
UNIT 1

Employee Empowerment



Learning Objective:

After completion of this Unit, you should be able to:

- Explain the meaning, definition and need of employee empowerment.
- Describe the importance of empowerment.
- Know the benefits of employee empowerment.
- Understand the six levels of employee empowerment.

Structure

- 1.1 Introduction
- 1.2 Definitions
- 1.3 Need and Importance of Empowerment
- 1.4 Approaches to Empowerment
- 1.5 Advantages and Disadvantages of Empowerment
- 1.6 Empowerment Practices in Rourkela Steel Plant
- 1.7 Let's Sum-up
- 1.8 Key Terms
- 1.9 Self-Assessment Questions
- 1.10 Further Readings
- 1.11 Model Questions

1.1 Introduction

Employee empowerment provides some distinct advantages. Employee empowerment should lead to increased organizational responsiveness to issues and problems. Another advantage of employee empowerment should be an increase in productivity. It should also lead to a greater degree of employee commitment to organizational goals since employees can take some degree of ownership in the decisions made toward goal achievement.

In the modern business world, companies that have 'the edge' outperform and increase market share. In today's leading organizations, this edge is produced by empowering employees to be more responsible for their jobs, take decisions, and control their own destiny at work.

The importance of empowering employees in the workplace should not be underestimated: it breeds individual and group confidence, enabling people to work both more efficiently and more effectively. When people are confident within their work and with their employer, they are more willing to identify

problems and suggest ways to improve quantity and quality of output. This culture will jumpstart change, increasing agility in the market and providing the impetus to grow revenues.



1.2 Definitions

Employee empowerment is giving employees a certain degree of autonomy and responsibility for decision-making regarding their specific organizational tasks. It allows decisions to be made at the lower levels of an organization where employees have a unique view of the issues and problems facing the organization at a certain level.

Ettorre's (1997) definition of empowerment as, "employees having autonomous decision-making capabilities and acting as partners in the business, all with an eye to the bottom-line"

Caudron (1995) articulates empowerment as, "when employees 'own' their jobs; when they are able to measure and influence their individual success as well as the success of their departments and their companies".

1.3 Need and Importance of Employee Empowerment

Six main importance of empowerment in an organization.

- i) The increasing pace of change, turbulence of the environment, and the speed of competitive response and the acceleration of customer demands require a speed and flexibility of response which is incompatible with the old-style command and control model of organizational functioning.
- ii) Organizations themselves are changing. The impact of downsizing, de-layering and decentralizing means that the old methods of achieving co-ordination and control are no longer appropriate. Achieving performance in these new circumstances requires that staff take and exercise much greater responsibility.
- iii) Organizations require more cross-functional working, more cooperation between areas, and more integration in their processes if they are to meet the customers' needs. Such co-operation can be achieved through empowerment.
- iv) Excellent managerial talent is increasingly perceived as scarce and expensive. Using it for direct supervision of efficient staff compounds these difficulties. On the other hand, empowerment enables managerial talent to be focused more on external changes and less on internal problem-solving.
- v) Empowerment may reveal sources of managerial talent, which were previously unrecognized, and creating circumstances in which such talent can flourish.



vi) Staff is no longer prepared to accept the old command and control systems. Much wider availability of education, greater emphasis on lifetime development and the end of the previous certainties of job security and steady advancement have contributed to a situation where jobs are valued for the development of opportunities that they offer, rather than in themselves.

The importance of empowering employees is clear when the benefits of doing so are understood. While there are many areas in which empowerment provides a positive impact, the following five are perhaps the most recognizable.

i) Quality of work produced

When given the autonomy that allows them to make a difference to product or service outcomes, employees will produce higher quality work. The finished product becomes a matter of personal pride, and the benefits for both the customer and the employee will become self-evident. The real benefit to the organization of increasing quality is a respective upturn in customer loyalty, which directly leads to increased revenue

ii) Satisfied employees

Various studies have shown that empowered employees are more satisfied in their work, and less likely to seek employment elsewhere. This decreases employment costs and the need for training of new staff.

