

## UNIT – I

### PERFORMANCE MANAGEMENT

#### THE CONCEPT

Performance is understood as achievement of the organization in relation with its set goals. It includes *outcomes achieved, or accomplished* through contribution of individuals or teams to the organization's strategic goals. The term performance encompasses economic as well as behavioural outcomes. Brumbach views performance more comprehensively by encompassing both behaviors and results. He is of the view that behaviors as 'outcomes in their own right', which 'can be judged apart from results'. Performance is an impact. The roles of any manage can be seen in three parts: *Being, Doing* and *Relating*.

Being it is concerned with the competencies of the manage that are relevant to his/her performance. It is preparedness of the mind of the manager.

Doing focuses on the manage activities that are variably effective at different levels in the organization: that affect performance of other roles dependent on the manage output, and the organizational performance as a whole. As someone said, 'Ideas are funny little things. They won't work unless you do.'

'Relating' emphasizes the nature of relationships with members of the role network-vertical, horizontal or otherwise.

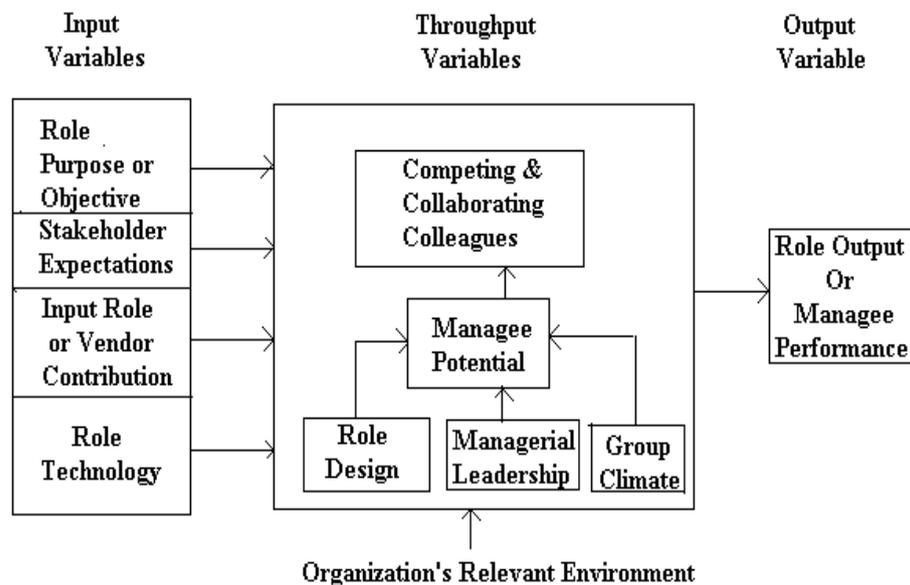
Performance has a linkage with the individual potential and how best it is realized by the individual. With regard to manage, his/her potential becomes the input to the productive process and performance is the output.

*Managee's Potential* is determined when a set of tasks are assigned to him. It is also related to performance standards set.

*Task-related activities* refer to manager's or supervisors involvement to achieve the allocated task or meet expectations in the given task environment.

*Performance is what the manager's actually achieve.* Performance in a role refers to the extent to which the managers achieve the purpose for which the role is created.

'Choice, not chance', they say, 'determines destiny'. The actual performance of a manager is a function of several forces, internal as well as external to the organization-some of choice, some of chance. Most organizations do not take these forces into account-either systematically or intuitively-while building expectations from a manager. A manager in her task environment could be subject to some of the influences and factors shown in Exhibit.



*Framework to Understand Role Performance*

In this framework, *Organizational Relevant Environment, Role Purpose or Objective, Stakeholder Expectations, Role Technology and Input Role or Vendor*

*Contribution* are inputs to the managee's performance. These are substantially known, and are the factors and forces, which organizational expectations from the *Managee Performance* can reasonably be predicted.

*Role Design, Managee Potential, Managerial Leadership, Competing and Collaborating Colleagues, and Group Climate* are throughput factors that can be optimized by a manager to enhance the *Managee Performance*. These determine whether the organization's performance expectations from a managee are realistic. As such, *throughput factors* are the *core concerns of PfM*.

It can be argued that *Role Design* and *Managee Potential* are, in fact, input factors. However, a manager can modify-enhance or stretch-these factors by improving the fit between the managee's capacities, resources and role requirements, *PfM* would assume these as throughput factors.

Role Output or Managee Performance is the end-result-the *effect* for which we work. This is the variable that is predicted or planned. It is invariably observable and measurable. The behavior of all organisms is goal-directed. As such, people performance is not only a sequence of causes and effects; it is a chain of sub-goals and actions, leading towards the ultimate goal. In fact, when a managee has a goal, he/she behaves as if she is following some signposts that create a healthy expectancy in him/her to reach the goal.

Role Purpose or Objective sets the boundary for the goal(s). It is a reference point for *Stockholder's Expectation*.

Managee Potential corresponds to the role to which a managee is assigned and the inputs he/she receives to fulfill the role purpose. It stretches or contracts depending upon the *Group Climate*, the behavior of the *Competing and Collaborating Colleagues*, and the *Managerial Leadership*. The actual realization of a managee's potential depends heavily on:

- Group and Organizational Purpose.
- Group or Organization Capacities and Resources.
- Human Climate in the Group or the Organization.
- Quality of Up-stream or Vendor Inputs.
- Feedback on Performance.

Role Design is fashioned by the organizing process. The sole purpose of organizing and designing a role is to provide a vehicle for implementing performance plans and expectations. It determines the requisite competencies, knowledge and skills. Role design predominantly determines task-related attributes needed by the managee.

Managerial Leadership predominantly determines the behavioral attributes needed by the managee. Leadership role of the manager and managerial style of the leader are also major determinants of the managee's development and his/her job satisfaction. Managerial leadership and group climate have considerable influence on each other.

Group Climate - The internal psychological environment of the group-influences the behavior, style and performance of the managee. It is also, in turn influenced by the behavior and attitude of the managee. Group climate is after all, the collective outcome of the behavior and attitudes of all the members of the group-the managee and all his/her competing and collaborating colleagues, the manager or the leader. People in any group or organization are less anxious about work if both *goal clarity* and *goal agreement* are present. Considerable conflict arises when purposes are unclear or when people disagree on what the priorities should be. Without convergence on goals and priorities, groups or organizations cannot develop a climate that facilitates performance.

Three abilities or forces in an individual are said to be essential for achievement:

- Icchha-desire or motivation;
- Jnana-knowledge or know-how: and
- Kriya-action to actualize.

Not much performance achievement has been reported without the creative combination of these three forces which, acting dynamically and in concert, form the core motive force of all people in any organization.

Through the medium of performance, an organization is able to effectively achieve what it sets out to. Indeed, it is the people's capacities and resources that determine an organization's capability to perform and to satisfy or influence its stakeholders. These capacities and resources reflect a measure of the internal state of an organization that is expressed through its results.

Performance management is a way of systematically managing people for innovation, goal focus, productivity and satisfaction. It is a goal congruent win-win strategy. Its main objective is to ensure success to all managees i.e., all task teams who believe in its process, its approach and implementation with sincerity and commitment. The managee's success is reflected in organisations' bottom line in terms of achieving its planned goals.

PfM is an endless spiral, which links several processes such as performance planning, managing performance throughout the year, taking stock of managee's performance and potential. Also it includes recognizing and rewarding success at the end of the year. PfM links these processes in such a way that an individual managees' performance is always oriented towards achieving organisational goals. PfM creates positive goal oriented task motivation and aims at reducing intra-organisational conflict.

It is realized that organisations could not be successful if they do not have a good performance management system. Each manager needs to devise his/her own system of managing performance. While some norms of performance

management are explicit others are not so clear even to the managers. It is said that standards or expectations that define good performance may be generally understood but are rarely specific. PfM is a holistic, largely participatory and goal congruent process of managing and supervising managers at work. It is understood as a systematic, organized approach to managing and rewarding performance by generating and sustaining positive managee (employee) motivation. It is neither the well-known system of performance appraisal nor the well talked about system of MBO. Its salient dimensions include performance standards- representing organizational goals and objectives, managee recognition and reward.

According to Armstrong, 'PfM is a means of getting better results from the organisations, teams and individuals by understanding and managing performance within the agreed framework of planned goals and competency requirements.' It is a process for establishing shared understanding about what is to be achieved and an approach to managing and developing people.

#### PfM – Integrated Approach

Armstrong and Baron, defines PfM as a strategic and integrated approach in delivering sustained success to organisations by improving performance of people by developing the capabilities of teams and individuals. These experts consider PfM as a strategic tool since it is concerned with achievement of long-term organisational goals and effective functioning of organisations in its external environment. PfM effects four types of integrations namely, vertical, functional, human resource and goals.

- ❖ Vertical Integration – aligning objectives at organisational, individual and team levels and integrating them for effective performance. The

individuals and teams agree upon to a dialogue to work within the broad framework of organisational goals and values.

- ❖ Functional Integration – it deals with focusing several functional energies, plans, policies and strategies onto tasks in different levels and parts of the organisation.
- ❖ Human resource Integration – this ensures effective integration of different subsystems of HRM to achieve organisational goals with optimum performance. These subsystems include people management, task monitoring, job design, motivation, appraisal and reward systems, and training and empowerment.
- ❖ Goal integration – it focuses on arriving at congruence between the needs, aspirations and goals of the managees with that of the goals and objectives of the organisation.

#### BASIC PRINCIPLES OF EFFECTIVE PfM

Quality and effectiveness of PfM is a reality in organisations only when certain basic and fundamental tenets/ principles or practices of management are followed. These include:

1. Transparency – decisions relating to performance improvement and measurement such as planning, work allocation, guidance and counseling and monitoring, performance review etc., should be effectively communicated to the managees and other members in the organisation.

2. Employee development and empowerment – effective participation of employees/ managements (individuals and teams) in the decision – making process and treating them as partners in the enterprise. Recognizing employees/ managements of their merit, talent and capabilities, rewarding and giving more authority and responsibility etc., come under the umbrella this principle.
3. Values – a fair treatment and ensuring due satisfaction to the stakeholders of the organisation, empathy and trust and treating people as human beings rather than as mere employees form the basic foundation, apart from others.
4. Congenial work environment – the management need to create a conducive and congenial work culture and climate that would help people to share their experience knowledge and information to fulfill the managements aspirations and achieve organisational goals. The managements/ employees should be well informed about the organisational mission, objectives, values and the framework for managing and developing individuals and teams for better performance.
5. External environment – effective and contextual management of external environment to overcome the obstacles and impediments in the way of effective managerial performance.

#### FEATURES OR CHARACTERISTICS OF EFFECTIVE PFM

PfM is a complex concept that encompasses different dimensions of the organisation and the people. The mission, the objectives and the goals of the

organisation should be well designed. Performance planning, development and reward systems enable the managers to realize their true potential in order to contribute for organisational growth and development.

The managers' performance and quality is a function of several prerequisites that managers need to take care of. The following constitute the prerequisites /characteristics to ensure effective practice of PFM:

1. Clarity of organisational goals – the managers need to clearly and precisely lay down the organisational goals, objectives and ensure that these are well informed to the managers and other employees and make them to realize what the organisation expects from them. The organisational goals need to be translated into individual, team and departmental/ divisional goals.
2. Evaluation – the individual, team, department/ divisional performance needs to be evaluated on continuous basis. The organisation should develop an evaluation system and process, which is designed and developed on scientific lines.
3. Cooperation but not control – the managers should nurture the practice of getting work done through the system of obtaining managers' consensus rather than through control or coercion.
4. Self-management teams – the management need to encourage the individual and teams for self-management of their performance. This procedure creates in the managers a sense of responsibility and develops a spirit to work with commitment and evaluate his/her strengths and weaknesses from time to time and plan for reducing the performance gaps.
5. Leadership development – the managers need to identify such of the managers who have leadership potential and apart from sincerity and

honesty to ensure better and effective two-way communication between the managers and the managees.

6. System of feedback – the organisation must have a foolproof feedback system of managees/ individuals/ teams/ departments' performance. It should be monitored continuously and generate feedback loops for better performance management.

There must be a system that would help to monitor and measure all performance against the set standards and the managees need to be informed of their shortcomings. The evaluation system should be made transparent so as to repose managee's faith in the system.

#### SCOPE OF PfM

The PfM should conform to broad organisational framework. It should provide for managers and managees shared experiences, knowledge and vision. It encompasses all formal and informal measures and procedures adopted by organisations to increase corporate, team and individual effectiveness. Managees/ employees should be enabled continuously to develop knowledge, skill and capabilities. PfM has got to be understood in totality of the organisation but not in various parts. PfM is designed and operated to ensure the interrelationship of each of these processes in the organisation.

PfM assumes that the managers and team members share accountability for performance by jointly agreeing on common set of goals i.e., what they need to do and how they need to do it. They jointly implement the agreed plans and monitor outcomes.

PfM is concerned with everything that people do at work. It deals with what people do (their work), how they do it (their behavior) and what they do it (their result).

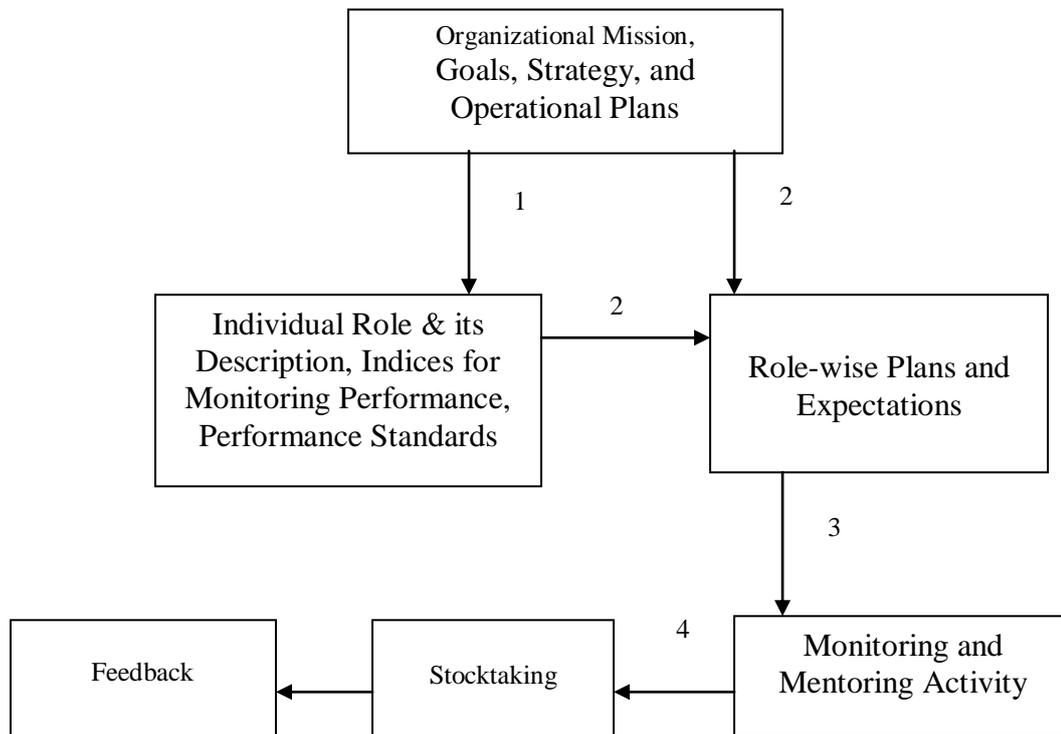
PfM data generated by the appraising process is used primarily for deciding rewards. Including performance related pay. However, it is not the integral part of PfM process.

### THE PROCESS OF PfM

The process of Performance Management is comprised of three important parts (1) Planning Managee Performance and Development; (2) Monitoring Managee Performance and Development and (3) Annual Stock Taking. These occur in a specified sequence. Planning is made at the beginning of the year while monitoring and mentoring is continued through out the year as the plans are executed. Stocktaking takes place at the end of the year. Each one of these phases requires certain concrete actions by the managers and the managee. Both these parties (manager and managee) provide appropriate inputs by keeping the whole process in perspective.

The whole process of the performance management can be approached in a different mode. Planning, review and stock taking can happen through out the year, more specifically at the time of periodic review during the monitoring and mentoring phase. As such, these three phases are dynamic and a continuously interact with one-another.

The plans are periodically reviewed and feasibility is tested the context of changing events and influences that could not be adequately forcing. Since the process involves in both the managers and the managees it has a participatory character. The following flow chart exhibits performance management process in an organization.



*The Performance Management Process*

The chart exhibits that individual roles and their description, indices for monitoring performance. Performance standards naturally cascade from organizational mission, goals, strategy and operational plans. Since performance management aims to improve quality of coordination among people in the organization, role-wise performance plans and expectations must flow from both.

Organization's mission, strategy and operational plan, and individual manager's role and his/her contribution to organizational process are cardinal inputs to performance plans. The performance plans of all the manager's in the organization must finally add up to the organizational goals to be achieved during the year. Manager's performance and development plans are subjected

to monitoring and mentoring. Without cogent plans, for task accomplishment, it is not possible to decide a benchmark to achievement against set goals. Mentoring and development draws its direction from both development plan and requirements.

Mentoring can also include briefing the managee before each training and development activity – both on the job and off the job. Briefing focuses on the managee learning agenda. Debriefing the managee crystallizes his/her learning achieved during the training.

Stock taking both periodical and annual attempts to continuously assess the extent of work as well as learning opportunity that have been optimally available by the managee. Inputs to stocktaking are provided by performance plans and monitoring and mentoring records. Stock taking also provides several inputs to future performance plan. Review in task assignments, task systems and tools are also possible through stocktaking. An assessment of managee's development needs of future tasks and responsibilities is done more realistically to stocktaking.

There are certain special features that will make PfM more effective and qualitative in achievement of organizational goals. These include –

1. Continuous process: Performance management should be a continuous process and should be carried out throughout the year, in its totality i.e., planning managee performance and development, monitoring managee performance and mentoring managee development and annual stock taking. These three phases should be implemented sequentially.
2. Flexible: The Performance management process should be flexible and should ensure the manager and managee acting together. However, each one of these parties should have sufficient maneuverability to design their own process within the overall framework for performance management.

3. Futuristic: Performance management should be futuristic. All the three parts of performance management are oriented towards the future planning and improvement. Evaluation system gives necessary inputs for future actions.
4. Participatory: PfM is participatory in character. It provides for regular and frequent dialogue between the manager and the managee to address performance as well as development needs.
5. Controlling: PfM aims at measuring managee's actual performance against planned performance i.e., targets, standards or indicators.
6. Behavioural in Content: PfM is completely development nature and concerns itself vigorously with managee's psychological behavioural aspects and personality traits, which are critical inputs to the performance process. PfM specify these personal attributes and behaviour of each managee and meticulously assess the extent of their contribution to managee level of performance. This paves the way to identify managee's future development needs; and
7. Win-Win Philosophy: PfM provides the frame work in which manager must support their manages to succeed and to win.

## KEYS TO HIGH PERFORMANCE

Building organizational capability and successful implementation of high-commitment in management practices is a key managerial responsibility. High performance management practices require consistent leadership attention. Most organizations, either by themselves or external help are able to develop right business strategy without much difficulty. But, they find it hard to

implement it effectively. Hence, devoting, attention, time and energy to develop people may be far more cost effective and provide a grater competitive edge.

Three basic principles are used by leaders to transform their organizations into high commitment models of management. These include –

1. **Building Trust:** Building trust in people is vital and this could be possible by treating people with respect and dignity. Sharing information with everyone and treating them, as human beings will create a sense of trustworthiness among members of the organization.
2. **Encouraging Change:** Leaders can encourage change among employees and the managee by exposing themselves and their colleagues through alternative management models.
3. **Measuring what is important:** Leaders need to realize that ‘what gets measured’ ‘gets measured’. Robert Kaplan and David Norton’s balanced scorecard approach, in which financial measures are weighed against measures of customer satisfaction and attention, employee attitudes and retention, new product and business development, or readiness for change. Details about what has happened is important. But much more important is the organization’s current condition in terms what enables or hinders its performance.

Currently knowledge and capability is the real key to success. This rest in people. So, paying serious attention to people’s issues becomes evermore important. Leaders ought to build systems at this perspective.

## ORGANIZATIONAL PERFORMANCE

Organizational Performance what it is?

Performance is all of these. It’s the end result of an activity. And whether that activity is hours of intense practice before a concert or race or whether it’s

carrying out job responsibilities as efficiently and effectively as possible, performance is what results from that activity.

Managers are concerned with organizational performance—the accumulated end results of all the organization’s work processes and activities. It’s a complex but important concept, and managers need to understand the factors that contribute to high organizational performance. After all, they don’t want (or intend) to manage their way to mediocre performance. They want their organizations, work units, or work groups to achieve high levels of performance, no matter what mission, strategies, or goals are being pursued.

#### Why is Measuring Organizational Performance Important?

Managers measure and control organizational performance because it leads to better asset management, to an increased ability to provide customer value, and to improved measures of organizational knowledge. In addition, measures of organizational performance do have an impact on an organization’s reputation.

The value created by Michael Jordan and other assets of the Bulls (coach Phil Jackson; other talented team players including Scottie, Pippen and Dennis Rodman; experienced marketing, operations, and financial employees; and other resources including the arena and practice facilities, available capital, etc) was possible only because they were managed extremely well as a portfolio of assets. That’s what managers at high-performing companies do—they manage the organizational assets in ways that exploit their value. Asset management is the process of acquiring, managing, renewing, and disposing of assets as needed, and of designing business models to take advantage of the value from these assets. It’s not just the top-level managers who are concerned with asset management. Managers at all organizational levels and in all work areas

manage their available assets—people, information, equipment, and so forth—by making decisions that they hope will lead to high levels of performance. Because achieving high levels of organizational performance is important in both the short run and long run, managers look for ways to better manage their assets so that they look good on the key performance measures used by both internal and external evaluators.

**Increased Ability to Provide Customer Value** providing value to customers is important for organizations. If customers aren't receiving something of value from their interactions with organizations, they'll look elsewhere. Managers should monitor how well they're providing customer value, and they can do that when they measure performance. For example, at IBM's Industry Solutions Laboratories in Hawthorne, New York, Stuttgart, Germany, and Yamato, Japan, customers interact with IBM researchers to come up with technological solutions that meet their unique and challenging needs. For instance, Britain's Safeway Stores PLC and the Hawthorne Lab collaborated on a consumer application that gives top customers the ability to conveniently create and maintain personalized grocery shopping lists and preorder groceries using a portable handheld device. And the Hawthorne Lab completed a project for Southwest Airlines that automated the crew-pairing process—a company logistics nightmare in which 2,700 pilots, 4,500 flight attendants, and more than 2,400 daily departures had to be logistically coordinated. It was important for the lab's managers to be able to measure how well they solved customer problems and to gauge their ability to provide customer value.

**Impact on Organizational Reputation** You know that your personal reputation is important in what others think of you. It influences whether they will ask you for advice, listen to what you have to say, or trust you to complete assigned tasks. Organizations strive to have good reputations, as well. They want others—customers, suppliers, competitors, community, and so forth—to think

highly off them. The advantages of a strong correlation between an organization's financial performance and its reputation. Which leads to the other? It's not always clear which comes first, but we do know it's difficult to have one without the other. In fact, a study of reputation and financial performance showed a strong correlation between good reputation and strong financial measures such as earnings growth and total return.

**Improved Measures of Organizational Knowledge:** We know from our discussions in Chapters 2 and 10 that successful organizations of the twenty-first century must be able to learn and respond quickly—that is, they must be learning organizations. In learning organizations, organizational knowledge is recognized as a valuable asset, just like cash, equipment, or raw materials. What is Organizational knowledge? It's knowledge that's created by means of collaborative information sharing and social interaction that lead to organizational members taking appropriate actions. The key to valuable organizational knowledge is this connection between information and action. Organizational employees must share what they know and use that knowledge to make changes in work practices, processes, or products to achieve high levels of organizational performance.

### Measures of Organizational Performance

There are three ways of measuring organizational performance. Generally applied measures are – 1. Productivity 2. Organizational Effectiveness, 3. Organizational Ranking. Peter F. Drucker the well-known management guru was of the view that an organization's employees need to see the connection between what they do and the outcomes. He said, "The focus of the organization must be on performance... The spirit of organization is high performance standards, for the group as well as for each individual." But before

employees can see this connection and work toward achieving high performance, managers need to specify the performance outcomes that will be measured. The most frequently used organizational performance measures include organizational productivity, organizational effectiveness, and industry rankings.

Productivity is defined as the overall output of goods or services produced divided by the inputs needed to generate that output. Organizations strive to be productive. They want the most goods and services produced using the least amount of inputs. Output is measured by the sales revenue an organization receives when those goods and services are sold (selling price x number sold). Input is measured by the costs of acquiring and transforming the organizational resources into the outputs.

It's management's job to increase productivity by reducing the input cost and increasing the output price (selling price). Doing this means being more efficient in performing the organization's work activities. So, organizational productivity becomes a measure of how efficiently employees do their work. "We are increasing our company's capability by increasing the capability of our employees." Ford was investing in its future productivity by making employees more efficient in their job-related use of the Internet, said the Chief Information Officer of Ford Motors.

Organizational effectiveness is a measure of how appropriate organizational goals are and how well an organization is achieving those goals. It's a common performance measure used by managers.

Other descriptions of organizational effectiveness have been suggested by management researchers. For instance, the systems resource model or organizational effectiveness proposes that effectiveness is measured by the organization's ability to exploit its environment in acquiring scarce and valued resources. The process model emphasizes the transformation processes of the

organization and how well the organization converts inputs into desired outputs. Then, finally, the multiple constituencies' model says that several different effectiveness measures should be used, reflecting the different criteria of the organization's constituencies. For example, customers, advocacy groups, suppliers, and security analysts each would have their own measures of how well the organization was performing. Although each of these different effectiveness models may have merit in measuring certain aspects of organizational effectiveness, the bottom line for managers continues to be how well the organization accomplishes its goals. That's what guides managerial decisions in designing strategies, work processes, and work activities, and in coordinating the work of employees.

Ranking of Industries is determined by specific performance measures. For instance, Fortune's Top Performing Companies of the Fortune 500 are determined by financial results including, profits, return on revenue, and return on shareholder's equity; growth in profits for 1 year, 5 years, and 10 years; and revenues per employee, revenues per dollar of assets, and revenues per dollar of equity. *Industry Week's* Best Managed Plants are determined by organizational accomplishments and demonstrations of superior management skills in the areas of financial performance, innovation, leadership, globalization, alliances and partnerships, employee benefits and education, and community involvement. Thus, different agencies apply different parameters or measures through which performance of organizations is decided to rank the Industry/organization.

### Performance Improvement Methodology and Techniques

Out of the performance improvement planning process come specific performance improvement interventions, tactics and techniques. Note that these interventions happen at five checkpoints. Upstream systems, inputs, process,

outputs and downstream systems. Quality management efforts must be defined relative to these five checkpoints. In effect, transformation and continuous improvement efforts are commitments to a practice of managing all five-quality checkpoints. The management team then develops, through the performance improvement planning process, a balanced attack to improve total system performance, not just system subcomponents.

After interventions are made to the system, measure, assess and analyze performance at the five checkpoints to determine whether the expected impact actually occurred. Based on these data, make an evaluation relative to the business strategy, the environment (both internal and external), the vision, the plan and the improvement actions themselves. Note that the process of evaluation is separate from the process of measurement. In addition, measurement supports improvement as its primary objective. The organizational system or unit of analysis being measured must be precisely defined in order to avoid confusion. A number of measurement and evaluation techniques may be used in this regard.

If the organization has an effective, high-performance management process in the areas of planning, measurement and evaluation, control and improvement, it will achieve its vision of the future and its desired outcomes over the long term. An integrated approach to continuous improvement is essential to this achievement.

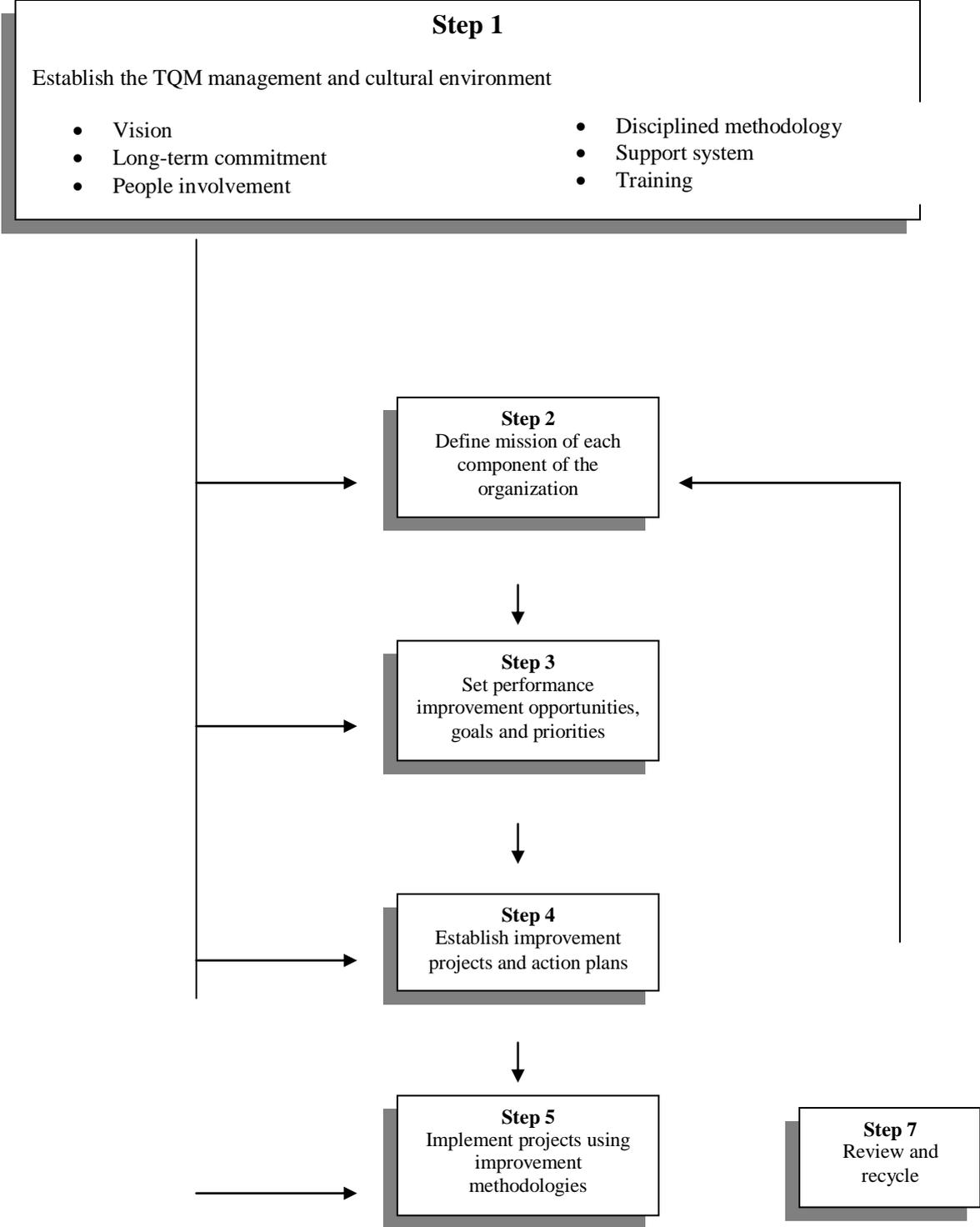
#### DSMC/ATI Performance Improvement Model

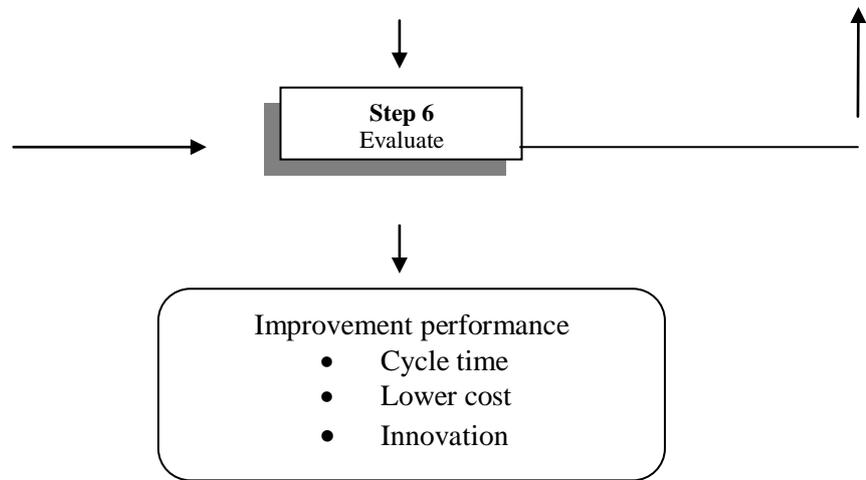
The DSMC/ATI Performance Improvement Model, shown in the diagram is primarily a model for creating an improvement project. It has seven steps and begins with establishing a cultural environment and results in implementing a

continuous cycle of improvement projects aimed at improving organizational performance.

#### Step 1 :Establish the Transformation Improvement Process Management and Cultural Environment

The transformation improvement process is a total organizational approach toward continuous improvement of products and services. It requires management to exercise the leadership to establish the conditions for the process to flourish. Management must create a new, more flexible environment and culture, which will encourage and accept change. The new culture is developed and operated so that all the people, working together, can use their talents to contribute to the organization's objective of excellence. Management must accept the primary responsibility itself and understand the prolonged gestation period before the new systems become alive and productive.





Management is responsible for the following activities: (a) providing the vision for the organization, (b) demonstrating a long-term commitment to implement improvement, (c) actively involving all people in the improvement process, (d) using a disciplined approach to achieve continuous improvement, (e) ensuring that an adequate supporting structure is in place and (f) making all employees aware of the need for, and benefits of, continuous improvement and training them in the philosophy, practices, tools and techniques that support continuous improvement.

## Step 2: Define the Mission

The mission of each element of an organization must reflect a perspective such that, when combined with other elements of the organization, it will provide the synergy that produces positive performance improvement. Identify the customer(s), their requirements, the processes and the products; develop measures of the output that reflect customer requirements; and review the

preceding steps with the customer and adjust them as necessary. Define the organization's mission with respect to those characteristics.

In developing this mission, all members of the organization must know the purpose of their jobs, their customers(s) and their relation faction. Everyone has a customer (internal or external). One objective of the transformation effort for continuous improvement is to provide customers with services and products that consistently meet their needs and expectations. Everyone must know the customers' requirements and must also make the suppliers aware of those and other relevant requirements.

### Step 3: Set Performance Improvement Goals

Improved performance requires improvement goals. Both involve change. Steps 1 and 2 determine where the organization wants to go, how it is currently performing and what role each member will play in achieving improved organizational performance. Step 3 sets the goals for performance improvement. These goals must reflect an understanding of the organization's process capabilities so that realistic goals can be set. The goals should first be set at the senior management level. They should reflect strategic choices about the critical processes, the success of which is essential to organizational survival.

Middle and line management set both functional and process improvement goals to achieve the strategic goals set by senior management. This hierarchy of goals establishes an architecture that links improvement efforts across the boundaries of the functional organization. Within functional organizations, performance improvement teams provide cross-functional orientation, and the employees on those teams become involved in process issues. Thus, the entire organization is effectively inter-linked to form an ideal performance improvement culture.

#### Step 4 : Establish Improvement Projects and Action Plans

The initial direction and the initial goals set for the continuous improvement teams flow down from, and are determined by, top management. The steering group performs the following activities. (a) Develops the organizational transformation philosophy and vision; (b) focuses on critical processes; (c) resolves organizational and functional barriers; (d) provides resources, training and rewards and (e) establishes criteria for measuring processes and customer requirements.

#### Step 5: Implement Projects with Performance Tools and Methodologies

Improvement efforts follow a structured improvement methodology. This methodology requires the improvement team to define its customers and processes, develop and establish measures for all process components and assess conformance to customer needs. Analyzing the process will reveal various improvement opportunities, some of which will be more valuable or achievable than others. Opportunities are ranked by priority and improvements effected. The improvement methodology is a cyclic and infinite process. As one opportunity is pursued and improvements implemented, new opportunities are identified and prioritized. Appropriate performance tools are employed at various points in the process.

#### Step 6: Evaluate

Measurement is an essential element of the transformation and continuous improvement process. It focuses on the effectiveness of improvement efforts

and identifies areas for future improvement efforts. A basic need in all improvement efforts is the ability to measure the value of the improvement in units that are pertinent and meaningful to the specific task. For example, one evaluation of the “before” and “after” levels of customer satisfaction following an improvement effort might include the number of customer complaints. The method of the performance improvement should also be evaluated.

Most organizations have existing measures that may be used with little or no modification. No menu of measurements is applicable to all users. The key is to select measures that can be used by work units to manage and evaluate their products and services so that continuous process improvement may be undertaken.

#### Step 7: Review and Recycle

The continuous improvement process must be a permanent fixture in the organization. Approaches to positive transformation for continuous improvement that have limited lifetimes will become ineffective if left unattended. Review progress with respect to improvement efforts and modify or rejuvenate existing approaches for the next progression of methods. This constant evolution reinforces the idea that continuous improvement through organizational transformation and reengineering is not a “program” but rather is anew expectation for day-to-day behaviour and a way of life for each member of the organization.

#### MULTI-SOURCE FEEDBACK IN PFM

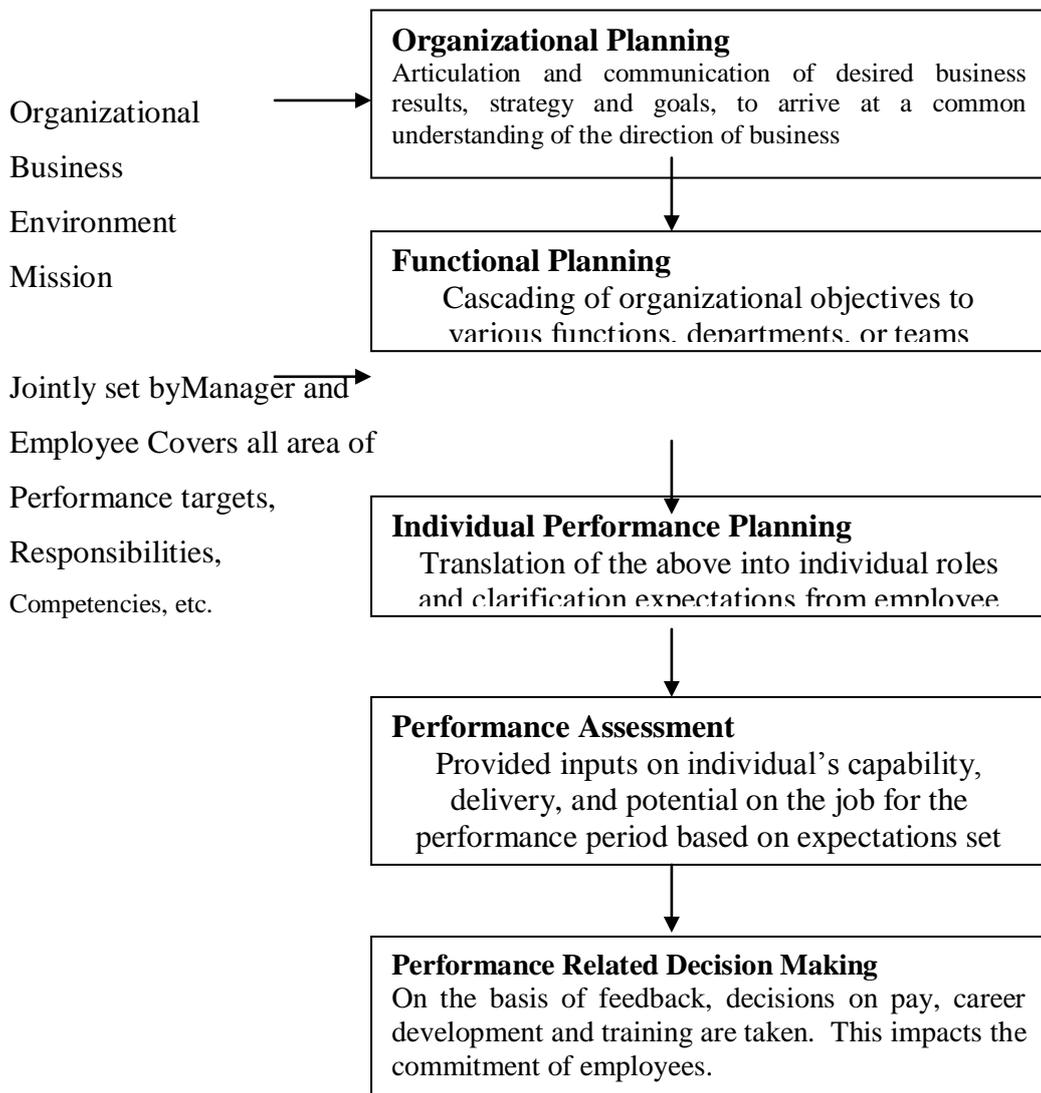
Multi-Source Feedback is a process used in performance management system to solicit comments and views of other individuals in the organization about an employee’s performance relating to competencies and behaviors.

