4 Co-ordination: Problems and Remedies

We are all familiar with stories about how one part of an organization failed to co-ordinate with another, like the government department that sold surplus goods to a merchant who made a large profit selling them to another government department. Such stories are told for laughs. To the layman they are ludicrous follies, but the manager, whether in private or public organizations knows how hard it can be to keep departments adequately informed of each other’s activities and needs.

When people work on related activities what they do must be co-ordinated so that it contributes most efficiently to the common purpose. To do this is one of the most important and difficult problems of organization. This chapter will look at why there are co-ordination problems, and will discuss the different methods that can be used to tackle them.

In an ideal organization co-ordination would be a task, but not a problem. All members would will the good of the organization, that is they would agree on what was their common purpose and would work together to achieve it. They would be more interested in pursuing the objectives of the organization than in their own individual or departmental interests. They would actively and intelligently seek to ensure that what they did contributed to the efficiency of the whole. They would also be perfectly informed about the effects of their activities on other departments. Such a description, as we all know, does not correspond to any man-made organization. Hence where there is a need for co-ordination there is always a problem in trying to achieve it.

The description of what would happen in an ideal organization provides a guide to what can be done to reduce problems of co-ordination. First, members of the organization should know and agree on their common objective. This statement may be too idealistic, but at least it points to the value of defining organizational goals and of trying to ensure that these are widely known and understood. It also means that managers should be encouraged to think in terms of the
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good of the organization rather than purely that of their own department or division. In the ideal organization we said that members would be perfectly informed of the effects of their activities on other departments. Again, this is difficult to achieve, but much can be done to make it easier. Later in this chapter we shall be discussing ways of improving co-ordination, but first it will be useful to look at some particular problems of co-ordination.

WHY PROBLEMS ARISE

Co-ordination problems can arise because people do not know what they should be doing to relate their activities to those of other parts of the organization. They can be created by bad work allocation and by poor grouping of activities. The most difficult to deal with are the problems that stem from conflicts of interest. These may be between individuals, between groups or departments, and between the organization as a whole and its constituent parts. This section will be mainly concerned with problems of this kind. The next, which discusses remedies, will deal with all types of co-ordination problems.

Organizational v. local interests

A conflict of interest exists when the profitability of a subsidiary company is greater if it does one thing, but the profit of the company as a whole is greater if the subsidiary does something else. The conflict is increased when the subsidiary is treated as a profit centre and the efficiency of its top management is assessed by the local profits, which may even be the basis for bonus payments. Group services, such as transport, which have to be paid for by those who use them, often result in such a clash of interests. It may be cheaper for the subsidiary company or division to buy the services outside, but if allowance is made for the contribution to overheads it may be more economical for the company as a whole if group services are used.

The extent to which the activities of subsidiary companies, or separate divisions, in a large organization need to be co-ordinated will depend upon company policy. At one extreme of centralization the directors may seek to ensure common policies throughout the organization for all aspects of the business. At the other, the directors of the parent company may only set profitability criteria and make the top appointment(s), otherwise each subsidiary will be free to act as an independent