Toyota hands over responsibilities of identifying and solving production problems to its shop-floor employees. They are encouraged to solve cause rather than firefight symptoms, and management know that workers are best-positioned to do so. This responsibility runs so deep that any worker can halt the production line.

iii) Collaboration grows

With increased confidence, employees are more willing to share information and best practices with others. Honesty and openness increase, and this directly impacts the ability of people to work as part of a team. Participation becomes more active and proactive, and this greater collaboration will in itself feed through to organizational capability to achieve strategic goals.

iv) Employee empowerment reduces costs

Costs will be reduced across the organization:

- An empowered workforce is more satisfied with their job and career path, and staff turnover falls accordingly
- Retention rates rise, training costs fall, and experience remains in-house
- Operations become more efficient and productivity rises

- Solutions to customer complaints are found proactively, and customer loyalty increases. This reduces the costs of marketing and finding new customers



v) **Productivity increases**

As confidence and self-esteem grows, and a more quality focused and collaborative approach takes hold, productivity will increase. People who are accountable for their work become owners of process and product, and energy to do the job better follows. Organizations that have discovered the importance of empowering employees find that waste is eliminated, bureaucracy is reduced, and time is spent more efficiently.

1.4 Approaches to Empowerment

Three theoretical approaches have been used to study empowerment: socio-structural perspective, psychological approach, and the critical perspective. The **socio-structural perspective** focuses its attention on developing or redesigning organizational policies, practices, and structures to give employees power, authority, and influence over their work. The **psychological approach** focuses on enhancing and enabling personal effectiveness by helping employees develop their sense of meaning, competency, self-determination, and impact. The **critical perspective** challenges the notion of employee empowerment and argues that efforts to create empowerment may actually lead to more, albeit less-obvious, controls over employees.

1.5 Advantages and Disadvantages of Empowerment

1. Boosts productivity and reduces costs:

An expert from an educational foundation once said that employees usually have great ideas when it comes to boosting productivity and reducing costs. But companies have to know how they must ask for such ideas and pay attention to the employees as well. Often it will take an employee who is stepping outside their territory and show the benefits of empowering employees. Employees who are confident about their input and think it has been valued, will listen to it, act upon and will be likely to share the ideas, benefiting the employer and the employee.

2. Having better service:

Apart from any other feeling, the empower employees will be able to create the feelings of a true customer service which will yield customer loyalty. Companies which give their employees the freedom to make such decisions may end up becoming more successful in the near future.

3. Can embrace change:

Empowered employees are always free to change and challenge the status quo that is considered quite critical for companies that are changing fast and are driven by environment and technology. Companies and employees are feeling comfortable



about questioning their status quo, these companies will most probably stay stagnant since companies may swiftly get past them. By establishing an environment where the employees are feeling free to question, offer and challenge new ideas may avoid such a problem and help the employers and employees in the same process.

4. Improves the quality of work:

When you empower your employees, you make them feel like they have been participating in the organization and helping it grow. They also want to know what they are contributing towards and if the success of the organization is growing or not. The employees are hence given the flexibility and the freedom to help make a change in their working environment. They feel empowered and deliver work of very high quality. Not just that, empower employees also take a personal ride in their work and do take the responsibility for doing a good and proper job. As a result of this, the organization will reap such benefits of employees by delivering higher quality services and products.

5. Collaboration:

Since employees have been treated and empower as essential components within the organization, they gain a lot of self confidence as well as their abilities to influence the organization. They will be a lot more comfortable when it comes to changing and giving each other new ideas, collaborating with other people and in a manner that is honest and open. Their behavior will also promote and boost team work and increase involvement to support the company wide goals which cannot be achieved in any work force that is not connected to one another. Collaboration will allow the organization to achieve a lot more than any individual can achieve on their own.

6. Communication is boosted:

Employees do not like feeling as if they are the last to get to know when any important changes have been made inside the organization. In order to combat that, managers should be willing to work on themselves and communicate within the reaches of appropriateness, the staff and keeping them informed when it comes to environment and jobs. The management has to be receptive when it comes to input of employees and gives them a better sense of control over strategic and financial decision. Once the culture takes root, the employees will become more comfortable and share their ideas with management and improve the morale of the workplace. In return, the employees shall become more receptive to any positive coaching from their managers.