PMS provides a linkage between employee's/manager's contribution and

- Organizational results;
- Recognition and rewards received by the employee;
- Career development opportunities of the employee.

In order to make this linkage rigorous and objective performance assessment of manager's/employee is considered crucial. Multi source feedback ensures effective performance management process. Multi rating system is characterized by transparency and hallow-free.

An overview of the Performance Management System with Multi Source Feedback Model is exhibited



## Features of Multi-Source Feedback

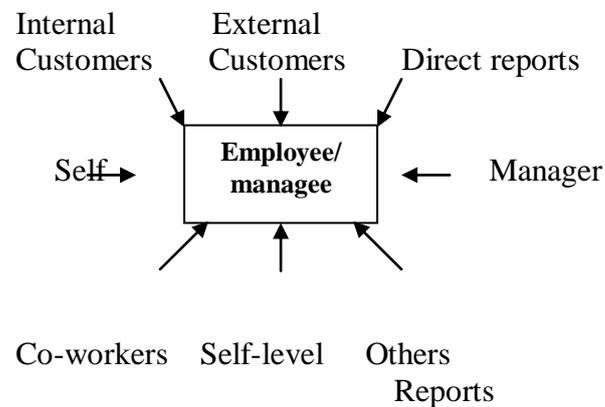
Multi Source Feedback is process of given the feedback to the managee/employee on various dimensions of performance using more than one rater. The salient features of MSF are as follows:

- Feedback anonymity and rater confidentiality

The source of feedback is unknown to an employee and the inputs of managee's performance is obtained from different sources and then it is aggregated using a particular analysis format the feedback and is then provided to the employee.

- More than one rater and different "sources"

Traditionally, a manager would undertake performance assessment. Multi-source feedback involves several individuals who view the employee's/managee's performance from different aspects. These aspects may be any or all of those represented below.



*Involvement of people in multi-source feedback*

As many as ten individuals may thus provide feedback to one individual. Having several individuals give feedback, however, does not qualify a system to be called multi-source feedback. Each rater must constitute a different “party” or “source” with a varying level of interaction on performance.

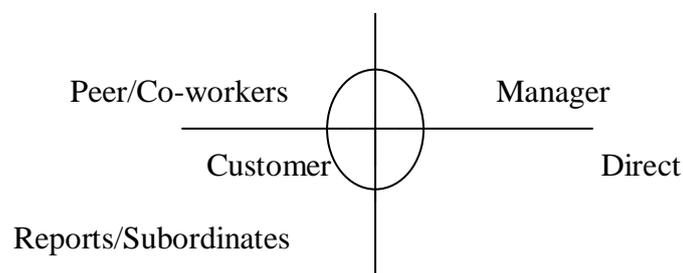
Raters provide feedback based on the extent of interaction

Not all raters give feedback on all performance parameters. Performance parameters are culled out for each rater based on whether the rater would have interacted with the employee on the performance aspects. For instance, leadership competencies may be assessed only by direct reports and not by the customer.

Degree defines extent of multi-source feedback comprehensiveness

The extent to which different sources are involved in providing feedback defines the degree of the multi-source system. Further, using more sources ensures a holistic assessment of an employee’s/manager’s performance.

The most comprehensive type of multi-source feedback is 360-degree feedback, which involves an employee’s customer, peer, direct reports, self and manager. The other degrees are represented



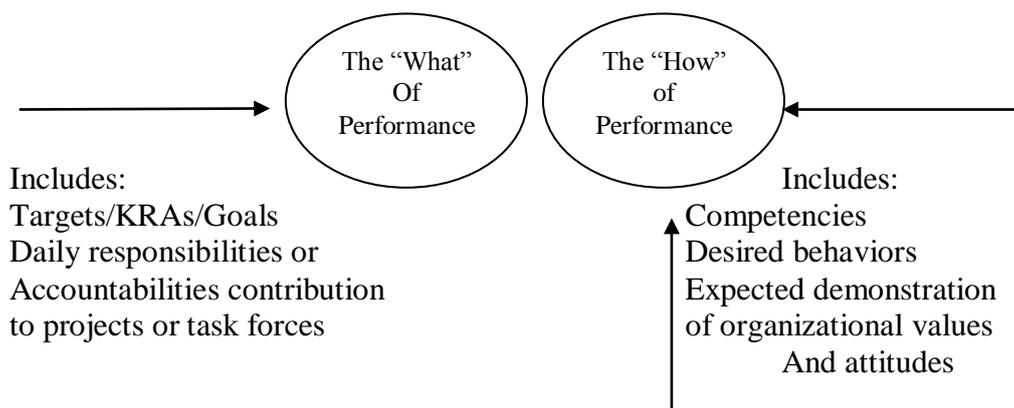
*Extent of multi-source feedback*

Organizations often choose the source of feedback based on the criticality of performance interaction. This is also based on the strategy and values of the organization. IBM, for example, opts to use customer feedback as opposed to

using all sources to provide additional inputs. In an organization where teamwork may be critical, the inputs of peers often become necessary and are used extensively.

- The “how” of performance is a typical area of assessment

An employee/manager to the organization may view performance as an amalgam of two distinct areas of contribution.



Multi-Source feedback is used here

*Areas of contribution by an employee to the organization*

Typically, the “what” of performance does a manager assess, as these expectations are set between the manager and the managee/employee. And this may be confidential.

Competencies, desired behaviors, attitudes and values are demonstrated in the daily interaction of an employee with other parties. These are articulated by the organization and are known to all employees. Hence these may form appropriate parameters of assessment by multiple sources.

## Merits of Multi-Source Feedback

Multi-source feedback offers the following advantages:

- Greater buy-in due to more transparency and objectivity;
- Extensive employee involvement;
- Comprehensive feedback;
- Balancing and moderation of rater bias;
- Difficult to ignore;
- More insight for self, managers and HR to plan initiatives and take decisions;
- Lower “threat” perception from negative feedback due to anonymous input;
- Creates an alignment between an employee and organizational values and behaviors;
- Increases team orientation and communication channels;
- Focuses employees on self-development; and
- Can also be extended to recruitment and exit interviews.

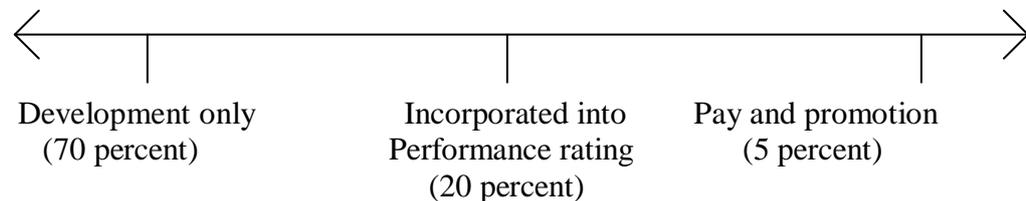
What is Multi-Source Feedback Used for?

Companies use multi-source feedback for a variety of purposes. Typically, multi-source feedback can impact the decisions of:

- Development; and
- Pay and promotion.

In a study by Hewitt Associates in 1999 that studied the performance management systems of over 3000 companies around the world, the prevalence of multi-source application was seen to vary. Of the companies that used multi-

source feedback, the percentage of companies applying it for specific decisions is mentioned.



Multi-source feedback can be incorporated into performance assessment in the following two ways:

- In overall assessment scores: In this case, it is usually assigned a weight age-a weight age equivalent to the stress that the organization places on competencies, values, and behaviors. In this case, multi-source feedback may impact pay and promotion.
- Separate score for multi-source feedback: In this, the score on multi-source feedback is set aside for analyzing development needs only. Development is the most common application of multi-source feedback since employees are agreeable to feedback from different sources so long as it does not impact their pay of career but is only geared toward developing additional skills or behaviors.

#### Organization's Readiness to Use Multi-Source Feedback

Conditions to be fulfilled

Multi-source feedback is not commonly practiced. In fact, any organization opting for multi-source feedback must check for organization and employee readiness. Checking for acceptance is vital since implementation is the key to success of this effort.

The existence of all the following factors is imperative before an organization considers using this type of feedback:

- Performance-driven culture;
- An effective PMS which is participative in nature;
- Definition and articulation of competencies, desired behaviors, and organizational values;
- Commitment of top management to this process (this process usually starts from the top);
- Ownership of PMS by HR, line managers and senior management;
- Willingness of employees to be part of this feedback;
- Acceptance of negative feedback;
- Open communication systems;
- Organizational emphasis and stress on career development, training and coaching;
- External/outward/customer-focused culture;
- Partnership orientation in organization as opposed to top down management.
- Team-based working styles;
- Employees are role-focused (do what is needed) as opposed to job-driven (do what is articulated); and
- Presence of data administration systems (especially if the organization intends to process performance data in-house).

#### Companies Implementing Multi-Source Feedback

The prevalence of multi-source feedback is relatively uncommon, especially across the organization. Many organizations opt for using this system only for

top management. Also, most organizations that use multi-source feedback limit the degree of sources.

Some examples of companies that are using this multi-source feedback are given in the following table.

Degree	Example
90° (Assessment by manager)	Most companies with a performance management system in place use this mode of feedback
180° (Assessment by manager and peer)	<ul style="list-style-type: none"> <li>• C-Dot</li> <li>• Tata Communications</li> <li>• ICICI</li> <li>• Coca Cola</li> </ul>
270° (Assessment by manager, peer and direct report)	<ul style="list-style-type: none"> <li>• BILT</li> <li>• Woodward Governor</li> <li>• Wipro Infotech</li> </ul>
360° (Assessment by manager, peer, direct report and customer)	<ul style="list-style-type: none"> <li>• SGS Thompson</li> <li>• ITC</li> </ul>

\* It is possible that systems may have changed in the above companies.

*Companies using multi-source feedback*

Companies that have opted for multi-source feedback report a high degree of satisfaction with this system and recommended it to other organizations. They feel that multi-source feedback significantly improves development, process fairness and employee performance.

**PERFORMANCE EVALUATION OF EMPLOYEES**

Performance evaluation of employees serves a number of purposes in organizations. Management uses evaluations for *human resource decisions*. Evaluations provide input into important decisions such as promotions, transfers, and terminations. Evaluations *identify training and development*

*needs*. It pinpoint employee skills and competencies that are currently inadequate but for which programs can be developed to remedy. Performance evaluations can be used as a *criterion against which selection and development programs are validated*. Newly hired employees who perform poorly can be identified through performance evaluation and training effectiveness can be measured. Evaluations also fulfill the purpose of *providing feedback to employees* on how the organization views their performance. Furthermore, performance evaluations are used as the *basis for reward allocations*.

#### Performance evaluation and motivation

The expectancy model of motivation provides linkages between effort-performance and performance-reward that defines *performance*. In the expectancy model, it's the individual's performance evaluation. To maximize motivation, people need to perceive that the effort they exert leads to a favorable performance evaluation in turn leading to the rewards that managee values.

Following the expectancy model of motivation, if the objectives that employees are expected to achieve are unclear, if the criteria for measuring those objectives are vague, and if the employees lack confidence that their efforts will lead to a satisfactory payoff by the organization when their performance objectives can achieved, we can expect individuals to work considerably below their potential thereby resulting in lowering of performance.

#### Why employee evaluation a demotivating in organizations?

In the real world of business, many employees may not be motivated is that the performance evaluation process is often more political than objective. Many managers will subordinate objective accuracy for self-serving ends—deliberately manipulating evaluations to get the outcomes they want.

What should management evaluate? The three most popular sets of criteria are individual task outcomes, behaviors, and traits.

**Individual Task Outcomes** If ends count, rather than means, then management should evaluate an employee's task outcomes. For example, using task outcomes, a plant manager could be judged on criteria such as quantity produced, scrap generated, and cost per unit of production. Similarly, a salesperson could be assessed on overall sales volume in his or her territory, dollar increase in sales, and number of new accounts established.

**Behaviors** In many cases, it's difficult to identify specific outcomes that can be directly attributable to an employee's actions. This is particularly true of personnel in advisory or support positions and individuals whose work assignments are intrinsically part of a group effort. In the latter case, the group's performance may be readily evaluated, but the contribution of each group member may be difficult or impossible to identify clearly. In such instances, it's not unusual for management to evaluate the employee's behavior. Using the previous examples, behaviors of a plant manager that could be used for performance evaluation purposes might include promptness in submitting his or her monthly reports or the leadership style that the manager exhibits. Pertinent salespersons behaviors could be the average number of contact calls made per day or sick days used per year.

It is to be noted that these behaviors needn't be limited to those directly related individual productivity. As we pointed out in our previous discussion on organizational citizenship behavior, helping others, making suggestions for improvements, and volunteering for extra duties make work groups and organizations more effective. So including subjective or contextual factors in a performance evaluation—as long as they contribute to organizational effectiveness—may not only make sense, they may also improve coordination, teamwork, cooperation, and overall organizational performance.

Traits The weakest set of criteria, yet one that still widely used by the organizations, is an individual trait. Traits such as having “a good attitude”, showing “confidence”, being “dependable,” “looking busy,” or possessing “a wealth of experience” may or may not be highly correlated with positive task outcomes.

But only the naïve (*immature or inexperienced*) would ignore the reality that such traits are frequently used in organizations as criteria for assessing an employee’s level of performance.

Who should do the evaluating?

Who should evaluate an employee’s performance? The obvious answer would seem to be his or her immediate boss. By tradition, a manager’s authority typically has included appraising subordinate’s performance. The logic behind this tradition seems to be that since managers are held responsible for their employees’/manager’s performance, it only makes sense that these managers do the evaluating of that performance. But that logic may be flawed. Others may actually be able to do the job better.

Immediate superior

The majority of performance evaluations at the lower and middle levels of organizations continue to be conducted by an employee’s immediate boss. Yet a number of organizations are recognizing the drawbacks to using this source of evaluation. For instance, many bosses feel unqualified to evaluate the unique contributions of each of their employees. Others resent being asked to “play God” with their employees’ careers. Many of today’s organizations are using self-managed teams, some organizations have devices that distance bosses from their employees/managers. Also felt that employee’s/manager’s immediate superior may not be the most reliable judge of that employee’s performance.

Peers Peer evaluations are one of the most reliable sources of appraisal data. Because, First, peers are close to the action. Daily interactions provide them with a comprehensive view of an employee's job performance. Using peers as raters results in a number of independent judgments. A boss can offer only a single evaluation, but peers can provide multiple appraisals. And the average of several ratings is often more reliable than single evaluation. On the downside, peer evaluations can suffer from co-workers' unwillingness to evaluate one another and from biases based on friendship or animosity.

Self-evaluation Having employees evaluate their own performance is consistent with values such as self-management and empowerment. Self-evaluations get high marks from employees themselves; and they make excellent vehicles for stimulating job performance discussions between employees and their superiors. However, they suffer from over inflated assessment and self-serving bias. Because of these serious drawbacks, self-evaluations are probably better suited to developmental uses than for performance evaluative purposes.

Immediate Subordinates a fourth judgment source is an employee's subordinates. Its proponents argue that it's consistent with recent trends toward enhancing honesty, openness, and empowerment in the workplace.

Immediate subordinates' evaluations can provide accurate and detailed information about manager's behavior because the evaluators typically have frequent contact with the person being evaluated. The obvious problem with this form of rating is fear of reprisal from bosses who are given unfavorable evaluations. Therefore, respondent anonymity is crucial if these evaluations are to be accurate.

### 360-Degree Evaluation

The latest approach to performance evaluation is the use of 360-degree evaluations. It provides for performance feedback from the full circle of daily contacts that an employee might have, ranging from mailroom personnel to

customers to bosses to peers. The number of appraisals can be as few as three or four evaluations or as many as 25, with most organizations collecting five to ten per employee.

What's the appeal of 360-degree evaluations?

They fit well into organizations that have introduced teams, employee involvement and quality-management programs. By relying on feedback from co-workers, customers, and subordinates, these organizations are hoping to give everyone more of a sense of participation in the review process and gain more accurate reading on employee performance. 360-degree evaluations are consistent with evidence that employee performance varies across contexts and that people behave differently with different constituencies. The use of multiple sources, therefore, is more likely to capture this variety of behavior accurately.

## UNIT - II

### PERFORMANCE MANAGEMENT

#### INTRODUCTION:

Individual differences can influence behaviour in organizations. A vast array of workplace behaviour shape how any individual performs in an organization. Training is important for the success of any organization. The contents of the training programmes have always been structured at higher levels and subject to change. The training programme never emphasized on the “basic workplace skills” which are necessary and can lay a strong foundation among the employees to adopt any change in the work atmosphere. Improving these basic skills is fundamental for increasing the productivity of employees and widening the scope of the organization.

Basic workplace skills or workplace literacy refer to those generic skills that all employees need at work, which are:-

- Reading
- Writing
- Speaking
- Math, and
- Problem solving

The extent of the degree of each skill varies from each workplace and employee depending on factors such as:-

- Industry and Sector
- Job function and specific duties
- Use of technology in the workplace, and
- Changing job requirements

Enhancing workplace literacy levels in the workplace improves bottom-line performance of the employees and gives them scope for success in their careers. Today, there is a growing recognition for workplace literacy as it is critical factor in the corporate sector. Employers are paying more attention to the potential impact it has on their business success and employees are recognizing the importance of this. Workplace literacy ultimately contributes higher revenues and improvement in the quality of work. Workplace literacy is a competency to read the required work related material. It is proposed that functional literacy be extended in terms of competency in listening, speaking and writing than reading alone.

At this juncture, what we mean by workplace? “Workplace includes performance and productivity, absenteeism and turnover and organizational citizenship”.

“Workplace is the pattern of action by the members of an organization that directly or indirectly influences organizational effectiveness”.

#### WORKPLACE PRIVACY

Do you think you have a right to privacy at your workplace? What can your employer find out about you and your work? It is not uncommon that employers can read your e-mail, even those marked “personal or confidential, tap your telephone, monitor your work by computer, store and review computer files, and monitor you in an employee bathroom or dressing room. Today, 45 percent of all companies and 17 percent of Fortune 1000 companies use monitoring software of some type. The use of other forms of surveillance, such as video cameras, brings that total up to 67 percent.

Why do managers feel they must monitor what employees are doing? A big reason is that employees are hired to work, not to surf the Web checking stock prices, or shopping for presents for family or friends. Recreational on-the-job Web surfing has been said to cost a billion dollars in wasted computer resources

and billions of dollars in lost work productivity annually. That's a significant cost to businesses.

Another reason that managers monitor employee e-mail and computer usage is that they don't want to risk being sued for creating a hostile workplace environment because of offensive messages or an inappropriate image displayed on a coworker's computer screen. Concern about racial or sexual harassment is one of the reasons why companies might want to monitor or keep backup copies of all e-mail. This electronic record can help establish what actually happened and can help managers react quickly.

Finally, managers want to ensure that company secrets aren't being leaked. Although protecting intellectual property is important for all businesses, especially important in high-tech industries. Managers need to be certain that employees are not, even inadvertently, passing information on to others who could use that information to harm the company.

The consequences of inappropriate workplace usage can be serious for employees and companies. For instance, shortly before Christmas 1999, 23 workers at a *New York Times* administrative center in Norfolk, Virginia, were fired, and a number of other employees were reprimanded for violating the company's policy that prohibits using the corporate e-mail system to "create, forward, or display any offensive or disruptive messages, including photographs, graphics, and audio material." A number of Xerox employees were dismissed for spending as much as eight hours a day browsing X-rated and e-shopping Web sites during work hours. Two executives at Salomon Smith Barney were fired after a routine check of corporate e-mail system crashed for six hours after an employee sent 60,000 co-workers an e-mail (asking them to respond back using an attached e-receipt) about a national prayer day. Since the company depended heavily on its internal e-mail communication system, this crash cost the company hundreds of thousands of dollars.

Even with all the workplace monitoring that managers can do, employees in the United States do have some protection through the federal Electronic Communications Privacy Act of 1986. The ECPA prohibits unauthorized interception of electronic communication. Although this law gives employees some privacy protection, it doesn't make workplace electronic monitoring illegal as employers are allowed to monitor communications for business reasons or when employees have been notified of the practice. Although employees may think that it is unfair for a company to monitor their work electronically and to fire them for what they feel are minor distractions, the courts have ruled that, since the computer belongs to the company, managers have a right to view everything on it.

Because of the potentially serious costs and given the fact that these days many jobs now entail work that involves using a computer, many companies are developing and enforcing workplace monitoring policies. The responsibility for doing this falls on managers. It's important to develop some type of viable workplace monitoring policy. What can managers do to maintain control but do so in a way that isn't demeaning to employees? They should develop an unambiguous computer usage policy and make sure that every employee knows about it. Tell employees up front that their computer use may be monitored at any time and provide clear and specific guidelines as to what constitutes acceptable use of company e-mail systems and the Web.

#### WORKPLACE VIOLENCE

The news headlines relate the sad details of an Atlanta stock day trader gunning down individuals at a brokerage office. The popular media coined the term *going postal* (because of incidences of postal employees gunning down their co-workers) to describe individuals who are pushed over the edge and become violent. Is workplace violence *really* an issue with which managers might have to deal?

Although the number of workplace homicides is decreasing, the U.S. Department of Justice estimates that workplace assaults of all types claim more than 1 million victims each year. Other experts put the figure at closer to 2 million. The annual cost to U.S. businesses is estimated at between 20 and 35 billion dollars.

What factors are believed to be contributing to workplace violence? Undoubtedly, employee stress caused by long hours, information overload, other daily interruptions, unrealistic deadlines, and uncaring managers. Even office layout designs with small cubicles where employees work amidst the noise and commotion from those around them have been cited as contributing to the problem. Dysfunctional work environments characterized by the following contributes to the problem:

- Employee work driven by TNC (time, numbers, and crises).
- Rapid and unpredictable change in which instability and uncertainty plague employees.
- Destructive communication style in which managers communicate in an excessively aggressive, condescending, explosive, or passive-aggressive style; excessive workplace teasing or scapegoating..
- Authoritarian leadership with a rigid, militaristic mind-set of managers versus employees; employees aren't allowed to challenge ideas, participate in decision making, or engage in team-building efforts.
- Defensive attitude in which little or no performance feedback is given; only numbers count; and yelling, intimidation, and avoidance are the preferred ways of handling conflict.
- Double standards in terms of policies, procedures, and training opportunities for managers and employees.
- Unresolved grievances because there are no mechanisms or only adversarial ones in place for resolving them; dysfunctional individuals

may be protected or ignored because of long-standing rules, union contract provisions, or reluctance to take care of problems.

- Emotionally troubled employees and no attempt by managers to get help for these people.
- Repetitive, boring work in which there's no chance of doing something else or of new people coming in.
- Faulty or unsafe equipment or deficient training that keeps employees from being able to work efficiently or effectively.
- Hazardous work environment in terms of temperature, air quality, repetitive motions, overcrowded spaces, noise levels, excessive overtime, and so forth. To minimize costs, no additional employees are hired when workload becomes excessive, leading to potentially dangerous work expectations and conditions.
- Culture of violence in which there's a history of individual violence or abuse; violent or explosive role models; or tolerance of on-the-job alcohol or drug abuse.

What can managers do to deter or reduce possible workplace violence? Once again, we can use the concept of feed-forward, concurrent, and feedback control to identify actions that managers can take.

#### EMPOWERMENT

Empowerment involves increasing the decision-making discretion of workers. Many individual employees and employee teams are making the key operating decisions that directly affect their work. They are developing budgets, scheduling workloads, controlling inventories, solving quality problems, and engaging in similar activities that until very recently were viewed exclusively as part of the manager's job. For instance, at Total Systems Services Inc. of Columbus, Georgia, employees are actively involved in work decisions, which at one point included the design of the company's new office complex. The

importance of employees to the company is reflected in the brick river walk along the Chattahoochee River where each brick is engraved with an employee's name.

Why are employees empowered?

It is the need for quick decisions by those people who are most knowledgeable about the issues—often those at lower organizational levels. If organizations are to successfully compete in a dynamic global economy, they have to be able to make decisions and implement changes quickly.

Secondly, the reality that organizational downsizing during the last part of the twentieth century left many managers with larger spans of control. In order to cope with the increased work demands, managers had to empower their people. Although empowerment is not a universal phenomenon, when employees have the knowledge, skills, and experience to do their jobs competently and when they seek autonomy and possess an internal locus of control, empowerment can be beneficial.

Motivating Employees through Empowerment

At Sapient Corporation co-founders Jerry Greenberg and J. Stuart Moore recognized that employee motivation was critically important to their company's ultimate success. They designed their organization so that individual employees are part of an industry-specific team that works on an entire project rather than on one small piece of it. Their rationale was that people often feel frustrated when they are doing a small part of a job and never get to see the whole job from start to finish. They realized that people would be more productive if they got the opportunity to participate in all phases of a project. Their approach seems to be working as *Fortune* named Sapient one of the 100 Fastest Growing Companies in 2000.

When you're motivated to do something, you find yourself energized and willing to work hard at doing whatever it is you're excited about. It would be

great if all of a venture's employees were energized, excited, and willing to work hard at their jobs. Having motivated employees is an important goal for any entrepreneur, and employee empowerment is an important motivational tool entrepreneurs can use.

Although it's not easy for entrepreneurs to do so, employee empowerment-giving employees the power to make decisions and take actions on their own-is an important motivational approach. Because successful ventures must be quick and nimble, ready to pursue opportunities in new directions. Empowered employees can provide that flexibility and speed. They often display stronger work motivation, better work quality, higher job satisfaction, and lower turnover.

For example, the 5,600 employees at Butler International, Inc., a technology consulting services firm based in Montvale, New Jersey, work at client locations. Ed Kopko, president and CEO, recognized that employees had to be empowered to do their jobs if they were going to be successful. The company's commitment to and success with employee empowerment led to its being awarded the Arthur Andersen Global Best Practices Award for Motivating and Retaining Employees. Another entrepreneurial venture that has found employee empowerment to be a strong motivational approach is Stryker Instruments in Kalamazoo, Michigan. Each of the company's 40 production units (consisting of about 40 employee each) has responsibility for its operating budget, cost reduction goals, customer-service levels, inventory management, training, production planning and forecasting, purchasing, human resource management, safety, and problem solving. In addition, unit members work closely with marketing, sales, and R&D during new product introductions and continuous improvement projects. Says one team supervisor, "Stryker lets me do what I do best and rewards me for the privilege".

Empowerment is a philosophical concept that businessmen have to “buy into.” In fact, it is hard for many to do. Their life is tied up in the business. They have built it from the ground up. But continuing to grow is eventually going to require handing over more responsibilities to employees.

Entrepreneurs can begin by using participative decision making in which employees provide input into decisions. Although getting employees to participate in decisions, is not quite taking the full plunge into employee empowerment, it is, at least, a way to begin tapping into the collective array of employees’ talents, skills, knowledge, and abilities.

Another way to empower employees is through delegation—the process of assigning certain decisions or specific job duties to employees. By delegating decisions and duties, the entrepreneur is turning over the responsibility for carrying them out. Fully empowering employees means redesigning their jobs so they have discretion over the way they do their work. It’s allowing employees to do their work effectively and efficiently by using their creativity, imagination, knowledge, and skills.

If an entrepreneur implements employee empowerment properly, i.e. with complete and total commitment to the programme and with appropriate employee training, results can be impressive for the entrepreneurial venture and for the empowered employees. The business can enjoy significant productivity gains, quality improvements, more satisfied customers, increased employee motivation, and improved morale. Employees can enjoy the opportunities to do a greater variety of work, more interesting and challenging. Employees are also encouraged to take the initiative in identifying and solving problems and doing their work.

For example, at Mine Safety Appliances in Murrysville, Pennsylvania, employees are empowered to change their work processes in order to meet the organization’s challenging quality improvement goals. Getting to this point took

an initial 40 hours of classroom instruction per employee in areas such as engineering drawing, statistical process control quality certifications, and specific work instruction. However, the company's commitment to an empowered workforce has resulted in profitability increasing 91 percent over the last five years, 95 percent of the company's employees achieving multi skill certifications, and the company being named Home Depot's Supplier of the Year in 1999 in its first year of supplying the company.

### EFFECTIVENESS

Managerial effectiveness can be defined as goal attainment. It means completing activities so that organizational goals are attained. It is nothing but 'doing the right things'. It can also be considered as the measure of how appropriate organizational goals are and how well an organization is achieving those goals. It is a common performance measure used by managers.

Other descriptions of effectiveness have been suggested by management researchers. For instance, the systems resource model of organizational effectiveness proposes that effectiveness is measured by the organization's ability to exploit its environment in acquiring scarce and valued resources. The process model emphasizes the transformation processes of the organization and how well the organization converts inputs into desired outputs. Then, finally, the multiple constituencies' model says that several different effectiveness measures should be used, reflecting the different criteria of the organization's constituencies. For example, customers, advocacy groups, suppliers, and security analysts each would have their own measures of how well the organization was performing. Although each of these different effectiveness models may have merit in measuring certain aspects of organizational effectiveness, the bottom line for managers continues to be how well the organization accomplishes its goals. That's what guides managerial decisions in designing strategies, work processes, and work activities, and in coordinating

that work of employees. There are issues that can arise as managers design efficient and effective control systems. Technological advances in computer hardware and software, for example, have made the process of controlling much easier, but these advances have brought with them difficult questions regarding what managers have the right to know about employees and how far they can go in controlling employee behavior.

## EMPLOYEE PERFORMANCE MANAGEMENT

In the present competitive scenario, organizations have to ensure optimum performance of their employees continuously in order to compete effectively. Traditionally, this was attempted to achieve through performance appraisal of employees which was more concerned with telling employees where they lacked in their performance. It served the purpose to some extent, but not enough to raise the employee performance at the most desirable level. This led to the introduction of Performance Management

### Concept of Performance Management

Performance management is the process of planning performance, appraising performance, giving its feedback, and counseling an employee to improve his performance.

Many people think that “performance management” (sometimes called performance development) and “performance appraisal” are one and the same. This thinking made many companies to retain the old practices of performance appraisal. Therefore, these companies have not been able to reap the results of performance management.

There is a need for changing mental set up along with the change in the system. Changing the nomenclature of a system without changing the mental set up is merely avoiding reality. Therefore, two systems performance management and performance appraisal should be seen in different perspectives. The following discussion will bring out the differences in them.

1. Performance management is more comprehensive than performance appraisal, though performance appraisal is part of performance management. Besides performance appraisal, performance management involves performance planning and providing feedback and counseling to employees to improve their performance.

2. In performance management, all activities are linked to organizational objectives and strategies. Because of such a linkage, the focus is on why to appraise rather than what and how to appraise the performance.

Many research evidences suggest that “: the companies that have some sort of performance management systems have achieved overall better financial performance than those that have not”.

#### Features of performance Management

A successful performance management system has the following salient features.

1. Performance management is closely concerned with the organizational culture and strategically linked to clearly defined to organizational objectives. Therefore, performance measure is based on the critical success factors derived directly form the corporate and business strategy.

2. Performance management system is closely linked to other systems of human resource management, like planning, succession planning, and training and development. Many feel that there should be separation of appraisal for rewards from appraisal for development. Further, it is suggested that peer-level managers should conduct appraisal for rewards, instead of just immediate superiors.

3. Performance management is a continuous process of monitoring and feedback. There should be involvement of employees through focus group interviews, surveys, etc., in all stages for the design, implementation, and review process.

4. Performance management involves effective use of technology in conveying desired competencies and in monitoring, collecting and giving feedback.

5. Performance management emphasizes comprehensive training to managers not only for their own development but also to act as effective coaches as the role of coaching in performance improvement is critical.

6. Performance management is a dynamic system that is suitable for changing workplace realities, such as working in teams and alternative work arrangements like tele-working, job sharing, etc.

Managers need to know whether their employees are performing their jobs efficiently and effectively or whether there is need for improvement. Evaluating employee performance is part of a performance management system, which is a process of establishing performance standards and appraising employee performance in order to arrive at objective human resource decisions as well as to provide documentation to support those decisions. The performance appraisal is a critical part of a performance management system. The following are some different methods of doing performance appraisal.

#### Performance Appraisal

Performance appraisal is the key ingredient of performance management. In a work group members, consciously or unconsciously, make opinion about others. The opinion may be about their quality, behaviors, way of working etc, such an opinion becomes basis or interpersonal interaction. In the same way, superiors form some opinions about their subordinates for determining many things like salary increase, promotion, transfer, etc. in large organizations, this process is formalized and takes the form of performance appraisal. Performance appraisal in some form has existed in old days also. For example, Wei dynasty (221-265 A.D.) in China introduced performance appraisal in which an Imperial Rater used to appraise the performance of members of the official family. In its

present form, the New York City Civil Service adopted performance appraisal in 1883. Since then and specially after World War I, performance appraisal in formal way has been adopted by most of the large organizations particularly in business field. In our country too, large organizations adopt formal appraisal method.

#### Concept of performance Appraisal

Appraisal is the evaluation of worth, quality or merit. In the organization context, performance appraisal is a systematic evaluation of personnel by superiors or others familiar with their performance. Performance appraisal is also described as merit rating in which one individual is ranked as better or worse in comparison to others. The basic purpose in this merit rating is to ascertain an employee's eligibility of promotion. However, performance appraisal is more comprehensive term for such activities because its use extends beyond ascertaining eligibility of promotion. Such activities may be training and development, salary increase, transfer, discharge, etc, besides promotion. A formal definition of performance appraisal is as follows:

“it (performance appraisal) is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for the purposes of administration including placement, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally”.

Beach has defined performance appraisal as follows:

“Performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and his potential for development”.

Thus, performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his job. It emphasizes on two aspects; systematic and objective. The appraisal is systematic when it

evaluates all performances in the same manner, utilizing the same approaches so that appraisal of different persons is comparable. Such an appraisal is taken periodically according to plan; it is not left to chance. Thus, both raters and rates know the system of performance appraisal and its timing. Appraisal has objectivity also. Its essential feature is that it attempts at accurate measurement by trying to eliminate human biases and prejudices.

#### Objectives of Performance Appraisal

As discussed earlier, performance appraisal is undertaken for a variety of reasons.

Review of organizational practices shows that organisations undertake performance appraisal exercises to meet certain objectives which are in the form of salary increase , promotion, identifying training and development needs, providing feedback to employees and putting pressure on employees for better performance.

1. Salary increase. Performance appraisal plays a role in making decision about salary increase. Normally salary increase of an employee depends on how he is performing his job. There is continuous evaluation of his performance either formally or informally. In a small organization, since there is a direct contact between the employee and the one who makes decisions about salary increase, performance appraisal can be an informal process. However, in a large organization where such contact hardly exists, formal performance appraisal has to be undertaken. This may disclose how well and employee is performing and how much he should be compensated by way of salary increase.
2. Promotion. Performance appraisal plays significant role where promotion is based on merit. Most of the organizations often use a combination of merit and seniority for promotion, performance appraisal discloses how an employee is working in his present job and what his strong

and weak points are. In the light of these, it can be decided whether he can be promoted to the next higher position and what additional training will be necessary for him. Similarly, performance appraisal can be used for transfer, demotion and discharge of an employee.

3. **Training and Development.** Performance appraisal tries to identify the strengths and weaknesses of an employee on his present job. This information can be used for devising training and development programmes appropriate for overcoming weaknesses of the employees. In fact, many organizations use performance appraisal as means for identifying training needs of employees.
4. **Feedback.** Performance appraisal provides feedback to employees about their performance. It tells them where they stand. A person works better when he knows how he is working; how his efforts are contributing to the achievement of organizational objectives. This works in two ways. First, the person gets feedback about his performance and he may try to overcome his deficiencies which will lead to better performance. Second, when the person gets feedback about his performance, he can relate his work to the organizational objectives. This provides him satisfaction that his work is meaningful. Thus, given the proper organizational climate, he will try his best to contribute maximum to the organization.
5. **Pressure on Employees.** Performance appraisal puts a sort of pressure on employees for better performance. If the employees are conscious that they are being appraised in respect of certain factors and their future largely depends on such appraisal, they tend to have positive and acceptable behaviour in this respect. Thus, appraisal can work automatically as control device.

## Performance Appraisal Methods

Managers can choose from seven performance appraisal methods. The advantages and disadvantages of each of these methods are shown in Exhibit 12.12.

### Written Essays:

The Written essay is a performance appraisal technique in which an evaluator writes out a description of an employee's strengths and weaknesses, past performance, and potential. The evaluator would also make suggestions for improvement.

### Critical Incidents:

The use of critical incidents focuses the evaluator's attention on those critical or key behaviours that separate effective from ineffective job performance. The appraiser writes down anecdotes that describe what the employee did that was especially effective or ineffective. The key here is that only specific behaviours, not vaguely defined personality traits, are cited.

### Graphic Rating Scales

One of the oldest and most performance appraisal methods is graphic rating scales. This method lists a set of performance factors such as quantity and quality of work, job knowledge, cooperation, loyalty, attendance, honesty, and initiative. The evaluator then goes down the list and rates an employee on each factor using an incremental scale. The scales typically specify five points; for instance, a factor such as job knowledge might be rated from 1 ("poorly informed about work duties") to 5 ("has complete mastery of all phases of the job").

### Behaviourally Anchored Rating Scales.

One increasingly popular performance appraisal approach is behaviourally anchored rating scales (BARS). These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates an

employee according to items along a numerical scale, but the items are examples of actual behavior on a job rather than general descriptions or traits.

**Multi-person Comparisons:**

Multi-person comparisons compare one individual's performance with that of one or more others. It's a relative, not an absolute, measuring device. The three most popular approaches to multi-person comparisons include group order ranking, individual ranking, and paired comparison. The group order ranking requires the evaluator to place employees into a particular classification such as "top one-fifth" or "second one-fifth." The individual ranking approach requires the evaluator merely to list the employees in order from highest to lowest. In the paired comparison approach, each employee is compared with every other employee in the comparison group and rated as either the superior or weaker member of the pair. After all paired comparisons are made, each employee is assigned a summary ranking based on the number of superior scores he or she received.

**Objectives:**

MBO is also a mechanism for appraising performance. In fact, it's the preferred method for assessing managers and professional employees. With MBO, employees are evaluated by how well they accomplish a specific set of goals that has been determined to be critical in the successful completion of their jobs.

**360 Degree Feedback:**

360 degree feedback is a performance appraisal method that utilizes feedback from supervisors, employees, and co-workers. In other words, this type of review utilizes information from the full circle of people with whom the manager interacts. Companies such as Alcoa, Pitney Bowes, AT&T, DuPont, Levi Strauss, and UPS are using this innovative approach. Users of this approach caution that, although it's effective for career coaching and helping a

manager recognizes his or her strengths and weaknesses, it's not appropriate for determining pay, promotions, or terminations.

#### Compensation and Benefits

Would you work 40 hours a week or more for an organization for no pay and no benefits? Although we might consider doing so for some "social cause" organization, most of us expect to receive some compensation from our employer. An effective and appropriate compensation system can help attract and retain competent and talented individuals who can help the organization accomplish its mission and goals.

Managers must develop a compensation system that reflects the changing nature of work and the workplace in order to keep people motivated. Organizational compensation can include many different types of rewards and benefits such as base wages and salaries, wage and salary add-ons, incentive payments, and other benefits and services.

As levels of skills tend to affect work efficiency and effectiveness, many organizations have implemented skill-based pay systems, which reward employees for the job skills and competencies they can demonstrate. In a skill-based pay system, an employee's job title doesn't define his or her pay category; skills do. For example, the highest pay a machine operator at Polaroid Corporation can earn is \$14 an hour. However, because the company has a skill-based pay plan, machine operators can earn up to a 10 percent premium if they broaden their skills and perform tasks such as material accounting, equipment maintenance, and quality inspection. Skill-based pay systems seem to mesh nicely with the changing nature of jobs and today's work environment. As one expert noted, "Slowly, but surely, we are becoming a skill-based society where your market value is tied to what you can do and knowledge are what really count, it doesn't make sense to treat people as jobholders. It makes sense to treat them as people with specific skills and to pay them for these skills."

