Organizational structure and army of the East India Company

"The East India Company is, or rather was, an anomaly without a parallel in the history of the world. It originated from subscriptions, trifling in amount, of a few private individuals. It gradually became a commercial body with gigantic resources, and by the force of unforeseen circumstances assumed the form of a sovereign power, while those by whom its affairs were directed continued, in their individual capacities, to be without power or political influence."

Incorporated by a royal charter from Queen Elizabeth I in 1600, the East India Company (EIC) was formed to ply trade with the East Indies, but it ended up a powerful company ruling vast areas in India that exercised military power through its own private armies and undertook administrative functions through its own administrative departments. As a joint-stock company whose owners were London businessmen, the EIC was awarded monopoly of trade with the East. From the early 18th century, the Company got involved in politics and became an instrument of British imperialism. Its monopoly continued till the British government took it away in the early 19th century, and after the Great Mutiny in 1857, the Company became so vulnerable that it could endure barely until its dissolution in 1873.

As a joint-stock company whose owners were London businessmen, the EIC survived for more than 250 years. The secret of its enduring presence is the Company's effective and detailed administrative and organizational structure. For that purpose, this paper elaborates the Company's organizational structure focusing on its decision-making process, and its private armies that made the EIC an imperial power in its own right till the British government took it in hand.

The East India Company (1600-1858)

When Queen Elizabeth I (1558-1603) granted a charter to the British East India Corporation on December 31, 1600, there were already other chartered companies operating in the interest of France, the Netherlands, Spain, and Portugal. The British monarch granted a fifteen-year monopoly to a group of 216 nobles and an assortment of traders pursuant to all sorts of trade with East Indies, a region roughly corresponding to today's China, India, Pakistan, Bangladesh, Nepal, Sri Lanka, Myanmar, the Maldives, Thailand, Cambodia, Brunei, Laos, Singapore, the Philippines, East Timor, Malaysia, and Indonesia. The formal name of the newly established company was "the Governor and Company of Merchants of London Trading into the East Indie", but in time it would be given different names such as "East India Company", "Honourable East India Company", "East India Trading Company", "English East India Company", or the "British East India Company".

The corporation was to run businesses in the East Indies by command of the queen, and the financial and military support of

England. In time, the Company would create its own army, and establish a number of forts at locations under its domination. The Company would also raise soldiers from within the native populations, mainly in India, which were named as “sepoys”. EIC would soon prove to be a powerful tool for the British imperialism carrying her to world domination while sustaining a strong trend of growth in its operations and profitability.

East Indies

It was only after the outbreak of the Great Mutiny of 1857 that the British government nationalized the Company under the provisions of the “Government of India Act” (1858). The Crown confiscated the Company’s all possessions, administrative powers and armed forces. The already weakened Company was formally dissolved on June 1, 1874 with the passage of the “East India Stock Dividend Redemption Act” (1873) by the Parliament of the United Kingdom. On the other hand, the British grip on the Company’s possessions in East and Southeast Asia was to continue under a new structure, called “The British Raj”.