7. A turnover that is reduced:

It has been understood over the years that people will leave their bosses and not the company they are working for. The reason behind this are the managers who put emphasis and focus on the process and their results. The trait will get you more than any stifles empowerment. The employees should also not feel



handcuffed when it comes to being afraid of making any bold moves. The more these employees feel about their actions and have a positive impact on the organization, the more they will feel connected towards their employees. This will also begin with management and serve as the voice and face of the organization. The more free a manager is when it comes to giving important decisions and tasks, she will focus much less on the operations and strategy that will have to work on business planning.

8. Clients are much happier:

When the clients have been given a lot of power, they feel very happy and satisfied with their position. They become more enthusiastic and feel better. This happens to be a key area when financial improvements have been realized from empowering their employees. The clients always communicate with the attentive and friendly staff, regardless of their enterprise! And the empowered personnel will take a much more personal approach with their clients and focus on creative and better ways to solve problems that appear much less tied to the policy of the company. In turn, the company will feel increased concern and improve retention and loyalty.

Disadvantages of Employee empowerment

1. Abusing power:

Most empowered employees tend to abuse their power when they have been given the power to make decisions the way they want to. But there is a slight chance and a huge possibility of these employees and them taking advantage of the empowered for better and even more personal gain. This also means that the employees may become less responsible for efficient based decisions they have made. For example, the employee may want to spend some time on non work related things such as breaks and committee meetings.

2. Interpersonal relations:

With empowering employees comes the complexity of interpersonal relations. They could bring conflicts and misunderstanding between employees and their managers. In any organization or culture that we belong to, we have a rigid and high hierarchy where the managers have a tough time while trying to accept a better culture of empowering employees. These conflicts could result on any environment where the employees as well as management cannot have proper working relations. Even when empowerment could provide you with subordinate employees as well as job satisfaction, it could deprive their managers at the same time.

3. Additional costs of training:

Empowering employees may need you to have a proper training program for educating employees regarding assertiveness, leadership skills as well as group dynamics. Even though the training is beneficial, the extra costs as well as time

could be incurred by the business in order to make it happen. Additionally, the training program will guarantee that the employee empowerment process will get you positive results.



4. Poor knowledge and understanding:

Even though the capacity to make decisions could be considered laudable, it comes with a few negative points as well. Employees will not have enough knowledge regarding various decisions of business which can undermine the success of company and may cause more interrelation conflicts. Having little knowledge could be due to lack of enough training or maybe because an employee could be competent when a task has been assigned. For example, when a team leader is in charge of such sales and feels the need to contribute towards the IT department will operate and make poor decisions at the same time. The team leader will also have conflict with the department employees.

5. Arrogance:

When employees have been given enough power, their confidence level is highly increased. Though it could be a great thing to be confident, the sad part is that too much confidence is not a great thing either. Confidence levels in this case are far too high up and they also cross the line into becoming arrogant. People who are arrogant are quite difficult to handle and don't take up the direction properly which does become insubordinate in the future. When you are working with such a kind of environment, it could take a toll on all employees and once again become all dissatisfied with the productivity levels and job.

6. Risks of security and confidentiality:

One way that all employees empower is that the employees end up sharing information that is not supposed to be shared with others. The exchange of ideas which are free and the information which makes the employees feel very important and appreciated will end up helping and empowering them a lot too. However there is a lot of information that has been exchanged freely with people through the company and has a boosted and increased risk when it comes to security and confidentiality and is leaked to all parties that usually don't have any access to that kind of information.

1.6 Empowerment Rourkela Steel Plant

At RSP the involvement of people in organizational matters and their empowerment is ensured through their participation in the key business processes. Rourkela steel Plant has a system of participative management which has taken deep roots and solving problems jointly in an atmosphere of mutual faith and trust is imbibed in the work culture of our plant. The process of employee involvement begins right at the beginning of the year when business plans and strategies are share with the cross-section of the employees and departmental micro plan is formulated drawing richly from the ideas and feedback of employees. Further, employees' involvement takes places regularly trough various structured forums