Although many factors influence the design of an organization's compensation system, flexibility is becoming a key consideration. The traditional approach to paying people reflected a time of job stability when an employee's pay was largely determined by seniority and job level. Given the dynamic environments that many organizations face in which the employee skills that are absolutely critical to organizational success can change in a matter of months, the trend to make pay systems more flexible and to reduce the number of pay levels. However, whatever approach managers take, they must establish a fair, equitable, and motivating compensation system that allows the organization to recruit and keep a productive workforce.

#### Career Development

The term *career* has several meanings. In popular usage, it can mean advancement, a profession, or a lifelong sequence of jobs. For our purposes, we define a career as the sequence of positions held by a person during his or her lifetime. Using this definition, it's apparent that we all have, or will have, a career. The concept is as relevant to unskilled laborers as it is to software designers or physicians. But career development is not what it used to be.

Although career development has been an important topic in management courses for years, we have witnessed dramatic changes in the concept. Career development programs were typically designed by organizations to help employees advance their work lives within a specific organization. The focus of such programs was to provide the information, assessment, and training needed to help employees realize their career goals. Career development was also a way for organizations to attract and retain highly talented people. Those purposes have all but disappeared in today's workplace. Widespread organizational changes have led to uncertainty and chaos concerning the concept of a traditional organizational career. Downsizing, restructuring, and other organizational adjustments have brought us to one significant conclusion about

career development: The individual, not the organization, is responsible for his or her own career! Therefore, one must be prepared to do what is necessary to advance one's career. One must take responsibility for designing, guiding, and developing one's own career. Your career will be managed by you, not by the organization.

The idea of increased personal responsibility for one's career has been described as a *boundary less career* in which individuals rather than organizations define career progression, organizational loyalty, important skills, and marketplace value. The challenge for individuals is that there are no norms and few rules to guide them in these new circumstances. Instead, individuals assume primary responsibility for career planning, career goal setting, and education and training.

One of the first career decisions you have to make is career choice. The optimum career choice is one that offers the best match between what you want out of life and your interests, abilities, and market opportunities. Good career choice outcomes should result in a series of positions that give you an opportunity to be a good performer, make you want to maintain your commitment to your career, lead to highly satisfying work, and give you the proper balance between work and personal life. A good career match is one in which you are able to develop a positive self-concept, to do work that you think is important, and to lead the kind of life you desire.

Once you have identified a career choice, it's time to initiate the job search. We are not going to get into the specifics of job hunting, writing a resume, or interviewing successfully, although those career are important. Let's fast forward through all that and assume that your job search was successful. By taking an active role in managing your career, your work life can be more exciting, enjoyable, and satisfying.

## Employee Performance Improvement (EPI)

Today's dynamic organizations must achieve positive results in record time—a challenge that requires managers to avoid problems before they arise and to solve these issues quickly. Employee Performance Improvement is a powerful tool that can be used to build intellectual capital, establish and maintain a “high-performance workplace, enhance profitability and encourage productivity” —as well as increase return on equity and improved safety.

EPI talks of two distinct aspects, performance and behavior. Behavior is an action that can contribute to accomplishments whereas performance is the end result. Although the ultimate focus EPI is on performance and accomplishments, behavior contributes to the performance as they can positively or adversely affect the performance.

There are a number of factors, which affect performance. The authors Rummler and Brache have pointed out six variables that affects the job performance namely, barriers, performance expectations, consequences, feedback, knowledge/skill, and individual capacity. Thomas Gilbert's Behavior Engineering Model (BEM) includes the following, which affects the performance namely:

- a. Data and information
- b. Resources, tools and environmental supports
- c. Consequences, incentives and rewards
- d. Skills and knowledge
- e. Individual capacity
- f. Motives

EPI is characterized by the attributes of being systematic, systemic, grounded in scientifically derived theories, open to all methods, and is focused on achievements that human performers and the system values. Through EPI one can analyze important human performance gaps and plan for future impairments

in EPI through designing and developing cost-effective interventions to close the performance gaps and finally evaluating the financial and non-financial results.

The EPI process model as depicted by The American Society for Training and Development involves six steps, which include performance analysis, cause analysis, intervention, implementation, change management, and evaluation. There are usually several roles that consist of multiple steps; for example a change manager may deal with implementation and change management in an organization.

The roles of the EPI practitioner can be categorized into that of an analyst, an intervention specialist, a change manager, and an evaluator. The process which these roles go through may be termed as performance analysis, cause analysis, intervention, implementation, change management, and evaluation and measurement. The first and the most important process, which the practitioner goes through is that of an analyst. The analysis tries to find out the cause of human performance gaps or identify areas in which human performance can be improved. Diagnosis of a problem is done at this stage, on the basis of which the rest of the steps will follow.

The core competencies associated with EPI work are 16 in number and these are again divided into six competencies each. These core competences consist of:

1. Industry awareness
2. Leadership skills
3. Interpersonal relationship skills
4. Technological awareness and understanding
5. Problem-solving skills
6. System thinking and understanding
7. Performance undertaking
8. Knowledge of interventions

9. Business understanding
10. Organization understanding
11. Negotiation / Contacting skills
12. Buy-in/advocacy skills
13. Coping skills
14. Ability to see the “Big Picture”
15. Consulting skills
16. Project management skills

The importance of analysis has been stated and restated by many. Since, during the analysis phase the problem is defined, it is considered the most important phase. The analyst performs two functions, performance analysis and cause analysis.

Performance analysis is the process of identifying the organization's performance requirements and comparing them to its objectives and capabilities. It involves identification of gaps in performance. In addition to determining the performance gap, part of the performance analysis process involves assessing the impact, results or consequences of the discrepancy. If there is a wide gap or discrepancy, then arises the question of finding out the direct costs, opportunity costs, intangible costs, etc.

Direct costs would include poor quality resulting in products that cannot be sold; opportunity costs are not easy to measure such as missed sales, less than optimum productivity, intangible costs deals with the employee morale and customer confidence. It is imperative to find out the impact of the performance gap to ensure that the cost of minimizing to eliminating the problem is not greater than the cost of the problem. Cause analysis is the process of determining the root cause of past, present or future performance gaps. It involves examining the discrepancies identified through performance analysis and determining their causes.

It remains to be seen from which level analysis is carried out-whether it is the organizational level, the work or process level or the individual performer level. From the organizational level, the analysis focuses on the ability of the organization to meet the customer needs, compete in the marketplace, carry out strategies, and achieve goals. At the process level, analysis is carried out about the processes and internal systems that are there to achieve organizational objectives. The last is the individual performance level, where analysis is carried out about the employees and how they are carry in g out their work activities. They are carrying out their work through the processes that are in operation in the organization.

The role of the analyst is linked directly to that performance and cause analysis.

There are various competencies associated with the role of an analyst. They are

- a. Performance analysis skills- comparing actual and ideal performance
- b. Needs analysis, survey design, and development skills- preparing surveys
- c. Competency identification skills-identifying the knowledge and skill requirements
- d. Questioning skills- gathering pertinent information through interviews
- e. Analytical skills-breaking down components and reassembling them
- f. Work environment analytical skills-examining the work environment to find out issues affecting the human performance.

#### Performance Analysis

Since the EPI model stands on the role, competencies, and work output of the analyst, the work of the analyst is considered to be the most critical. Model and tools are essential for an analyst to carry out the work. These models and tools provide an analysis with the organized and systematic methods for examining human performance problems. The Rummler and Bracher Models shows the three performance levels i.e., the organizational, process and individual levels on

one axis whereas on the other axis the model shows the three performance needs i.e., goals, design, and management. This model illustrates the relationship between the three performance levels and needs. The assumption here is that the organization should be aligned in these areas. If there is consistency among the three levels it is easier for the organization to achieve its objective. Analysis may result in uncovering non-alignment or uncovering problems, which may need different interventions.

Nine Performance Variables			
The three levels of performance	The Three Goals	Performance Design	Needs Management
Organizational Level	Organization Goals	Organizational Design	Organization Management
	Has the organization strategy been articulated? Does this strategy make sense in terms of external threats etc? Have the required outputs and level of performance expected been determined and communicated?	Are all relevant functions in place? Are all functions necessary? Is the current flow of inputs and outputs between functions appropriate? Does the organization structure support the strategy?	Have appropriate function goals been set? Is relevant performance measured? Are resources appropriately allocated? Are the interfaces between function being managed?
Process Level	Process Goals Are goals for key processes linked to customer/ org. requirements?	Process Design Is this the most efficient /effective process for accomplishing the process goals?	Process Management  Have appropriate process sub-goals been set? Is process performance managed? Are sufficient resources allocated to each process? Are the interfaces between process

			steps being managed?
Job/ performer Level	Job / Performer Goals Are job outputs and standards linked to process requirements?	Job Design Are process requirements reflected in the appropriate jobs? Are job steps in a logical sequence? Have supportive policies and procedures been developed? Is the job environment ergonomically sound?	Job/ Performer Management Do the performances understand the job goals? Do the performers have sufficient resources, clear signals and a logical job design? Are the performers rewarded for achieving the job goals? Do the performers know if they are meeting the job goals? Do the performers have the necessary knowledge/skills to achieve the job goals?

Another performance analysis model known as the Behavior Engineering Model (BEM) has been developed by Thomas Gilbert. This model consists of two levels or dimensions. The model is given here below:

The Behavior Engineering Model (BEM)			
	Information Data	Instrumentation Instruments	Motivation incentives
Environment Supports	1. Relevant and frequent feedback about adequacy of performance 2. Descriptions of	1. Tools and materials of work designed scientifically to match human factors	1. Adequate financial incentives made contingent upon

	what is expected of performance 3. Clear and relevant guide to adequate performance		performance 2. Non-monetary incentives made available 3. career-development opportunities.
Person's Repertory of Behavior	Knowledge 1. scientifically designed training that matches the requirements of exemplary performance 2. Placement	Capacity 1. Flexible scheduling of performance to match peak capacity 2. Prosthesis 3. Physical shaping 4. Adaptation selection	Motives 1. Assessment of people's motives to work recruitment of people to match the realities of the situation

The model delves into the theory that environmental supports that exist in the environment affect the performance. A person's repertory of behavior talks about those behavioral factors, which affects the performance. This model assumes that most people wasn't to perform and do a good job; they also feel that they are capable of doing so. Hence, in case of performance not being up to the standard, it may be assumed that environment is putting up obstacles. The goal of this model is to find out all the variables affecting performance and take suitable steps so that desired performed is achieved. From this model, factors which are hindering the performance of the employees can be pointed out. Usually managers tend to lay the blame on the employee himself for poor performance ignoring the environment factors, which may be affecting the performance. Sometimes, the manager themselves are responsible for erecting barriers and hence they may resist this focus on the environment.

## Cause Analysis

Determining the root cause of performance problems is very important because very often the symptoms or visible manifestations are taken to be the root cause. These systems are called the presenting problems. They are the consequences or results of another cause, but not the cause itself. The root cause is the underlying reason for any problem. There are a number of tools to help the analyst uncover the root cause of the problem. Some of them are brainstorming, cause and effect analysis, five-why technique, system modeling, high-level flow charting, detailed flowcharting, etc.

Brainstorming is used to generate a list of potential causes of a problem. It is also a means of encouraging active participation and involvement of the group members. This method begins with a problem being explore. Here the basic aim is to probe everyone's thoughts; hence each member of the group should have a clear understanding of the problem before proceeding. Brainstorming sessions may be structured or unstructured but causes, which are identified through these sessions may only be the possible reasons of the root cause. Cause and effect analysis visually organizes the information and shows the linkages between the problem and its possible causes.

The five-way technique is mainly to exhaust the list of the potential causes until the root cause remains. The techniques consist of asking questions, thinking through the potential causes, and comes down to the root cause. System modeling consists of putting inputs and processes in place and getting the resultant output. Inputs are the resources that are used to feed the processes; they may be in the form of information, human resources, equipment, etc. processes are the takes activities, methods and procedures, which help convert the inputs into outputs. Outputs are the products or services produced by the purposes.

## TEAM BUILDING

Team building is the most important, widely accepted, and applied OD intervention for organizational improvement. For example, French and Bell have opined that “probably the most important single group of interventions in the OD are the team-building activities, the goals of which are the improvement and increased effectiveness of various teams within the organization. A possible reason for this phenomenon is that people in the organization work in groups (teams) and the effectiveness of these groups ultimately determine organizational effectiveness. Before going through how team-building can be developed effectively, it is necessary to consider the life cycle of a team, how synergy is generated through teamwork, problems in teamwork, and features of effective team so that team-building exercise focus more sharply on developing effective team.

## TYPES OF TEAMS

In an organization, there may be different types of teams. It may be based on their constitution, purpose, power entrusted, duration, etc. The more common type of teams that may be found in an organization are lead teams, cross-functional teams, problem-solving teams, and self-managing teams.

Lead teams.

The approach in teamwork adopted is ‘do as I do’ rather than the conventional ‘do as I say’ approach. This creates the team spirit among its members which is essential for effective performance. It consists of managers and their direct subordinates. It is the most usual form of team which works in every part of an organization. It is created on the basis of hierarchical relationships as organizational administrative units. The objective is to plan and execute the business activities in its specified area of responsibility. These activities include determining how and what contribution the team will make to achieve

organizational objectives. A lead team sets the example by demonstrating the art of teamwork.

Cross-functional teams.

It is constituted by drawing personnel from different functional areas, particularly which have high interdependence. The objective is to solve problems and take decisions in those areas which cannot be done by a particular functional department. Because of the interdependence of various functions in an organization, cross functional teams are created at various levels through the role of such teams is more pronounced at higher level where the integration of various functions is more problematic.

Problem-solving teams

It is also known as corrective action team constituted to solve specific problems which an organization may be facing. Team members are drawn from those areas where the problems requiring solution exist. They may be from a single department or more than one department depending on the situation. Such a team is constituted on following lines to make it effective.

1. Selecting the specific problems which cannot be solved by an individual alone.
2. Selecting the personnel who have intimate knowledge of the problem.
3. Communicating the nature of the problem and need for its solution.
4. Giving the team a high profile within the organization.
5. Implementing the solution suggested by the team.
6. Recognizing the contribution made by the team.

It applies the problem solving methodologies and techniques to get deep into problems, draws different alternatives solution to the problem, evaluates the likely outcomes of each alternative, and finally suggests a particular solution and its implications.

Self-managing teams. In today's context, more emphasis is given on self-managing teams, also known as empowered or self-directed team. Self-managing teams have the following characteristics:

1. They are empowered to share various management and leadership functions.
2. They plan, control and improve their own work processes.
3. They set their own goals and inspect their own work.
4. They often create their own schedules and review their performance as a group.
5. They prepare their own budgets and coordinate their work with other departments.
6. They usually order materials, keep inventories and deal with suppliers.
7. They are frequently responsible for acquiring any new training they might need.
8. They may hire their own replacement or assume responsibility for disciplining their own members.
9. They, and no others outside the team, take responsibility for the quality of their products or services.

The process of creating empowered teams should be slow process because it requires attitudinal change on the part of both management and employees. If organizational climate is not conducive, empowered teams perhaps may become liabilities as it has happened in many cases. If the organization is ready for creating empowered teams, it has to take the following precautions:

1. Defining areas of responsibility. Management should define the areas of responsibility of the team. It should be defined with the consultation of the possible members. The areas of responsibility may include productivity, quality, safety, maintenance, personnel, and administration.

2. Deciding the measures, boundaries and feedback methods. The second step is to decide measures, boundaries and feedback methods for each area of responsibility. Measures are the means adopted to indemnify the extent to which responsibility is being discharged. Boundaries prescribe the limits of responsibility. Feedback relates to get information on how the responsibility is being discharged in different areas.

3. Determination of training needs. Managers, in consultation with team members identify the training needs for the members and train them to carry out their responsibility.

4. Plan for transition. There is transition from the old way of working to empowered team working and new responsibilities may gradually be added.

#### LIFE CYCLE OF A TEAM.

When a number of individuals begin to work at interdependent jobs, they often pass through several stages as they learn to work together as a team. These stages are: forming, storming, norming, performing and adjourning. These stages are the result of a variety of questions and issues that team members face such as “who will be members of the team?”, “who will perform what functions?”, “who will contribute what?”, “what rules will be followed?”, “how can conflicts among members be resolved?” and so on. These stages are described below:

**Forming:** At the first stage of the life cycle, team members get introduced to each other if they have not interacted earlier. They share personal information, start to accept others, and begin to turn their attention towards the group tasks. At this stage, interaction among team members is often cautious especially when they are new to one another.

**Storming:** After the forming stage which is mostly related to perceiving and assessing each other, members start interaction among themselves in the form of competing for status, jockeying for relative control, and arguing for appropriate

strategies to be adopted for achieving team's goals. Because of individual differences, different members may experience varying degree of tension and anxiety out of this interaction pattern.

**Norming.** After storming stage, team members start setting. The team begins to move in a cooperative fashion and a tentative balance among competing forces is struck. At this stage, group norms emerge to guide individual behaviour which form the basis for cooperative feelings among members.

**Performing.** When team members interact among themselves on the basis of norms that have emerged in the team, they learn to handle complex problems that come before the team. Functional roles are performed and exchanged as needed, and tasks are accomplished efficiently.

**Adjourning.** Adjourning is the end phase of life cycle of a team. Sooner or later, each team has to be adjourned, even the most successful teams as they have completed their mission. The adjournment phase takes place in the case of those teams which are created for some special purposes like task force, committee, etc. other types of team like a department in an organization run on the basis of some permanency though there may be changes in team members. After the adjournment of team, intense social relationship among members comes to an end.

**Synergy in team work:** Another important feature of team is the concept of synergy which generates in teamwork and the understanding of which helps in development effective team.

“Synergy is the process putting two or more elements together to achieve a sum total greater than the sum total of individual elements separately. This can be described as  $2 + 2 = 5$  effect”.

Thus, synergistic effects is not automatic but depends on different elements that are put together and the way they interact among themselves, that is, how a particular element affects another and is affected by it.

## SOCIAL LOAFING

It is antithesis of synergy which suggests that people working together on a common task may actually decrease their individual efforts; teamwork does not necessarily spurt group efforts. A simple phenomenon of social loafing may be observed in a group assignment to students during their study. In such an assignment, students find that one or two students do not put their weight for the completion of the project. These students may be called loafers who frequently miss the project groups meetings, fail to perform their assigned tasks and so on. They rely on the fact that more reliable members will complete the project without their help and still expect to share the credit. This may happen in teams in work organizations too. For example, in one experiment, it was found that individual's total efforts were much higher than the group efforts. Individuals were asked to pull alone as hard as possible on a rope attached to a strain gauge. They averaged 138.6 pound of pressure while tugging on the rope. When the same individuals pulled on the rope of groups of three, they exerted only 352 pounds of pressure with an average of 117.3 pounds each. In a group of eighty, the individual average dropped down still lower 68.2 pounds'. Dropping of average output in group efforts indicates that some members of the group were not contributing as much as they did individually. The possibility of social loafing increases because of the following reasons.

1. When the division of work cannot be accomplished properly and individual efforts are hard to determine, group efforts tend to slacken.
2. When the group is not cohesive with high output norms, individual members do not contribute to the fullest extent.

### Effective Team

It is one which contributes to the achievement of organizational objectives by performing the task and providing satisfaction to its members. Team effectiveness depends on the complementarity of team members. From this it

appears that there are many factors in effective team. These factors are skills and role clarity, supportive environment super-ordinate goals and team rewards. These factors are discussed below.

#### 1. Skills and Role Clarity.

For an effective team, two things are required from its members skills which are complementary to the team requirement and understanding of one's own role as well as roles of other members. While skills are relevant for job performance, understanding of rules helps members to meet the requirement of one another thereby solving the problems which the team faces. Thus, team members may tend to contribute positively to the teamwork. Even if one member lags behind, he may tend to affect others because of chain reaction just like a rotten apple injures its companions.

#### 2. Supportive Environment.

A team loaded with skilled members cannot perform well if the organizational climate is not supportive for that. If the organizational climate is not in tune with high achievement, team members may not show high degree of enthusiasm and they will use only a part of their skills in performing the jobs. Therefore, managers at higher levels particularly at the top level should set organizational climate and culture which entuse team members to put in their best.

#### 3. Super-ordinate Goals.

Super ordinate goals are those which are above the goals of a single team or a single individual. Organizational goals have hierarchy and a lower order goal is derived out of a higher-order goal. An individual works higher-level goal. These super ordinate goals, then, serve to focus attention, unify efforts and stimulate more cohesive team efforts.

#### 4. Team Rewards.

Team performance depends on how reward is linked to team performance and how members perceive this linkage. If team members perceive that reward is

contingent on team performance, they will put their maximum. Rewards of both types, financial and non-financial, should be taken between encouraging and rewarding individual initiative and growth and stimulating full contributions to team success. Innovative non-financial team rewards for responsible behavior may include the authority to select new members of the group, make recommendations regarding a new supervisor, or propose discipline for team members.

Eatzenbatch and Smith, management consultants, have suggested the concept of real team and they feel that this concept is relatively unexploited despite its capacity to outperform other groups and individuals. They define four characteristics of real teams; small size; complementary skills; common purpose, goals, and working approach; and willingness to be held mutually accountable. Real teams can be created and sustained by:

1. selecting members for their complementary skills and potentials;
2. Developing clear rules of conduct and challenging performance goals;
3. establishing a sense of urgency right from the first meeting;
4. providing substantial time together in which new information is constantly shared; and
5. Providing positive feedback, recognition and rewards.

#### Team Building process

Team building attempts to improve effectiveness of the team by having team members to concentrate on:

1. Setting goals and priorities for the team.
2. Analyzing how team's goals and priorities are linked,
3. Analyzing how the work is performed,
4. Analyzing how the team is working and
5. Analyzing the relationships among the members performing the job.

Various steps of team building process are not one-shot action; rather, they are repetitive and cyclical.

1. Problem-sensing:

There are a number of ways in which problems of a team can be identified. Often the team itself defines which aspects of team building it wishes to work on. This problem can better be identified in terms of what is hindering group effectiveness. At this stage, generally most of the members come forward with their arguments as to what the real problems are. The view may be quite different ranging from the organizational problem, group's problems to even personal problems. In problem identification, the emphasis should be on consensus. The consensus-seeking part to the process necessitates that each person becomes thoroughly aware and understands clearly the basic concepts of team development. Much of the problems may be solved through effective communication and training sessions.

2. Examine Differences.

The perception of people on an issue differs because of their differing backgrounds, such as, their value systems, personality, and attitudes. The perception may be brought to conformity through the process of exercise on perception which involves a number of psychological exercises particularly on perceptual differences. The role communication is important in this context because it will help in clarifying the actual problems to the members

3. Giving and Receiving Feedback:

The step of perceiving things and listening to each other may be relayed back to the members as there is a possibility that such processes may create tense situation into the group. Often, members report about the painful feelings that they have at the time of evaluation of their feelings, the discussion should continue until all members of the team have commented. The feedback should be given to the members about their feelings, about the issue, the way people

talk about the side, the staying with the topic or going on tangents, who was talking more or who was talking less, who was trying to resolve the differences, etc. Such feedback generally provides members to evaluate the values but at the same time, also provides opportunity to understand themselves.

#### 4. Developing Interactive Skills.

The basic objective of this process is to increase the ability among the people as to how they should interact with others and engage in constructive behavior. Following are the examples of constructive and negative behaviors.

##### *CONSTRUCTIVE BEHAVIOUR:*

- i. Building: developing and expanding the ideas of others.
- ii. Bringing in; harmonizing, encouraging others to participate.
- iii. Clarifying; resting, ensuring, understanding, seeking relevant information.
- iv. Innovating; bringing in new relevant ideas, information, feelings, etc.

##### *NEGATIVE BEHAVIOR:*

- A. Over talk: interrupting, talking together with speaker
- B. B. Attacking: deriding, belittling, criticizing person.
- C. Negative: cooling, cynicism; undermining morale.

At the time of discussion of feedback, people take themselves assignments to increase specific constructive behaviors and decrease specific negative behaviors. If this process is adopted several times, there is a strong possibility that members may learn constructive behaviors and leave negative behaviors. This is quite helpful in developing team work.

##### *FOLLOW-UP ACTION.*

At this stage, the total team is convened to review that has been learned and to identify what the next step should be. Follow-up action helps in overcoming the drawback involved at the initial stages of team building. It involves deciding who will take care of each area of the team's responsibilities and who will be responsible for team projects in a group that has not developed a satisfactory

division of responsibility and authority in the team, with complex division of responsibility and authority among members.

These attempts bring co-operative and supportive feelings among people involved in the team functioning. It contributes positively towards the feelings of the people. However, to encourage and sustain such feelings, management should take such actions at regular intervals so that members feel reinforced and sustain their positive behavior. Such actions will go a long way in shaping the organizational climate quite conducive to members for their efficient working.

#### Evaluation of Team Building

As mentioned earlier, team building as an OD intervention has attracted maximum attention. “Many research studies have also confirmed the positive contributions of team building on the organization’s outcomes though in different degrees”. In general, team building contributes to the organizational performance in the following manner:

1. It improves organization’s problem-solving and decision-making ability.
2. It helps in developing effective interpersonal relationships by stimulating the group members for that.
3. It helps in developing communication within the group and inter group and overcoming many psychological barriers that block communication flow.

However, team building has been termed as one-sided effort and it suffers from the following limitations:

1. It focuses only on work groups and other major organizational variables such as technology, structure, etc., are not given adequate attention
2. Team building becomes a complicated exercise when there is frequent change in team members. New member may find it difficult to adjust with the team because of his confusion over his

roles in terms of task performance and building good relationships.

In spite of these, team building has a positive outlook. However, it is not that effective in isolation. Therefore, there have been calls for combining team building with organization behavior modification approaches. “One such suggestion is to use a task hierarchy to reinforce the team as it progresses up a behavior skill hierarchy’.

### UNIT – III

#### LESSON:1 ORGANISATION STRUCTURE

Learning Objectives :

- After studying its chapter you should be able to
- Identify the various concepts of organization
- Enumerate various properties of organization
- Define the concept of organization
- Summarise the principles of organization
- List the factors that favour different structure of organization
- Describe major universal forms of organization.
- Explain why managers want to create boundary less organization.

**Asea Brown Boveri**

Asea Brown Boveri (ABB) was formed in 1987 through the transnational merger of Asea of Sweden and Brown Boveri & Company (BBC) of Switzerland, thus, creating a truly transnational company with operations spread over 140 countries. It had a turnover of \$17 billion and a staggering portfolio of

businesses which included generators, powerlines, toxic-waste treatment plants, diesel locomotives, telecommunications, oil pipelines, robots, leasing, and insurance.

Within two years of its formation, ABB had increased its profits by 53 per cent and sales by 54 per cent and emerged as a largest electrical engineering company in Europe. By 1990, it had gained one-third market share of the European power equipment market, and captured over 20 per cent of the world's business. It had also become the largest producer of railway vehicles. In the US, its product range in the power equipment market was broader than was offered by either Westinghouse or General Electric (GE) (GE described ABB as 'the most formidable adversary it has every faced').

ABB grew at an astonishing pace in a very short time through a series of mergers and acquisitions. By 1993, the ABB empire comprised nearly 1,300 companies, structured as 5,000 profit centres, with a combined turnover of \$32 billion. More than its size and complexity, ABB had also emerged as a model for the new kind of organizations in a global economy.

This case focuses on the mechanisms and processes used by ABB to achieve fast-paced global growth in the face of established industry leaders (e.g, GE, Siemens, Hitachi, Mitsubishi)

What is an organization?

The term 'organization' is used in many ways. Organization may be described as an *activity* or *people* who are united by a common purpose. In a broad sense, it may be equated with an *ongoing business unit* engaged in utilizing resources to create a result. It may be used either in a *static way*, referring to a fixed structure of responsibilities or in a *dynamic way*, referring to a process by

which the structure is created, maintained, and used. Figure 3.1 brings out these differences.

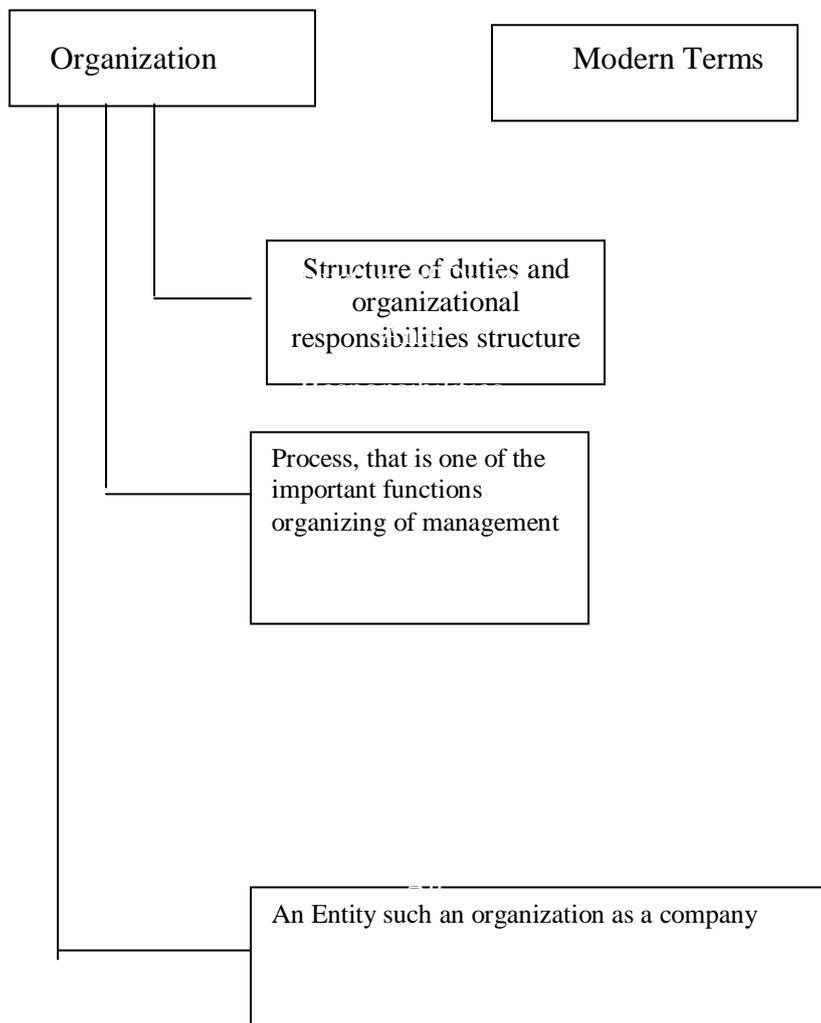


Figure 3.1 Three uses of organization design

## Organization as a structure

Structure, according to Kast and Rosenzweig, is the established pattern or relationships among the component parts of the organization. Organization structure in this sense refers to the network of relationships among individuals and positions in an organization. Organization structure describes the organization's framework. Just as human beings have skeletons that define their parameters, organizations have structures that define theirs.

## Organization as a process

Organization, as a process, refers to certain dynamic aspects like what tasks are to be done, who is to do them, how the tasks are to be grouped, who is to report to whom and where the decisions have to be made. As managers do their work, structural change takes place. The process view, basically, includes two (modern) concepts – differentiation and integration of activities.

## Organization as a group

Some writers have tried to strike a balance between "An organization is a collection of interacting and interdependent individuals who work toward common goals whose relationships are determined according to a certain structure".

## Properties of modern organizations

A formal organization is an economic and social entity in which a number of persons perform a variety of tasks in order to attain a common goal. It is an effective instrument that helps individuals accomplish personal objectives that they cannot achieve alone. Following are various properties of modern organizations:

### 1. Social Entities

Organizations exist to serve the needs of people. They exist to combine human efforts in order to achieve certain goals. They perform some activity that creates something of value for the individuals and / or groups.

### 2. Goal Directed

All organizations are goal directed. They are designed for a purpose and much of the behaviour within and between organizations reflects that goal. Objectives legitimize the existence of an organization.

### 3. Relatively Permanent

A basic feature of organizations is that they are relatively permanent social entities. They are created to last a long time. This characteristic allows organizations to continue their existence and operations even while changing their structure, and membership.

### 4. Structure

Organizations have structure, in which the stated role of each member is expressed. The tasks are deliberately subdivided into separate departments and sets of operations.

### 5. Openness

An organization operates as an open system. It both consumes resources and exports resources to the environment. It must interact with the environment to survive.

Organization has been defined by various authors as follows :-

According to Henri Fayol “To organize a business is to provide it with everything useful to its functioning-raw-materials, tools, capital and personnel”

G. Terry defines organizing as, “The establishing of effective authority relationships among selected work persons and work places in order, for the group to work together efficiently”

William spriegal defines, “In its broadest sense, organization refers to the relationship between the various factors present in a given endeavour. Factory organization concerns itself primarily with the internal relationships within the factory such as responsibilities of personnel arrangement and grouping of machines and material control. From the stand point of the enterprise as a whole, organization is the structure of relationship between the various factors in an enterprise”

Bernard defines, “An organization comes into existence when there are a number of persons in communication and relationship to each other and are willing to contribute towards a common endeavour”.

Koontz and O’Donnell define as “The establishment of authority relationships with provisions for structural co-ordination both vertically and horizontally between positions to which have been assigned specialized tasks, required for the achievement of the enterprise objectives. It is, thus, structural relationships by which an enterprise is bound together and the framework in which individual effort is co-ordinated”

O. Sheldon defines “Organization is the process of so combining the work which individuals or groups have to perform with facilities necessary for its execution that the duties so performed provide the best channels for efficient, systematic, positive and co-ordinated application of available effort”

L.Allan defines “Organization is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives”.

G.Dessler defines “An organization consists, of people who carry out differentiated tasks which are co-ordinated to contribute to the organization’s goals”.

Mooney and Reiley define “Organization is the form of every human association for the attainment of a common purpose.” “They visualize it as the process of relating specific duties or functions in a co-ordinated whole”.

E.H. Schein defines “An organization is the rational co-ordination of the activation or roles of a number of people for the achievement of some common explicit purpose or goal through division of labour and functions and through a hierarchy of authority and responsibility.”

R.C.Davis defines “Organization is a group of people who are co-operating under the direction of leadership for the accomplishment of a common end.”

J.C. Denyer defines “Organization is concerned with the arrangement of work with the division of activities and with the allocation of duties, authority and responsibilities.’

#### Determining the Kind of Structure

Peter Drucker has pointed out three specific ways to find out what kind of structure is needed to attain the objectives of a specific business, which are discussed below :

1. Activities Analysis. It is the first stage in building an organization structure. It involves finding out what activities are needed to attain the objectives of the enterprise. Each business undertaking performs functions such as manufacturing, purchasing, marketing, personnel, accounting etc. These functions can be identified after proper analysis. The whole work is divided into smaller homogeneous units so that the same may be assigned to different individuals.

2, Decision Analysis. What decisions are needed to obtain the performance necessary to attain objectives? What kind of decisions are they? What activities are involved in or affected by them? Which managers must therefore participate in the decisions? Analysis of the foreseeable decisions shows the

structure of top management the enterprise needs and the nature of authority and responsibility different levels of operating management should have.

3. Relations Analysis. With whom will a manager-in-charge or an activity have to work? Such other questions of relations, *e.g.*, line and staff relations, relations between subordinates and superior will also help in deciding the structure of the organisation.

#### Principles of organization

The principles are guidelines for planning an efficient organization structure. Therefore, a thorough understanding of the principles of organization is essential for good organization. The important principles of organisation are discussed below:

1. Objectives: An enterprise strives to accomplish certain objectives. Organization serves as a tool to attain these objectives. The objectives must be stated in clear terms as they play an important role in determining the type of structure.
2. Division of Work: The entire work in the organisation is divided into various parts so that every individual is confined to the performance of single job, according to his ability and aptitudes. This is also called the principle of specialization. More a person continues on a particular job, the better will be his performance.
3. Definition of Jobs. Every position in the organization should be clearly defined in relation to other positions. The duties and responsibilities assigned to every position and its relationship with other positions should be clearly defined to avoid overlapping of functions.
4. Line and Staff Functions. Line functions are those which accomplish the main objectives of the company. The manufacturing and marketing departments are considered are called the line functions and other functions like personnel, plant maintenance, financing and legal are considered as staff functions.

5. Chain of Command. There must be clear line of authority from the top to the bottom of the organization. The organization structure facilitates delegation of authority.

6. Parity of Authority and Responsibility. Responsibility should always be coupled with corresponding authority. Each subordinate must have sufficient authority to discharge the responsibility entrusted to him.

7. Unity of Command. No one in the organisation should report to more than one supervisor. Everyone in the organization should know whom he reports and who reports to him.

8. Exceptional Matters. This principle requires that organization structure should be so designed that managers are required to go through the exceptional matters only.

9. Span of Supervision. The span of supervision means the number of persons a manager or a supervisor can direct. If too less number of employee are reporting to a supervisor, his time will not be utilized properly. But, on the other hand, there is a limit to the number of subordinates that can be efficiently supervised by an executive.

10. Balance: These should be proper balance in the formal structure of the organization in regard to factors having conflicting claims, e.g., between centralization and decentralization, span of supervision and lines of communication and authority allocated to departments and personnel at various levels.

11. Communication. A good communication network is essential to achieve the objectives of an organization. No doubt the line of authority provides readymade channels of communication downward and upward, still some blocks in communication occur in many organization.

12. Flexibility. The organization structure should be flexible so that it can be easily and economically adapted to the changes in the nature of business as well as technical innovations.

13. Continuity. Change is the law of nature. Many changes take place outside the organization. These changes must be reflected in the organization. The form of organization structure must be able to serve the enterprise and to attain its objectives for a long period of time.

Universal forms of organization design

There are many universally-accepted forms of organization design. However, there are really five basic categories: (1) functional (U-form) design, (2) conglomerate (H form) design, (3) divisional (M-form) design, (4) matrix design, and (5) hybrid design.

Functional (U-form) Design

The *functional design* is based on the concept of functional departmentalization. The economist, Oliver Williamson (1975), referred to this as a the *U-form*, for unity. Organizational members are grouped into departments such as human resource, operations, and finance. This structure provides for the advantages of functional departmentalization. It also requires a great deal of integration and coordination of work across departmental lines to achieve operational harmony.

The U-form organization utilizes a functional base at the corporate level. A distinguishing feature of the U-form structures is that all the functional areas need each other to survive. That is, without marketing, operations has no orders to fill, and without operations, marketing has no product or service to sell. This form of organization is well adapted to the smaller organizations, maintain overall management and control without too much difficulty. However, as the organization grows in size and complexity it is difficult to manage .