East Indies

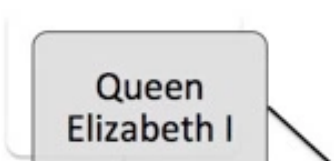
The Organizational Structure

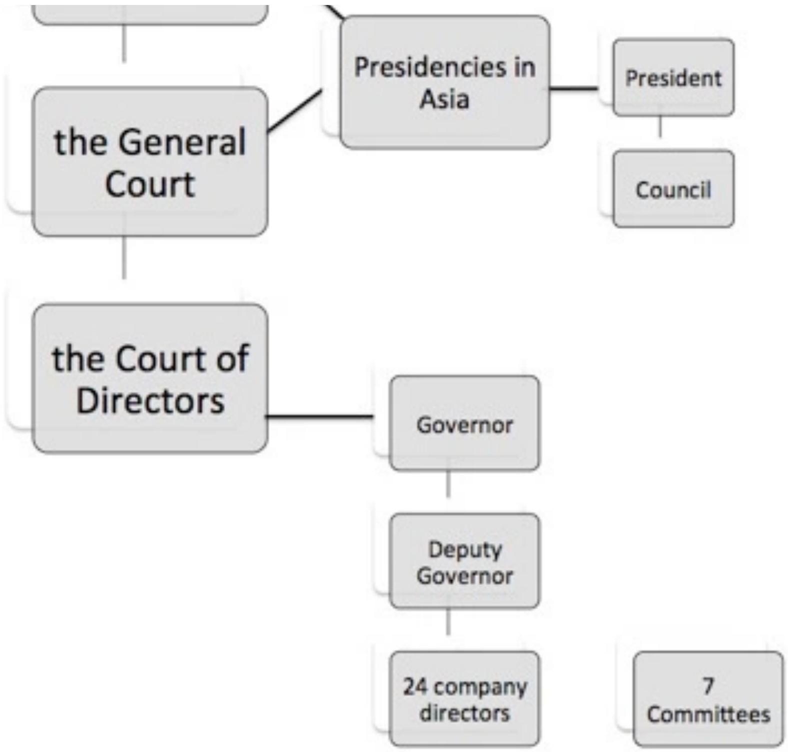
The importance of the organizational structure of any entity cannot be gainsaid as far as the growth, development and profitability of such an entity is concerned. Indeed, this becomes pretty evident right from the definition of organizational structures, which revolves around the technique through which an organization undertakes communication and distribution of responsibility, as well as adapts to changes in the business environment. It may also underline the manner in which a company makes use of the resources that are at its disposal so as to allow for the achievement of its goals and objectives in the long-term and the short-term. Scholars have acknowledged that it is imperative that any business entity ensures that its structure remains dynamic so as to allow or give it the capacity to respond to the varied aspects that would have an effect, whether positive or negative on the entity[3]. It goes without saying that a business entity that has the capacity to adapt has a better capability for survival. Furthermore, any organizational structure has to offer its members a clear guideline regarding the manner in which they should tackle varied issues even in instances where they have never encountered the same in the past. It has to supply the individuals that join the entity with an identity and a meaningful presence thereby binding them together. Any structure has to underline three elements including governance, distribution of tasks, as well as the rules by which the business entity would function. This is irrespective of the type of organization in question. Scholars have accepted that regardless of its size, a business entity must have a formal task completion, decision-making and communication systems, which are in line with its needs so as to operate in an efficient and effective manner[4]. Ideally, the structures of the organizations match the goals and objectives that they are supposed to accomplish. East India Company, as a profit oriented organization, constitutes no exception to this basic rule.

It has been well acknowledged that the EIC had encountered numerous issues particularly with regard to the enforcement of regulations in the Indies from London. Nevertheless, the fact that the Company was in existence for over two centuries should underline the effectiveness of its administrative and organizational structure. The EIC had created a system in which appropriate policy decisions could be made and power and authority as well as tasks and responsibilities were delegated to its employees. It further had to establish proper mechanisms for task control and communication. The same holds true for its private army.

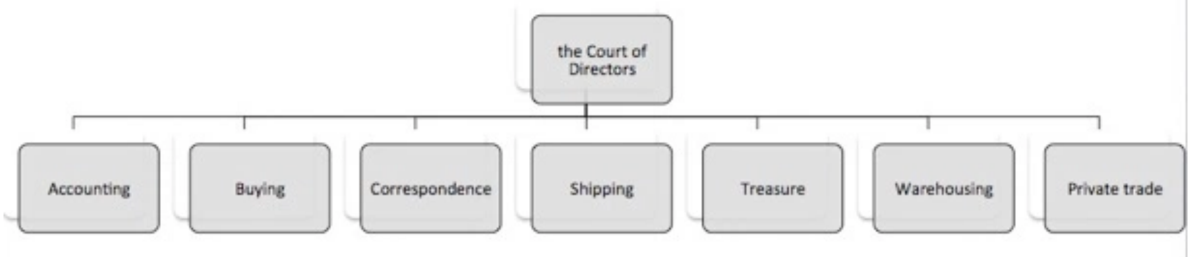
The administrative structure pertaining to the Army of East India Company may best be described as a strongly hierarchical structure based on traditional military models. On the other hand, the decision-making mechanisms within the EIC Army, unlike other contemporary imperial armies, took the form of a combination of centralized and decentralized structures where each battalion had to operate within the objectives laid out by the Court of Directors, while still holding the unit leaders as responsible for the actions of their subordinates. Hence, the decision-making process was carried out at two levels: One; the Court of Directors, as the superior entity in London, and two; the local administration, the subordinate entity situated in Asia, consisting of a president and his council for every separate region under the Company's domination[5]. As far as the modification and setting of goals of the Company were concerned, the Court of Directors was the highest authority and the Company tended to lean towards a centralized structure. The Court of Directors consisted of a Governor, a Deputy Governor and twenty-four directors elected by the General Court. There were seven committees specializing in accounting, buying, correspondence, shipping, treasure, warehousing and private trade, which served the Governor. The Court made all policy decisions, and directed all operations of the Company, while securing the General Court's approval.