of communication processes. During the above communication programmes, suggestions of employees are solicited on issues related to improvement in various facets of the organization. These forums regularly provide inputs on improvement. These suggestions have resulted in significant improvement in the plant and contributed strongly to a sense of employee participation and involvement. Surjini the creativity award scheme: suggestion scheme which is in place since long to involve people and harness their potential for improvement of the plant as well as benefit of the employee through monetary or non-monetary awards. In this simple Employee friendly suggestion scheme, employees are encouraged to give their innovative process improvement ideas preferably pertaining to their own area of work in a prescribed form. □ A departmental committee chaired by the HoD assesses the idea and on acceptance of the idea, the employee is encouraged and given support for implementation of the idea for the benefit of the organization. On implementation of the ideas, the employees are recognized in a function specially organized for the purpose and awarded with a certificate of merit, cash award or in kind. The cash award is decided depending on the merit of the suggestions. To give further boost to these scheme, every year "Surjini Mela" is also organized in different departments. In this, all employees of the concerned department are encouraged to submit their innovative/creative ideas. Organizing events to facilitate employees' involvement in various programmes/ initiatives such as Celebration of SAIL Environment Day and Environmental month in which essay, elocution competition etc. are organized. Observing "Vigilance Awareness" programmes, Observing Quality month celebrations through activities like essay, debate competition etc. Empowerment teams are constituted comprising employees from various disciplines and empowered to take decisions to meet organizational objectives. These work-teams are provided with necessary resources and support to succeed. Employees at senior levels are empowered through leadership roles in the shifts. As in-charge of the shift they are assigned with key responsibilities of their areas which include managing personnel and lateral co-ordination. □ Quality Circle (QCS) groups are empowered to take up special improvement measures/ problem-solving in the department. The employees in small groups are encouraged to take up projects in their areas for bringing about improvements. The problem of their work area which they solve and implement themselves, have helped them exhibit their innovative and creative skills both as an individual as well as a group besides resulting in significant cost savings for the organization too.

During the year 2010-11, a total of 6126 employees participated in 5104 Quality Circles cases benefiting the organization in the form of improved safety, housekeeping, productivity, equipment health and reduced cost.

1.7 Let's Sum-up

Employee empowerment often also calls for restructuring the organization to reduce levels of the hierarchy or to provide a more customer – and process– focused organization.

Employee empowerment is often viewed as an inverted triangle of organizational power. In the traditional view, management is at the top while customers are on the bottom; in an empowered environment, customers are at the top while management is in a support role at the bottom.



1.8 Key Terms

Employee empowerment is giving employees a certain degree of autonomy and responsibility for decision-making regarding their specific organizational tasks.

Socio-structural perspective focuses its attention on developing or redesigning organizational policies, practices, and structures to give employees power, authority, and influence over their work.

psychological approach focuses on enhancing and enabling personal effectiveness by helping employees develop their sense of meaning, competency, self-determination, and impact.

Critical perspective challenges the notion of employee empowerment and argues that efforts to create empowerment may actually lead to more, albeit less-obvious, controls over employees

1.9 Self-Assessment Questions

1. Describe the different approaches to Employee Empowerment.
2. What are the benefits of Employee Empowerment?

1.10 Further Readings

- Employee Empowerment :The Rhetoric and the Reality paperback By Adrian Wilkinson and Dr Rozana Huq
- Empower Employees by Nelson
- Impact of Employee Empowerment by Aamir Sarwar and Ayesha Khalid

1.11 Model Questions

1. What are the advantages of Employee Empowerment?
2. What are the disadvantages of Employee Empowerment?
3. What are the six importance of Empowerment in an Organization?
4. How the Employee Empowerment reduces the cost of the organization?
5. Describe the different ways of Employee Empowerment in Rourkela Steel Plant.

Answers to Self-Assessment Questions



1. Socio-structural perspective focuses its attention on developing or redesigning organizational policies, practices, and structures to give employees power, authority, and influence over their work.

Psychological approach focuses on enhancing and enabling personal effectiveness by helping employees develop their sense of meaning, competency, self-determination, and impact.