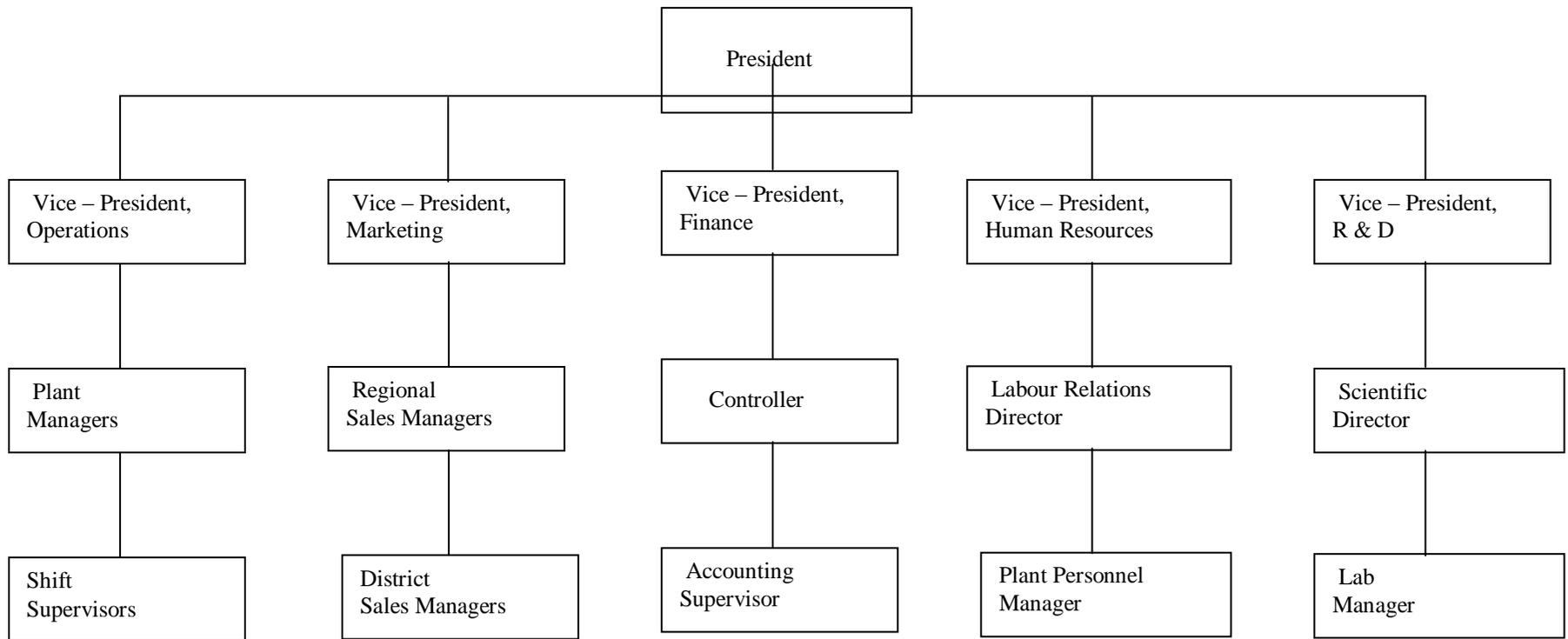


FIGURE 3.2 Functional (U-form) Design for a Small Manufacturing Company

(Source : Griffin, 1990, p 320)



### Conglomerate (H-form) Design

A conglomerate may be defined as an organization composed of a number of unrelated businesses. The H-form structure is designed as a holding company. The conglomerate platform produces a structure similar to product departmentalization. Usually, each business unit is headed by a general manager who is totally responsible for its profit and losses, and each general manager operates independently.

Managers usually have a difficult time in maintaining performance and integrating activities across such diverse organizations. There is also strong evidence that conglomerates produce only average-to weak financial performance (Porter 1987).

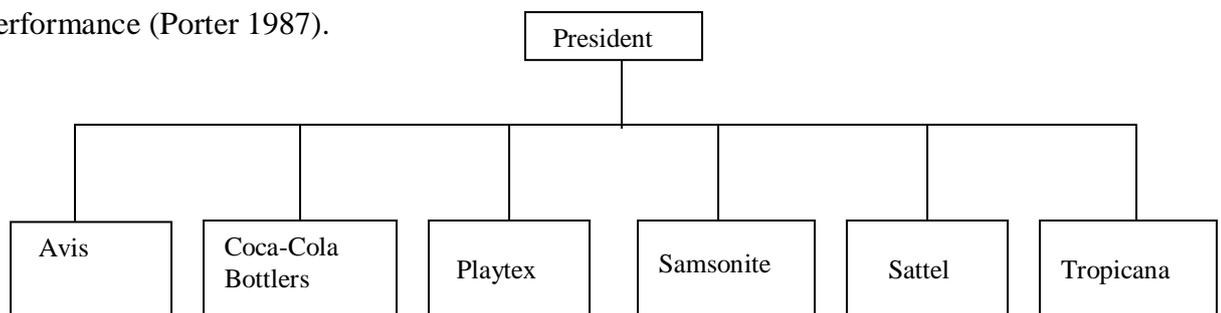


FIGURE 3.3 Classical Conglomerate (H-Form) Design

(Source : Griffin, 1990, p 321)

### Divisional (M-form) Design

This is another divisional approach, which is popular, especially for large corporations. This is patterned along product lines. In this M-form structure, a number of related businesses function under a single and broad organizational framework. There is considerable decentralization of authority in the operating divisions. In this form, each division is headed by a general manager , who is allowed to operate with autonomy. Care is also taken to assure appropriate coordination of divisional activities.

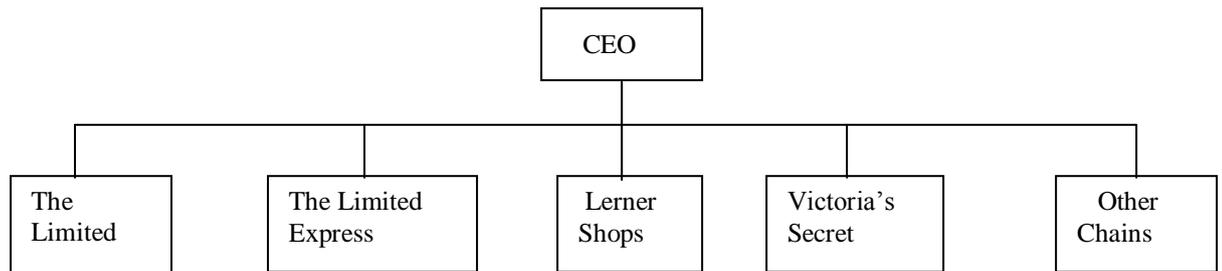


FIGURE 3.4 Multidivisional (M-form) Design

(Source : Griffin, 1990, p321)

The greatest strength of the M-form design is that it affords considerable opportunities for coordination and sharing of resources such as purchasing and marketing research. The centralized purchasing power helps the firm to negotiate favourable contract terms. It has the potential for healthy internal competition among divisions.

#### Matrix Design

The matrix design is created by superimposing a set of project structures on top of a functional structure. The basic structure of the organization follows a functional design. Superimposed over this functional base is a set of temporary project groups with a project manager in charge of each. Members of each project team are selected or assigned from the functional department. One person may be a member of more than one project group.

#### Advantages and Disadvantages of the Matrix Design

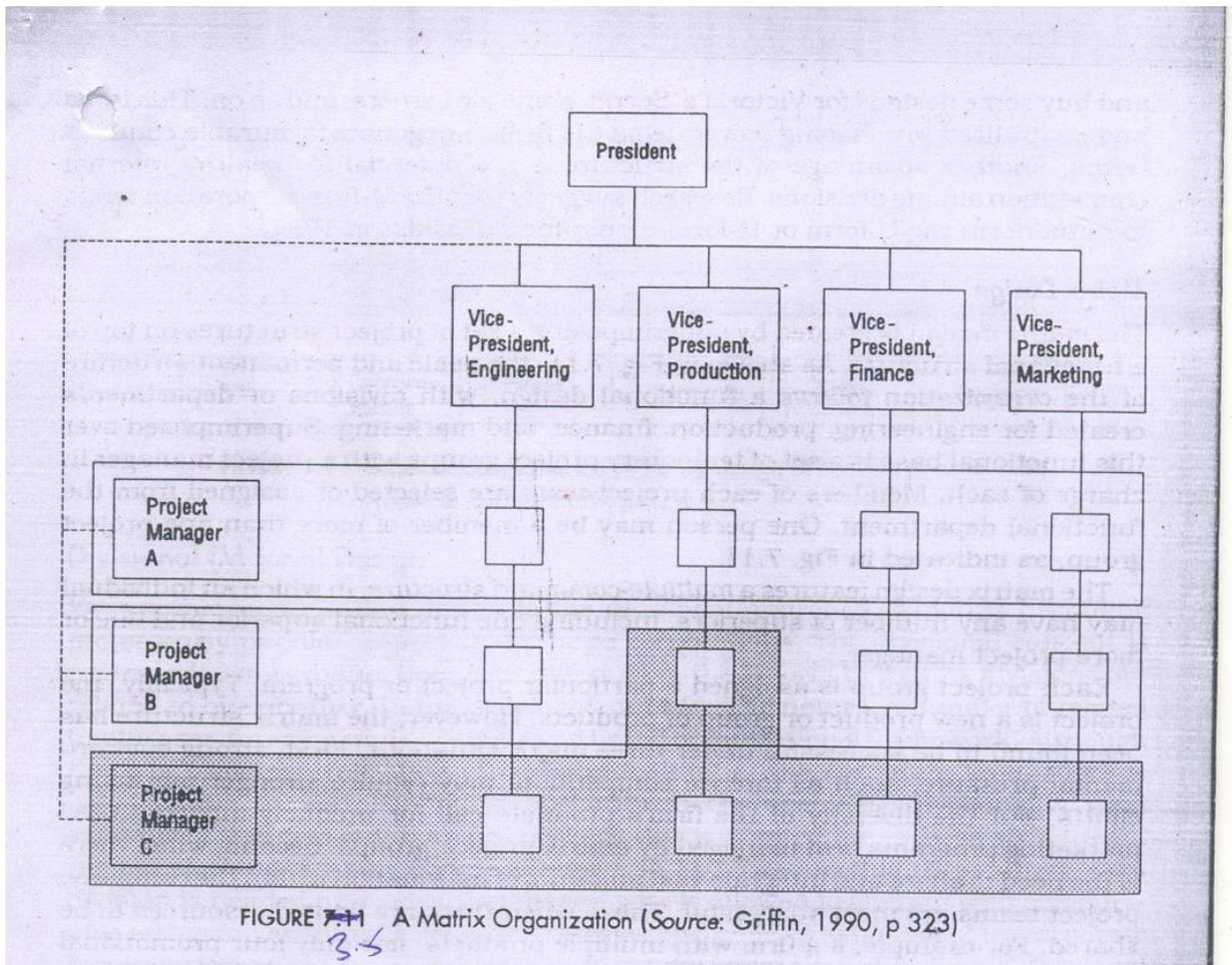
The matrix design offers a number of major advantages

1. It involves and challenges matrix team members
2. It provides enlarged tasks for people
3. It develops employee skills
4. It encourages people to identify with the end product(s)
5. It permits experts to be assigned to critical areas as needed

6. It fosters flexibility throughout the organization
7. It develops the ability to adapt to changes in the environment
8. It motivates interdisciplinary cooperation
9. It facilitates the integration of organizational information
10. It frees top management so that it can spend more time planning
11. It fosters the development of management skills.

The matrix design also has a number of major disadvantages, which are as follows:

1. It demands a high level of interpersonal skills
2. It has a negative impact on morale when personnel are rearranged
3. It fosters confusion and frustration from its multiple-command structure
4. It creates a sense of anarchy that results when employees are unable to identify appropriate higher authority.
5. It causes power struggles between functional managers and project Manager.
6. It causes "groupitis," by which project team members become so focused on their own activities that they lose sight of broader organization goals.
7. It introduces the potential of dominance by one side of the matrix over the other.
8. It creates the risk of duplication of effort by project groups.
9. It promotes many meetings and more talk than action.
10. It is costly to implement and maintain.

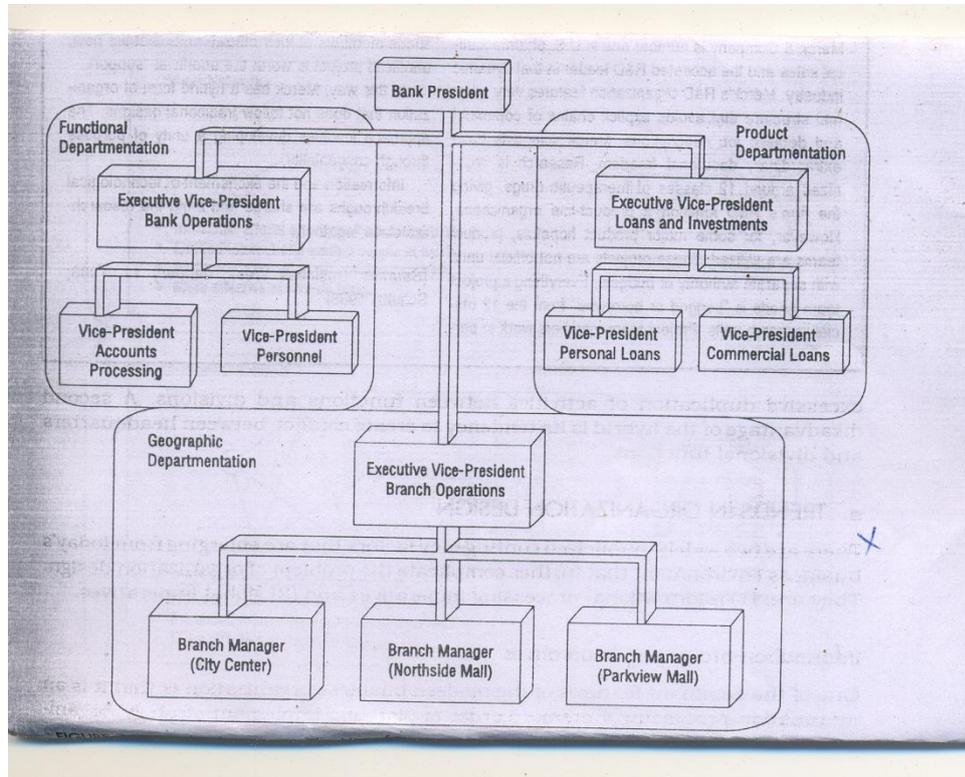


### Hybrid Design

The hybrid design utilizes both functional and divisional departmentalization. Some Departments are established along functional lines so that those workers who perform similar tasks can be grouped together. Other departments are subdivided and assigned to the various product divisions.

The figure shows a bank. Each branch represents a territorial division. Each branch Operation is divided into three major product departments : (1) loans, (2) savings, and (3) checking. For example, within each loan

department, separate customer service groups handle consumer loans and commercial loans.



Hybrid design enjoys the unique benefits of both functional and divisional structure. Further the hybrid design provides the opportunity to improve coordination both within and among divisions. The hybrid design can also help in the proper alignment of corporate and divisional goals. Finally, the hybrid design fosters both flexibility within divisions and efficiency within functional departments. The most serious drawback is often leads to excessive duplication of activities between functions and divisions. A second disadvantage of the hybrid is its tendency to create conflict between headquarters and divisional function.

Trends in organization design

There are two widely-publicized contingency factors that are emerging from today's business environment that further complicate the problem of organization design. They are : (1) informational processing imperatives and (2) global imperatives.

**Information-processing:** The modern business organization is an information-processing system. In order to plan and implement strategy, organizational members must have access to pertinent information, and they must be able to process and analyze it properly. As the environment becomes less stable and uncertain, the demand for appropriate information processing increases. Information is collected and / or disseminated through organizational communication networks. Figure shows two basic communication networks- the wheel and the all-channel network is best for complex tasks.

Figure equates the wheel network with a mechanistic structure that features a vertical hierarchy of authority as its basis for information processing and problem solving. The all-purpose network is equated with an organic structure, through its emphasis on lateral as well as vertical communication and information.

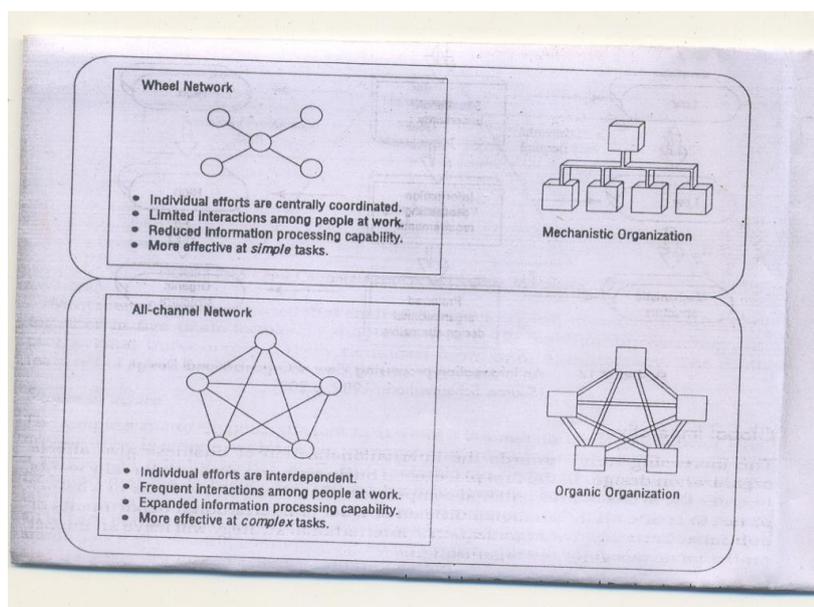


FIGURE : 3.7 Two Group Communication networks and their Organizational Design Implications (Source : Schemerhorn, 1989, p 208)

Thus, the uncertainties of the external environment have an impact on the information-processing needs of the organization and, in the process, influences its design.

EXERCISE:

**For review and discussion**

- 1 What is the necessary and sufficient condition for an organization to exist?
- 2 What are the things that can be structured in organizations?
- 3 Explain your view of the objectives of the following organizations: (a) American Legion, (b) Daughters of the American Revolution, (c) General Electric, (d) a family, (e) an orchestra, (f) a college fraternity, (g) a student religious group, (h) Eastern Airlines, (i) your college or university, and (j) the class in which you are using this book. Can you think of any organizations for which there are no objectives? Why?
- 4 List five human activities that do not involve organizations.
- 5 A corporation president was asked, "What is your organization?" The person pointed to a chart on the wall and said, "Here is my organization." Do you agree? Why?
- 6 Explain the role and functions of managers in organizations.
- 7 Differentiate and explain: (a) a person's personal objectives, (b) a person's concept of the organization's objective, and (c) the overall objectives of that organization.
- 8 Explain the process of integration of individual and organizational objectives.
- 9 Explain each of the four levels of interactions in organizations.
- 10 Can an organization be totally ineffective and continue to exist? Why?
- 11 What determines whose objectives the organization will seek to serve?

## For review and discussion

- 1 Explain the ecological viewpoint and the web-of-life concept.
- 2 What is an ecosystem? What are the four parts of an ecosystem? Explain each one.
- 3 Discuss the conditions necessary for a viable, new organization to exist.
- 4 Explain the relationship between environmental rate of change and organizational viability. Relate your discussion to the life cycles of organizations.
- 5 Define the terms "efficiency" and "effectiveness." Give an example of each one for an organization. Why are both important for organizational viability?
- 6 As the text uses the terms, distinguish between "growth" and "development."
- 7 Explain how creativity can lead to both further growth and development.
- 8 Explain the statement, "If an organization has only immediate objectives, there will be a limit to its possible accomplishments."
- 9 Describe how the creation of new visionary and attainable objectives can, through time, lead to higher levels of attainment for the organization.
- 10 Do you think an organization necessarily has an inherent life cycle? Fully explain your answer.
- 11 Describe the essential characteristics of a self-renewing organization.
- 12 In the text it was pointed out that a self-renewing organization must continually develop new visionary and attainable objectives. Does this necessarily mean that all present immediate objectives must be discarded for the future?

- 1 What is a role? What are some of the features of a manager's role in an organization?
- 2 Define line and staff both as functions and as authority relationships. Why has the text suggested that consideration be given to discarding these concepts?
- 3 Explain functional authority. Provide an example of its use.
- 4 Define personal, specialized, and general staff. Illustrate each with an example.
- 5 Define centralization and decentralization. Why could neither exist in pure form? What is federal decentralization? Give an example not in the text of an organization that illustrates federal decentralization.
- 6 List several circumstances that argue for relatively high levels of centralization. List several circumstances that argue for relatively high levels of decentralization.
- 7 What is a committee? Explain in your own words the advantages and disadvantages of committees. Include some advantages and disadvantages in addition to those given in the text. Give an example, either real-life or hypothetical, not in the text, to illustrate each advantage and disadvantage.
- 8 Discuss the factors that influence the proper size of a committee. Are cooperative or competitive committee members likely to be more effective? Why? What characteristics should an effective committee leader have? Why?
- 9 What is the span of management? What is the correct span of management? Explain the advantages and disadvantages of narrow and wide spans of management. What factors influence the proper span?
- 10 Explain and evaluate Graicunas's theory of organizational relationships.

CASE INCIDENTS :

**A** For several years the eight founding members of POF (Protect Our Freedoms) had met once each week to discuss political, economic, and moral philosophy topics. Through informal means the members had decided upon the questions that came up before the group, including when and where they would meet.

Recently, several members of the group have expressed the opinion, "We ought to get organized." They said that better organization would make it possible to handle the many new persons who wished to join, would make POF into a political force of real power, and in general would cause the group to be more effective and efficient. Two members violently disagreed, and they threatened to quit if any changes were made.

Around the first of September each member received a notice through the mail that an "organization meeting" of POF would be held the seventeenth of the month. The notice went on to say that a president, vice president, and secretary-treasurer would be elected and that a proposed constitution would be presented for adoption.

- 1 Did an organization exist before the organization meeting? Explain.

- 2 If the proposed changes are adopted, how will they affect the operation of the organization?
- 3 Explain some of the reasons why the two members who were vigorously against the organizational meeting might have objected. Could they be justified in their threat to quit?

**B** The First Trust Bank published an advertisement containing the following sentence: "Although we're a large bank, you'll deal personally with someone very much like yourself." This advertisement was one of a series instigated by the bank's president. The purpose was "to increase the bank's business with both individuals and organizations by reducing the impersonality of the bank. Our bank must become very personal if we are to reach our objectives."

- 1 Is the president's approach to improving business a good one? Why?
- 2 Which of the levels of interaction described in the chapter are involved in this case? Explain your answers.
- 3 Does the bank really do business with organizations? Explain.

## QUESTIONNAIRE :

The purpose of this exercise is to help the reader gain a better understanding of the unique differences between mechanistic and organic organization. This exercise may be completed by a single reader, but greater insight may be gained by completing the exercise as per of a group.

Time Required – 45 Minutes

- |          |                                   |
|----------|-----------------------------------|
| Step 1 : | Individual activity – 15 minutes  |
| Step 2 : | Small-group activity – 15 minutes |
| Step 3 : | Discussion – 15 minutes           |

Procedure

- Step 1 :Complete and score the Mechanistic and Organic Organization Survey,
- Step 2 :Form small groups and assign each group the task of computing average scores, discussing the differences in scores, and developing group responses to the discussion questions.
- Step 3 :A representative from each group will present group-average scores and the group's responses to the discussion questions.

#### MECHANISTIC AND ORGANIC ORGANIZATION SURVEY

Statement	Strongly Agree	Slightly Agree	Not Sure	Slightly Disagree	Strongly Disagree
1. Job clearly and precisely defined	5	4	3	2	1
2. Rules are flexible enough to cope with exceptional cases.	1	2	3	4	5
3. Positions are arrayed in a clear and orderly hierarchy	5	4	3	2	1
4. The organization is dedicated to the idea that each worker should be encouraged to fully develop his / her skills and abilities.	1	2	3	4	5
5. Rules and regulations are clear and are followed by everyone.	5	4	3	2	1
6. Only critical decisions must be approved by top management	1	2	3	4	5
7. Most communications from above deal with instructions on how to do something	5	4	3	2	1
8. There is a narrow span of control	5	4	3	2	1
9. For many tasks, there are no	1	2	3	4	5

	formal, written procedures.					
10.	One organizational goal is to be flexible and adaptable to change	1	2	3	4	5
11.	Managers move up on clear career ladders	5	4	3	2	1
12.	Promotion is based on technical competence.	5	4	3	2	1
13.	Job designs facilitate opportunities to interact with workers from other departments	1	2	3	4	5
14.	For some situations, there are simple no rules or regulations.	5	4	3	2	1
15.	There are few levels of authority	1	2	3	4	5
16.	Job duties and goals are not rigid and unchanging.	5	4	3	2	1
17.	Temporary work teams are used to resolve problems or to accomplish goals	1	2	3	4	5
18.	Rules apply to everyone, no matter who you are.	5	4	3	2	1
19.	Downward communication usually carries advice and information	1	2	3	4	5
20.	There is little upward communication.	5	4	3	2	1

#### Mechanistic / Organic Organization Survey Scoring Sheet

Transfer your numeric responses from the survey onto this scoring sheet. For example, your mechanistic score for Rules and Regulations is the sum of your responses to statements 5 and 18. Then, by addition, calculate the subtotals and the totals for both mechanistic and organic characteristics.



Rules and Regulations	Many clear and precise rule and regulations that apply to Everyone	A few flexible rules
Jobs and Roles	Specialized, rigid, and and procedures, unchanging job duties and roles encouraging the use of That are clearly defined for Everyone	Few formal duties while temporary work teams
Hierarchy	Small spans of control and level of May levels of management decentralized arrayed in an orderly hierarchy; authority highly centralized	Large spans of control, few management, and authority
Communication	Little upward communication, communi- With downward communication encouraged, Primarily for the purpose of communi- Giving instructions centralized from outside the On how to do things	Upward and horizontal cation or networking with job design facilitating cation with workers group
Culture	A culture that maintains the flexibility and Status quo and breeds a change, with the Company loyalty wherein should managers move up a clearly fully develop his / defined career ladder based talents and abilities On demonstrated technical Competence	A culture dedicated to adaptability to philosophy that each worker be encouraged to her

## LESSON: 2 MOTIVATION

### Learning Objectives :

- Outline the motivation process.
- Differentiate context theory of motivation from content theory.
- Describe Maslow's need literacy.
- Differentiate motivators from hygiene factors.
- List of the characteristics that lisa achieves prefer in a job.
- Compare the Maslows and other theories of motivation.
- Clarify the key relationships in expectancy theory.
- Attempt the techniques of applying motivation team.
- Identify the high morale and low morale in an organization.
- Explain the relationship between Motivation and morale.

### Concept of motivation

Motivation means those forces that cause people to behave in certain way. It encompasses all pressures and influences that trigger and sustain human behaviour. People are complex and uniquely different. What motivates one person or one work group may not motivate another. Successful managers understand the concept of human motivation . They use that understanding to achieve high standards of work performance.

### Motivation Framework

The framework begins with a deficiency that a person experiences. Next, the individual selects one of those ways to satisfy the deficiency and, initiates goal-directed behaviour-perhaps asking the boss for a raise. Rewards and / or punishment will follow the performance and, finally, the person will reassess the need deficiency.

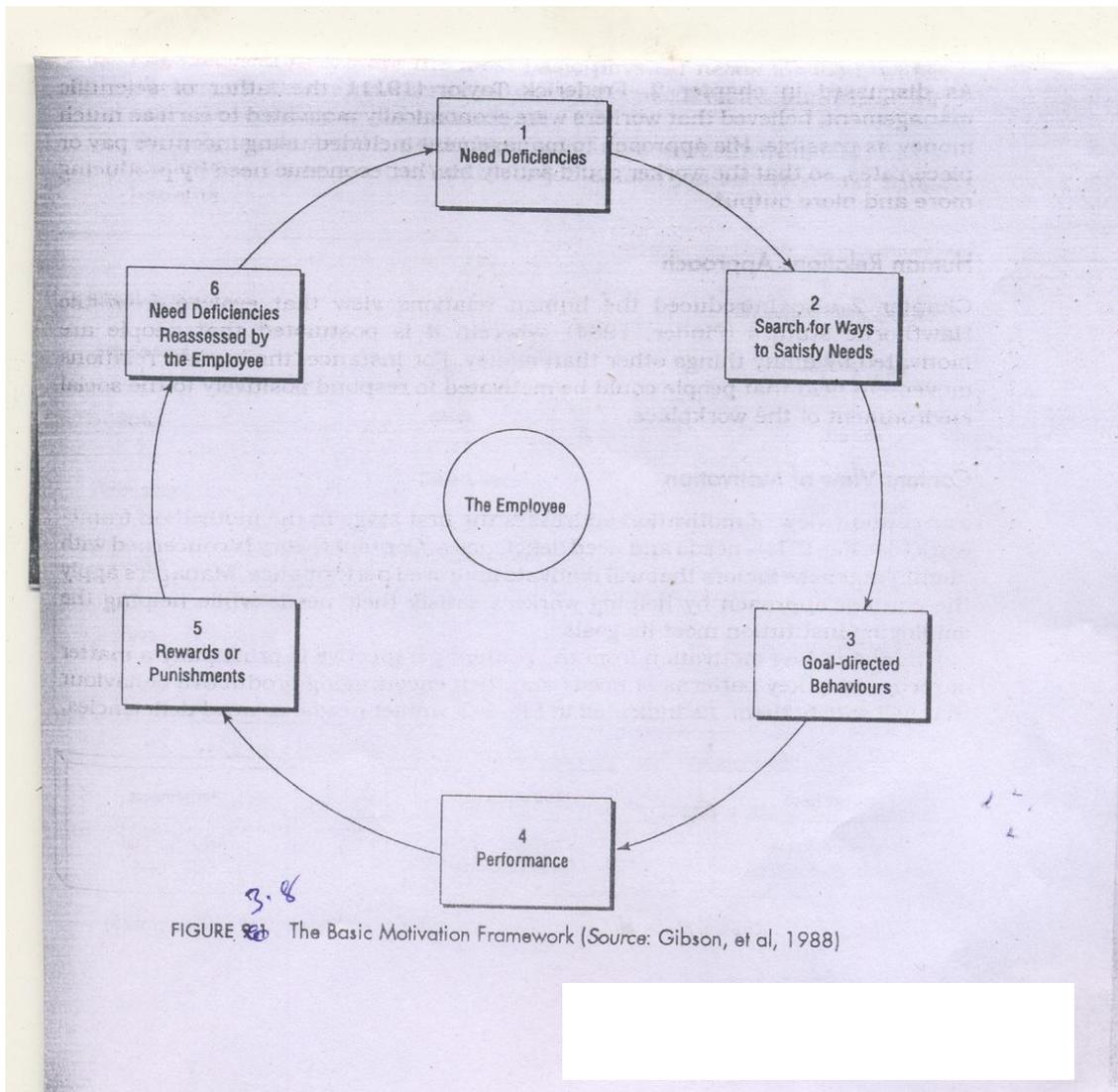


FIGURE 3.8 The Basic Motivation Framework (Source: Gibson, et al, 1988)

FIGURE 3.8 The Basic Motivation Framework (Source : Gibson, et al, 1988

### CONTENT THEORIES

Content theory is concerned with identifying those factors for improved performance. Managers apply the content approach by helping workers satisfy their needs while helping the employing institute meet its goals.

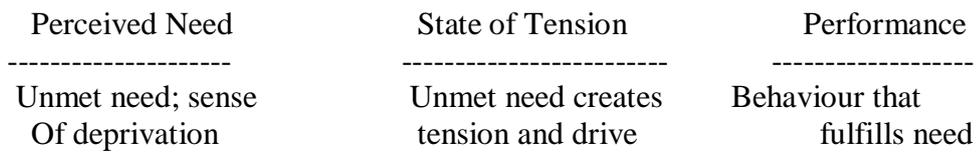


FIGURE 3.9 Conceptual Model of Content Theory of Motivation

(Source : Holt, 1990, p 425)

#### ■ MASLOW'S NEED HIERARCHY

Abraham Maslow (1943) postulates that people are motivated by multiple needs, which could be arranged in a hierarchy, as depicted in Fig.310. According to Maslow, there are five general categories of needs in order of ascendance:

1. Physiological needs are the most basic physical needs for food, water, shelter, etc. On the job, these needs consist of needs for adequate heat, air, and a base salary to ensure survival.
2. Security needs are the needs for a safe and secure environment. In the workplace, these are the needs for job safety, job security, and fringe benefits.
3. Belongingness needs represent the needs to have satisfactory social relationships, to be accepted by one's peers, to be part of a group. In the organization, these needs are reflected by the need to participate in a work group
4. Esteem Needs deal with the desire to receive attention and appreciation from others. In a work environment, this is the need for status and recognition for one's contributions to work group and the organization.
5. Self-actualization needs include the needs for self-fulfilment and competency. At work, this translates into needs for personal growth, development, and self-respect.

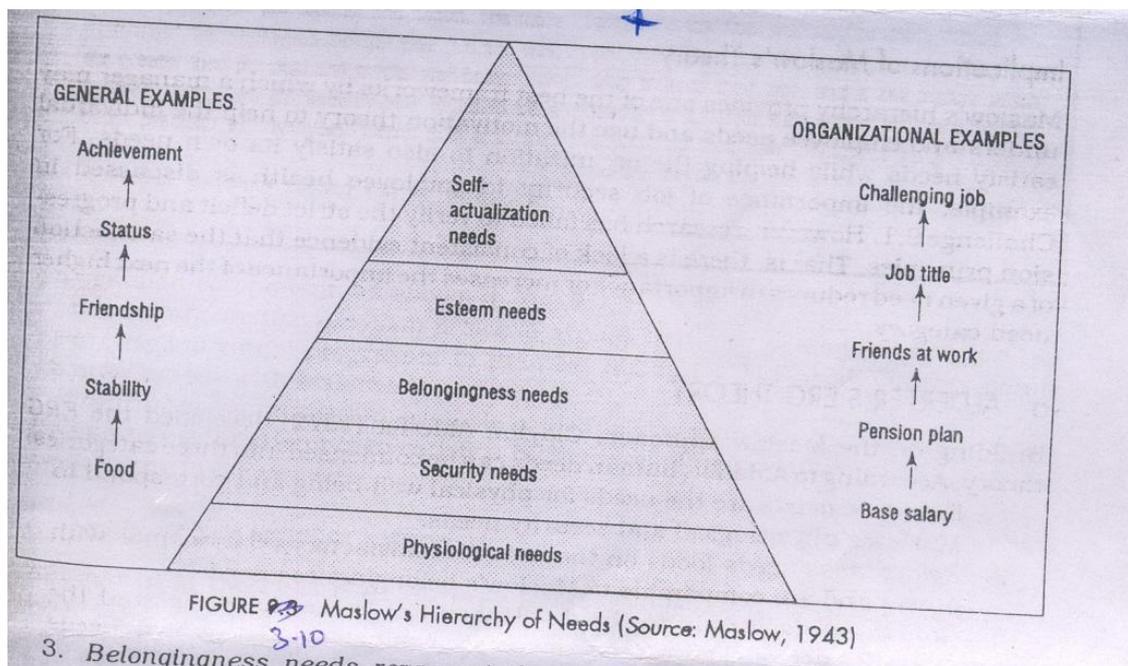


FIGURE 3.10 Maslow's Hierarchy of Needs (Source : Maslow, 1943)

### Implications of Maslow's Theory

Maslow's hierarchy helps manager to understand employee needs and use the motivation theory to help the individual satisfy need . That is, there is a lack of evidence that the satisfaction of a given need reduces in importance or increases the importance of the next higher need

### ALDERFER'S ERG THEORY

Building on the Maslow approach, Clayton Alderfer (1972) developed the ERG theory. According to Alderfer, human needs can be condensed into three categories.

1. Existence needs are the needs for physical well-being
2. Relatedness needs focus on the needs for satisfactory relationship with others
3. Growth needs pertain to the development of human potential and the desire for personal growth and increased competence.

The ERG model is similar to Maslow's theory. The needs in both are in a hierarchical form. There is the assumption that people move up the hierarchy a step at a time. However, Alderfer believes that movement up the hierarchy is more complex, reflecting a satisfaction – progression component as well as a frustration progression component.

#### ■ MURRAY'S MANIFEST NEEDS

Another need theory is H.A. Murray's (1938) Manifest Needs theory, as further conceptualized by Atkinson (1964). The manifest needs approach is similar but more complex than Maslow's. Murray proposed greater variety of needs and believed that any number of needs might influence behaviour at the same time.

Murray did not place the needs into any particular order of importance. He postulated that each need had two principal components—direction and intensity. Direction deals with the object or person that is expected to satisfy the need. That

is, for a hungry person, a restaurant may represent the need's direction. Intensity represents the relative importance of the need.

#### ■ FREDERICK HERZBERG'S TWO FACTOR THEORY

Frederick Herzberg (1959) and his associates interviewed some 200 engineers and accountants. They found different sets of factors deal with the satisfaction and dissatisfaction. That is, a worker who identified "low pay" as a cause of dissatisfaction didn't necessarily identify "high pay" as a source of satisfaction. These findings made to conclude that the traditional model of motivation and satisfaction, as showing Fig. 3.11 was incorrect. It also shows that his findings postulate that there is one dimension ranging from satisfaction to no satisfaction and another dimension ranging from dissatisfaction to no dissatisfaction.

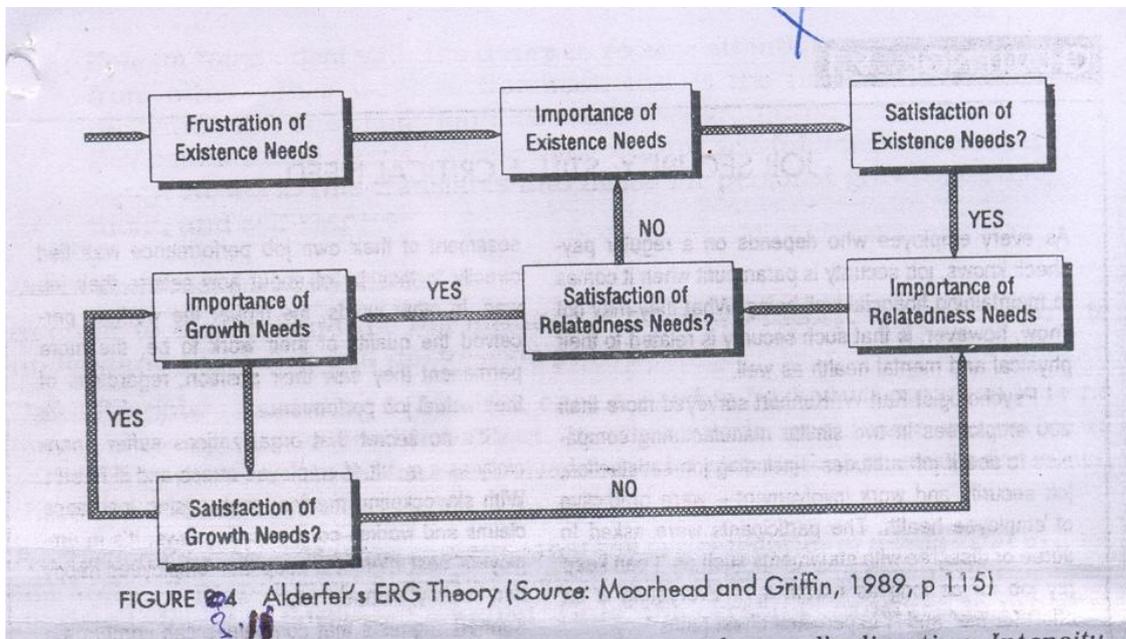


FIGURE 3.11 Alderfer's ERG Theory (Source : Moorhead and Griffin, 1989, p 115)

The principal factors are listed in Fig.3.12 under two categories-motivation and hygiene factors. Motivation factors, such as achievement and recognition, were the principal sources of satisfaction and motivation. When motivation factors were present in the job situation, they could cause satisfaction and motivation. When they were not present, the people felt no satisfaction, as opposed to dissatisfaction.

The hygiene factors were sources of dissatisfaction and the lack of motivation. In other words, when supervision and working conditions, are inadequate, lead to dissatisfaction. When these factors were perceived as adequate, respondents were not satisfied, but they no longer felt dissatisfied.

MOTIVATION FACTORS	HYGIENE FACTORS
Achievement	Supervision
Recognition	Working conditions
The work itself	Interpersonal relationship
Responsibility	Pay and security
Advancement and growth	Company policy and administration

Fig 3.12

The two-factor theory is still perceived as a valuable contribution to the task of understanding the complex job characteristics of satisfaction, dissatisfaction, and motivation.

#### ■ McCLELLAND'S ACQUIRED NEEDS THEORY

David McClelland (1961) used the Thematic apperception Test (TAT) to study human needs. It involves asking respondents to look at pictures and write stories about what they see in the pictures. The stories are then analyzed to find certain theme that represent various human needs. His studies lead to the identification of three acquired needs-the needs for achievement, power, and affiliation.

1. The Need for Achievement (nAch) is the desire to accomplish difficult tasks, to solve difficult problems, to do things more efficiently, and to master complex tasks.
2. The Need for Power (nPower) is the desire to influence or control other people, to be responsible for other, and to hold authority over them.
3. The Need for Affiliation (nAff) is the desire to establish and maintain warm relationship with others.

McClelland proposed that people acquire these needs for achievement, power, and affiliation over the time. On the job, the manager can learn to recognize these needs in workers and use them to motivate behaviour, as suggested in Fig.3.13

Individual Need	Work Preference	Example of an Appropriate Job Assignment
High need for Achievement	Individual responsibility for results Achievable but challenging goals Feedback on performance	Computer scientist responsible for software design and technical problem solving in support of a management information system.
High need for affiliation	Interpersonal relationship Companionship Social approval	Human resources specialist responsible for employee relations, college recruiting, and management development programs.
High need for power	Control over other persons Impact on people and events Public recognition and attention	Audit manager in charge of a group of newly-hired junior accountants assigned to complete a complex audit of a bank.