The General Court (or the Court of Proprietors) comprised all the shareholders of the Company with voting rights. Therefore, the Court was dominated by the investors targeting for profits and dividends.





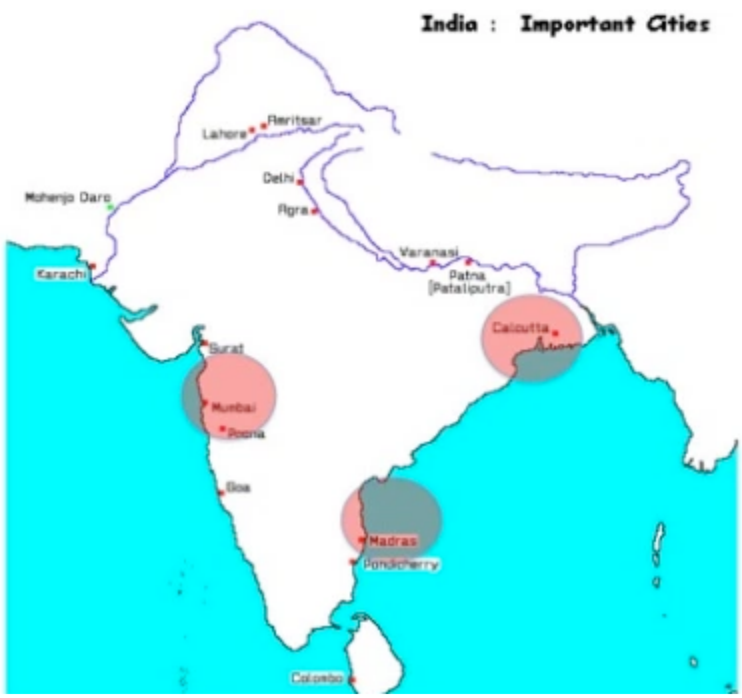
The organizational structure of the EIC



Specialized seven committees of the Court of Directors

By the mid-18th century, there were three principal trading settlements, or presidencies in Asia namely Madras, Bombay, and Bengal (Calcutta). These presidencies, however, had some restricted powers and had the capacity to modify their actions within the limits proscribed by London. Hence, the central administration enjoyed immense control over the Company's regional presidencies and subsidiaries, but still decentralization, and local decision-making was an essential part of the Company's character.