Critical perspective challenges the notion of employee empowerment and argues that efforts to create empowerment may actually lead to more, albeit less-obvious, controls over employees

2. Boosts productivity and reduces costs

Having better service

Can embrace change

Improves the quality of work

Collaboration

Communication is boosted

A turnover that is reduced

Clients are much happier

i) The increasing pace of change, turbulence of the environment, and the speed of competitive response and the acceleration of customer demands require a speed and flexibility of response which is incompatible with the old-style command and control model of organizational functioning.

ii) Organizations themselves are changing. The impact of downsizing, de-layering and decentralizing means that the old methods of achieving co-ordination and control are no longer appropriate. Achieving performance in these new circumstances requires that staff take and exercise much greater responsibility.

iii) Organizations require more cross-functional working, more cooperation between areas, and more integration in their processes if they are to meet the customers' needs. Such co-operation can be achieved through empowerment.

iv) Excellent managerial talent is increasingly perceived as scarce and expensive. Using it for direct supervision of efficient staff compounds these difficulties. On the other hand, empowerment enables managerial talent to be focused more on external changes and less on internal problem-solving.

v) Empowerment may reveal sources of managerial talent, which were previously unrecognized, and creating circumstances in which such talent can flourish.

vi) Staff is no longer prepared to accept the old command and control systems. Much wider availability of education, greater emphasis on lifetime development and the end of the previous certainties of job security and steady advancement have contributed to a situation where jobs are valued for the development of opportunities that they offer, rather than in themselves.

vii)

Unit 2

Workers Participation in Management



Learning Objective:

After completion of this Unit, you should be able to:

- Explain the meaning, definition and need of workers' Participation in management.
- Describe the importance of Workers' participation.
- Know the benefit and types of Participation.
- Understand the different levels of Workers' Participation in management.

Structure

- 1.1 Introduction
- 1.2 Definitions
- 1.3 Need and importance of workers' Participation.
- 1.4 Levels of participation
- 1.5 Types of Participation
- 1.6 Workers' Participation in TISCO
- 1.7 Let's Sum-up
- 1.8 Key Terms
- 1.9 Self-Assessment Questions
- 1.10 Further Readings
- 1.11 Model Questions

1.1 Introduction

Workers' participation in management is an essential ingredient of Industrial democracy. The concept of workers' participation in management is based on Human Relations approach to Management which brought about a new set of values to labor and management. Traditionally the concept of Workers' Participation in Management (WPM) refers to participation of non-managerial employees in the decision-making process of the organization. Workers' participation is also known as 'labor participation' or 'employee participation' in management. In Germany it is known as co-determination while in Yugoslavia it is known as self-management. The International Labor organization has been encouraging member nations to promote the scheme of Workers' Participation in Management.

1.2 Definitions



A process by which subordinate employees, either individually or collectively, become involved in one or more aspects of organizational decision making within the enterprises in which they work.

- According to **Keith Davis**, Participation refers to the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share the responsibility of achievement.
- According to **Walpole**, Participation in Management gives the worker a sense of importance, pride and accomplishment; it gives him the freedom of opportunity for self-expression; a feeling of belongingness with the place of work and a sense of workmanship and creativity.
- **Clegg** says, “It implies a situation where workers representatives are, to some extent, involved in the process of management decision making, but where the ultimate power is in the hands of the management”.
- According to **Dr. Davis**, “it is a mental and emotional involvement of a person in a group situation which encourages him to contribute to goals and share responsibilities in them”.

1.3 Need and Importance of workers’ participation

Workers’ participation in management implies mental and emotional involvement of workers in the management of Enterprise. It is considered as a mechanism where workers have a say in the decision-
The philosophy underlying workers’ participation stresses:

1. democratic participation in decision-making;
2. maximum employer-employee collaboration;
3. minimum state intervention;
4. realization of a greater measure of social justice;
5. greater industrial efficiency; and
6. higher level of organizational health and effectiveness.

It has been varyingly understood and practiced as a system of joint consultation in industry; as a form of labor management cooperation; as recognition of the principle of co-partnership, and as an instrument of industrial democracy. Consequently, participation has assumed different forms, varying from mere voluntary sharing of information by management with the workers to formal participation by the latter in actual decision-making process of management.

Importance:

- Unique motivational power and a great psychological value.
- Peace and harmony between workers and management.
- Workers get to see how their actions would contribute to the overall growth of the company.



- They tend to view the decisions as 'their own' and are more enthusiastic in their implementation.
- Participation makes them more responsible.
- They become more willing to take initiative and come out with cost-saving suggestions and growth-oriented ideas.

