre in conducting the social organization of production. The trends of the future development of specialization, cooperation, concentration, and combination have to be elaborated by this department by taking into account the trends of scientific and technological progress and social division of labour in industry and national economy.

After having prepared the necessary measures, the enterprise plan reflects the new ideas expressed, for example, in the redefinition of production programs and the assortment of products. The cooperation department, in turn, leads and supervises the implementation of the new system so as to ensure a smooth realization without neglecting the requirements of national economy. The increasing specialization and cooperation can only be effective if all the enterprises fulfil their plans steadily. To ensure this, a preventive follow-up renders necessary.

According to its responsibility for the whole reproduction process, such a control is carried through by the department ^{for production} ~~by~~ control or follow-up of the association. In doing so, the director general will be in a position to influence the production process of subordinated enterprises by decisions taken on basis of the results of the department control.

The department dealing with the general problems of technique has to solve some comprehensive tasks. Such tasks are:

- to determine the future trends of research and development (in collaboration with the Council of Research and its working teams as well as other scientific-technical institutions of course,)
- to draft the plan of research and development of the association, especially, for its scientific-technical centres,
- to establish or to supervise the documentation centre,
- to conduct the development of standardization of products and technologies in close collaboration with central state authorities.

It thence follows that this department represents the centre of scientific-technical organization responsible for coordinating the activity of all the research and development institutions within the association.

In recent years, the importance of the organization department has been increased. This development is closely connected with the efforts to improve the system of management of industry and enterprises within our national economy by means of

- the application of mathematical methods for management and planning.
- the application of data-processing machines (punch-card machines and computers) for management and planning.

This so, because labour productivity in managerial departments and the quality of managerial activity, in general, didn't correspond to new tasks arising. In many cases, a speedy development of technique and production has been hampered by the present level of managerial activity. Thus, reorganization of the whole managerial procedure became a decisive prerequisite for higher technical and economic results. According to this, in some associations the organization department has directly been subordinated to the director general. Proceeding from the very facts, mentioned above, the main tasks of the organization department are:

- to study, investigate, and develop new methods of managerial activity suitable to be applied to the association and its subordinated enterprises;
- ^{to} instruct and advise enterprises being engaged in implementing these new methods;
- to control the efficiency of the new methods;
- to supervise or to conduct the data-processing-machine-centre of the association and its activity.

At present, the subordination of the data-processing-machine-centre forms a point under discussion. In our opinion, it depends on the main task of this centre how to subordinate it. With regard to this, it can be subordinated either to the technical or to the economic department. Furthermore, it renders possible to subordinate this centre to the director general directly .

The department development of products is charged with drafting the main features of the products or groups of products to be produced within the association in the future. Moreover, the leading enterprises of producer groups have to be conducted how to develop the production programs and assortments within enterprises combined in the producer group. The implementation of this new production programs is a very difficult process in so far as an important share of enterprises, combined in producer groups, are private or semi-state ones. Towards these enterprises however, the association has only advisory functions and the possibility

to influence the decisions taken by a private owner by means of economic incentives.

Similar problems exist with regard to the department of technology responsible for developing and checking up of new technologies and methods of organization of production process. The implementation of new technologies and new methods of organization of production process, however, is supported by the fact that all enterprises are interested in higher economic results by using these newly developed methods. In detail, this department has to deal with

- studying, investigating and checking up of new technologies,
- the preconditions necessary to be created for applying these new methods,
- elaborating instructions for applying these new methods,
- supervising the implementation of new methods.

These are the main features of the skeleton chart that has been drafted for the management of the association of nationally-owned enterprises: "hard-ware". They are similar in other associations of industry because the structure has to correspond to the conditions of reproduction process. You will find only that the one or the other department is more or less stressed and divided or extended so as to serve special requirements.

4. Concluding remarks

Management of industry and enterprises has become necessary on the basis of progressing division of labour. Although the development of management reflects an objectively existing process, the system of management depends on the different relations of production given. Under socialist relations of production, the general conformity of interests of all working people has to be stressed and reflected in the whole system of management. This goes for both the mode of managing and the organizational structure of management. With regard to the mode of managing, suitable relations between the application of instructions and material incentives have to be found out and used. This so in order to make fully effective the advantages of socialist relations of production.

The centralization or decentralization of decision-making is closely connected with an increasing public sector in national economy. There is no general description how to solve these problems in detail. As a rule, it is only possible to fix that the decisions have to be taken where this can be done best, that's to say where this can be done with the highest effect and the lowest expenditure of working time and money. Moreover, it has to be ensured that nobody will be able to shift the responsibility for decisions to be taken from one person or institution (department, enterprise, association) to another. It is unquestionable true that for implementing such a system of management some prerequisites have to be brought into existence. These are, for instance, the elaboration of skeleton charts and position descriptions of enterprises and association.

The skeleton charts of enterprises and associations reflect a certain level of knowledge on the most appropriate system of management corresponding to the conditions of production given. It is necessary, therefore, to keep in mind that the skeleton charts are not generally similar and constant but rather variable ones. That doesn't mean, however, to change the skeleton charts every year. If so, a lot of confusion within the system of management would be brought about compensating all the advantages of a new structure of management.

As the structure of management reflects the necessary tasks so as to carry through reproduction process, we have very thoroughly to study its problems and trends. In result of this, changings of the structure of management are to be realized according to the principle:

as often as necessary as seldom as possible.

That means, when preparing structural alterations, we have to analyse the forthcoming positive and negative effects. They are the only criteria for any decision as to possible modifications.

Furthermore, any alterations are expected to aim at closing the gap between objectively existing needs and their fulfilment at present. Thus, they are to be materialized only if they are in line with the further trends of managements. Since in socialist countries, especially, these trends ^{are} objective ones, methods and experiences in practical management are considered to be useful for and exchangeable between countries marked by a comparable socio-economic structure. That's true regarding structural problems of enterprises and associations, too.