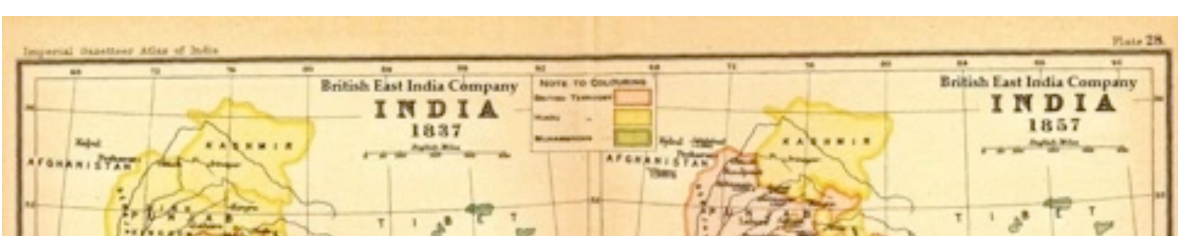
The decentralized organizational structure is seen as the fundamental pillar of the East India Company's persistent adaptability and expansion throughout the two centuries of its existence as a commercial and military conglomerate. Through the fostering of the utilization of social networks and the cohesive internal structures, the Company and its private army managed to integrate and expand the operations of the Company in the East, in a coordinated manner. It is noteworthy that the social networks utilized by the Company were instrumental in transferring crucial information among the employees, and thus resulting in the incorporation of new ports to the ever-growing trade network of the Company. The steady increase in the number of ports came with new markets, new opportunities, as well as new types of commodities. Furthermore, the decentralization that took the form of private trade allowances, served as a motivation for the employees to stay for longer periods in the East, and help integrate the existing English settlements within a tight communication network while also caused a surge for exploring new ports.[6] Flow of information resulted in considerable autonomy in the hands of the Company's local agents.



Bombay (Mumbai), Madras, Calcutta (Bengal) in the map of India

In this regard, scholars have underlined that the magnitude of decentralization alongside its systematic impacts on the conduct of the company trade meant that the remarkable expansion and growth of entity did not emanate from centralization of the administrative structures or imperialism, but profit sharing and decentralization. In the larger organizational framework, decentralization came with a creative capacity that was crucial to the firm's success in the long-term[7].

Areas in pink: East India Company Territories in India 1765 and 1805.



Areas in pink: East India Company Territories in India in 1837 and 1857.

Governance of the EIC

The EIC had three separable components under its control. First, there was social, political and economic environment, which had an effect on the internal state of the Company. Second, there was the decision-making component that essentially was the regulating and controlling mechanism. Lastly, there was the operational component, which took up the physical elements of the trade[8]. Weather fluctuations, war outbreaks, and failures of harvests that affected the economic position of the Company amounted to exogenous factors or inputs from the environment.

In order to cope with the challenges posed by both endogenous and exogenous factors, the East India Company had come up with numerous rules, orders, constitutions and by-laws aimed at safeguarding good governance and ensuring the management of all its activities. For instance, the Court of Directors was required to keep a register pertaining to every bond for monies borrowed at interest, as well as another register pertaining to all instruments and bonds. These should be kept within the inspection of the directors who possessed custody of the Company seal.

Likewise, no servant or officer affiliated to the Company was allowed to take any present, reward or fee, whether directly or indirectly, unless it was directly allowed by the statutes of the Court of Directors. Further, none of the finances pertaining to the Company could be invested at any place, whether in the stocks or in shipping without the permission of the General Court[9]. The directors were to be elected on an annual basis, with a public notice being given at least seven months prior to the election period. This was to be delivered alongside the list of names of members qualified to vote and followed up with a two-weeks notice.

In addition, the General Court was held on an annual basis in June. In this regard, a Committee of Seven was selected, out of which four of them formed a quorum and had the capacity or powers to inspect the rules and by-laws[10]. They were also empowered to make enquiries regarding the execution and observance of the by-laws, as well as consider any additions, modifications and subtractions that should be made. Further, they were to make a periodic report to the General Court regarding these matters.

By the same token, for instance, the Army of East India Company had incorporated a well-defined code of governance comparable to the code of corporate governance pertaining to a large number of present day corporations[11].

The Army of the East India Company

The East India Company is primarily known for its capture of India. In fact, contrary to the popular belief, it was the private army of the East India Company, and not the British Army, which accomplished this mission. The army had the primary objective of protecting the trading empire, and acting as a main tool in extending the British hegemony. Founded by Robert Clive (1725-1774), a British officer, a small force of adventurers and mercenaries had grown both in size and strength to the point of eventually becoming an army that was larger than those of any sovereign European state[12]. The soldiers of this private army were highly professional and disciplined and fought persistently for more than a hundred years before the Great Mutiny resulted in its disbandment, after which the troops were passed to the Crown service. Part of the reason for its success was the organizational structure that had clear guidelines pertaining to the roles and responsibilities of the varying individuals occupying different positions in the entity.