1.4 Levels of participation

Workers' participation is possible at all levels of management; the only difference is that of degree and nature of application. For instance, it may be vigorous at lower level and faint at top level. Broadly speaking there is following five levels of participation:

1. Information participation: It ensures that employees are able to receive information and express their views pertaining to the matters of general economic importance.

2. Consultative participation: Here workers are consulted on the matters of employee welfare such as work, safety and health. However, final decision always rests at the option of management and employees' views are only of advisory nature.

3. Associative participation: It is extension of consultative participation as management here is under moral obligation to accept and implement the unanimous decisions of employees.

4. Administrative participation: It ensure greater share of works in discharge of managerial functions. Here, decision already taken by the management come to employees, preferably with alternatives for administration and employees have to select the best from those for implementation.

5. Decisive participation: Highest level of participation where decisions are jointly taken on the matters relation to production, welfare etc. is called decisive participation.

1.5 Types of participation

Different forms of participation are discussed below:

Collective Bargaining: Collective bargaining results in collective agreements which lay down certain rules and conditions of service in an establishment. Such agreements are normally binding on the parties. Theoretically, collective bargaining is based on the principle of balance of power, but, in actual practice, each party tries to outbid the other and get maximum advantage by using, if necessary, threats and counter threats like; strikes, lockouts and other direct actions. Joint consultation, on the other hand, is a particular technique which is intended to achieve a greater degree of harmony and cooperation by emphasizing matters of common interest. Workers prefer to use the instrument of collective



bargaining rather than ask for a share in management. Workers' participation in the U.S.A has been ensured almost exclusively by means of collective agreements and their application and interpretation rather than by way of labor representation in management.

Works Councils: These are exclusive bodies of employees, assigned with different functions in the management of an enterprise. In West Germany, the works councils have various decision-making functions. In some countries, their role is limited only to receiving information about the enterprise. In Yugoslavia, these councils have wider decision-making powers in an enterprise like; appointment, promotion, salary fixation and also major investment decisions.

Joint Management Councils and Committees: Mainly these bodies are consultative and advisory, with decision-making being left to the top management. This system of participation is prevalent in many countries, including Britain and India. As they are consultative and advisory, neither the managements nor the workers take them seriously.

Board Representation: The role of a worker representative in the board of directors is essentially one of negotiating the worker's interest with the other members of the board. At times, this may result in tension and friction inside the board room. The effectiveness of workers' representative at the board depend upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of worker representatives in the Board.

Workers Ownership of Enterprise: Social self-management in Yugoslavia is an example of complete control of management by workers through an elected board and workers council. Even in such a system, there exist two distinct managerial and operative functions with different sets of persons to perform them. Though workers have the option to influence all the decisions taken at the top level, in actual practice, the board and the top management team assume a fairly independent role in taking major policy decisions for the enterprises, especially in economic matters.

1.6 Workers' participation in TISCO

Closer association of employees with management at TISCO, began in 1919 and was formalized in August 1956. The purpose was to promote increased productivity, provide a better understanding to the employees of their role and importance, and to satisfy the urge for self expression. The scheme as set up at TISCO consist f a three-tiered system with joint department councils (JDCs) constituted at the departmental level. Next, joint works councils (JWC) for the entire work, and at the top the joint consultative council of management (JCCM). The specific functions of these three bodies were as follows:

JDCs were "to study operational results and production problems, advise on the steps deemed necessary to promote and rationalize production, improve



productivity and discipline and economize cost. Promotion of welfare and safety, encouragement of suggestions and improvement of working conditions also fell within their purview.”

JWCs were “ to discharge special function of reviewing every month the working of JDCs and other committees such as Suggestion Box Committee, Safety Committee, Canteen Managing Committee, etc.”

JCCM was given the task of advising management on production and welfare and also looking at matters referred to by JDCs and JWCs

In order to ensure that these committees did not overlap the functions of other committees, separate task groups were formed. Special courses were offered to prepare both management and union representatives to effectively utilize the facility. TISCO's experience with workers' participation has been satisfactory. From 1957 to the middle of 1972 JDCs have discussed a total of 14,104 suggestions of which 70.3 per cent have been implemented. These suggestions have covered a wide range of topics and issues, but the most important point to remember, perhaps, is that the councils have been successful in involving workers equally in the process of production.