FIGURE 3.13 Work preferences of Persons High in Needs for Achievement, Affiliation, and Power (Source : Scherhorn, 1989, p 361)

## COMPARISON OF CONTENT THEORIES

### PROCESS THEORIES OF MOTIVATION

They explain the process that motivates behaviour. The most prominent process theories are expectancy theory, equity theory, and attribution theory.

#### Expectancy Theory

Expectancy theory (Vroom, 1964) is based that human behaviour depends on people's expectations concerning their ability to perform tasks and to receive desired rewards. The major elements of expectancy theory are depicted in Fig.3.15. According to the theory, employee motivation leads to the effort to have better performance. This performance leads to a variety of outcomes, each of which has a value called valence. There are three keys to the model(1) the

worker's expectation that effort will result in high performance: and (2) the worker's expectation that the performance will result in certain outcomes and

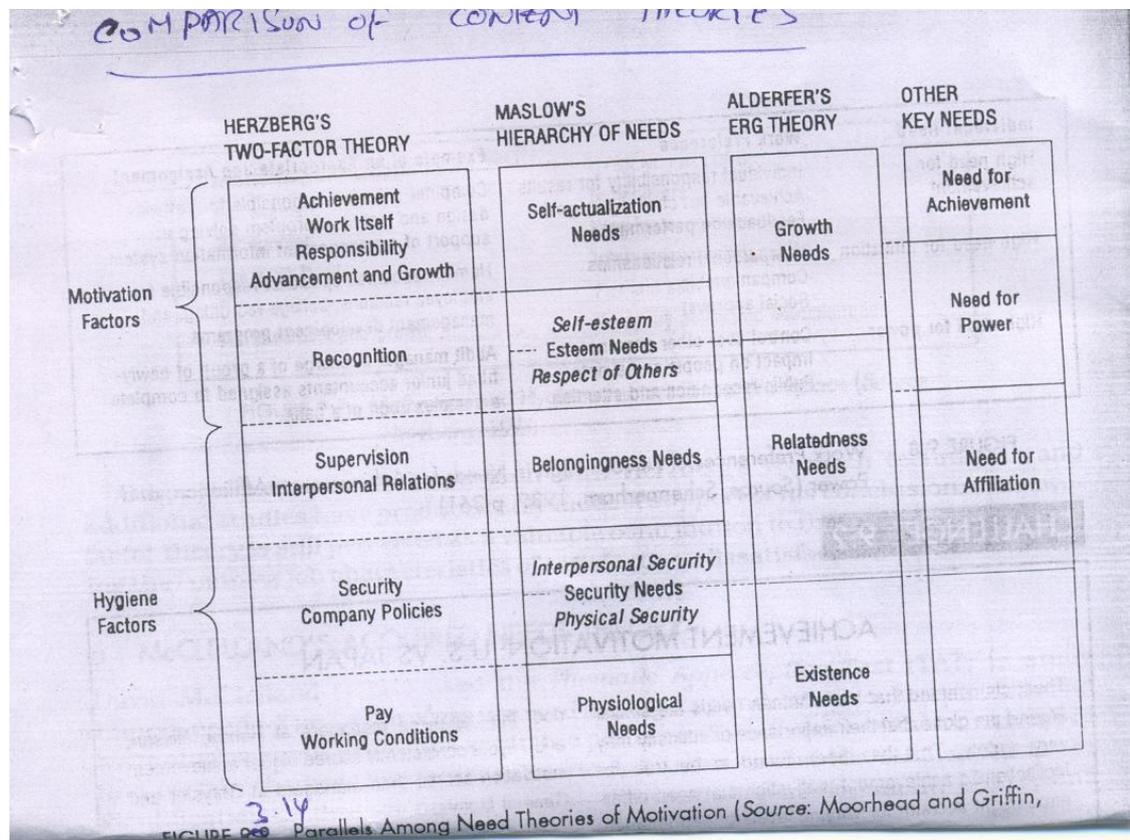


FIGURE 3.14 Parallels Among Need Theories of Motivation (Source : Moorhead and Griffin, 1989, p 124)

(3) the worker's expectation that each outcome possesses a particular valence. The effort-to-performance expectancy is the worker's perception of the probability that his / her effort will achieve high performance. If the worker is confident that the effort will achieve high performance, expectancy is strong, perhaps approaching 1.0 (where 1.0 equals absolute certainty that the effort will be successful in achieving high performance)

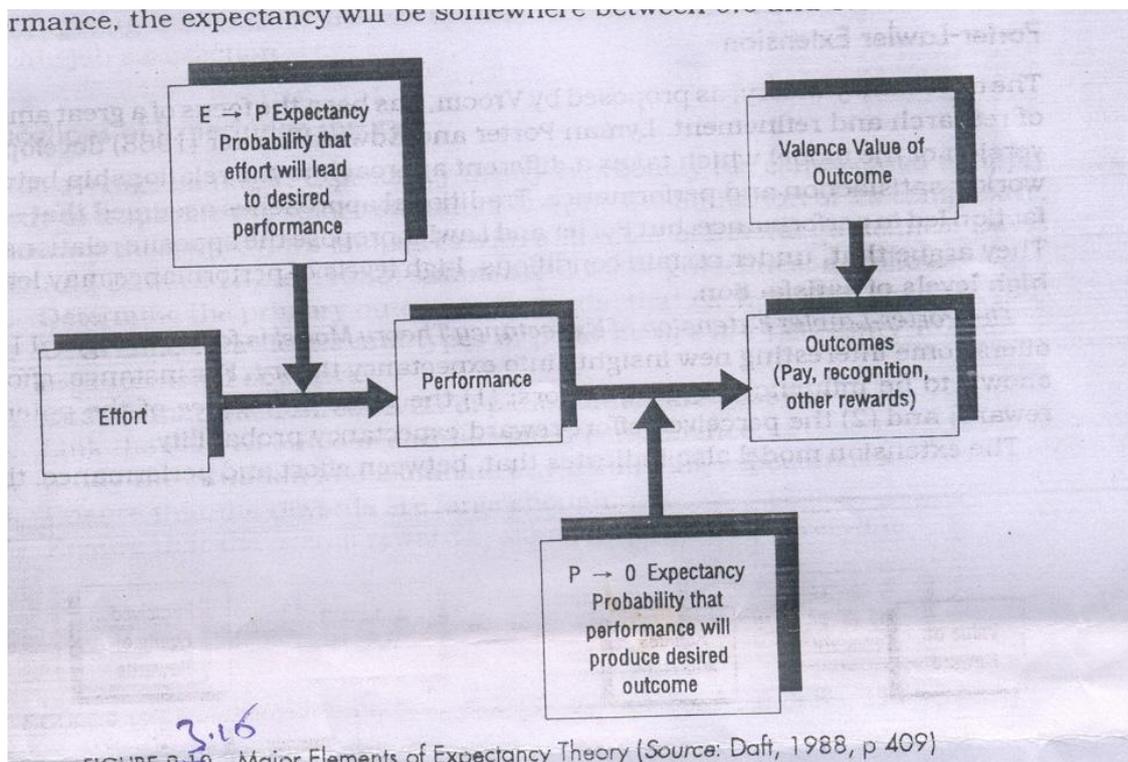


FIGURE 3.15 Major Elements of Expectancy Theory (Source: Daft, 1988, p 409)

The performance-to-outcome expectancy is the worker's perception of the probability that performance leads to certain outcomes. Thus, a worker who believes that high performance will earn an increase in pay has an expectancy close to 1.0. On the other hand, if the worker believes that a pay increase is not a function of performance, the expectancy is close to 0. Finally, if the worker believes that performance has a modest impact on pay, the expectancy will be somewhere between 0 and 1.

The worker might perceive that high performance will result in positive outcomes, such as increased pay and promotion, or negative outcomes such as fatigue and stress. The valence of an outcome is a measure of its relative attractiveness or unattractiveness to the worker. That is, pay raises and

promotions are probably perceived to be outcomes with positive valences, but fatigue and stress may be outcomes with negative valences.

The overall model is that motivated work behaviour is dependent on three key conditions: (1) the effort-to-performance expectancy must be well above zero; (2) the performance-to-outcome expectancy must be well above zero; and (3) the sum of the valences for the potential outcomes must be positive.

### Porter-Lawler Theory

The Porter-Lawler Extension of Expectancy Theory Model is found in Fig.3.16 and offers some interesting new insights into expectancy theory. For example, effort is shown to be influenced by two factors; (1) the value or valence of the potential reward; and (2) the perceived effort-reward expectancy probability.

The model also indicates that, between effort and performance, there

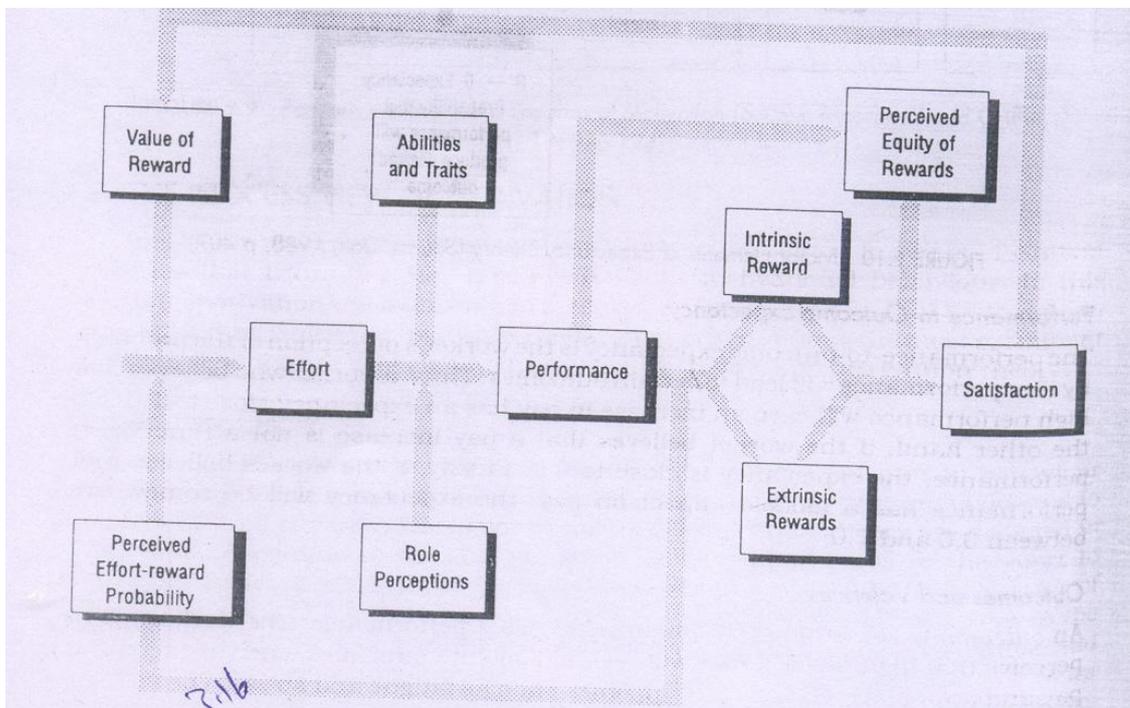


FIGURE 3.16 Porter-Lawler Extension of Expectancy Theory

(Source: Porter and Lawler, 1968)

are two mitigating factors; (1) the worker's abilities and traits: and (2) role perception.

According to Porter and Lawler, there are two kinds of rewards: (1) intrinsic rewards; and (2) extrinsic rewards. Intrinsic rewards are intangible rewards, such as accomplishment and a sense of achievement. Extrinsic rewards are tangible rewards, such as pay and promotion. The extension model also introduces the mitigating influence of the worker's perception of the equity of rewards on ultimate job satisfaction.

#### Implications of Expectancy Theory

For the average manager, expectancy theory is probably too complicated to apply directly to a specific workplace situation. Despite its complexity, expectancy theory provides managers with a number of helpful guidelines.

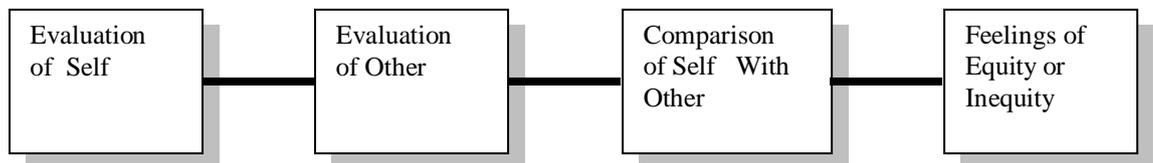


FIGURE 3.17 Formation on Equity Perception

(Source : Moorhead and Griffin, 1989, p 134)

#### Equity Theory

Equity theory (Adams, 1963) explains people want to be treated fairly. Equity is defined as the belief that one is being treated fairly in relation to others, and inequity is the belief that one is being treated unfairly in relation to others. Equity perceptions are formed through the four-step process shown in Fig.3.17. First, the worker evaluates how he/she is being treated by the organization. Second, the worker evaluates how a "comparison-other" worker is being treated. Third, the worker compares the two treatments, by comparing how he/she is treated with how the other worker is treated. Finally, as a result of this

comparison, the worker feels either equity or inequity. The equity comparison takes the following form.

$$\frac{\text{Outcomes}(\text{self})}{\text{Inputs}(\text{self})} \text{ compared to } \frac{\text{Outcomes}(\text{other})}{\text{Inputs}(\text{other})}$$

Thus, the worker compares his/her own input-to-outcome ratio with the corresponding ratio of the comparison-other.

### Worker Responses

After the equity comparison, the worker will respond as illustrated in Fig 3.18. If the worker feels equity, he/she is motivated to maintain the current situation. If the worker feels inequity, he/she is motivated to respond with six behaviours identified by Adams (1965): (1) the worker may decide to alter inputs by putting more or less into the job; (2) the worker may change outcomes by demanding a raise or a different work station, (3) the worker may alter his/her self-evaluation; (4) the worker may alter his/her evaluation of the comparison-other; (5) the worker may change the comparison-other to a different co-worker; and (6) the worker may leave the situation by transferring or resigning.

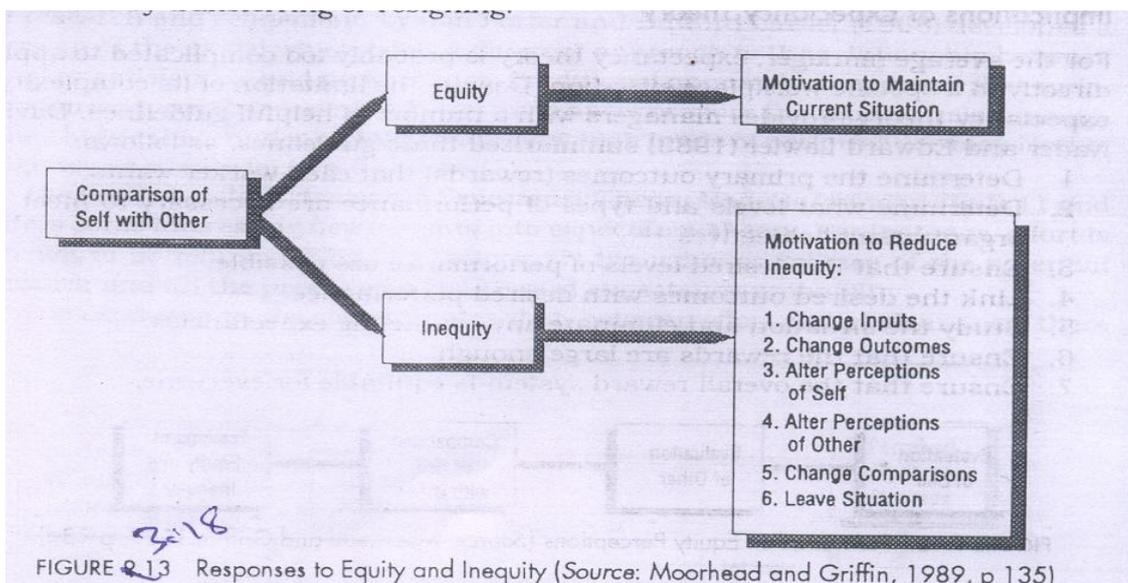


FIGURE 3.18 Responses to Equity and Inequity

(Source: Moorhead and Griffin, 1989, p 135)

## Attribution Theory

Attribution theory is a process theory of motivation. It postulates that workers observe behaviour, then attribute cause and meaning to it (Kelley, 1971). As depicted in Fig 3.19 workers observe their own behaviour and decide whether it is principally motivated by internal or external factors. This decision ultimately shapes the worker's responses to future motivation. That is, a worker who decides he/she is intrinsically motivated seeks more internal motivation in the future. Similarly, a worker who believes himself/herself to be extrinsically motivated seeks more extrinsic motivational factors in the future. The theory contends that workers may, from time to time, alter their preferences for future incentives.

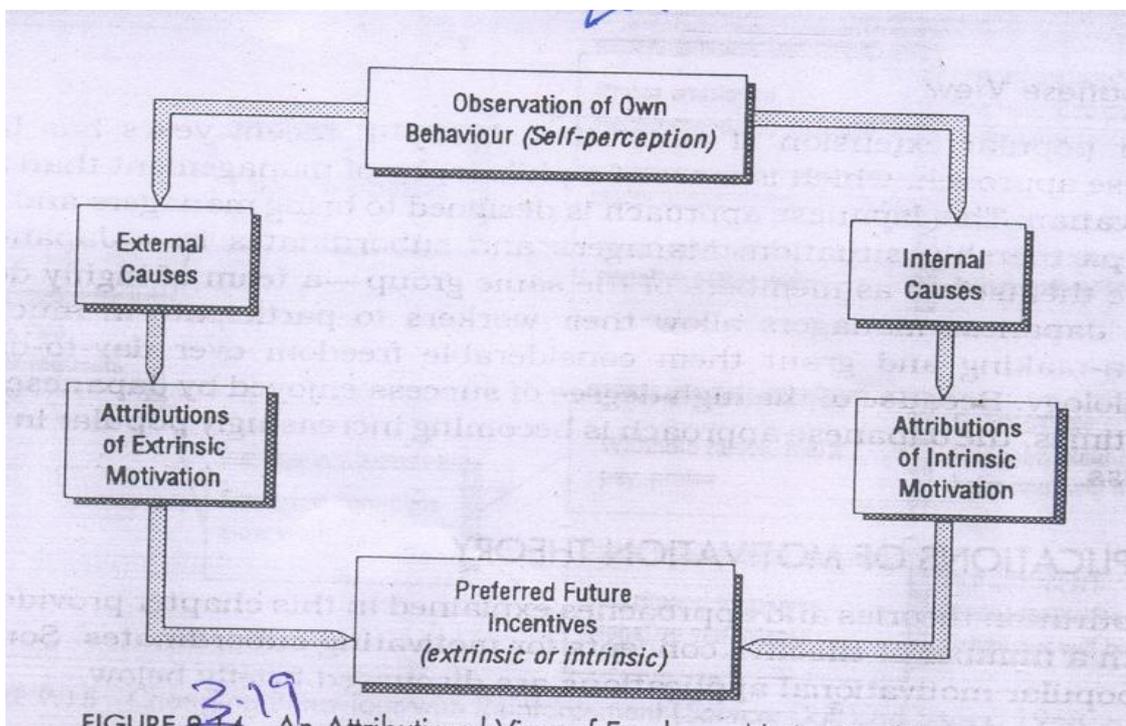


FIGURE : 3.19 An Attributional View of Employee Motivation (Source : Moorhead and Griffin, 1989, p 152)

### Application of motivation theories

Reinforcement theory is based on the assumption that people tend to repeat behaviour for which they are rewarded, and they tend not to repeat behaviour for which they are not rewarded (Skinner, 1971), Reinforcement may be defined as anything that causes a targeted behaviour to be either repeated or inhibited. As shown in Fig 3.20 there are four basic kinds of reinforcement.

Positive reinforcement is the administration of a positive and pleasant consequence following a desired behaviour. It is a tool to strengthen and reward worker behavior e in the best interests of the organization.

Avoidance learning is the removal of an unpleasant consequence following a desired behaviour. Sometimes called negative reinforcement, avoidance learning is the way workers learn to do the right things to avoid unpleasant outcomes.

Punishment is the administration of unpleasant consequences as a result of undesirable behaviour. If an employee does something wrong, the punishment is designed to discourage the employee from repeating the undesired behaviour.

Extinction is the administrative withdrawal of a positive reward so that the behaviour is no longer reinforced and is less likely to be repeated. For example, if a worker is habitually late to work, pay raises or other positive rewards can be removed, so that the worker will realize that the behaviour is not resulting in desired outcomes.

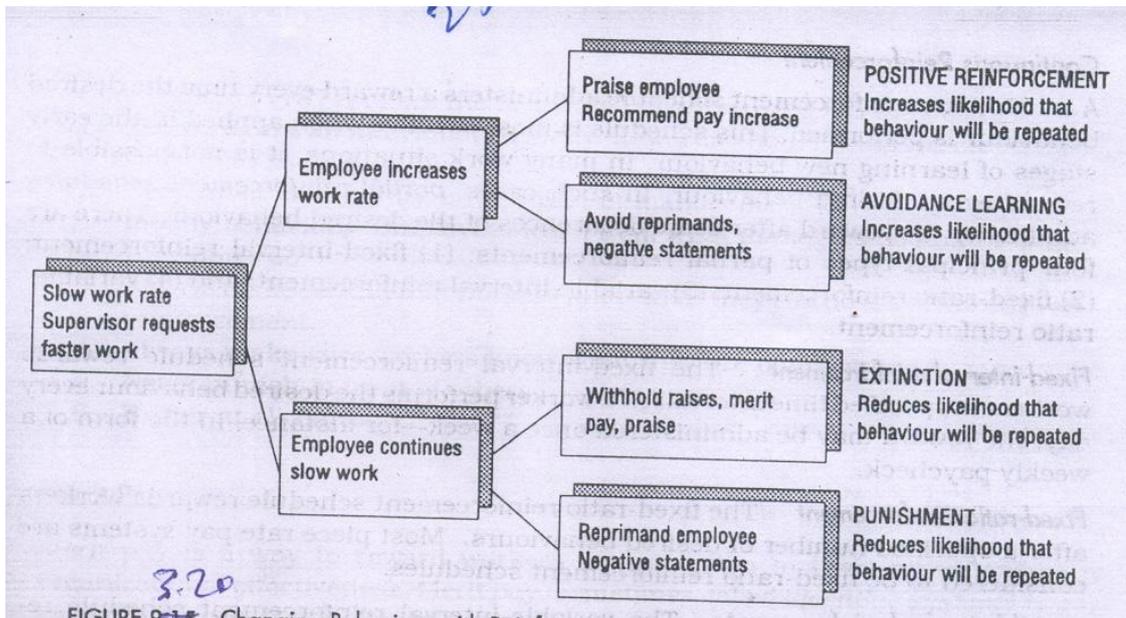


FIGURE 3.20 Changing Behaviour with Reinforcement

(Source : Daft and Steers, 1968, p 109)

### Questions for Review

1. Does motivation come from within efficiency in  
A person or is it a result of the Situation? Explain.
2. What are the implications of Theories X and Y for motivation practices?
3. Compare and contrast Maslow's Hierarchy of needs theory with  
(a) Alderfer's ERG theory and  
(b) Herzberg's two-factor theory
4. Describe the three needs isolated by Performance =  
McClelland. How are they related To worker behavior?
5. Explain cognitive evaluation theory. motivation
6. What is the role of self-goal setting?
7. Contrast distributive and Justice. What implications might they Have for designing pay systems in Different countries?
8. Identify the variables in expectancy theory.
9. Explain the formula:  
 $f(A \times M \times O)$  and give an example.
10. What consistencies among

How applicable is it to management concepts, if any, apply cross-culturally?  
Practice?

### Questions for Critical Thinking

1. “The cognitive evaluation theory is motivated, to Contradictory to reinforcement And expectancy theories. “Do you Discuss. Agree or disagree ? Explain.
2. “Manager should be able, through Proper selection and job, design To have every employee experience shopping). Next Flow in his or her job.” Do you agree really dis- Or disagree? Discuss.
3. Analyze the application of Maslow’s And Herzberg’s theories to an African the Or Caribbean nation where more than of A quarter of the population is Unemployed. while
4. Can an individual be too that his or her performance declines as a result of excessive effort?
5. Identify three activities you really enjoy (for example, playing tennis, reading a novel, going identify three activities you really dis- Like (for example, going to the dentist, cleaning the house, staying on a restricted-calorie diet). Using expectancy model, analyze each your answers to assess why some Activities stimulate your effort Others do not.

### Team Exercise What do People Want from Their Jobs?

Each class member begins by completing the following questionnaires:  
Rate the following 12 job factors according to how important Each is to you.  
Place a number on a scale of 1 to 5 on the line before Each factor.

<u>Very important</u>	<u>Somewhat important</u>	<u>Not important</u>
5	4	3
		2
		1

- 1. An interesting job
- 2. A good boss
- 3. Recognition and appreciation for the work I do
- 4. The opportunity for advancement
- 5. A satisfying personal life
- 6. A prestigious or status job
- 7. Job responsibility
- 8. Good working conditions
- 9. Sensible company rules, regulations, procedures, and polices
- 10. The opportunity to grow through learning new things
- 11. A job I can do well and succeed at
- 12. Jo security

This questionnaires taps the dimensions in Herzberg’s two-factor theory. To determine if hygiene or motivating factors are important to you, place the number 1-5 that represent your answers bellows.

Hygiene factors score

- 2. -----
- 5. -----
- 6. -----
- 8. -----
- 9. -----
- 12. -----

Total points -----

Motivational factors score

- 1. -----
- 3. -----
- 4. -----
- 7. -----
- 10. -----
- 11. -----

Total points -----

Add up each column. Did you select hygiene or motivating factors as being most important to you?

Now break into groups of five or six and compare your questionnaire results.

(a) How similar are your scores? (b) How close did your group's results come to those found by Herzberg? (c) What motivational implications did your group arrive at based on your analysis?

### Case Incident                      What Drives Employees at Microsoft?

The reality of software development in a huge company like Microsoft-it employs more than 48,000 people-is that a substantial portion of your work involves days of boredom punctuated by hours of tedium. You basically spend your time in an isolated office writing code and sitting in meetings during which you participate in looking for and evaluating hundreds of bugs and potential bugs. Yet Microsoft has no problem in finding and retaining software programmers. Their programmers work horrendously long hours and obsess on the goal of shipping product.

Dressed in extravagant Victorian outfits? But the underlying theme that unites Microsofties is the belief that the firm has a manifest destiny to change the world. The least consequential decision by a programmer can have an outsized importance when it can effect a new release that might be used by 50 million people.

Microsoft employees are famous for putting in long hours. One program manager said, "In my first five years, I was the Microsoft stereotype. I lived on caffeine and vending-machine hamburgers and free beer and 20-hour workdays.....I had no life..... I considered everything outside the building as a necessary evil." More recently, things have changed. There

in common-they're smart. The company prides itself on putting all recruits through a grueling "interview loop," during which they confront a barrage of brain-teasers by future colleagues to see how well they think. Only the best and the brightest survive to become employees. The company does this because Microsofties truly believe that their company is special. For instance, it has a high tolerance for nonconformity. Would you believe that one software tester comes to work every day former manager claim that the human resources' department actually kept a running chart of employee satisfaction versus the company's stock price. "When the stock was up, human resources could turn off the ventilation and everybody would say they were happy. When the stock was down, we could give people massages and they would tell us that the massages were too hard." In the go-go 1990s, when Microsoft stock was doubling every few months and yearly stock splits were predictable, employees not only got to participate

are still a number of people who put in 80-hour weeks, but 60-and 70-hour weeks are more typical and some even are doing their jobs in only 40 hours. No discussion of employee life at Microsoft would be complete without mentioning the company's lucrative stock option program. Microsoft created more millionaire employees, faster, than any company in American history-more than 10,000 by the late-1990s. While the company is certainly more than a place to get rich, executives still realize that money matters.

#### Questions

1. If you were a programmer, would you want to work at Microsoft? Why or why not?
2. How many activities in this case can you tie into specific motivation theories? List the activities, the motivation theories, and how they apply.
3. As Microsoft continues to get larger and its growth rate flattens, do you

in Microsoft's manifest destiny, they think management will have to modify could get rich in the process. By the any of its motivation practices? spring of 2002, with the world in a Elaborate. recession, stock prices down, and the growth for Microsoft products slowing, it wasn't so clear what was driving its employees to continue the company's dominance of the software industry.

## MORALE

“Morale is a feeling, somewhat related to spirit, enthusiasm or Zeal”

-Dale Yoder

“Morale is a mental condition or attitude of individuals or groups which determines their willingness to cooperate”

-Edwin B. Flippo

## Nature of Morale

The term morale is used to describe overall climate prevailing in a group.

Morale is a degree of enthusiasm or a zeal along with willingness of persons towards contributing their efforts to achieving goals.

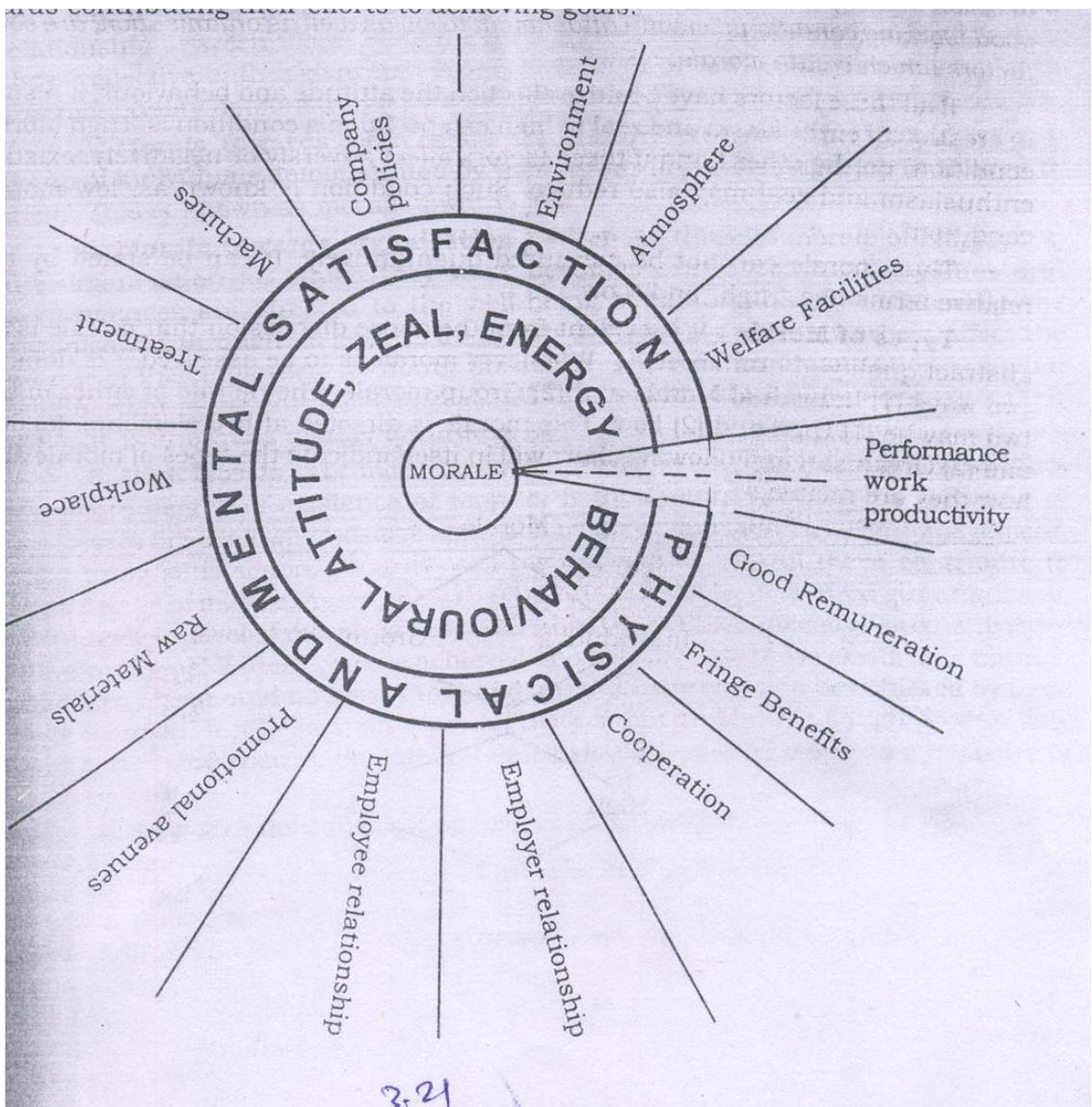


Fig 3.21 'Building' moral

### Importance of morale in Organization

A willing worker can devote more attention, apply more skills, and achieve high productivity. All these are the effect of high morale. If there is low productivity, and no congenial relations between the staff, the progress is

bound to be affected adversely. Therefore, high morale amongst the employees is of utmost importance.

Secondly, the employees are the representatives of the organization. If they are respected by the society in general it gives name to the organization and good reputation comes with it. Such a reputation also makes the organization successful. Thirdly if the employees have high morale it is the positive effect of positive approach of management. Behavior, policy and minimum disputes are evidenced from the existence of high morale. Respect can be commanded by the workers having high morale.

Fourthly, a satisfied worker refrains himself from living away from the job. This reduces the absenteeism and thereby high turnover is achieved.

Fifthly if industrial disputes and employee grievances are avoided which is possible by raising employee morale, it adds to the reputation of organization.

Thus existence of high morale in the employees individually or in group is most important for the progress and high reputation of organization.

Benefits of existence of high morale

Employees with high morale like their jobs and always cooperate to achieve organizational goals. It comes from job satisfaction. High morale is indeed a manifestation of the strength of the employees, their dependability, confidence and devotion to the job. Existence of high level of morale benefits the organization in following ways.

- (1) The employees extent cooperation in achieving the goals of organization that too willingly.
- (2) High morale generates loyalty towards the organisation through leadership.
- (3) Employees follow the rules and regulations and thus behave in disciplined way.
- (4) It generate high interest in the employees towards the jobs and ultimately towards organization.

- (5) The employees feel pride to be the part of organization.
- (6) Rate of absenteeism is reduced and turnover us increased.

Effects of low morale : Low morale is the outcome of mental unrest. Any one with disturbed mind can not concentrate on his job. This, in turn adversely affects his and ultimately organizational productivity. Doubtful and suspicious atmosphere and low morale go hand in hand . Finally it leads to following consequences:

- (1) Rate of absenteeism goes up which ultimately decreases productivity.
- (2) Excessive complaints are made and grievances are put forward.
- (3) Workers get frustrated.
- (4) Congenial atmosphere in workers is disturbed giving rise to friction between the workers, workers and supervisors etc.
- (5) Dissent towards to management and its leadership goes on increasing
- (6) Discipline is not maintained.

Methods of measuring employee morale

Measuring the morale, therefore, becomes assessment of various. It can be measured as follows.

1. Grievances - Grievance against the job, supervisor and the organization directly affects the morale of employees. Thus, the rising grievances and the pace of their redressal, enable the management to assess the morale.
2. Direct Observation – There are people who are shy at expressing themselves. They even do not speak out their sufferings. Naturally they accept whatsoever comes. But such an acceptance by them has a silent effect on their mental set up. This knowingly or unknowingly appears in their attitude and performance. Such situations lower down their morals. Only their behavioural attitude is the indication of their low morale.

3. Statistics and Records : High morale reduces the complaints, grievances, absenteeism, accidents, transfer requests. They are the outcome of prevalence of low morale. Records of all such matters are nicely maintained. A periodical analysis of these is made. If such an analysis reveals rise in such matters can be the indication of lowering morale in the employees.

4. Providing suggestion boxes : It is suggested that a suggestion box may be kept handy and the employees be informed that they can put their suggestions in writing in such box, even without mentioning their name and putting their signature.

5. Open door policy : Open door policy means keeping the doors of top executives open for the employees to approach them and put forth their grievances. This is a democratic way of giving equal importance to all. This facility itself can add to boosting the morale.

6. Personal counseling : This counselor, himself, approaches the worker and discusses with them their problems. He arrives at certain conclusions regarding the dissatisfaction in them. The more is the degree of dissatisfaction of lower is the degree of morale. He then enlists all the reasons and submits them to high authorities.

7. Surveys : Survey is collecting the information from almost all corners either through personal discussions or through questionnaires. Such a survey of attitude and opinion can discover conflicts and dissatisfaction and thus enable to assess morale.

Productivity and morale:

1. High morale and high productivity : If the atmosphere is congenial, cooperative along with providing good raw material, good working conditions, good job procedure, encouragement by supervisors, good remuneration etc. the morale is at high level. Under such conditions, high morale stimulates productivity.

2. High morale with low productivity : If all factors affecting morale are fairly good, the employees are satisfied and resultantly their morale is high. This high morale enhances enthusiasm of workers towards job.

3. Low morale and low productivity : If all the elements as discussed in No.1 above are in negative status they are sure to affect the morale adversely and because of other inferior conditions the productivity too is at lower level.

4. Low morale and high productivity : Out of the elements affecting morale and productivity, those which are directly related only to productivity are in good conditions but the elements affecting morale are not there, there will exist low morale.

#### Measures to promote Morale

1. Fair Remuneration : It is, essential to evaluate a wage structure considering the job entrusted, cost of living and wage structure of other organization. It is an old saying that way to satisfaction goes through stomach. Thus remuneration plays a vital role in boosting the morale.

2. Incentive Schemes : Incentive, monetary or non-monetary, is a way to motivate an employee show more skills and utilize his unused capacity. In other words incentive may raise his morale.

3. Welfare : Indian factories act has made it compulsory for the factories to provide certain welfare facilities. These facilities are generally provided to employees. These facilities are bear minimum requirements to keep the employees fit to work.

4. Job Security : If an employee is assured of his continuance on his job, the fear of extrication will be removed. This will boost his interest leading to satisfaction and finally rise in his morale.

5. Fair promotion policy : An employee with a goal of being promoted before him, puts his all out efforts for better performance on the post he holds. This is rise in morale degree.

6. Honest and competent leadership : The leader is a person who is always with the employees and therefore can understand them. He can find out factors of dissatisfaction, if any, in the employees and can help in removing them. This will add to the degree of morale.

7. Congenial Atmosphere : It is a psychologically proved universal truth that a person working at a clean and hygienically good place along with cooperation from co-workers as well as superiors gives better performance than a person working at a dirty unhygienic place with lack of cooperation from co-workers and supervisors.

8. Effective communication system : Communication is the means by which required information is polarized and made to reach appropriate person. As far as employees working on the floor are concerned, they require timely instructions regarding performing jobs.

9. Efficient organization : Unless a proper organization structure is established, it will not be possible to have effective and correct flow of work. Whatever organizational structure is adopted-centralization, decentralization-combination of these two (system of communication-personnel department etc.) by the management it should be effective and suitable to the work.