In the mid-eighteenth century, the Company began recruiting its own Indian troops. The first employed Indian troops were watchmen in each of EIC presidencies to defend their trading stations. Three Presidencies in India- Madras, Bombay, and Bengal- had its own army, the Madras Army, the Bombay Army, and the Bengal Army. These presidencies had separate armies under separate army commanders until the revolt in 1857. In 1757, Robert Clive threw the idea of sepoy battalions for the Bengal Presidency into the pot, and it was followed by the Madras in 1759, and later by the Bombay Army in 1767. Recruitment was done amongst single castes, from specific communities, villages, and families to prevent the possibility of uniting against in an anti-British [13].

Each presidency army was formed from three elements: native Indian troops, European units, and royal regiments including Artillery, Cavalry, and Infantry regiments. The establishment of Native Infantry regiments embodied twenty-six British officers and two British warrant officers. Indian personnel were subordinate to even the most junior British officers. No Indian could rise higher than the rank of Subedar-Major in regular infantry units, or Rissaldar-Major in cavalry units, a senior subaltern equivalent.[14]

By the year of 1824, the size of the presidency armies was about 200,000 with at least 170 sepoy and 16 European regiments, and their combined strength formed one of the largest standing armies in the world [15] [16].

Besides of regular regiments, there were also irregular regiments that were raised based on the indigenous “silladar system” of raising cavalry composed of individuals providing their own arms. Irregular cavalry regiments had very few British officers. The presidency armies belonged to the Company until the Great Mutiny of 1857, when the Crown took over the Company and its three armies. In 1895, the three presidency armies were merged into a united Indian Army.

A Mughal sepoy

Furthermore, the Company employed its European units with infantry battalions and companies of field or horse artillery. The Company also included regiments of the regular British Army, namely royal regiments, which the Crown dispatched to India to strengthen the EIC armies.

Following the Great Mutiny, and the consequential dissolution of the Company, the European and royal regiments were merged with each other in 1860, while the native regiments were not. Hence, the three separate presidency armies were maintained. In 1895, these armies were finally disbanded and a fully unified Indian Army was formed.

Questions have been asked regarding the role that the private army played in the East India Company. Nevertheless, scholars have acknowledged that Charles II's charter in 1670 to the Company gave the entity the capacity to make use of military force when necessary in the establishment of trading stations[17]. This came in handy in the establishment of a large number of well-fortified trading posts in India. Further, the private army gained immense use in the 18th century when the autonomous regional princes were taking power away from the declining Mughal Emperor in Delhi. The Company, having become increasingly unhappy with this development utilized its private army in the establishment of governmental control over immense territories in India[18]. Indeed, the Company Army had managed to conquer close to half of India with some assistance from the British Army.

Further, it is noteworthy that all officers in the private army held dual ranks, including a rank in the army and another one in their regiment. Their position or rank in the regiment determined the things that they did on a daily basis. The regiments did not incorporate a meritocratic system rather they based their promotions on the seniority of an individual in the regiment[19][20]. On the other hand, there existed an informal system in the East India Company Army in which the senior officers were given a monetary incentive by the lower rank officers in order to motivate them to retire so as to allow junior officers to make a step up[21].

Conclusion

In conclusion, the East India Company owed its long existence to its effective administrative and organizational structure. The Company created a detailed system for designation of policies, delegation of authority and tasks, and controlling the operation of the system. In the decision-making process, there were two levels: the Court of Directors, as the superior entity in London, and the local administration, the subordinate entity in Asia. As the highest authority, the Court made all policy decisions, and directed all operations of the Company. By the mid-18th century, there were three principal presidencies in Asia namely Madras, Bombay, and Bengal (Calcutta). These local administrations had also some restricted powers within the limits set by London. Besides of the central administration of the Court of Directors, there was still local decision-making, which was essential for the Company's adaptability and expansion. The EIC had also numerous rules, orders, constitutions and by-laws for good governance.