1.7 Let's Sum-up

Employee participation involves management actively encouraging staff to assist in running and improving business processes and operations. Also known as employee involvement, employee participation includes management recognizing individual employees' opinions and input, so that employees understand that management views them as unique and individually valuable to running the business.

Employee participation may be solicited in a variety of ways. For example, ask employees to drop suggestions regarding solutions to obstacles in a suggestion box. Suggestions should be reviewed and addressed at monthly meetings. Management should provide a reward to the employees whose suggestions are implemented. Employees should also be encouraged to speak freely about problems — and provide ideas about how to solve them — at meetings or when placed on problem-solving teams.

1.8 Key Terms

Collective Bargaining: Collective bargaining results in collective agreements which lay down certain rules and conditions of service in an establishment.

Decisive participation: Highest level of participation where decisions are jointly taken on the matters relating to production, welfare etc. is called decisive participation.

Works Councils: These are exclusive bodies of employees, assigned with different functions in the management of an enterprise.

Board Representation: The role of a worker representative in the board of directors is essentially one of negotiating the worker's interest with the other members of the board



1.9 Self Assessment Questions

1. Describe the different ways of workers' participation in TISCO
2. Describe the different types of Workers' participation

1.10 Further Readings

- *Workers' Participation in Management* by K.sundara Kumararaja
- *Workers' Participation in Management* by P.Venkata Ramana
- *Workers' Participation in Management* by M .Mustafa

1.12 Model Questions

3. Describe the different levels of workers' participation.
4. What is the importance of Workers' Participation in Management?
5. Discuss the Philosophy of workers' participation in Management.

Model Answers

2. Collective Bargaining

Works Council
Joint management Councils and Committees
Board Representation
Workers Ownership of Enterprise

3. Information Participation

Consultative Participation
Associative Participation
Administrative Association

4.

- Unique motivational power and a great psychological value.
- Peace and harmony between workers and management.
- Workers get to see how their actions would contribute to the overall growth of the company.
- They tend to view the decisions as 'their own' and are more enthusiastic in their implementation.
- Participation makes them more responsible.
- They become more willing to take initiative and come out with cost-saving suggestions and growth-oriented ideas.

5. The philosophy underlying workers' participation stresses:

1. democratic participation in decision-making;
2. maximum employer-employee collaboration;
3. minimum state intervention;
4. realization of a greater measure of social justice;
5. Greater industrial efficiency; and higher level of Organizational health and effectiveness.



Unit 3

Performance Management

Learning Objective:

After completion of this Unit, you should be able to:

- Explain the meaning and definition of Performance Management.
- Describe the importance of Performance Management.
- Understand the meaning the performance Appraisal.
- Difference between Performance Management and Performance Appraisal.



Structure

- 1.1 Introduction
- 1.2 Definitions
- 1.3 Pre-requisites of Performance Management
- 1.4 Purposes, Objectives, Scope and Importance
- 1.5 The Process of Performance Management
- 1.6 Performance Appraisal to Performance Management
- 1.7 Performance Management in Infosys
- 1.8 Let's Sum-up
- 1.9 Key Terms
- 1.10 Self-Assessment Questions
- 1.11 Further Readings
- 1.12 Model Questions

1.1 Introduction

Every organisation has a purpose and set of objectives that it wants to achieve. Employees working in the organization need to perform so that these objectives are met. Generally employee performance has two aspects of it. One aspect is to do the job effectively. The other aspect is to develop skills so that the employee could perform effectively. Performance Management enables individuals and the organization in achieving these two objectives. As such performance management is a process of integrity organizational objectives with that of the individual objectives to achieve efficiency and effectiveness. Overall development in the organization is the primary purpose of Performance Management.

Leveraging people power has been recognized as one of the most important cardinal principle to enhance organizational performance in today's ever changing environment. In recent years we come across the terms such as "*Intellectual Capital*", "*Social Capital*", "*Human Capital*", and "*Human Resource Assets*", being used to refer to the great potential of human resources to gain a competitive advantage for an organization. Human resources provide the most intangible, yet



differentiable, contribution to build the organizational culture and enable the organization to achieve its vision, mission and objectives.