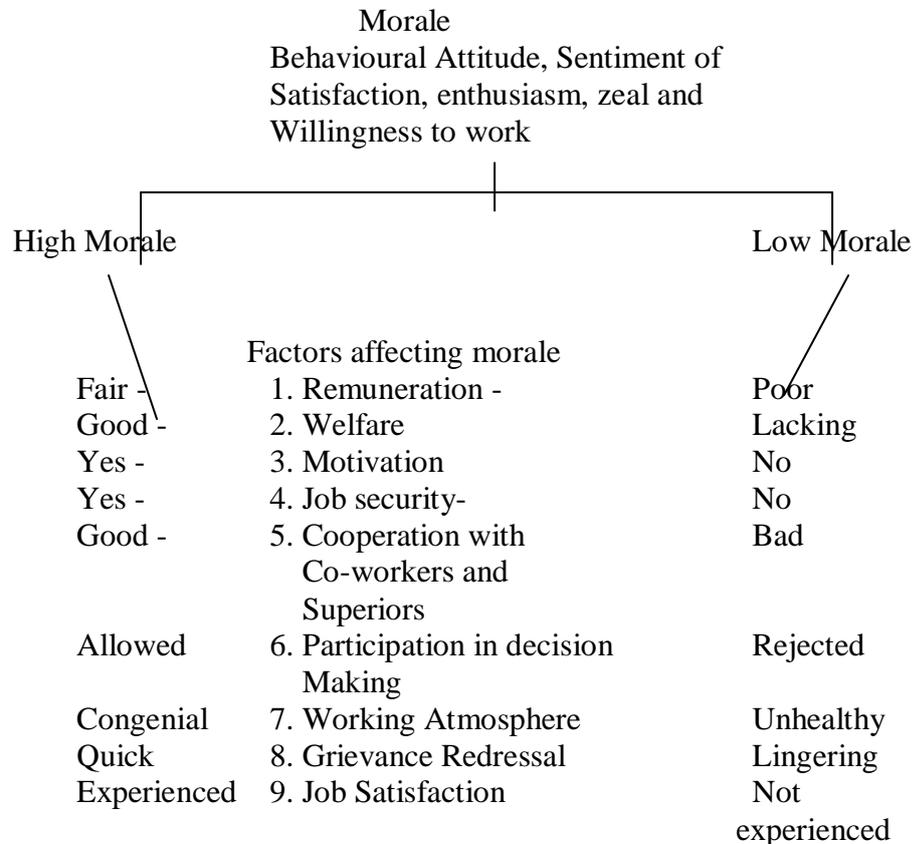
10. Worker Participation : Workers participation in management is a democratic way of managing. Their participation in decision making creates a feeling of pride, and their participation in overall management creates a feeling of pride and self importance in the minds of employees.

#### MOTIVATION AND MORALE

Motivation is a physical thing offered to employees in order to mobilize hidden capabilities and skills in the employees. Motivation makes the employee to work.

Morale is a mental thing that cannot be shown. It is experienced and felt by observing the zeal and willingness to work as an effect of employee satisfaction.

Motivation helps boosting the morale to some extent. It is a type of reward given to employees for good efficient work. Thus motivation assumes status or cause which will not last long.



Motivation is a stimulant which temporarily moves one into action. As soon as its purpose is served the action takes its own way.

Morale is a composite of feelings, attitudes and sentiments that contribute to general feeling of satisfaction at work.

Motivation is a function of drives and needs.

Morale on the other hand is a function of freedom or restraint onwards goal.

Motivation mobilizes energy.

Morale mobilizes sentiments and willingness.

#### QUESTIONS

1. What is 'Morale'? Write the factors that affect the morale.

2. "Morale is a mental condition or attitude of individuals of group which determines their willingness to cooperate" Elucidate the statement with the help of nature of morale.
3. Write the effect of employee morale on overall performance of any organization.
4. How can Morale be measured ? Explain.
5. Explain the relationship between morale and productivity. Do you feel that it is only the high morale that increases the productivity?
6. Differentiate between morale and motivation.
7. Enumerate and explain the measures of improving employee morale.
8. Do you agree that Maslow's need Hierarchy theory has a direct relation with Employee morale ? Explain.

### LESSON:3 CONTEMPORARY EMPLOYMENT PRACTICES

#### Learning Objectives:

Identify the different concepts of tenure of employment.

Clarify the new paradigms in employment.

Observe the dynamic changes in work and work place practice

Define performance appraisal of employee

Explain how labour become flexible.

#### Work schedule options

Most people work an eight-hour day, five days a week. They start at a fixed time and leave at a fixed time. They do their work from their employer's place of business. But a number of organizations have introduced alternative work schedule options. They all increase flexibility for employees. In a work world being pressed for time and personal responsibilities, increasing work schedule

options can be a way to improve employee motivation, productivity, and satisfaction.

### Flextime

Flextime is short for flexible work hours. It allows employees some discretion over when they arrive at and leave work. Employees have to work a specific number of hours a week, but they are free to vary the hours of work within certain

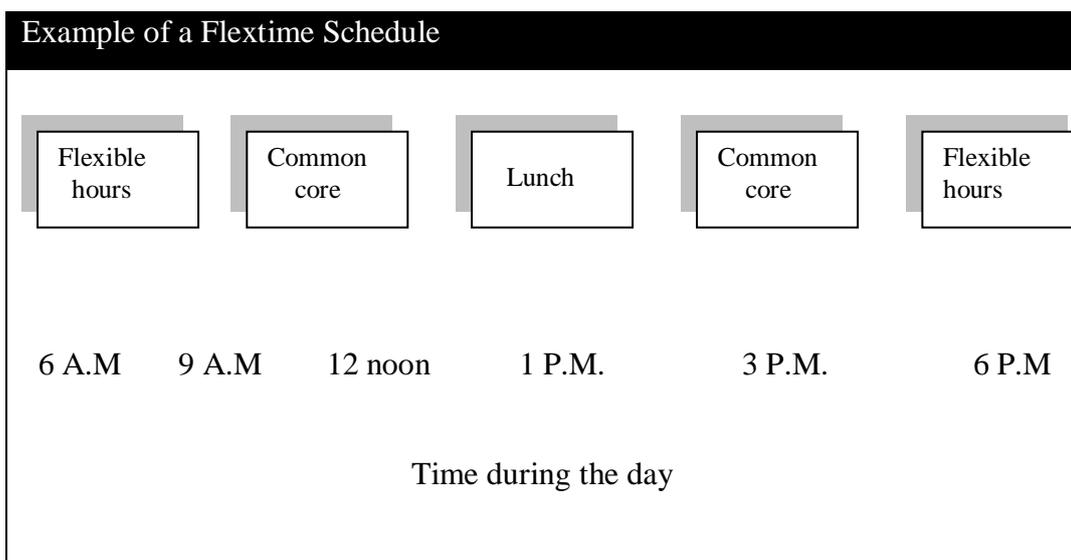


Fig 3.22

limits. As shown in Fig.3.22 each day consists of a common core, usually six hours, with a flexibility. For example, exclusive of a one-hour lunch break, the core may be 9 A.M., to 3 P.M., with the office actually opening at 6 A.M. and closing at 6 P.M. All employees are required to be at their jobs during the common core period, but they are allowed to accumulate their other two hours before and / or after the core time.

The benefits of flextime are numerous. They include reduced absenteeism, increased productivity, reduced overtime expenses, a lessening in hostility

toward management, reduced traffic congestion round work sites, elimination of tardiness, and increased autonomy and employee job satisfaction. But beyond the claims, what's flextime's record?

Flextime tends to reduce absenteeism and frequently improves worker productivity, probably for several reasons. Employees can schedule their work hours to align with personal demands, thus reducing tardiness and absences, and employees can adjust their work activities to those hours in which they are individually more productive.

Flextime's major drawback is that it's not applicable to every job. It works well with tasks for which an employee's interaction is limited. It is not a viable option for receptionists, sales personnel in retail stores, or similar jobs for which service demands.

#### Job Sharing

A recent work scheduling innovation is job sharing. It allows two or more individuals to split 40-hour-a-week job. For example, one person might perform the job from 8 A.M. to noon, while another performs the same job from 1 P.M. to 5 P.M.; or the two could work full, but alternate days.

Job sharing draws talents of more than one individual in a given job. A bank manager describes it as an opportunity to get two heads, but "pay for one." It also gives the opportunity to acquire skilled workers. They may be women with young children and retirees. Many Japanese firms are increasingly considering job sharing-but for a very different reasons. Job sharing is seen as a humanitarian means for avoiding layoffs due to overstaffing.

From the employee's perspective, job sharing increases flexibility. As such, it can increase motivation and satisfaction for those to whom a 40-hour-a-work job is just not practical. On the other hand, the major drawback from management's perspective is finding pairs of employees who can coordinate the intricacies of one job.

## Telecommuting

Telecommuting refers to employees who do their work at home at least two days a week on a computer that is linked to their office. It is also known as virtual office. Recent estimates indicate that between 9 million and 24 million people telecommute in the United States. This translates to about 10 percent or more of the workforce. Well-known organizations that actively encourage telecommuting include AT & T, IBM, Merrill Lynch, American Express, Hewlett-Packard, and a number of U.S. government agencies. The concept is also catching on worldwide. In Finland, Sweden, Britain, and Germany, telecommuters represent 17, 15, 8, and 6 percent of their workforces, respectively.

What kinds of jobs lend themselves to telecommuting? Three categories have been identified as most appropriate: routine information-handling tasks, mobile activities, and professional and other knowledge-related tasks. Writers, attorneys, analysts, and employees who spend the majority of their time on computers or the telephone are natural candidates for telecommuting. For instance, telemarketers, customer-service representatives, reservation agents, and product-support specialists spend most of their time on the phone. As telecommuters, they can access information on their computer screens at home as easily as in the company's office.

The major merits of telecommuting include a large labor pool from which to select, higher productivity, less turnover, improved morale, and reduced office-space costs. The major demerit is less direct supervision of employees. In addition, in today's term-focused workplace, telecommuting may make it more difficult for management to coordinate teamwork. From the employee's standpoint, telecommuting offers a considerable increase in flexibility. For employees with a high social need, telecommuting can increase feelings of isolation and reduce job satisfaction. And all telecommuters potentially suffer

from the “out of sight, out of mind” effect. Employees who aren’t at their desks, who miss meetings, and who don’t share in day-to-day informal workplace interactions may be at a disadvantage when it comes to raises and promotions. It’s easy for bosses to overlook or undervalue the contribution of employees whom they see less regularly.

#### Shifting focus of work

India had graduated from being predominantly agricultural to being industrial to being post-industrial or service and high-tech economies. This transition has resulted in a shift from (a) information in terms of wealth base; (b) muscle to machine-tending skills in the use of human skills / energy; (c) independence in employment relations; (d) fairness in motivational approaches; (e) direction and control to consensus and commitment of managing people at work.

Figure 3.23 Shifting Focus in the Realm of Work

Aspect	Traditional Agriculture	Early / Traditional Industry	Post-Industrial Service/High-tech
Wealth	Land	Money	Mind/Information
Skill / Effort	Brawn / Muscle	Machine-tending	Brain / Mind Attitude And Ability Matter, Not just Skill
Management Philosophy	Unilateral	Pluralistic	Egalitarian
Management Style	Autocratic	Paternalistic	Collegial
Employment Context	Mater- Servant	Employer- Employee	Partners
Relationship	One-sided Dependence	Interdependence	Mutuality and Independence
Communication	Top-down	Two-way	Transparent
Motivation	Fear	Favour	Fairness
Performance Appraisal	Information Confidential Boss	Formal, One-way	Formal, Open, Participative Appraisals
Control	Direction and	Inducement	Consensus /

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Remaining comprise the high-tech manufacturing and modern services sector. Therefore, the emerging picture about the world of work, even if it is changing rapidly, appears static to some and dynamic to others. Given the vast diversity of the country, the picture at the macro level is vastly heterogeneous. Here there are changes in eight broad areas: (i) market, (ii) work, (iii) technology, (iv) worker, (v) work organization, (vi) skills, (vii) compensation, and (viii) workplace governance.

#### Changes in the market

In the emerging economic scenario, the market-place is witnessing six interrelated changes: (i) plan to market (ii) import-substitution to export-oriented growth (iii) protection to competition (iv) seller's to buyers' market, (v) producer to consumer orientation, and (vi) swadeshi to videshi. Survival in the market-place depends on low-cost, high-quality products/services; zero-defect, not just meeting, customers' expectations; and innovation.

In India, companies like Arvind Mills, Infosys, Ranbaxy, Sundaram Fasteners, and TI Cycles have changed their market strategy not just to adjust to the changes, but to become major global players in their respective area (Das, 1996). Sundaram Fasteners won a five-year contract competing with 12 foreign companies in a global bid for supplying radiator caps to all General Motor plants worldwide: 'Against a standard reject rate of 150 parts per million, it has achieved six parts per million and never missed a delivery in the last two year. It requires a long-term vision, identifying products which have a long shelf life, avoiding the temptation for wild diversification and focusing on not only cost but also value, quality, timeliness and innovation.'

#### Changing nature of work

Work is becoming increasingly technology driven. It is impacting on both content and contexts. Based on the concrete experience of many workplaces, the following scenario is the changing nature of work.

- Robotized assembly operations
- Unmanned power plants
- Office less work (journalists or sales professionals)
- Open 24 hours, 365 days a year (be it a factory, bank or a restaurant)
- Contract work —————> contract of work
- Employed worker————-> independent contractor
- Dependent / interdependent —————> independent worker
- Permanent —————> temporary
- Office —————> home
- Fixed —————> flexible hours of work
- Jobs as property————-> jobs for prosperity
- Lifetime employment —————> lifetime employability
- Single task/single career————-> multiple tasks / multiple careers
- Individual————-> team
- Functional —————> cross-functional
- Ladders —————> loops
- Managers —————> facilitators
- Fordist-Taylorism —————> Neo-Fordist Toyotaim
- Sequenced/Segmented approach————->parallel/circular work organization
- Autonomous hierarchies————-> interdependent partnerships
- Employee as a servant —————>employee as a partner / (internal) customer
- Loyalty————-> competence / competencies
- Norms —————> values
- Managing —————> leading
- Control————-> commitment
- Direction —————> empowerment

A major change, however, is the increasing informalization of work. Overtime And contract work eventually create bigger problems for the management. Hence, managements will need to deal judiciously with the problems in the area of employment relations.

#### Changing technology of work

New technologies, new materials new processes and new methods have revolutionized the world of work. Listed here are some ways in which the face of the factory and office are changing 3.24.

Figure 3.24 Changing Face of a Modern Factory / Office

Yesterday	Today	Tomorrow
<b>Factory</b>		
Putting out system	Regular premises	Work out of home
Start to finish under Same roof	Make-or-buy dilemma	Outsource as much as possible
Manual machines	Electrical, mechanical	Digital, cellular
<b>Office</b>		
Ink Pen	Ball Pen	?
Typewriter	Computer	?
Telephones	Pagers	?
Duplicator	Xerox machines	?
Telex	Fax, e-mail and internet	?
Annual filing	Electronics databases	?

#### Changing profile of workers

Figure 3.25 Changing Profile of Workers

Yesterday	Today	Tomorrow
Majority Blue Collar	Majority White collar	Majority Gold collar
Illiterate workers and Literate bosses	Both workers and Their bosses are literate	Workers more literate than their bosses in terms of technical knowledge in
Workers 'low-caste' and Managers 'upper-caste'	Workers and managers	Their respective work areas and Workforce increasingly diverse
Low aspirations	homogeneous	High aspirations

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Instrumental            in  
orientation

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Production worker comprise no more than about 15 per cent of the total workforce in today's modern, high-tech factories. Even in the defence services, hierarchy becomes less important. In the Air Force, for instance, once the aircraft is airborne, the seniors let the juniors take charge of the control panels. In traditional cargo handling, a worker would typically aspire to become a highly skilled worker or a junior supervisor.

Managing differences: There are three major issues in dealing with the changing demographics of the workforce: managing cerebral workers, managing expectations, and managing differences. Of these, managing differences are most crucial and challenging:

- Religion : Hindu, Muslim, Christian and others
- Caste: Forward, backward, most backward, Scheduled Caste / Tribe
- Language: English, Hindi, regional and other languages
- Region: North-South, East-West
- Age : Old any young workers
- Sex : Male and female. In some countries gays and lesbians too
- have articulated their special needs and expectations
- Intra and international diversity
- Intersectoral diversity: Traditional and modern manufacturing, for instance
- Workforce in existing plants and Greenfield sites
- Cultural integration in mergers and acquisitions

Women are likely to improve their number in the total workforce and, particularly, in jobs held by males. This requires paying attention to issues like (a) balancing work-family responsibilities; (b) dual career planning; (c) taking

care of the needs of the workers with family responsibilities; and (d) creating an inclusive work environment for both men and women as colleagues and undertaking proactive, preventive measures to deal with prejudice, discrimination, stereotyping and sexual harassment.

Mass production is being replaced with flexible specialization. With new manufacturing methods, newer approaches to work organization are required. According to Storey (1987) the essential features of 'superior forms' of new methods of manufacturing and work organization include.

A fuller utilization of available work time; flexibility of work, team working of one kind or another; just-in-time production; learning by doing and innovative ideas contributed by all levels of employees; and elimination of non-value-added activities; and workers undertaking production, inspection and maintenance functions themselves. Enhancing competitiveness has focused attention not merely on the macro environment (East Asian Miracle, World Bank), but also on manufacturing itself (Hayes, et al., 1988).

New initiatives in manufacturing (Peters and Waterman, 1982; Schonberger, 1986) have a clear focus: Total Quality Management (TQM) on quality; Just in Time (JIT) on cost control; ISO on systems; and Advanced Manufacturing Technology (AMT), Cellular Manufacturing (CM), Computer-Integrated Manufacturing (CIM), Flexible Manufacturing Systems (FMS), and Lean Production (LP), on responsiveness to market demands. The strategy is to compete both on cost and quality and be responsive to market needs (Lawler, 1992).

Manufacturing methods and technologies should support such strategies. Companies are focusing on product (Products which have longer life-cycles such as Denim in the case of Arvind Mills) and process (Kaizen) through integrated technologies such as computer numerically controlled (CNC) machines. AMTs offer the advantage of automation by way of low cost and

high and consistent product quality. They can also cope with a wide variety of products with a minimum set-up and changeover time.

The flattening out of organizational structures, shifting from a sequential to a parallel approach, integrating of producers and customers to form a dynamic interaction and combining of the efforts of head (planning) and hand (execution) have become integral elements of the emerging systems of work organization.

Figure 3.26 The main Features of Traditional and Emerging Approaches to Job Design

	Traditional Approaches	Emerging Approaches
Job content	Autonomy / Control, with Skill variety, task identity, Task significance and feedback	Cognitive demand, cost Responsibility and interdependence
Contingency Mechanism	Individual differences- Growth needs strength Motivation	Organizational factors – Production uncertainty Knowledge application and development

Source : T.D. Walland P.R.Jackson (1995). ‘New manufacturing Initiatives and Shopfloor Job Design’. A Howard (ed). The Changing Nature of Work. San Francisco: Jossey-Bass p.164

Corresponding changes in the work organization include aspects such as employee participation, team working, security of employment, commitment and extensive training’ (Storey, 1994; 248). For example, Japan has overtaken western countries in adopting new, advanced, flexible manufacturing systems (Jaikumar, 1986; Valery, 1987). Yet, it has not abandones Tayloristic practices and managerial control. Indeed, Storey (1987;248) argues, ‘these features are taken to new heights because employee groups are themselves engaged in

seeking out “unnecessary movements” and excess labour in true Tayloristic fashion’.

#### Skills development

The twenty-first century belongs to those who have the skills and knowledge. The post-liberalization/globalization era unskilled workers are either losing jobs or being pushed to the unorganized sector, where working conditions are harsh and earning low. Skilled workers are able to retain their jobs and improve their career and earnings.

Lifetime employment in the current and future context would mean a continuous obligation to train, retain and redeploy employees. This also signifies a mutual obligation and commitment to technological advancement, job and work redesign, and responsibility for self-development and employee training. It also means that employees should be career resilient and career self-reliant.

Technological pressures of restructuring mean a shift in the demand for skills, Training and retaining systems. The government alone cannot fund the massive training effort called for. Hence, alternative ways of financing should be considered. Also, the systems of certification in the country are woefully inadequate. Only far greater quality assurance and cost effectiveness will ensure that the already meager investments are put to optimal use and not frittered away. The training requirements for women, the disadvantaged groups in society warrant special attention. There is a need to arrange for the education and training of children as well as review the present systems of skills transmission. In sum, there are five aspects of skills development that require attention:

#### Skills development fund

Singapore and Malaysia, for instance, have set up skills development funds with contributions from employers—a per cent (usually 1.5 per cent) of the wage bill. The collection and disbursement of funds under the scheme has been made

simple by using the existing network of commercial banks. This is a macro-level initiative that India could also emulate.

#### Retraining

The National Renewal Fund (NRF) did not meet its objective. While over 80,000 opted for the VRS utilizing NRF funds, barely a 1000 people were retrained and 100 redeployed. Several companies have clauses on redundancy and retraining. But retraining in an unemployment context would result in a situation whereby redundant workers in a family would be competing with the younger ones entering the labour market for the first time.

#### Multiple skills/tasks

The one-person one-skill/task concept is giving way to the one-person many skills/tasks concept. This is helpful to the organization in terms of a better utilization of people in the workplace. It also helps insure individuals against redundancy, since at least some skills are expected to remain marketable, and facilitates redeployment.

Companies may issue passports to its employees and notify in it the skills the employee has learnt. This is deemed method of recognition of the skills acquired by the worker. Such certification of marketable skills helps outplacement in case of redundancy.

#### Compensation

Wages and salaries are a cost to employers and income to employees. Employers should be concerned with wage costs, not wages per se. The principle should be 'work smart, earn more', instead of 'work more, earn more' because physical effort has limits while smartness knows no bounds.

The system of compensation should emphasize equity, both internal and external. Pay differentials can be based on skills, effort, responsibility and conditions of work.

Wages parity is a major issue. Public policy is aimed at ensuring a sense of parity and proportionality because wide differences can create social problems. Parity is an issue whenever a pay commission or a wage board gives its recommendations or award. It is also an issue in collective bargaining.

#### Performance-linked pay

This means pay is dependent on performance.

- It requires a good system of performance planning and measurement
- It should not be viewed as a chance to reduce existing pay levels.
- Employees feel vulnerable to violent fluctuations in earning, hence, the entire pay should not be made variable. A percentage (say 70 per cent) should be fixed and the balance variable at the worker level. At the senior management level, 30 per cent could be fixed and 70 per cent variable (inclusive of commission on profits, etc.). For salespersons, a regular employee's pay could be variable by up to 30 per cent and that of commission agents up to 70 or 80 per cent.
- Individuals/Teams should be able to contribute/make a difference to the performance of work.
- Employees should not be punished for factors beyond their control.
- If teamwork is critical, team rewards must also be emphasized.
- There is no one standard model/approach/scheme to be followed.
- Pay differentials should be based on the principle of 'equal pay for work of equal value', which should take into account four parameters, namely skills, efforts, responsibility and working conditions.
- The (motivational) components of performance-linked pay systems could be both financial and non-financial.
- Performance-linked pay systems should focus on both short-term and long-term performance needs. Several merit increments in a few years at the start of a career may, under certain conditions, have negative effects on

performance in subsequent years. Therefore, a judicious combination of merit increments and lumpsum payment should be used.

The various types of performance-linked pay include: individual or team-based pay, incentive pay, merit increments, lumpsum payments, skill/competence-based pay, gain sharing, bonus plans, profit sharing, employee share-ownership plans, stock options and non-financial rewards.

#### Workers as owners

Profit sharing as a stock options are also becoming the norm. State initiative in this regard can be found in France in particular and Europe in general. In the US and UK, employee ownership is encouraged as a tax planning device. In Pakistan and Bangladesh, apart from bonus, legally mandated welfare funds are financed through profit sharing. Even in India, a beginning was made by earmarking 5 per cent of equity issues to workers. Corporate initiatives also provide for building stake in workers as owners. We have, for instance, two examples in Bangalore: Brooke Bond in the past, and Infosys now, which have pioneered employee shareholding.

Increasing competition and rising labour costs are leading employers to introduce a variety of changes in traditional compensation systems.

#### Non-traditional methods

In the context of Indian organizations some non-traditional developments include the following.

Managing without managers (small, software companies run by professionals)

Supervision without supervisors (several)

Managing without traditional structures (several companies)

Managing without traditional owners (several worker-owned companies)

Managing without unions (this is becoming common now)

Personnel management without personnel managers

Managing without quality boundaries (many companies)

Managing without a complete, full-time workforce (several companies)

### Downsizing

Downsizing is occurring on a large-scale in many big firms. Though the estimates of surplus labour in the organized sector vary between 20 and 30 per cent, some large firms are known to have reduced their workforce by over 50 per cent in the last 10 years while a considerable number are planning to reduce it by third in the next five years. Unless new investments lead to the net addition to jobs in the organized sector-which did not happen in the 1990s-employment in this sector will shrink further over the next few years.

### Flexible work

There are new employment contracts, based on contingent workforce, old putting out systems. Today's producers without factories are akin to traders. In some cases workers/trade union leaders are turning out to be major labour contractors. In yet other cases, production decision are left entirely to workers who organize themselves without a foreman or a contractor.

Companies need to draw a line on how much temporary help and contract employment to use and what implicit or explicit continuity to offer employees. Thus short-term economic and long-term economic and social consequences of new employment practices need to be evaluated carefully. Unfortunately in India we do not have empirical and longitudinal databases and hence we tend to rely on hunches, hindsight and anecdotal case histories/experiences. In view of that, it is important to formulate well-thought-out and comprehensive approaches to outsourcing and job security.

### Firm's flexibility

Firm maintain flexibility through organizing their production in diverse ways and through strategic decisions such as the following.

- Parallel production
- Outsourcing

- Lease license manufacturing
- Franchising
- Employment of contingent workforce
- Shifting workforce from contract of employment/work to contract for work etc.

These measures significantly reduce the number of regular employees needed and considerably increase the management's leverage over workers and their unions in times of industrial strife.

#### Labour flexibility

Flexible practices in labour utilization should not increase the rigidity for labour. According to the labour law in several South-East Asian countries, the rights to recruit, rewards, transfer, motivate, assign work and adjust the workforce are considered managerial rights. In India, however, these are the subject of collective bargaining. The applicability of several labour laws increases with the increase in the size of employment. This serves as a disincentive, and managements tend to reduce employment below certain threshold limits so as to not come under the purview of labour laws. This has, along with other factors, contributed significantly to an increase in capital intensity and a decrease in labour intensity in several industries.

Firms seeks labour flexibility on one or more of the following counts.

- Numerical flexibility (size of workforce)
- Skill flexibility (composition of workforce)
- Functional flexibility (job enrichment/job enlargement)
- Location flexibility (transfer / mobility)
- Time flexibility (flexi time)
- Pay flexibility (flexi pay)

## INTRODUCTION :

There are three main reasons to appraise subordinates' performance. First, appraisals provide important input on which promotion and salary raise decision can be made. Second, the appraisal lets the boss and subordinate develop a plan for correcting any deficiencies the appraisal might have unearthed, and to reinforce the things the subordinate does correctly. Finally, appraisals can serve a useful career-planning purpose, by providing the opportunity to review the employee's career plans in light of his or her exhibited strengths and weaknesses.

**Peer Appraisals** With more firms using self-managing teams, appraisal of an employee by his or her peers-peer appraisal-is becoming more popular.

Research indicates that peer appraisals can be effective. One study involved undergraduates placed into self-managing work groups. The researchers found that peer appraisals had “and immediate positive impact of (improving) perception of open communication, task motivation, social loafing, group viability, cohesion, and satisfaction.”<sup>15</sup>

**Rating Committees** Some companies use rating committees. A rating committee is usually composed of the employee's immediate supervisor and three or four other supervisors.

Using multiple raters can be advantageous. It can help cancel out problems such as bias on the part of individual raters. It can also provide a way to include in the appraisal the different facets of an employee's performance observed by different appraisers. This is probably why composite ratings tend to be more reliable, fair, and valid than those done by individual supervisors.

**Self-Ratings** Employees' self-ratings of performance are also sometimes used, usually in conjunction with supervisors' ratings. The basic problem with self-ratings is that employees usually rate themselves higher than their supervisors or peers would rate them.

**Appraisal by Subordinates** Some firms let subordinates evaluate their supervisors' performance, a process many call upward feedback. Such feedback can help top managers diagnose management styles, identify potential people problems, and take corrective action with individual managers, as required.

**360-Degree Feedback** With 360-degree feedback, performance information is collected all around an employee, from his or her supervisors, subordinates, peers, and internal or external customers. This is generally done for development rather than for pay raises. The usual process is to have the raters complete appraisal surveys on the rate. Computerized systems then compile all this feedback into individualized reports that go to ratees. The person may then meet with his or her supervisor to develop a self-improvement plan.

## QUALITY CIRCLE

What is a Quality circle? It's a work group of 8 to 10 employees and supervisors who have a shared area or responsibility. They meet regularly-typically once a week, on company time and on company premises-to discuss their quality problems, investigate causes of the problems, recommend solutions, and take corrective actions. They take over the responsibility for solving quality problems, and they generate and evaluate their own feedback. But management typically retains control over the final decision regarding implementation of recommended solutions. Therefore, part of the quality circle concept includes teaching participating employees group communication skills, various quality strategies, and measurement and problem analysis techniques.

Do quality circles improve employee productivity and satisfaction? A review of the evidence indicates that they are much more likely to positively affect productivity. They tend to show little or no effect on employee satisfaction; and although many studies report positive results from quality circles on

productivity, these results are by no means guaranteed.<sup>27</sup> The failure of many quality circle programs to produce measurable benefits has also led to a large number of them being discontinued.

### Quality Circles

A quality circle (QC) is a small group of workers who meet voluntarily, once a week or two, to identify, analyze, and resolve problems in their work area. The QC idea is another one of those management techniques that the Japanese borrowed from the United States. QCs offer a number of advantages to organizations, to the manager, and to the QC members.

#### *Advantages of the QC to the Organization*

One U.S. study (Grapevine, 1982) reports that QCs provide the following advantages to the employing institution:

1. Improved performance and productivity.
2. Greater employee satisfaction.
3. Measurable cost savings.
4. Better employee morale and pride in their work.
5. Improved teamwork.

#### *Advantages of the QC to the Manager*

The study found that QCs provide the following advantages to the manager:

1. Employees become more effective at attaining targeted goals.
2. Tardiness and absenteeism are reduced.
3. Indirect costs are reduced and productivity is increased.
4. Employees acquire better safety awareness.
5. Work quality improves.
6. Reduced grievances and 'down-time'.
7. Employees receive on-the-job problem-solving experience.
8. Employee communication is improved.
9. Supervisors have more time to do more effective training.

### *Advantages of the QC to the Member*

The same study also found the following advantages accrued to the members of the QC

1. Personal motivation through the sense of belonging to a team.
2. A genuine interest in their work and a pride in doing it well.
3. Improved interpersonal relations between supervision and employees.
4. A sense of dignity and a feeling of being appreciated for their efforts.
5. A feeling that being QC member contributed to their own job security and quality of life.

### For Review and Discussion

1. Explain briefly the changing practices in tenure of employment.
2. Describe briefly the change in the nature of job.
3. Identify the modern methods of production.
4. Discuss the dynamic changes taking place in the work place.
5. Comment on the role played by IT in industry.
6. "Performance Appraisal and 360<sup>0</sup> feedback are mutual" Discuss
7. Indicate the ways and means by 90 can be constructed in organization.

### CASE EXERCISES

1. The National Bank has decided to computerize as many of its operations as possible in order to increase efficiency and customer convenience. One of their first steps was to place automatic teller machines (ATM) in the surrounding community. The bank has also started a program that expands on telephone banking by allowing the owners of microcomputers to conduct virtually all of their banking business from their homes.

These successes have caused the bank to consider the use of microcomputers of terminals in the homes of their employees so that they may work at home. It is believed that this will allow greater flexibility for employees and reduce the need for office and floor space at the main and branch offices. It is clear that technology will stimulate many changes in the bank's current personnel practices as the relationship between work and the individual employee changes. The personnel director has been asked to develop a report outlining the changes that will be necessary in the bank's personnel policies.

Since contact with immediate supervisors would be eliminated for many employees under this new work arrangement, what type of performance appraisal system would you suggest?

2. Using the job analysis information for the airline captain's job determine the performance criteria that would be useful in establishing a performance appraisal systems.
3. As a student, you have been subjected to a form of performance appraisal through the course grades that you have "received" or "earned" (depending on your outlook). Discuss whether you feel that the sources of errors present in the performance appraisal processes have been encountered in your personal experiences. How might grading systems eliminate such errors?
4. Obtain a copy of a performance appraisal form from a local organization. Critique the form based on
  - a. Job-relatedness
  - b. Potential sources of error
  - c. Use in personnel-related programs

Unit IV  
Lesson - I

INDUSTRIAL RESTRUCTURING

INTRODUCTION

Business/industrial organisation and its environment is constantly changing. While commenting upon the quantum and quality of its impact, one management guru FENCH(1976) remarks that “such is the face of change that modern manager feel – “out of date” these changes have emanated from proliferate influences of negative constraints and positive stimulates resulting from the microenvironment and macro environment. The response of industrial organization to a rapidly changing environment are multiple and varied. These may be restructuring, out sourcing, benchmarking, supplier partnering, customer partnering, merging, globalization, flattening, focusing and empowering.

The collective organizational efforts are directed to specifically optimize the customer’s satisfaction and customer value. In an efficient and effective manner organization are attempting to aquire insights in the chemistry of process in order to optimize time or motion or methods or utilizations or waste or cost or revenue of customer value etc.

As per Mr. Thurow(1993) remarks – in the past economic winner were those who invented new product. But in the 21<sup>st</sup> century sustainable competitive advantage will come more out of new process technology and much less out of new product technologies.

The global interest in industrial restructuring has grown repeatedly. The focus is on achieving substantial improvements in interventional, interorganizational and customer based process. Re-structuring is new and it has to be done to

achieve break through result in terms of major gain in process, product and performance and eliminating irrelevant cost by identifying redundant, poorly planned and in effectively performed activities.

Industrial re-structuring improves financial performance, enhances customer satisfaction, reduces cost, improves quality, improve productivities, flexibility, reduce process time and attracts employees participation. As per DewanPort (1993) the organization BPR and process improvements as a revolutionary new approach that was information technology and HRM to dramatically improve business performance. As per Bartel and Ghoshal(1995) said that turn business re-structuring into people Rejuvenation, this indicate that company success with re-Engineering and restructuring have established employee culture with four characteristics - discipline, support, trust and strength.

Discipline lubricates employees to accomplish there gone by meeting and exiting there voluntarily. Support structure facilitates, guide and help them. Transparency open management process, promote equity and involvement. This resulting in to trust. The cultivation of feeling of an access between employees and organization. In terms of future possibility strengthen the bonds.

As per Mohanty & Deshamukh (1998) remarks that industrial re-starching on the foundation of the systems, thinking and principles of industrial Engineering. The success of industrial re-structuring implementation is possible if the following postulates are adhered to:-

- Without and under laying competence in accessing complex situation (out side changes) an organization is un-likely to advance.
- The competence call for developing radical thinking skills and proficiency in strategic value innovation.

- Value innovation requires an organizational commitment to create a strategy momentum for inside in changes.
- With organizational commitment the organization is more likely to advance in bringing in side – out – change and attain breakpoints.

Business itself is a process and process may be defined as inter-related systematic, sequential and logical series of activities directed at obtaining a pre-determined out come in a effective manner. According to KLEIN (1993) industrial re-structuring is rapid and radical re-design of strategic value added business process and the systems policies and organization structure that support them to optimizes the workflows and productivity in our organization. As Mr. Thomas (1994) defines it as radical scrutiny, questioning, re-defining and redesign of business process with an aim of eliminating all activities not centrally to the business goal. Hammer and Champy defines as the fundamental re-thinking and radical re-design of business process to achieve dramatic improvements in critical, contemporary measures of performance such as cost quality service and speed. It may be observed that industrial re-structuring is an analytical, intellectual re-construction activity. It is a complex dynamic costly and time-consuming task. The goal is to improve. It requires collective wisdom, mutual understanding, voluntarily and active support of one and all union and outside the organization including top management.

#### APPROACHES TO RE-STRUCTURING PROCESS

Systematic re-design and clean sheet is the approach to process re-structuring. These approaches differ in time orientation and the future roll of existing process. The soft skills viz-motivation, attitude, knowledge, creativity,

restructuring programme. These help in creating a congenial tone and tenor in educating organizational participants and removing their fear and soothing their feelings. This creating an enabling organizational environment to the proposed process changes in the business organization.

The Manager in the 1<sup>st</sup> instance should intelligently bring home the need for change in the organization. It should be effectively communicated to the organizational participants through notice, circular, discussion, and seminar and by management developments programme etc. Gaining organization wide acceptance at all levels is an uphill task, because each level and individual is likely to see with his own glass. The reaction to change is different and divergent viz- unaware, acceptance, action, denial and shock etc. Generally the people will create following three significant resistance to change:-

1. When people are comfortable with the status quo.
2. When they do not understand why the change is desirable.
3. When they have doubts about the company's capabilities to achieve desired skills.

In this light it may be said that the Manager should educate the organizational participants to gain commitment to new idea and need for re-structuring. Firstly vision statement should contain target objective these may be, cost reduction, quality, customer satisfaction, financial performance, resource utilization. It should be developed and supplied by the top management. It represents the first step in the re-structuring projects. The active participation of Senior Managers imparts real meanings to such projects. Secondly all major processes should be identified and examined to gain necessary insights about their roles, responsibility, time and output etc. In the overall utility creation and value addition function of a business organization, should be organized. Thirdly an in-

depth examination of the rolls of information technology, Human Resources and organization culture is necessary in restructuring process.

Information Technology is a very powerful tool it can speed up the process and it can add to the customer service. If the process can be automated, it can help in reduction of cost and other related problems. Thus the Manager should evaluate current technology in order to find out whether it may be used to obtain better result or not. Human Resources and organization culture need to be studied if the process is to be truly restructured. Without active willing, voluntarily and sincere participation of organizational member no improvement takes place. It is there for essential that the issue related to HR such as motivation and moral, professional cases, participants – compensation etc, should be properly tackled in advance for actual restructuring. The creation of a new process design upon creativity and innovativeness of restructuring and their availability and propensity to make use of the rules of business structuring is essential for getting the better results.

The core principles of business restructuring which are applicable to process redesign as well as process re-engineering can be summarized as follows:

- It should be customer driven
- It should be strategic in concept
- Concentrate in key business process
- It is a cross functional activities
- It requires the active involvements of Senior Managers
- It is not quick fix, it should be flexible
- It needs time and dedication from the people
- It requires the communication of clear vision

The designing and restructuring in fact should be real one. The Human Resources, Organization culture, Information Technology should be actually involved in the task of restructuring.

#### Guidelines for effective restructuring

No two business organization are a like however there are some general guidelines which can on hence the probabilities of success for business restructuring.

Some of the guidelines are as follows:-

- Driven from the top management
- Treat people with respect and courtesy
- The vision of industrial restructuring should be clear
- Industrial restructuring is a holistic philosophy
- Try to achieve early successes in order to overcome resistance
- It builds momentum and condition
- It is a continues process and is a tool for improvements and developments.
- There should be a match between the process and needs

#### Advantage of industrial restructuring

Some of the important benefits of industrial restructuring are as follows:-

- Improvements of customer satisfaction
- Reduction in staff turn over
- Waste reduction

- Improve the quality
- Increased profitability
- Better organizational climate
- Increase sense of responsibility and commitment in human resources of an organization.
- Reduce Administrative Problems

The industrial restructuring process efforts seeks to change process structure by empowering motivated front line workers to make decision by providing assess to relevant information. It is analytical strategies cross functional, creative and innovative in nature. Its thing is to think a fresh, a willing participation of one and all Senior and Junior, Internal and external participation. Its motto is to break through for better elimination of non-value addition activities and promotion of new thinking, up-gradation of skills and empowerment to all.

## LESSON – 2

### *REWARD SYSTEM AND EMPLOYEES PRODUCTIVITY*

#### INTRODUCTION

World-class achievers follow world-class models. Reward and recognition are essential for appreciating the employee's work and inspiring them for continues improvement in their work. During the ruff time a ward of appreciation and encouragement in often an incentive. We need to keep trying when going on work is easy. Recognition of our efforts inspires us to even higher level of achievement. Some quality organisation in India have started using consist of rewards and game sharing on the pattern of Japan.

Rewarding and recognizing people more than any other management act profoundly affects employees' motivation and job satisfaction. Some times Managers fail to appreciate people and recognize their contribution on a day-to-day basis. Other time Managers lose sight of purpose and provide monetary rewards while forgetting to say "Thank you".

#### REWARDS:-

Rewards on the other hand are a direct delivery of money and some thing of financial value. Reward should be punctual at appropriate achievement and serve as manifestation of on going recognition. The recognition is an intangible expression of worth. Rewards are concrete expression of appreciation that is meaningful to the receiver. Recognition is always powerful but reward without recognition is weak. When rewards displace recognition they are a waste of an opportunity and resources. Unfortunately too often Manager of many organizations in India expresses appreciation with a cash award without demonstrating a sincere appreciation of their employee's contribution. Typical reward given in Indian organisation to employees are pay, promotion, increased bonus, benefits, company car, profit sharing and trips etc, to increase the morale of an employee in the organization for better productivity, peace and prosperity.