The army was the ultimate basis of the British rule in India. With its main goal of defending the trading empire, and extending the British hegemony, the private armies consist of highly professional and disciplined soldiers. One of the biggest reasons for the army's success was the organizational structure clearly defining roles and responsibilities of every position in the entity. The Company started employing its own Indian troops. Three Presidencies in India- Madras, Bombay, and Bengal- had its own army, and each presidency army was formed from three elements: native Indian troops, European units, and royal regiments. These armies were finally disbanded in 1895, and a unified Indian Army was formed.

The East India Company survived for more than two centuries. The Company's heyday was a very long time ago, but still its growth, longevity, and downfall have lessons for today's companies.[22] As a state-backed company, it shows both the advantages and risks of leaning a company's interests on state. As a unique organization of both British and world colonial history, the East India Company's organizational structures should be examined to better perceive its success and significance.

[1] Dickens, Charles, William Harrison Ainsworth, and Albert Smith. *Bentley's Miscellany*. Vol.43, Richard Bentley, London, 1837. p.111

[2] Mukherji, Panchanandas. *Indian Constitutional Documents (1600-1918)*. Vol I. Calcutta: Thacker, Spink & Co. 1918, p.1.

[3] Kortmann, Sebastian. *The Relationship between Organizational*

Structure and Organizational Ambidexterity A Comparison between Manufacturing and Service Firms, Wiesbaden: Springer Gabler, 2012. p.34.

[4] Ibid. p.52.

[5] Chaudhuri, K.N. *The Trading World of Asia and the English East India Company- 1660-1760*, Cambridge University Press, Cambridge, 1978. p.28.

[6] Erikson, Emily. *Between Monopoly and Free Trade: The English East India Company, 1600-1757*. Princeton University Press, Princeton, 2014. pp.25-26.

[7] *Ibid.* pp.3, 21.

[8] Chaudhuri, K.N. *The Trading World of Asia and the English East India Company- 1660-1760*. p.23.

[9] Lawson, Philip. *The East India Company-A History*, Longman Group, UK, 1993. p.139.

[10] Micklethwait, John & Adrian Wooldridge. *The Company: A short history of a revolutionary idea*, Modern Library Chronicles, 2003. p.23.

[11] Carey, W.H. *The Good Old Days of Honorable John Company*, Edited by Prof. Nisith R. Ray, Riddhi India Calcutta, First Edition 1882, Riddhi Edition 1980. p.152.

[12] Reid, Stuart, and G. A. Embleton. *Armies of the East India Company, 1750-1850*, Osprey Pub, Oxford, UK, 2009. p.48.

[13] Jackson, Donovan. *India's Army*, S. Low, Marston & Co, London, 1942. pp.1-8.

[14] Creese, Michael John. *'Swords Trembling in their Scabbards':*

A Study of Indian Officers in the Indian Cavalry 1858-1918. University of Leicester. 2007. p.236.

[15] Reid, Stuart, and G. A. Embleton. *Armies of the East India Company, 1750-1850*. pp.5-6.

[16] Metcalf, Thomas R. *The Aftermath of Revolt: India, 1857-1870*, Princeton University Press, Princeton, N.J., First Edition 1964, Princeton Edition 2006. p.61.

[17] Chaudhuri, K.N. *The Trading World of Asia and the English East India Company- 1660-1760*. p.44.

[18] Carey, W.H. *The Good Old Days of Honorable John Company*. p.432.

[19] Reid, Stuart, and G. A. Embleton. *Armies of the East India Company, 1750-1850*. p.11.

[20] Bellamy, Chris. *The Gurkhas: Special Force*, John Murray, London, 2011. p.63.

[21] Bender, Tim. ”East India Company Army Purchase of Commissions”, *Rootsweb India Mailing List*, December 2, 2009. Retrieved on April 14, 2014. <http://archiver.rootsweb.ancestry.com/th/read/INDIA/2009-12/1259763830>.

[22] The Economist. *“The Company that ruled the waves”,* December 17, 2011. Retrieved on December 28, 2014. <www.economist.com/node/21541753>.