#### RECOGNITION

Recognition is an act of acknowledgment, approving and appreciating an activity or service of the employees in any organization.

The term Re-means again and cognition – means to think. Thus recognition means to think again. An affective recognition strategy causes people to think

again about the value and unique contribution of each person that brings to the per suite of total quality. Recognition is an on going activity that does not focus only at award ceremonies. It is directed at an industrial self-esteem and social needs. It is an intangible acknowledgement of a person and a method of teams accomplishment. The forms of acknowledgement most commonly used in recognition are praise, personal thank, letter, momentous and social lunch and dinner.

#### OBJECTIVE OF REWARD SYSTEM

Reward system needs to embody following four objective which are adopted by many International and Indian award winner:-

- Disciplined use of quality improvement and problems solving approach are recognized and rewarded.
- Teamwork and efforts to eliminate internal competition are encouraged by recognizing and rewarding successful practices.
- Clear and specific quality improvement objective are included in performance appraisal and reward system.
- Promotion criteria include the action and activities that support total quality in any organization.

#### PRINCIPLIES FOR EVALUATION OF REWARD SYSTEM

In order to establish the appropriate reward and recognition objective for total quality implementation plan, the following principles may be used to evaluate the existing and proposed reward system:-

- Place emphasis on success rather than failure.
- Deliver recognition in an open and published way.
- Deliver recognition in a personal and honest manner that is appropriate to the employees.
- By attention to the timing, if it is praise, provide it immediately. If it is reward, make the response quickly.
- Strive for clear and well-communicated line of sight between achievement and award.
- Above all recognize recognition. That is recognize the people who recognize other for doing what is the best in totality.
- The umbrella objective of a reward strategy is to ensure that quality tools and process are used. Work systems are changed and team behaviors are adopted in support of better environment.

#### STRATEGIC GUIDELINES FOR REWARD AND RECOGNITION

Without supporting recognition and reward system the transition to action and behavior that implement quality concepts will be incrementally more difficult. In our views a successful Indian organization, which have implemented, total quality in the organization have following seven strategic guidelines for its implementation: -

- Recognizing positive action and behaviors of employees.
- Recognizing manager for implementing total quality.
- Develop promotion criteria that reinforce quality behavior.
- Recognizing quality in bonus plan objective
- Have separate appraisal for salary revision
- Create a bonus plan for all benefits
- Introduce a gain sharing plan and share gain with employee for as long as the organization receives a return.

In nutshell for introducing an effective reward system we need to adopt that forms – NOAH principles – “No more prizes for predicting rains. Prizes only for building arks.

The employee’s productivity is directly proportional to the reward system in any organization. To study the relationship between employee productivity and reward system in an organization we may discuss the following important strategic initiatives.

#### MANAGERIAL LEADERSHIP AND COMMITMENT

- The behaviors of management team at all level of the organization provide the necessary leadership, it sets the tune and acts as example for its successful implementation of quality in the organization. Any successful organizational efforts realise on the competence and support of local management.
  
- In any organization each individual Manager must first accept and interact with the following four supposition for managing a quality organization:-
  - Setting team and individual performance based on customer requirements.
  - Methods of reviewing objective and planning for variance have to be consistent. Employees are better able to improve the work system then the management because the problem comes from system not from the workers.
  - Performance improvement is not accomplished by slogans, punishment and unrealistic goal.

#### SIX KEY GOALS

We have consolidated the following observation in to six key goals for laying the foundation for better productivity in any organization:-

- Manager must act as a role model and promoter.
- Employee's involvement and teamwork must be established on an integral part of productivity.
- Quality improvement must be promoted by Managers personally by using quality process.
- Management must maintain a style of openness, patience and trust worthiness.
- Quality support must be included in the method to identifying supervision and Managers.
  
- It should be treated as a necessary ending task since it is a continues process.

#### SUPPORTING ORGANIZATIONAL ROLE AND STRUCTURE

To establish support organizational role and structure for better productivity management should consider following strategic initiative:-

- Developing and communicating a clear image for future state.
- Using multiple and consistent leverage point to manage the transition.
- Implementing organizational arrangement for the transition.

Each of these initiatives would require same level of incremental or re-directed main power, original re-structuring and re-defining of roles.

#### EDUCATION AND TRAINING PROGRAMME

International award winners have selected nine goals for education and training programme for better productivity:-

- Training on basic of productivity to all employees.
- Education plan as an integral part of quality maintenance strategy.

- Education plan that facilitate the transfer of skills and knowledge to actual environment of the group.
- Tailoring the training plan to the level of function and business area of the workshop.
- Curriculum comprising principles, tools and process action for the behavior change.
- Training should be conducted in National Work Group so that they can learn and apply the appropriate skills together.
- Classroom training must be reinforced with on the job coaching and refresher courses.

#### EXTERNAL CONSULTANT

External Consultant can be the vital asset to management in starting up the better productivity with the total quality management and the right use of technique needed for planning and implementing the strategic for change. But a caution must be observed in selecting an appropriate consultant for the purpose of business development program.

#### TEN TOPS AXIOMS FOR SUCCESSFUL REWARD SYSTEM AND EMPLOYEES PRODUCTIVITY IN ORGANISATION.

1. Do the normal, sensible things first by producing, marketable products, looking after management, personnel and customers.
2. Change the criteria for selecting managers. In addition to professional know-how, they need to think more about their responsibilities than about their careers or power games.
3. Realise the importance of the lowest levels of management. They represent the organisation. For that reason focus on people and products rather than on systems and procedures.

4. Remember that it's better to take the long view than to seize a short-term advantage. Proper timing is more important. Make rapid, though not always perfect, decisions. Keep three phases in mind: recognize what is needed early, then accelerate the decision-making process; and finally, implement the decision quickly.
5. Soberly estimate the possibilities of streamlining and subsequently implementing the measures. Adapt corporate structures more rapidly to growth, activity and empowerment. Do not subsidise non-viable business. Adapt the workforce to new circumstances both regionally and professionally. Think of a reduction in costs as an opportunity to think about long-term options and to lay the groundwork for future investments.
6. Do not overlook renovation in addition to innovation. Furthermore, innovation should be applied to management, leadership, and organisation, as well as to products.
7. Communication as a means to an end is the key. Of course, actions and facts are more convincing than mere words.
8. Establish good labour-management relations even though an ideal peace is unlikely.
9. Implement a new style of management and new kinds of relations with employees based on management commitment and employees involvement.
10. And last but certainly not the least, the most important single axiom for executives is: be credible and consistent in word and deed.

Twelve condition for excellence.

These 12 conditions of excellence for total quality are as follows:-

- Customer satisfaction

- Stockholders value
- Employees satisfaction
- Public approval
- Value ratio
- Error free performance
- Product/Process leadership
- Management leadership
- The operating plan
- Customer orientation
- Human resources excellence
- Value/Cost ratio

#### FIVE ROLES OF LEADERS

The five roles of a leaders and managers for the above are as under:-

##### Challenging the Process

Leaders are pioneers – people who seek out new opportunities and are willing to change the status quo. They recognize that failure to change creates mediocrity. They innovate, experiment and explore ways to improve the organizations. Most importantly, they realise that not all good ideas come from themselves. They realise that others ‘close to a problem’ are probably more able to come up with a sensible solution.

##### Inspiring a Shared Vision

Leaders look towards and beyond the horizon. They look to the future with a dream of what might be. They envisage the future with a positive and hopeful outlook. They believe that if people work together, they can achieve the impossible. Leaders are expressive and attract followers through their genuineness and skillful communication.

##### Enabling Others to Act

Leaders know that they are rewarded for getting others to achieve results. They can't do it alone. They need to infuse people with enthusiasm and commitment. They have to be persuasive. Leaders develop relationships based on mutual trust and they get people to work together – towards collaborative goals. They stress participation in decision-making and problem solving. They actively involve others in planning, allowing them the discretion to make decisions even if this means making mistakes. Risk taking is encouraged. Leaders ensure that people feel strong and able to do a job.

#### Modelling the Way

Leaders are clear about their business values and beliefs. They have standards which are understood by all. They stand up for what they believe in and they communicate this to their people. They keep people and projects on course by behaving consistently with these values and modeling –how they expect others to act. Their words and deeds are consistent. Leaders make us believe that the impossible is within reach. They also plan and breakdown projects into achievable steps by creating opportunities for small wins. They make it easier for others to achieve goals by focusing on these steps and identifying key priorities.

#### Encouraging the Heart

Leaders encourage people to achieve difficult targets. They persist in their efforts by relating recognition to achievements. They visibly recognize contributions to the overall purpose and give frequent feedback. Leaders let others know that their efforts are appreciated. They communicate the success of the team and celebrate small wins. Leaders nurture a team philosophy and go out of their way to say 'thank you for a job well done. They manage to sustain efforts and encourage others to put even more efforts into what they do.

### FEATURES OF GOOD LEADERS

- Search for challenging opportunities to change, grow, innovate and improve.
- Experiment, take risks and learn from the accompanying mistakes.
- Envision an uplifting and ennobling future.
- Enlist others in a common vision by appealing to their values, interests, hopes and dreams.
- Foster collaboration by promoting cooperative goals and building trust.
- Strengthen others by sharing information and power and increasing their discretion and visibility.
- Set an example for others by behaving in ways that are consistent with others stated values.
- Plant small wins that promote consistent progress and build commitment.
- Recognize individual contributions to the success of every project.
- Celebrate team accomplishments regularly.

#### CASE STUDY

The 1992's were a watershed for the Indian Banking Industry, and particularly for Nationalised banks which hitherto had a monopoly in the Industry. Following the deregulation of the financial sector, the Bank has faced increased competition from other financial institutions like Canfin Home Ltd., LIC Housing Corp. and Foreign Private Sector Banks. These specialised financial institutions were giving a tough competition for Corp. Bank resulting in an intense squeeze on profit margins and the need to make considerable efforts to retain its clientele. Under such pressure, Corp. Bank introduced new technology and new financial products and new reward system for bank managers and staff. Information and communication technologies (ICTs) enabled the bank to process much larger volumes of business and just as importantly, the new ICTs themselves facilitated the development of new, technically based products and

services (such as home banking, smart cards and debt cards) which Corp. Bank started to market to its customers.

Running parallel with these technical changes was the dismantling of the paternalistic Human Resource Management System. In essence, Corp. Bank bureaucratic culture and its associated belief system for managers and staff of appropriate behavior being rewarded by steady promotion through the ranks was swept aside.

The new culture in the past changing environment, emphasized customer service and the importance of measuring and rewarding staff according to their performance. The new performance related reward system was introduced at the board meeting held in June, 2002. Mr. N.K. Singh, Chairman and Managing Director of the Bank said that the proposed reward system would be a key strategy to “maintain our reputation and market share”. He outlined that in future, the salary of bank managers would be tied to their leadership skills and the quality of customer service. Accordingly, the reward system would link manager’s pay to behavior traits that relate to leadership and customer service. The variable pay for both managers and staff would be based on what is accomplished because customer service is central to Corp. Bank’s strategic plan, a three category rating system that involves ‘not meeting’ customer expectations, ‘meeting’ them or ‘for exceeding’ them is the essence of the new reward system.

Questions:

1. Outline the merits and limitations of Corp. Bank’s proposed reward system for the managers and staff.
2. Development an alternative reward system for corp. Bank’s employees and explain why it is superior than the proposed reward system.

### LESSON-3

#### QUALITY STANDARD AND EMPLOYEES DIMENTATIONS

In order to under stand quality system one must understand their quality. As nos of definitions have been given but some of them are most informative as follows;-

- The features and characterists of a product, and service, which bear upon its ability to satisfya, stated and implied need.
- Fitness for purpose.
- Meeting customer's requirements and exceeding their Expectations.
- Doing things right first time.

The essence of these quality definitations is to pride companies operating system which promote conformance to specification. The more towards quality assurance rather than quality control philosophy and the ever-increasing pressers to provide better quality of product led to the adoption of the concept of quality system. The quality system can be defined as follows: -

The quality system is the original structure, responsibility, procedures, process and resources for implementing quality management.

According to this approach a quality system covers all business function except finance. The main aliment of quality system.

Manufacturing process:

Design

Purchase

Process Engineering

Inspection

Delivery

Customer Order

Service Process

Development

Purchases

Customer Service

Validation

Training

Customer Order

International Organization for standardization (ISO)

ISO is a specified agency for standardization. It is a worldwide federation of national standard bodies of more than 100 countries'. ISO 9000 standard emphasis that quality system is the right way to achieve and maintains quality standard. ISO 9000 is equally applicable to small and large organisation. It defines the basic concept specific procedure and formulates criteria to ensure that the product of an organization meets the customer requirement.

The main elements of ISO 9000

There are 20 elements of ISO 9000 standard, which determine how the standard should be applied to any particular organisation. The 20 elements of ISO 9000 are as follows:-

- Management responsibility
- Quality system
- Contract review
- Design control

- Documents control
- Purchasing
- Purchaser – supplied product
- Product identification and traceable
- Process control
- Inspection and testing
- Inspection measuring and test equipments
- Inspection and test states
- Control of non-confirming product
- Corrective action
- Handling, Storage, Packaging and delivery
- Quality records
- Internal quality audits
- Training and development of the employees
- Servicing
- Statistical technique

The benefits of quality standard

The following are the major benefits of quality standard:-

- Value for money
- Customer satisfaction
- Higher productivity
- Increased profitability
- Improved corporate image
- Access to global market
- Growth of the organization
- Higher morale of the employees

The following steps have been identified for developing quality system in the organization:-

Analysis - It involves an identification of the quality objective. A review of the existing quality system ensuring of commitment of senior management and development of the implementation plan.

Product and service specification – the steps involved developing contract review, procedure, design and development procedure.

Material control – The 3<sup>rd</sup> steps involves procedure for the specification of bought in goods and service, method for accessing sub contractor and procedure for receiving raw material including sampling plant and control procedure for any material supplied directly by the customer.

Process control – The 4<sup>th</sup> steps require procedure for identifying the product through conversion process and for maintaining tractability.

Inspection and testing – This steps includes the method for in process and final checking of the product. This stage should also include details of any statistical technique.

Quality rewards – This steps required procedure for the maintenance and storage of quality system rewards. It also requires procedure for periodic auditing of the systems. Procedure are also require for recording of employees training.

Quality manual – A quality manual should be prepared which is a relatively brief documents stating the business policy with respect to quality.

Quality system design and structure – The Company in India and world over have under taken only one of the formulized designs of the quality system as a process development.

#### EMPLOYEES DIMENTIONS

Sirota and Weber (1994) have identified following employees dimensions to maintain quality standard for better productivity and corporate culture in the organisation.

Empowerment of employees.

Reward and recognition.

Training and developments

Open communication

Employee's orientation

Sense of Direction

Fact based decision-making

Continuous improvements.

Collaboration

Corporate citizenship

From the above we can say that in any organisation the way of recognition of people are as under:-

Develop a 'behind the scenes' award specifically for those whose actions aren't usually in the limelight, make sure such awards are in the limelight.

Create a 'best ideas of the year' booklet and include everyone's picture, name and description of their best ideas.

Feature the quality team of the month and put their picture in a prominent place.

Honour peers, who have helped you by recognizing them at your (or their) staff meetings.

Let people attend meetings, committees, etc. in your place when you're not available.

Create a visibility wall to display information, posters, pictures, thanking individual employees and their teams, and describing their contributions.

Take interest in employees' development and set up appropriate training and experience to build on their initiatives.

Get your teams pictures in the company newspaper newsletter.

Ask people to help you with a project you consider to be especially difficult but which provides real challenge.

Send a team to special seminars, workshops or meetings, outside that cover topics they are especially interested in.

Promote, or nominate for promotion, those people who contribute most to improvement over a period of time.

Standard provide a clear definition and exception for customer management and employees, except for the standard/regulation connected with safety and health of the customer using the services. Quality of life can be obtained by focusing on principle. We must realise that we do not control authority but our principal do. Yes – we can control our action but not the consequences of our action. Building of character and creating quality of life is a function of aligning. Our belief and behavior must be in concurrence with universal principle. These principles are impartial, external, factual, objective and self-evident.

As human being we have four unique endowments i.e. self-awareness, conscience. Independent and creative imagination. We must nurture these four endowments by following ways:-

A daily in-depth analysis and evaluation of our expression enhance a endowments and create synergy among them.

Educate your conscience by learning, listening and responding.

Have a high trust, culture by avoiding lies, cover up, game playing, backroom manipulation and bad mouthing.

A life of total integrity is the only one worth striving for granted. It is a struggle.

Nurture independent will by making and keeping promise .To build national integrity, start by making and keeping small promises, slowly go ahead.

Develop creative imagination through utilisation, visualization in a high leverage mental exercise.

#### SEVEN HABITS OF HIGHLY EFFECTIVE PEOPLE.

1. Proactive, responsible. Acceptance – Pro-active leaders and employees accept responsibility for their own behavior without blaming and accusing others. They act according to values and principles they identify and commit to live by; and focus on their circle of influence, wherein they can make a difference, as opposed to spending time in their circle of concern, where they have little ability to contribute. When they are involved in change, proactive leaders share their own responsibilities and while working within their circle of influence make efforts to fulfill them. They don't pass the buck and point fingers.
2. Security through shared mission, vision, principle, and values – Security lies in the clearly identifiable mission, vision and principles that are constantly reflected in the behavior of leaders and managers. Employees place throughout the organisation. When people feel secure in the mission and principles of the organisation, they feel less threatened and, thus, offer less resistance to change in structure and systems.
3. Prioritized joint commitments – It is important for people not only to understand the mission, vision, principles, and values of the organisation, but also to understand and share through involvement and commitment in its strategic action plans. The difference is the understanding that strategy will change with the changing environment and internal resources, while core mission and principles will be more constant and stable.

4. The paradigm of mutual benefits-Trust is built when people see by constant practice that leaders seek mutual benefit for employees and other key stakeholders in all their quality change decisions and initiatives. True win-win thinking requires seeking to understand needs and wants of stakeholders and synergistic creation of their alternatives that cooperatively balance competing needs and scarce resources.
5. First understand and then be understood- Central to effective change based on win-win thinking is the constant opinion of two-way communication between all participants in the organisation through a stakeholders information system (SIS). This two-way communication process includes:
  - Management with employees.
  - Upper management with middle management.
  - Departments and divisions with each other.
  - Headquarters with the field.
  - The main organisation with external stakeholders and external stakeholders with each other.
6. Constant synergistic dialogue – Through constant synergistic dialogue, the creative capabilities of the organisation are unleashed through the involvement of all appropriate parties to:
  - Assess and evaluate organizational strengths, weaknesses, opportunities, and threats pertaining to meeting stakeholder's needs.
  - Develop and implement solutions addressing any and all of them.
7. Continuous personal and organizational improvement – Continuous improvement means continuous change. When people within organizations commit to the principle that the status quo means continued innovation and progress, they reduce resistance to change and look forward to making the

next series of structural and process improvements even more significantly effective.

As with any complex ecosystem, organizational effectiveness and quality comes through balance. Change for the sake of change alone, and change so frequent that it becomes disruptive, uneconomical, and inefficient as well as ineffective, does not constitute quality. Leaders must never be afraid to institute change.

Developing quality culture in an organisation.

Culture is not a technocratic but a behavioral issue. There are however approaches that provide a path towards quality culture. Quality problems are mostly related with management. Culture issue apply to all levels upper management, middle management, supervisors, technical specialist, and the workforce..

Organisation culture can be changed. We need to provide awareness of quality by evidence of upper management leadership, self-developments, empowerments, participation, recognition, and regards. To change culture it requires a year not month, to change quality, requires trust not techniques.

**STEPS FOR CREATING QUALITY CULTURE IN AN ORGANISATION.**

Managements thoughts and actions towards delivery its customers.

Removing organizational boundaries and internal competition.

Using fact based decision-making.

Continuous improvement must be encouraged. (Use of KAIZEN).

Do not use specially designed organizational structure for maintaining total quality.

A condition strives for attaining a world-class label is the need of the hour for Indian companies. They must follow the seven quality maturity phases for achieving the accelerated improvement.

## LESSON-4

### ILLUSTRATIONS ON HR DIMENSIONS DRAWN FROM CMM

The Capability Maturity Model – This Model is an organizational model that describes 5 evolutionary stages (levels) in which an organization, manages its process and system for its development and growth.

CMM – describes 5 evolutionary stages in which an organization manages its processes. The thought behind the Capability Maturity Model, origin should be able to absorb and carry its software applications. The model also provides specific steps and activities to get from one level to the next.

The 5 stages of the Capability Maturity model are:

1. Initial (processes are ad-hoc, chaotic, or actually few processes are defined)
2. Repeatable(basic processes are established and there is a level of discipline to stick to these processes)
3. Defined (all processes are defined, documented, standardized and integrated into each other)
4. Managed(processes are measured by collecting detailed data on the processes and their quality)
5. Optimizing(continuous process improvement is adopted and in place be quantitative feedback and from piloting new ideas and technologies)

The Capability Maturity Model is useful not only for software development, but also for describing evolutionary levels of organizations in general that an organization has realized or wants to aim for.

CONCEPT OF SIX SIGMA FOR DEVELOPMENT AND GROWTH FOR AN ORGANIZATION

It is not a secret society, a slogan or a cliché. Six Sigma is process that helps organizations focus on developing and delivering near-perf services. Why “Sigma”? The word is a statistical term that measures how far a deviates from perfection. The central idea behind Six Sigma is that if you can “defects” you have in a process, you can systematically figure out how to elimi close to “zero defects” as possible. Six Sigma has changed the DNA of may now the way they work..

Six Sigma incorporates the basic principles and techniques used in Business, Statistics, and Engineering. These three form the core elements of Six Sigma. Six Sigma improves the process performance, decreases variation and maintains consistent quality of the process output. This leads to defect reduction and improvement in profits, product quality and customer satisfaction.

Six Sigma stands for Six Standard Deviations (Sigma is the Greek letter used to represent standard deviation in statistics) from mean. Six Sigma methodologies provide the techniques and tolls to improve the capability and reduce the defects in any process.

Six Sigma methodologies improve any existing business process by constantly reviewing and re-tuning the process. To achieve this, Six Sigma uses a methodology known as DMAIC (Define opportunities, Measure performance, Analyze opportunity, Improve performance, Control performance.). Six Sigma methodologies is also used in many Business Process Management initiatives these days. These Business Process Management initiatives are not necessarily related to manufacturing. Many of the Business Process Management that use Six Sigma in today’s world includes call centers, customer support, supply chain management and project management.

The Six Sigma Tool Box is a comprehensive self-help set of Documents to a system under various conditions. It covers fundamentals and provide specific

service and process with individual needs and goals. To achieve Six Sigma quality, a process must produce no more than 3.4 defect opportunities. An “opportunity” is defined as a chance for nonconformance, or required specifications. This means organizations need to be nearly flawless in processes. Six Sigma is a vision many organizations strive toward and a philosophy of their business culture. At its core, Six Sigma revolves around a few key concepts.

Critical to Quality: Attributes most important to the customer

Defect: Failing to deliver what the customer wants

Process Capability: What your process can deliver

Variation: What the customer sees and feels

Stable Operations: Ensuring consistent, predictable processes to improve sees and feels

Design for six sigma: Designing to meet customer needs and Process cap

#### THE SIX SIGMA - A COMPLETE PACKAGE ARE AS UNDER

Fact Sheet – Six Sigma in a nutshell. This is a simple, concise overview of phrases, and concepts and basic activities are summarized.

Overview Document – This document can be used to start discussion and explains key concepts and touches on training elements required. It is Fact Sheet, but still easy and quick to take in.

Building a Six-Sigma organization – A document that pulls no punches on commitment and skills needed to ensure a successful initiative.

Defining Requirements – One of the most important aspects in under initiative is to understand what the requirements for the initiative are. They help the organization to define its service requirements for any improve only can this

document be used to collect thoughts on what is required. It can similarly be used for other initiatives in HR, it and other business.

Reviewing Questions:

1. What do you mean by industrial restructuring? What are the important postulates for implementing restructuring?
2. Please explain core principles of business restructuring in details?
3. What are the advantages of industrial restructuring? Explain important guidelines for effective restructuring.
4. What is the objective of rewards system? Pl explain the principles for evaluation of reward system.
5. What is ISO 9000? Explain its main elements in brief.
- 6 Pl explain seven habits for an effective people.
7. Pl explains different roles features of a leader in the present scinero.
8. How you will create quality culture in an organisation? Pl explains steps in development of quality culture in the organisation.
9. How you will maintain quality standard in the organisation? Pl explains different dimentations of it.
10. Explain six-sigma approach for development and growth for an organisation.

## Unit – V

### QUALITY PERFORMANCE MANAGEMENT

- Indian and Western thought in a Market era;
- Performance Management from the writings of Sri Aurobindo and the Mother;
- Integrated Studies Dealing with Methods, Techniques and Processes.

#### Objectives:

In this section, we will introduce you to the concept of Performance Management, its role in the context of globalisation, Perspectives of Sri Aurobindo and the Mother on Quality of Performance. Studies on Methods, Techniques and process of performance appraisal are also reviewed. This section is a practical extension of earlier sections. After you work out this Section, you should be able to:

- Understand the concept of Performance Management at individual and Organisation level.
- Evolve Prescription for effective performance management.
- Review the writings of Sri Aurobindo and the Mother on Quality Performance Management based on the nature of body, mind and intellect.
- Explain steps to be followed when developing an appraisal system.
- Describe the process of implementing an effective appraisal feed back system and administrative issues involved in it.

In this Section, we have discussed the following:

- Performance Management and Appraisal System in changing economic scenario.

- Sri Aurobindo and the Mother's Writings on Quality Performance Management.
- The Methods, Techniques and the Process of Performance Appraisal System and the feed back mechanism.

### Part - I

#### HOW DO WE DEFINE PERFORMANCE AND WHY DO WE MEASURE IT?

Despite the importance of performance appraisal, few organizations clearly define what it is they are trying to measure. In order to design a system for appraising performance, it is important to first define what is meant by the term work performance. Although a person's job performance depends on some combination of ability, effort, and opportunity, it can be measured in terms of outcomes or results produced. Performance is defined as the record of outcomes produced on specified job functions or activities during a specified time period. For example, a trainer working for the World Bank was evaluated on her "organization of presentations," which was defined as "the presentation of training material in a logical and methodical order." The extent to which she was able to make such "methodical" presentations would be one measure of outcomes related to that function. Those outcomes were evaluated by the customers who receive the training.

Obviously a sales representative would have some measure of actual sales as an outcome for a primary function of that job. Customer service is a likely candidate as another important function that would have very different outcome measures for defining performance. College professors are typically evaluated on three general work functions: teaching, research, and service. Performance in

each of these three areas is defined with different outcome measures. Students are obviously one source of data to evaluate the quality of the teaching.

Performance on the job as a whole would be equal to the sum (or average) of performance on the major job functions or activities. For example, the World Bank identified eight job functions for their trainers (e.g. use of relevant examples, participant involvement, evaluation procedures). The functions have to do with the work that is performed and not the characteristics of the person performing. Unfortunately, many performance appraisal systems confuse measures of performance with measures, traits, or competencies of the person.

#### Prescriptions for Effective Performance Management

1. Strive for as much precision in defining and measuring performance dimensions as is feasible.
  - Define performance with a focus on valued outcomes.
  - Outcome measures can be defined in terms of relative frequencies of behavior.
  - Define performance dimensions by combining functions with aspects of value (e.g., quantity, quality, timeliness).
2. Link performance dimensions to meeting internal and external customer requirements.
  - Internal customer definitions of performance should be linked to external customer satisfaction.
3. Incorporate the measurement of situational constraints.
  - Focus attention on perceived constraints on performance.

#### Designing an appraisal System:

Appraisal can be either person-oriented (focusing on the person who performed the behavior) or work-oriented (focusing on the record of outcomes that the person achieved on the job). Effective performance appraisal focuses on the record of outcomes and, in particular, outcomes directly linked on an

organization's mission and objectives. Some Sheraton Hotels offer 25-minute room service or the meal is free. Sheraton employees who are directly related to room service are appraised on the record of outcomes specially related to this service guarantee. Lenscrafters guarantees new glasses in 60 minutes or they're free. Individual and unit performance are measured by the average time taken to get the new glasses in the customer's hands. These are outcomes. In general, personal traits (e.g., dependability, integrity, perseverance, loyalty) should not be used when evaluating performance since they are not measures of actual performance. They may be correlates or predictors of performance but they are not measures of performance.

There are six categories of outcomes by which the value of performance in any work activity or work function may be assessed. Although all of these criteria may not be relevant to every job activity or job function, a subset of them will be. It is also important for organizations to recognize the relationships among the criteria. For example, sometimes managers encourage employees to push for quantity, without recognizing that quality may suffer or that co-workers might be affected. Likewise, they may focus on quality without emphasizing timeliness, cost effectiveness, or interpersonal impact.

#### The Six Primary Criteria on Which the Value of Performance May Be Assessed

1. Quality: The degree to which the process or result of carrying out an activity approaches perfection, in terms of either conforming to some ideal way of performing the activity or fulfilling the activity's intended purpose.
2. Quantity: The amount produced, expressed in such terms as dollar value, number of units, or number of completed activity cycles.
3. Timeliness: The degree to which an activity is completed, or a result produced, at the earliest time desirable from the standpoints of both

coordinating with the outputs of others and maximizing the time available for other activities.

4. Cost-effectiveness: The degree to which the use of the organization's sources (e.g., human, monetary, technological, material) is maximized in the sense of getting the highest gain or reduction in loss from each unit or instance of use of a resource.
5. Need for supervision: The degree to which a performer can carry out a job function without either having to request supervisory assistance or requiring supervisory intervention to prevent an adverse outcome.
6. Interpersonal impact: The degree to which a performer promotes feelings of self-esteem, goodwill, and cooperativeness among coworkers and subordinates.

#### Quality Performance in the Market era:

We may include "contextual or citizenship performance" in the "interpersonal impact" category or outcomes. A good "organizational citizen" is an employee who contributes beyond the formal role expectations of a job as might be detailed in a job description. Such employees are positively disposed to take on alternative job assignments, respond cheerfully to requests for assistance from others, are interpersonally tactful, arrive to work on time, and often may stay later than required to complete a task. Contextual performance operates to either support or inhibit technical production and can facilitate their translation into individual-, group-, and system level outcomes.

Contextual performance contributions such as mentoring, facilitating a pleasant work environment, and compliance with organizational and subunit policies and procedures may have implications for several of the other outcome categories as well. If performance is defined at a more specific task or activity level, contextual performance also could be represented in the description of the function itself and combined with one or more of the value criteria (e.g., quality,

quantity). For example, one model of “citizenship performance” includes “personal support” as a dimension and defines it by such behaviors as “helping others by offering suggestions, teaching useful knowledge or skills, and providing emotional support for their personal problems.” We could certainly define outcomes in these areas according to quantity and quality values (e.g., how often is emotional support offered; how good was it?).

#### Measuring Overall Performance

While an overall rating approach where the rater does not distinguish among the criteria is surely faster than making assessments on separate criteria, the major drawback is that it requires raters to simultaneously consider as many as six different aspects of value and to mentally compute their average. The probable result of all this subjective reasoning may be less accurate ratings than those done on each relevant criterion for each job activity and less specific feedback to the performer. In general, the greater the specificity in the content of the appraisal, the more effective the appraisal system regardless of the purpose for the appraisal system.

#### Performance Management and Compensation

The information collected from performance measurement is most widely used for compensation, performance improvement or management, and documentation. As we discussed in previous chapters, performance data also are used for staffing decisions (e.g. promotion, transfer, discharge, layoffs), training needs analysis, employee development, and research and program evaluation.

Performance appraisal information may be used by supervisors to manage the performance of their employees. Appraisal data can reveal employees’ performance weaknesses, which managers can refer to when setting goals or target levels for improvements. Performance management programs may be focused at one or more of the following organizational levels: individual

performers, work groups or organizational subunits, or the entire organization. Data on performance should be collected at the appropriate level and over time to indicate trends.

To motivate employees to improve their performance and achieve their target goals, supervisors can use incentives such as pay-for-performance programs (e.g., merit pay, incentives, bonus awards). One of the strongest trends in the market era is toward some form of pay-for-performance (PFP) system. Obviously, effective performance measurement is critical for PFP systems to work.

#### Internal Staffing

Performance appraisal information also is used to make staffing decisions. Many organizations rely on performance appraisal data to decide which employees to move upwards (promote) to fill openings and which employees to retain as a part of “rightsizing” effort.

One problem with relying on performance appraisal information to make decisions about job movements is that employee performance is only measured for the current job. If the job at the higher, lateral, or lower level is different from the employee’s current job, then it may be difficult to estimate how the employee will perform on the new job. Consequently, organizations have resorted to using assessment procedures in addition to appraisal data to make staffing decisions. These assessment methods include assessment centers, testing, work samples, and interviews.

#### Training Needs Analysis

Most firms use appraisal data to determine employees’ needs for training or development. Hundreds of companies, including Microsoft, IBM, and Merck, now use multisource raters (e.g., subordinates, peers, clients) to evaluate their supervisors or managers. The results are revealed to each manager with suggestions for specific training and development (if needed). Honeywell, for

example, has specific training modules based on appraisal ratings for several job functions.

#### Research and Evaluation

Appraisal data also can be used to determine whether various human resource programs (e.g., selection, training) are effective. For example, when Toledo, Ohio, wanted to know whether their police officer selection test was valid, they collected performance appraisal data on officers who had taken the test when they were hired so that test scores could be correlated with job performance.

### Part – II

#### WRITING OF SRI AUROBINDO AND THE MOTHER:

##### Supramental Consciousness

There is an ascending evolution in nature which goes from the stone to the plant, from the plant to the animal, from the animal to man. Because man is, for the moment, the last rung at the summit of the ascending evolution, he considers himself as the final stage in this ascension and believes there can be nothing on earth superior to him. In that he is mistaken. In his physical nature he is yet almost wholly an animal, a thinking and speaking animal, but still an animal in his material habits and instincts. Undoubtedly, nature cannot be satisfied with such an imperfect result; she endeavours to bring out a being who will be to man what man is to the animal, a being who will remain a man in its external form, and yet whose consciousness will rise far above the mental and its slavery to ignorance.

Sri Aurobindo came upon earth to teach this truth to men. He told them that man is only a transitional being living in a mental consciousness, but with the possibility of acquiring a new consciousness, the Truth-consciousness, and capable of living a life perfectly harmonious, good and beautiful, happy and

fully conscious. During the whole of his life upon earth, Sri Aurobindo gave all his time to establish in himself this consciousness which he called supramental, and to help those gathered around him to realize it.

India has seen always in man the individual a soul, a portion of the Divinity enwrapped in mind and body, a conscious manifestation in Nature of the universal self and spirit. Always she has distinguished and cultivated in him a mental, an intellectual, an ethical, dynamic and practical, an aesthetic and hedonistic, a vital and physical being, but all these have been seen as powers of a soul that manifests through them and grows with their growth, and yet they are not all the soul, because at the summit of its ascent it arises to something greater than them all, into a spiritual being, and it is in this that she has found the supreme manifestation of the soul of man and his ultimate divine manhood, his paramartha and highest purusartha. And similarly India has not understood by the nation or people an organised State or an armed and efficient community well prepared for the struggle of life and putting all at the service of the national ego, - that is only the disguise of iron armour which masks and encumbers the national Purusha, - but a great communal soul and life that has appeared in the whole and has manifested a nature of its own and a law of that nature, a Swabhava and Swadharma, and embodied it in its intellectual, aesthetic, ethical, dynamic, social and political forms and culture. An equally then our cultural conception of humanity must be in accordance with her ancient vision of the universal manifesting in the human race, evolving through life and mind but with a high ultimate spiritual aim, - it must be the idea of the spirit, the soul of humanity advancing through struggle and concert towards oneness, increasing its experience and maintaining a needed diversity through the varied culture and life motives of its many peoples, searching for perfection through the development of the powers of the individual and his progress towards a diviner being and life, but feeling out too though more slowly after a similar

perfectibility in the life of the race. It may be disputed whether this is a true account of the human or the national being, but if it is once admitted as a true description, then it should be clear that the only true education will be that which will be an instrument for this real working of the spirit in the mind and body of the individual and the nation. That is the principle on which we must build, that the central motive and the guiding ideal. It must be an education that for the individual will make its one central object the growth of the soul and its powers and possibilities, for the nation will keep first in view the preservation, strengthening and enrichment of the nation-soul and its Dharma and raise both into powers of the life and ascending mind and soul of humanity. And at no time will it lose sight of man's highest object, the awakening and development of his spiritual being.

Self-Assessment Question:

Compare and contrast the sense of achievement between Indian and Western thought?

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#### THE POWERS OF THE MIND

The instrument of the educationist is the mind or antahkarana, which consists of four layers. The reservoir of past mental impressions, the citta or storehouse of memory, which must be distinguished from the specific act of memory, is the foundation on which all the over layers stand. All experience lies within us as passive or potential memory; active memory selects and takes what it requires from that storehouse. But the active memory is like a man searching among a great mass of locked-up material; sometimes he cannot find what he wants;

often in his rapid search he stumbles across many things for which he has no immediate need; often too he blunders and thinks he has found the real thing when it is something else, irrelevant if not valueless, on which he has laid his hand. The passive memory or citta needs no training, it is automatic and naturally sufficient to its task; there is not the slightest object of knowledge coming within its field which is not secured, placed and faultlessly preserved in that admirable receptacle. It is the active memory, a higher but less perfectly developed function, which is in need of improvement.

The second layer is the mind proper or manas, the sixth sense of our Indian psychology, in which all the others are gathered up. The function of the mind is to receive the images of things translated into sight, sound, smell, taste and touch, the five senses and translate these again into thought-sensations. It receives also images of its own direct grasping and forms them into mental impressions. These sensations and impressions are the material of thought, not thought itself; but it is exceedingly important that thought should work on sufficient and perfect material. It is, therefore, the first business of the educationist to develop in the child the right use of the six senses; to see that they are not stunted or injured by disuse, but trained by the child himself under the teacher's direction to that perfect accuracy and keen subtle sensitiveness of which they are capable. In addition, whatever assistance can be gained by the organs of action, should be thoroughly employed. The hand, for instance, should be trained to reproduce what the eye sees and the mind senses. The speech should be trained to a perfect expression of the knowledge which the whole antahkarana possesses.

The third layer is the intellect or buddhi, which is the real instrument of thought and that which orders and disposes of the knowledge acquired by the other parts of the machine. For the purpose of the educationist this is infinitely the most important of the three I have named. The intellect is an organ composed of

several groups of functions, divisible into two important classes, the functions and faculties of the right-hand, the functions and faculties of the left-hand. The faculties of the right-hand are comprehensive, creative and synthetic; the faculties of the left-hand critical and analytic. To the right-hand belong judgment, imagination, memory, observation; to the left-hand comparison and reasoning. The critical faculties distinguish, compare, classify, generalise, deduce, infer, conclude; they are the component parts of the logical reason. The right-hand faculties comprehend, command, judge in their own right, grasp, hold and manipulate. The right-hand mind is the master of the knowledge, the left-hand its servant. The left-hand touches only the body of knowledge, the right-hand penetrates its soul. The left-hand limits itself to ascertained truth, the right-hand grasps that which is still elusive or unascertained. Both are essential to the completeness of the human reason. These important functions of the machine have all to be raised to their highest and finest working-power, if the education of the child is not to be imperfect and one-sided.

There is a fourth layer of faculty which, not as yet entirely developed in man, is attaining gradually to a wider development and more perfect evolution. The powers peculiar to this highest stratum of knowledge are chiefly known to us from the phenomena of genius, - sovereign discernment, intuitive perception of truth, plenary inspiration of speech, direct vision of knowledge to an extent often amounting to revelation, making a man a prophet of truth. These powers are rare in their higher development, though many possess them imperfectly or by flashes. They are still greatly distrusted by the critical reason of mankind because of the admixture of error, caprice and a biased imagination which obstructs and distorts their perfect workings. Yet it is clear that humanity could not have advanced to its present stage if it had not been for the help of these faculties, and it is a question with which educationists have not yet grappled, what is to be done with this mighty and baffling element, the element of genius

in the pupil. The more instructor does his best to discourage and stifle genius, the more liberal teacher welcomes it. Faculties so important to humanity cannot be left out of our consideration. It is foolish to neglect them. Their imperfect development must be perfected, the admixture of error, caprice and biased fancifulness must be carefully and wisely removed. But the teacher cannot do it; he would eradicate the good corn as well as the tares if he interfered. Here, as in all educational operations, he can only put the growing soul into the way of its own perfection.

#### THE EDUCATION OF THE VITAL:

The Indian and Western Thought:

Of all education, the education of the vital is perhaps the most important and the most indispensable. Yet it is rarely taken up and followed with understanding and method. There are several reasons for this: first, human thinking is in a great confusion over what concerns this particular subject; secondly, the enterprise is very difficult and to be successful in it one must have endurance, endless persistence and an inflexible will.

Indeed, the vital in man's nature is a despotic and exacting tyrant. Moreover, since it holds within itself power, energy, enthusiasm, effective dynamism, many have a feeling of timorous respect for it and try always to please it. But it is a master that is satisfied by nothing and its demands have no limit. Two ideas, very widespread, specially in the West, contribute towards making its domination ever more masterful. One is that the goal of life is to be happy; the other that you are born with a certain character and it is impossible to change it.

❖ The first idea is a childish deformation of a very profound truth: it is that all existence is based upon the delight of being and without the delight of being there would be no life. But this delight of being, which is a quality of the Divine and therefore unconditioned, must not be confused with the pursuit of pleasure in life, for that depends largely upon circumstances. The conviction that makes

one believe that one has the right to be happy leads, as a matter of course, towards the will to live one's life at any cost. This attitude in its obscure and aggressive egoism brings about every conflict and misery, deception and discouragement, ending often in a catastrophe.

In the world, as it actually is, the goal of life is not to secure personal happiness, but to awaken the individual progressively towards the Truth-consciousness.

❖ The second idea arises from the fact that a fundamental change in character needs an almost complete mastery over the subconscious and a very rigorous disciplining of whatever comes up from the inconscient, which in ordinary natures, is an expression of the consequences of atavism and of the environment in which one is born. Only an almost abnormal growth of consciousness and the constant help of Grace can achieve this Herculean task. Besides, this task has rarely been attempted; many famous teachers have declared it unreliable and chimerical. Yet it is not unreliable. The transformation of character has been realised in fact by means of a clear-sighted discipline and a perseverance so obstinate that nothing, not even the most persistent failures, can discourage it.

The indispensable starting-point is a detailed and discerning observation of the character to be transformed. In most cases, that itself is a difficult and often baffling task. But there is one fact which the old traditions knew and which can serve as the clew in the labyrinth of inner discovery. It is that everyone possesses in a large measure, and the exceptional individual in an increasing degree of precision, two opposite tendencies in the character, almost in equal proportions, which are like the light and the shadow of the same thing. Thus a man who has the capacity of being exceptionally generous suddenly finds rushing up in his nature an obstinate avarice; the courageous is somewhere a coward and the good suddenly have wicked impulses.

Life seems to endow everyone, along with the possibility of expressing an ideal, with contrary elements representing in a concrete manner the battle he has to wage and the victory he has to win so that the realisation may be possible. In this way, all life is an education carried on more or less consciously, more or less deliberately. In certain cases this education helps the movements expressing the light, in others the opposite movements i.e., those that express the shadow. If the circumstances and the environment are favourable, the light will grow at the expense of the shadow; otherwise the contrary will happen.

Hence the individual's character will crystallise according to the caprice of nature and the determinism of a material and vital life, unless there is a luminous intervention of a higher element, a conscious will which will not let nature follow its whimsical procedure but replace it by a logical and clear-seeing discipline. This conscious will is what we mean by the rational method of education.

The education of the vital has two principal aspects, very different as to the goal and the process, but both are equally important. The first is to develop and utilise the sense organs, the second is to become conscious and gradually master of one's character and in the end to achieve its transformation.

The education of the senses, again, has several aspects, adding to each other as the being grows: indeed this education should not stop at all. These sense organs may be so cultivated as to attain a precision and power in their functioning far greater than what is normally expected of them.

Some ancient mystic knowledge declared that the number of senses that man can develop is not five but seven and in certain special cases even twelve. Certain races at certain epochs have, through necessity, developed more or less perfectly one or the other of these supplementary senses. With a proper discipline persistently gone through, they are within the reach of all who are sincerely interested in their culture and its results. Among the many faculties that are

often spoken of, there is, for example, this one: to widen the physical consciousness, project it out of oneself so as to concentrate on a definite point and thus get the sight, hearing, smell, taste and even the touch at a distance.

To this general education of the senses and their action there will be added, as early as possible, the cultivation of discrimination and the aesthetic sense, the capacity to choose and take up what is beautiful and harmonious, simple, healthy and pure. For, there is a psychological health even as there is a physical health; there is a beauty and harmony of the sensations, even as there is a beauty of the body and its movements.

As the capacity of understanding grows in the child he should be taught, in the course of his education, to add artistic taste and refinement to power and precision. He must be shown, made to appreciate, taught to love beautiful, lofty, healthy and noble things, whether in nature or in human creation. It must be a true aesthetic culture and it will save him from degrading influences. For in the wake of the last wars and the terrible nervous tension which they provoked, as a sign, perhaps, of the decline of civilisation and decomposition of society, has come a growing vulgarity which seems to have taken possession of human life, individual as well as collective, particularly on the level of aesthetic life and the life of the senses. A methodical and enlightened cultivation of the senses can, little by little, remove from the child whatever is vulgar, commonplace and crude in him through contagion: this education will have happy reactions even on his character. For one who has developed a truly refined taste, will feel, because of this very refinement, incapable of acting in a crude, brutal or vulgar manner. This refinement, if it is sincere, will bring to the being a nobility and generosity which will spontaneously find expression in his behaviour and will keep him away from many base and perverse movements.

And this brings us naturally to the second aspect of vital education, i.e., that which concerns character and its transformation.

Generally, systems of discipline dealing with the vital, its purification and its mastery proceed by coercion, suppression, abstinence and asceticism. The procedure is certainly easier and quicker although, in a deeper way, less enduring and effective than that of strict and detailed education. Besides, it eliminates all possibility of the intervention, help and collaboration of the vital. However, this help is of the utmost importance if one wishes to have an all-round growth of the individual and his activity.

To become conscious of the many movements in oneself and take note of what one does and why one does it, is the indispensable starting-point. The child must be taught to observe himself, to note his reactions and impulses and their causes, to become a clear-sighted witness of his desires, his movements of violence and passion, his instincts of possession and appropriation and domination and the back-ground of vanity against which they stand with their counterparts of weakness, discouragement, depression and despair.

Evidently, the process would be useful only when along with the growth of the power of observation there grows also the will towards progress and perfection. This will is to be instilled into the child as soon as he is capable of having one, that is to say, at a much younger age than is usually believed.

There are different methods according to different cases for awakening this will to surmount and conquer: on certain individuals it is rational arguments that are effective, for others sentiment and goodwill are to be brought into play, in others again it is the sense of dignity and self-respect; for all, however, it is the example shown constantly and sincerely that is the most powerful means.

Once the resolution is firmly established, there is nothing more to do than to proceed with strictness and persistence, never to accept defeat as final. If you are to avoid all weakening and withdrawing, there is one important point you

must know and never forget: the will can be cultivated and developed even like the muscles by methodical and progressive exercise.

You must not shrink from demanding of your will the maximum effort even for a thing that appears to be of no importance; for it is by effort that capacity grows, acquiring little by little the power to apply itself even to the most difficult things. What you have decided to do, you must do, come what may, even if you have to begin your attempt over and over again any number of times. Your will be strengthened by the effort, and in the end you will have nothing more to do than to choose with a clear vision the goal to which you will apply it. To sum up: one must gain a full knowledge of one's character and then acquire control over one's movements so that one may achieve perfect mastery and transformation of all the elements that have to be transformed.

Now, all will depend upon the ideal which the effort for mastery and transformation seeks to achieve. The value of the effort and its result will depend upon the value of the ideal. This is the subject we shall deal with next, in connection with mental education.

Activity:

Sri Aurobindo's concept of education and its roll in enhancing quality of performance at individual and organisation level:

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## THE MOTHER'S FOUR AUSTERITIES AND FOUR LIBERATIONS

To pursue an integral education that leads to the supramental realisation a fourfold austerity is necessary and also a fourfold liberation.

Austerity is usually confused with mortification. When austerity is spoken of, one thinks of the discipline of the ascetic who seeks to avoid the arduous task of spiritualising the physical, vital and mental life and therefore declares it incapable of transformation and casts it away without pity as a useless burden, a bondage fettering all spiritual progress; in any case, it is considered as a thing that cannot be mended, a load that has to be borne more or less cheerfully until the time when Nature or the Divine Grace relieves you of it by death. At best life on earth is a field for progress and one should try to get the utmost profit out of it, all the sooner to reach that degree of perfection, which will put an end to the trial by making it unnecessary.

For us the problem is quite different. Life on earth is not a passage nor a means merely; it must become, through transformation, a goal, a realisation. When we speak of austerity, it is not out of contempt for the body, with a view to dissociating ourselves from it, but because of the need of self-control and self-mastery. For, there is an austerity which is far greater, more complete and more difficult than all the austerities of the ascetic: the austerity necessary for the integral transformation, the fourfold austerity which prepares the individual for the manifestation of the supramental truth. One can say, for example, that few austerities are so severe as those which physical culture demands for the perfection of the body. But of that we shall speak in due time.

Before I begin describing the four kinds of austerity required, I must clear up one question which is a source of much misunderstanding and confusion in the minds of most people: it is about ascetic practices which they mistake for spiritual discipline.

Now, these practices consist in ill-treating the body so that one may, as it is said, free the spirit from it; they are, in fact, a sensual deformation of spiritual discipline; it is a kind of perverse need for suffering that drives the ascetic to self-mortification. The Sadhu's "bed of nails" and the Christian anchorite's whip and sack-cloth are the results of a sadism, more or less veiled, unavowed and unavowable; it is an unhealthy seeking or a subconscious need for violent sensations. In reality these things are very far from the spiritual life; for they are ugly and low, dark and diseased; spiritual life, on the contrary, is a life of light and balance, beauty and joy. They have been invented and extolled by a sort of mental and vital cruelty inflicted on the body. But cruelty, even with regard to one's own body, is none the less cruelty, and all cruelty is a sign of great unconsciousness.

Unconscious natures need very strong sensations; for without that they feel nothing; and cruelty, being a form of sadism, brings very strong sensations. The avowed purpose of such practices is to abolish all sensation so that the body may no longer be an obstacle to one's flight towards the Spirit; the efficacy of such means is open to doubt. It is a well-known fact that if one wants quick progress one must not be afraid of difficulties; on the contrary, it is by choosing to do the difficult thing each time the occasion presents itself that one increases the will and strengthens the nerves. Indeed, it is much more difficult to lead a life of measure and balance, equanimity and serenity than to fight the abuses of pleasure and the obscuration they cause, by the abuses of asceticism and the disintegration they bring about. It is much more difficult to secure a harmonious and progressive growth in calmness and simplicity in one's physical being than to ill-treat it to the point of reducing it to nothing.

It is much more difficult to live soberly and without desire than to deprive the body of nourishment and clean habits so indispensable to it, just to show off proudly one's abstinence. It is much more difficult again to avoid, surmount or

conquer illness by an inner and outer harmony, purity and balance than to despise and ignore it, leaving it free do its work of ruin. And the most difficult thing of all is to maintain the consciousness always on the peak of its capacity and never allow the body to act under the influence of a lower impulse.

It is with this end in view that we should adopt the four austerities which will result in the four liberations. Their practice will constitute the fourfold discipline or Tapasya which can be thus defined:

- (1) Tapasya of Love.
- (2) Tapasya of Knowledge.
- (3) Tapasya of Power.
- (4) Tapasya of Beauty.

The gradation is, so to say, from above downwards; but the steps, as they stand, should not be taken to mean anything superior or inferior, nor more or less difficult nor the order in which these disciplines can be and should be followed. The order, importance, difficulty vary according to the individual and no absolute rule can be framed. Each one should find and work out his own system, according to his capacity and personal needs.

Only an overall view will be given here presenting an ideal procedure that is as complete as possible. Everyone will then have to apply it as far as he can and as best he can.

The Tapasya or discipline of beauty will take us through the austerity of physical life, to freedom in action. The basic programme will be to build a body, beautiful in form, harmonious in posture, supple and agile in its movements, powerful in its activities and resistant in its health and organic function.

To get these results it will be good, in a general way, to form habits and utilise them as a help in organising the material life. For the body works more easily in a frame of regular routine. Yet one must know how not to become a slave to one's habits, however good they may be. The greatest suppleness must be maintained so that one may change one's habits each time it is necessary to do so.

One must build up nerves of steel in a system of elastic and strong muscles, so that one is capable of enduring anything whenever it is indispensable. But at the same time care must be taken not to ask of the body more than the strictly necessary amount of effort, the energy required for growth and progress, and shut out most strictly all that produces exhausting fatigue and leads in the end to degeneration and decomposition of the material elements.

Physical culture which aims at building a body capable of serving as a fit instrument for the higher consciousness demands very austere habits: a great regularity in sleep, food, physical exercises and in all activities. One should study scrupulously the needs of one's body – for these vary according to individuals – and then fix a general programme.

Once the programme is fixed, one must stick to it rigorously with no fancifulness or slackness: none of those exceptions to the rule indulged in “just for once”, but which are repeated often – for, when you yield to temptation even “just for once”, you lessen the resistance of your will and open the door to each and every defeat. You must put a bar to all weakness; none of the nightly escapades from which you come back totally broken, no feasting and gluttony which disturb the normal working of the stomach, no distraction, dissipation or merry-making that only waste energy and leave you too lifeless to be the daily practice.

One must go through the austerity of a wise and well-regulated life, concentrating the whole physical attention upon building a body as perfect as it

is possible for it to become. To reach this ideal goal one must strictly shun all excess, all vice, small or big, one must deny oneself the use of such slow poisons as tobacco, alcohol, etc. which men have the habit of developing into indispensable needs that gradually demolish their will and memory. The all-absorbing interest that men, without exception, even the most intellectual, take in food, in its preparation and consumption, should be replaced by an almost chemical knowledge of the needs of the body and a wholly scientific system of austerity in the way of satisfying them. One must add to this austerity regarding food, another austerity, that of sleep. It does not mean that one should go without sleep, but that one must know how to sleep. Sleep must not be a fall into unconsciousness that makes the body heavy instead of refreshing it. Moderate food, abstention from all excess, by itself minimizes considerably the necessity of passing many hours in sleep. However, it is the quality of sleep more than its quantity that is important. If sleep is to bring you truly effective rest and repose, it would be good to take something before going to bed, a cup of milk or soup or fruit-juice, for instance. Light food gives a quiet sleep. In any case, one must abstain from too much food; for that makes sleep troubled and agitated with nightmares or otherwise makes it dense, heavy and dull. But the most important thing is to keep the mind clear, to quiet the feelings, calm the effervescence of desires and preoccupations accompanying them.

If before retiring to bed one has talked much, held animated discussions or read something intensely interesting and exciting, then one had better take some time to rest before sleeping so that the mind's activities may be quieted and the brain not yield to disorderly movements while the physical limbs alone sleep. If you are given to meditation, you would do well to concentrate for a few minutes upon a high and restful idea, in an aspiration towards a greater and vaster consciousness. Your sleep will profit greatly by it and you will escape in a large measure the risk of falling into unconsciousness while asleep.

After the austerity of a night passed wholly in rest, in a calm and peaceful sleep, comes the austerity of a day organised with wisdom, its activities divided between wisely graded progressive exercises, required for the culture of the body and the kind of work you do. For both can and should form part of the physical Tapasya.

With regard to exercises, each one should choose what suits best his body and, if possible, under the guidance of an expert on the subject who knows how to combine and grade the exercises for their maximum effect. No fancifulness should rule their choice or execution. You should not do this or that simply because it appears more easy or pleasant; you will make a change in your programme only when your trainer considers the change necessary.

The body of each one, with regard to its perfection or simply improvement, is a problem to be solved and the solution demands much patience, perseverance and regularity. In spite of what men may think, the athlete's life is not a life of pleasure and distraction; it is a life, on the contrary, made up of well-regulated endeavour and austere habits for getting the desired result and leaves no room for useless and harmful fancies.

In work too there is an austerity; it consists in not having any preference and in doing with interest whatever one does. For the man who wishes to perfect himself, there is nothing like small or big work, important work or unimportant. All are equally useful to him who aspires for self-mastery and progress. It is said that you do well only what you do with interest. True, but what is more true is that one can learn to find interest in whatever one does, even the work that appears most insignificant. The secret of this attainment lies in the urge towards perfection. Whatever be the occupation or task that falls to your lot, do it with a will towards progress. Whatever you do must be done not only as well as you can but with an earnestness to do it better and better in a constant drive

towards perfection. In this way all things without exception become interesting, from the most material labour to the most artistic and intellectual work. The scope for progress is infinite and one can be earnest in the smallest thing.

This takes us naturally to liberation in action; for in one's action one must be free from all social conventions, all moral prejudices. This is not to say that one should lead a life of licence and unrule. On the contrary, you submit here to a rule which is much more severe than all social rules, for it does not tolerate any hypocrisy, it demands perfect sincerity.

All physical activities should be organised in such a way as to make the body grow in balance and strength and beauty. With this end in view one must abstain from all pleasure seeking, including the sexual pleasure. For each sexual act is a step towards death. That is why from the very ancient times among all the most sacred and most secret schools, this was a prohibited act for every aspirant to immortality. It is always followed by a more or less long spell of incon-science that opens the door to all kinds of influences and brings about a fall in the consciousness. Indeed, one who wants to prepare for the supramental life should never allow his consciousness to slip down to dissipation and incon-science under the pretext of enjoyment or even rest and relaxation.

The relaxation should be into force and light, not into obscurity and weakness. Continence therefore is the rule for all who aspire for progress. But especially for those who want to prepare themselves for the supramental manifestation, this continence must be replaced by total abstinence, gained not by coercion and suppression but by a kind of inner alchemy through which the energies usually used in the act of procreation are transmuted into energies for progress and integral transformation. It goes without saying that to get a full and truly beneficial result, all sex impulse and desire must be eliminated from the mental and vital consciousness as well as from the physical will. All transformation

that is radical and durable proceeds from within outwards, the outward transformation being the normal and, so to say, the inevitable result of the inner. A decisive choice has to be made between lending the body to Nature's ends in obedience to her demand to perpetuate the race as it is, and preparing this very body to become a step towards the creation of the new race. For the two cannot go together; at every minute you have to decide whether you wish to remain within the humanity of yesterday or belong to the supermanhood of tomorrow. You must refuse to be moulded according to life as it is and be successful in it, if you want to prepare for life as it will be and become an active and efficient member of it. You must deny yourself pleasures, if you wish to be open to the joy of living in integral beauty and harmony.

This brings us quite naturally to vital austerity, the austerity of the sensations, the Tapasya of power; for the vital being is indeed the seat of power, of enthusiasms that realise. It is in the vital that thought changes into will and becomes a dynamism of action. It is also true that the vital is the seat of desires and passions, of violent impulses and equally violent reactions, of revolt and depression. The usual remedy is to strangle it, to starve it by depriving it of sensations: indeed it is nourished chiefly by sensations and without them it goes to sleep, becomes dull and insensitive and, in the end, wholly empty.

The vital, in fact, draws its subsistence from three sources.

The one most easily accessible to it is from below, the physical energies coming through the sensations. The second is on its own plane, when it is sufficiently wide and receptive, in contact with the universal vital forces. And the third, to which generally it opens only under a great aspiration for progress, comes from above through the infusion and absorption of spiritual forces and inspirations.

To these men try more or less always to add another source; which is, at the same time, for them the source of most of their torments and misfortunes. It is the interchange of vital forces with their fellow creatures, generally grouped by

twos, which they mistake for love, but which is only an attraction between two forces that the pleasure in mutual interchange.

So, if we do not wish to starve our vital, the sensations should not be rejected, nor reduced in number or blunted in intensity; neither should they be avoided, but they must be utilised with discrimination and discernment. Sensations are an excellent instrument for knowledge and education. To make them serve this purpose, they should not be used egoistically for the sake of enjoyment, in a blind and ignorant seeking for pleasure and self-satisfaction.

The sense should be able to bear everything without disgust or displeasure; at the same time they must acquire and develop more and more the power to discriminate the quality, origin and result of various vital vibrations, so as to know whether they are favourable to the harmony, the beauty and the good health or are harmful to the poise and progress of the physical and vital being. Moreover, the senses should be utilised as instruments to approach and study the physical and vital worlds in all their complexity. Thus they will take their true place in the great endeavour towards transformation.

It is by enlightening, strengthening and purifying the vital and not by weakening it that one can help towards the true progress of the being. To deprive oneself of sensations is therefore as harmful as depriving oneself of food. But even as the choice of food must be made with wisdom and only with a view to the growth and proper functioning of the body, so the choice of sensations also should be made and control over them gained with an altogether scientific austerity, with a view only to the growth and perfection of this great dynamic instrument which is as essential for progress as all the other parts of the being.

It is by educating the vital, by making it more refined, more sensitive, more subtle, one should almost say, more elegant, in the best sense of the word, that one can overcome its violences and brutalities which are, in general, movements of crudity and ignorance, of a lack of taste.

In reality, the vital, when educated and illumined, can be as noble, heroic and unselfish, as it is now spontaneously, vulgar, egoistic, perverted when left to itself without education. It is sufficient for each one to know how to transform in oneself this seeking for pleasure into an aspiration towards supramental plenitude. For that, if the education of the vital is pursued far enough, with perseverance and sincerity, there comes a moment when it is convinced of the greatness and beauty of the goal and gives up petty illusory satisfactions of the senses in order to conquer the divine Delight.

### Part – III

#### THE METHODS, TECHNIQUES AND PROCESS OF EVALUATION

There are three basic ways in which raters can make performance assessments: (1) they can make comparisons of ratees' performances (2) they can make comparisons among anchors or performance level anchors and select one most descriptive of the person being appraised, and (3) they can make comparisons of individuals to anchors.

#### Rating Format Options

##### COMPARISONS AMONG PERFORMANCES

Compare the performances of all rates to each anchor for each job activity, function, or overall performance. Rater judgments may be made in one of the following ways:

- Indicate which ratee in each possible pair of ratees performed closest to the performance level described by the anchor or attained the highest level or overall performance. (Illustrative method: paired comparison)

- Indicate how the ratees ranked in terms of closeness to the performance level described by the anchor. (Illustrative method: straight ranking)
- Indicate what percentage of the ratees performed in a manner closest to the performance level described by the anchor. (Note: the percentages have to add up to 100% for all the anchors within each job activity/function.) (Illustrative method: forced distribution).

### COMPARISONS AMONG ANCHORS

Compare all the anchors for each job activity or function and select the one(or more) that best describes the ratee's performance level. Rater judgments are made in the following way:

- Indicate which of the anchors fit the ratee's performance best (and/or worst). (Illustrative method: CARS, forced choice)

### COMPARISONS TO ANCHORS

Compare each ratee's performance to each anchor for each job activity or function. Rater judgments are made in one of the following ways:

- Whether or not the ratee's performance matches the anchor. (Illustrative methods: graphic rating scales such as BARS; MBO)
- The degree to which the ratee's performance matches the anchor. (Illustrative methods: all summated rating scales such as BOS and PDA methods)
- Whether the ratee's performance was better than, equal to, or worse than that described by the anchor. (Illustrative method: Mixed standard scales)

## Defining the Rater

Ratings can be provided by ratees, supervisors, peers, clients or customers, or high-level managers. While most companies still give the supervisor the sole responsibility for the employee's appraisal, formal multirater systems are becoming quite popular. A growing number of companies use formal self-assessments. The purpose is to encourage employees to take an active role in their own development. Upward appraisals (ratings by subordinates) are also on the increase.

With increasing frequency, organizations are concluding that multiple rater types are beneficial for use in their appraisal systems. Ratings collected from several raters, also known as 360-degree appraisal systems, are thought to be more accurate, have fewer biases, are perceived to be more fair, and are less often the targets of lawsuits. The use of 360-degree appraisal systems is one of the characteristics of high-performance work systems, which have been linked to superior corporate financial performance.

The probable reason this approach is successful is that many of the rater types used (e.g., customers, peers) have direct and unique knowledge of at least some aspects of the ratee's job performance and provide reliable and valid performance information on some job activities. In fact, the use of raters who represent all critical internal and external customers contributes to the accuracy and relevance of the appraisal system.

Many organizations use self-, subordinate, peer, and superior ratings as a comprehensive appraisal prior to a training program. The Center for Creative Leadership in Greensboro, North Carolina, requires all particulars in its one-week assessment center program to first submit evaluations from superiors,

peers, and subordinates. These data are tabulated by the Center, and the feedback is reported to participants on the first day of the assessment center program. Participants consider this feedback to be among the most valuable they receive.

Many companies now use external customers as an important source of information about employee performance and for reward systems. The Marriott Corporation places considerable weight on its customer survey data in the evaluation of each hotel as well as work units within the hotels. Burger King, McDonald's, Domino's Pizza, and Taco Bell are among the companies that hire professional "customers" or "mystery shoppers" to visit specific installations to provide detailed appraisals of several performance functions.

A summary of recommendations for implementing a multirater/360-degree appraisal system is as follows.

### Recommendations for Implementing a 360-Degree Appraisal System

#### INSTRUMENT ISSUES

- Items should be directly linked to effectiveness on the job.
- Items should focus on specific, observable behaviours (not traits, competencies).
- Items should be worded in positive terms, rather than negative terms. Ratees, particularly employees, may be less likely to respond honestly to negative items about their boss.
- Raters should be asked only about issues for which they have firsthand knowledge (i.e., ask subordinates about whether the boss delegates work to them; don't ask peers since they may not know).

## ADMINISTRATION ISSUES

- Select raters carefully by using a representative sample of people most critical to the ratee and who have had the greatest opportunity to observe his or her performance.
- Use an adequate number of raters to ensure adequate sampling and to protect the confidentiality of respondents (at least three per source).
- Instruct respondents in how the data will be used and ensure confidentiality.
- To maintain confidentiality, raters should not indicate their names or other identifying characteristics and surveys should be mailed back directly to the analyst in a sealed envelope.
- Alert and train raters regarding rater errors (e.g., halo, leniency, severity, attributional bias).

## FEEDBACK REPORT

- Separate the results from the various sources. The ratee should see the average, aggregated results from peers, subordinates, higher-level managers, customers, or other sources that may be used.
- Show the ratee's self-ratings as compared to ratings by others. This enables the ratee to see how his or her self-perceptions are similar or different from other's perceptions.
- Compare the ratee's ratings with other norm groups. For example, a manager's ratings can be compared to other managers (as a group) in the firm.
- Provide feedback on items as well as scales so ratees can see how to improve.

## FEEDBACK SESSION

- Use a trained facilitator to provide feedback to ratees.
- Involve the ratee in interpreting his or her own results.
- Provide an overview of the individual's strengths and areas for improvement.
- Provide feedback on recommendations and help him or her to develop an action plan.

## FOLLOW-UP-ACTIVITIES

- Provide opportunities for skill training in how to improve his or her behaviours.
- Provide support and coaching to help him or her apply what has been learned.
- Over time, evaluate the degree to which the ratee has changed behaviours.

## SETTING THE STANDARDS AND BENCHMARKING:

Benchmarking is the process of gauging the internal practices and activities within a firm to an external reference or standard. It is a continuous process of measuring one's own products, services, systems, and practices against the world's toughest competitors to identify areas for improvement.

An estimated 70 percent of the Fortune 500 companies use benchmarking on a regular basis. For example, Ford Motor Company benchmarked its accounts payable function against Mazda Motor Corporation. Ford found that it had

about five times as many employees as it needed. The automaker redesigned the system for tracking orders, deliveries, and invoices and thereby helped employees to perform the same tasks more efficiently. As a result, Ford was able to simplify the process, reduce the number of employees, and reduce errors. Goodyear Tire and Rubber changed its compensation practices by benchmarking what several fortune 100 firms were doing in compensation. It developed a system to link employee performance to the firm's financial gains. AT & T examined the role of chief financial officers to redesign the job duties and functions of the CFO to be more in line with what world-class CFOs were doing.

Studies on the effectiveness of benchmarking have found that it is critical to have top management support and commitment to the project. In addition, when it results in setting moderately difficult goals that employees believe are attainable, it seems to work. But when poorer performing companies receive benchmarking data that their practices are significantly different from the "best practices," and their managers set radical, unrealistically high goals, employees have difficulty embracing the changes and may resist them. As a result, performance actually may decline.

These findings should not discourage managers from benchmarking their practices. Instead, managers should be alerted to the types of goals they should set after receiving benchmarking data. Perhaps setting more realistic goals and gradually increasing the difficulty of the goals would encourage employees. This is known as shaping, which is a behavioral change technique that promotes gradual improvement from known, initial behavior to a desired goal, or, in this case, the benchmark.

For example, if an organization wants to meet the best practice of having 1 percent defects in its industry, and their initial performance is at 20 percent

defects, the company may need to first use 15 percent defects as a goal. Once workers master that goal and are rewarded, then the company can change the goal to 10 percent defects. In this way, the company is continually moving toward the benchmark goal and employees are less resistant than if they were initially assigned the goal of 1 percent defects, which they may have felt was unattainable. To use shaping effectively in benchmarking practices, the following tips are offered:

1. Identify what is to be benchmarked (a process, product, service, etc.)
2. Identify comparable companies.
3. Collect data to precisely define the target goal (benchmark).
4. Collect data to determine the organization's current performance level against the benchmark.
5. Reduce the target to discrete, measurable, smaller steps or goals.
6. Train, as needed, any employees so that they can meet the smaller goals (subgoals).
7. Periodically provide feedback and use appropriate, valued reinforcers for meeting the subgoals.
8. Increase the subgoals so that they are getting closer to the target goal.
9. Recalibrate benchmarks periodically.

The recalibration is important so that the organization continually monitors the benchmark or target goal because it may change. Successes by companies may lead to new standards.

Benchmarking should be considered one form of performance measurement that provides a basis of comparison to competitors and other outside sources. While this is a useful approach to measurement, the importance attached to any

measurement should derive from the extent to which the measurement is related to the strategic goals of the organization.

#### MALCOLM BALDRIGE AWARD:

Malcolm Baldrige Award One popular form of benchmarking combining nicely with public relations is to compete for awards that focus on product or service quality. The most significant of such awards in the United States is the Malcolm Baldrige National Quality Award. Established by the U.S. Congress in 1987, the Baldrige award is administered by the National Institute of Standards and Technology of the Department of Commerce (see [www.nist.gov](http://www.nist.gov).) The U.S. president personally presents these prestigious awards in a ceremony in Washington, D.C. The purpose of the Baldrige award is to promote national awareness of the importance of total quality achievements.

Seven categories are used to assess quality management and improvement. These are in order of points: business results (450), leadership (110), human resource development and management (100), process management (100), strategic planning (80), customer and market focus (80), and information and analysis (80). The total number of points that can be obtained is 1,000.

The seven categories are based on a set of core values and concepts, including the importance of customer-driven quality, leadership, continuous improvement and learning, employee participation and development, fast response, design quality and prevention, long-range view of the future, management by fact or data, partnership development, company responsibility and citizenship, and results focus.

The Baldrige award allows any publicly or privately owned business in the United States to apply, with the stipulation that only one division or submit of a company can apply for the same award category in the same year. Not eligible are local, state, and national government agencies; not-for-profit organizations; trade association; and professional societies. Two awards may be given

annually in each of three categories: manufacturing companies service companies, and small businesses. Applications for the Baldrige award require submission of up to 75 pages for a completed application form.

Some companies that have won the Baldrige award since its inception in 1988 are Motorola, General Motors' Cadillac, IBM, Federal Express, and Ritz Carlton Hotels. Winners are expected to share information about their successful performance strategies with other U.S. organizations. Most U.S. companies requesting the application materials use them to evaluate their own programs and make changes. Many of the largest U.S. corporations have used the Baldrige criteria as benchmarks and as a model for instituting major organizational change processes.

There are many external award programs that are used by organizations to benchmark and assess performance. In addition, many companies use internal programs to assess work units on quality and customer satisfaction.

#### Malcolm Baldrige National Quality Award Criteria

A total of 1,000 points are possible among the seven categories:

1. Leadership (110 points)
  - 1.1 Leadership System ..... 80
  - 1.2 Company Responsibility and Citizenship ..... 30

This category examines senior leaders' personal leadership and involvement in creating and sustaining values, company directions, performance expectations, customer focus, and a leadership system that promotes performance excellence. Also examined is how the values and expectations are integrated into the company's leadership system, including how the company continuously learns and improves, and addresses its societal responsibilities and community involvement.

2. Strategic Planning (80 points)

2.1 Strategy Development Process ..... 40

2.2 Company Strategy ..... 40

This category examines how the company sets strategic directions and how it determines key action plans. Also examined is how the plans are translated into an effective performance management system.

3. Customer and Market Focus (80 points)

3.1 Customer and Market Knowledge .....40

3.2 Customer Satisfaction and Relationship Enhancement ..... 40

This category examines how the company determines requirements and expectations of customers and markets. Also examined is how the company enhances relationships with customers and determines their satisfaction.

4. Information and Analysis (80 points)

4.1 Selection and Use of Information Data ..... 25

4.2 Selection and Use of Comparative Information and Data ..... 15

4.3 Analysis and Review of Company Performance ..... 40

This category examines the management and effectiveness of the use of data and information to support key company processes and the company's performance management system.

5. Human Resource Development and Management (100 points)

5.1 Work Systems ..... 40

5.2 Employee Education, Training, and Development ..... 30

5.3 Employee Well-Being and Satisfaction ..... 30

This category examines how the workforce is enabled to develop and utilize its full potential, aligned with the company's objectives. Also examined are the company's efforts to build and maintain an environment conducive to

performance excellence, full participation, and personal and organizational growth.

6. Process Management (100 points)

6.1 Management of Product and Service Processes ..... 60

6.2 Management of Support Processes ..... 20

6.3 Management of Supplier and Partnering Processes ..... 20

This category examines the key aspects of process management, including customer-focused design, product and service delivery processes, and supplier and partnering processes involving all work units. The category examines how key processes are designed, effectively managed, and improved to achieve better performance.

7. Business Results (450 points)

7.1 Customer Satisfaction Results ..... 130

7.2 Financial and Market Results ..... 130

7.3 Human Resource Results ..... 35

7.4 Supplier and Partner Results ..... 25

7.5 Company-Specific Results ..... 130

This category examines the company's performance and improvement in key business areas-customer satisfaction, financial and marketplace performance, human resource, supplier and partner performance, and operational performance. Also examined are performance levels relative to competitors.

Malcolm Baldrige Criteria for "HR Development and Management"

5.0 Human Resource Development and Management (100 points)

5.1 Work Systems (40 points)

Describe how the company's work and job design and its compensation and recognition approaches enable and encourage all employees to contribute effectively to achieving the company's performance and learning objectives.

a. Work and Job Design

How work and jobs, including those of managers all levels in the company, are designed, organized, and managed to ensure:

1. Opportunities for individual initiative and self directed responsibility in designing, managing, and improving company work processes.
2. Flexibility, cooperation, rapid response, and learning in addressing current and changing customer and operational requirements.
3. Effective communications, and knowledge and skill sharing across work functions, units, and locations.

b. Compensation and Recognition

How the company's compensation and recognition approaches for individuals and groups, including managers at all levels in the company, reinforce the overall work systems, performance, and learning objectives.

5.2 Employee Education, Training, and Development (30 points)

Describes how the company's education and training address key company plans and needs, including building knowledge and capabilities, and contributing to improved employee performance and development.

a. Employee Education, Training, and Development

Describe:

1. How education and training address the company's key performance plans and needs, including longer-term employee development objectives.
2. How education and training are designed to support the company's approach to work and jobs. Include how the company seeks input from employees and their managers in education and training design.
3. How education and training, including orientation of new employees, are delivered.
4. How knowledge and skills are reinforced on the job.
5. How education and training are evaluated and improved, taking into account company performance, employee development objectives, and costs of education and training.

5.3 Employee Well-Being and Satisfaction (30 points)

Describe how the company maintains a work environment and work climate that support the well-being, satisfaction, and motivation of employees.

a. Work Environment

How the company maintains a safe and healthful work environment. Include how employee well-being factors such as health, safety, and ergonomics are included in improvement activities. Briefly describe key measures and targets for each important factor. Note significant differences, if any, based upon different health and safety factors in the work environments of employee groups or work units.

b. Employee Support Services

How the company supports the well-being, satisfaction, and motivation of employees via services, facilities, activities, and opportunities.

c. Employee Satisfaction

How the company determines employee well-being, satisfaction, and motivation. Include:

1. A brief description of formal and informal methods used. Outline how the company determines the key factors that affect employee well-being, satisfaction, and motivation and assesses its work climate. Note important differences in methods, factors, or measures for different categories or types of employees, as appropriate.
2. How the company relates employee well-being, satisfaction, and motivation results to key business results and/or objectives to identify improvement activities.

Major Administrative Issues to Consider in Performance Management

1. Frequency and timing of formal appraisals
  - Number of times per year (e.g., one per year, every six months, quarterly?)
  - Time period (e.g., anniversary of hire, after project completion)
2. Rating/data Collection medium

- Computerized data collection/data tabulation/integration into database
- Hard copy for personnel file and sign off?
- Use of technology for performance data collection and monitoring
- Computer programs that can monitor rater rating tendencies.

### 3. Training programs

- For raters, ratees, administrators
- Scheduling/assessment/follow-up

### 4. Method of feedback

- Feedback via computer versus scheduled sessions
- Feedback based on comparisons to other employees/companies
- Formal feedback sessions with supervisors, team, consultants, coaches.

To create a supportive atmosphere for the feedback meeting between the employee and supervisor, several recommendations exist. The rater should remove distractions, avoid being disturbed, and take sufficient time in the meeting. Raters seem to have trouble adhering to these guidelines. Raters should keep notes on effective and ineffective behavior as it occurs so that they will have some notes to refer to when conducting the feedback session.

Raters should be informal and relaxed and allow the employee the opportunity to share his or her insights. Topics that should be addressed include praise for special assignments, the employee's own assessment of his or her performance, the supervisor's response to the employee's assessment, action plans to improve the subordinate's performance, perceived constraints on performance that require subordinate or supervisory attention, employee career aspirations,

ambitions, and developmental goals. In sum, raters should provide feedback that is clear, specific, descriptive, job related, constructive, frequent, and timely.

Self Assessment Question:

What is the importance of designing an appropriate appraisal system which is quite relevant to the organizational culture of institution with optimum utilization of human resource?

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## SUMMARY

Performance appraisals have become an increasingly important tool for organizations to manage and improve the performance of employees, to make more valid staffing decisions, and to enhance the overall effectiveness of the firm's services and products. The design, development, and implementation of appraisal systems are not endeavors that can be effectively handled by following the latest fad or even by copying other organizations' systems. Instead, a new appraisal system must be considered a major organizational change effort that should be pursued in the context of improving the organization's competitive advantage. This means, like any such change effort, there will be vested interests in preserving the status quo that will be resistant to change, no matter how beneficial it may be for the organization. These sources of resistance to the change have to be identified and managed to build incentives for using a new appraisal system.

Once a well-designed system has been implemented, the work is still not done. An appraisal system has to be maintained by monitoring its operation through periodic evaluations. Only by keeping an appraisal system finely tuned will it enable managers to have a rational basis for making sound personnel decisions and for making the kinds of gains in productivity that are so critically needed in today's times.

Among the personnel decisions, some of the most important concern the organization's compensation system. The prescriptions should be helpful guidelines for improving any appraisal system. Effective performance appraisal also must be carefully integrated with other human resource domains, particularly compensation systems with a pay-for-performance component. Accurate appraisals also are critical for determining training needs.

## DISCUSSION QUESTIONS

1. Why has performance appraisal taken on increased significance in recent years?
2. As the workforce becomes more diverse, why does performance appraisal become a more difficult process?
3. Many managers describe performance appraisal as the responsibility that they like the least. Why is this so? What could be done to improve the situation?
4. What steps would you take if your performance appraisal system resulted in disparate or adverse impact on the value system of the organisation?
5. Under what circumstances would you use customer or client evaluation as a basis for appraising employees?
6. Why are so many companies using 360-degree feedback systems? What are the benefits of such a system?
7. Why should managers provide ongoing and frequent feedback to employees about their performance?

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