Although Performance Management is a relatively new discipline, it is based on all most decades of research on human behavior and motivation. Modern performance assessment has evolved from the sophisticated rating systems designed by eminent psychologists for US Army used during the World War –II. By the 1950's such methods were adopted in US business houses, spreading worldwide thereafter. Initially, performance assessment was used to provide information for promotions, pay increments, conduct and discipline, etc. More recently performance measurement has wider application. It aims at

- Identifying and enhancing desirable work behavior.
- Reinforcing this behavior by linking rewards to measured performance.
- Developing desired competencies and building human capital within organization.

Performance Management in brief, is nothing but communicating widely about organizational goals with the employees, involving them in it rather than imposing it on them and setting a wider scope for their achievement and genuinely sticking to it. Managers have a lead role to play with utter commitment in making performance management work for the good of the organization.

1.2 Definitions

The term Performance Management has been widely defined by different scholars' and researchers at different points of time. Although various definitions are available in the field we have selectively and carefully chosen the following for the purpose of our analysis:

In a recent study (1991) carried out by the **Institute of Personnel Management**, concluded that *“Performance Management is about managing people well and at its best, it can provide an important source of motivation and challenge to achieve better results as well as significant personal development”*.

According to **Michael Armstrong (1994)** *“Performance Management is a process for establishing shared understanding about what is to be achieved and approach to managing and developing people in a way which increases the probability that it will be achieved in the short and long term”*.

According to **American Compensation Association (1996)** *“An effective Performance Management system aligns individual performance with the organisation's vision, mission and objectives”*.

For our practical purpose we may define Performance Management as follows:

Performance Management is about creating a system that provides employees with organizational direction and priorities, makes them aware about their current performance levels, supports them through training and coaching and rewards those who demonstrate high performance.



1.3 Pre-requisites of Performance Management

Performance Management in order to be successful in organizational context need to have the following factors as a prerequisite:

- Sound organizational philosophy
- Skills, knowledge and attitudes of those responsible for its implementation
- Commitment, dedication and ownership of managers and employees
- Top management involvement and support
- Adequacy of pay and sound compensation package
- Autonomy and scope for managers to make sound decisions on various plans and actions
- Sound interpersonal relations between management and employees, and
- Degree of decentralisation

1.4 Purposes, Objectives, Scope and Importance

Performance management serves various purposes at the organizational, group and individual levels in attaining the prescribed objective successfully. The purposes of performance management may be discussed as under:

1. Informational purpose

- To let an employee know how his performance compares with job standards.
- To assist in indentifying special talents and abilities.
- To identify employees needing performance improvement.
- To allow employees to evaluate management.

2. Motivational purpose

- To establish closer employer–employee relationships and communicate the job requirements and standards of performance in a periodic basis.
- To provide financial rewards or recognition for a job well done.
- To work out plans to solve performance problems(s).
- To encourage initiative, creativity, and develop a sense of ownership amongst the employees.

3. Developmental purpose

- To identify individual employee training needs
- To identify individuals for potential development.



- To help the employee strengthen current performance and prepare for higher responsibilities.
- To show organizational interest in attracting and retaining capable employees.

4. Managerial purpose

- To translate organizational goals into individual job/performance objectives.
- To communicate management's expectations regarding employee performance.
- To provide feedback to the employee about job performance in the light of management's expectations.
- To coach the employee on how to improve job performance on a periodic basis.
- To diagnose the employee's strength and weakness.
- To determine what kind of development activities might help the employee better utilizes his competencies/skills on the job.

The specific purpose of performance management is:

- To achieve sustainable improvements in organizational performance.
- To increase the motivation and commitment of employees.
- To enable individuals to develop their abilities, increase their job satisfaction, and achieve their full potential to their own benefit and that of the organization as a whole.
- To develop constructive and open relationships between individuals and their managers.
- To provide a framework in terms of targets and standards of performance.
- To focus attention on the attributes and competencies required to perform effectively.
- To provide for the accurate and objective measurement and assessment of performance.
- To provide an opportunity for individuals to express their aspirations and concerns.
- To provide a basis for rewarding people in relation to their contribution.
- To establish a more performance-oriented culture in which individuals and groups take responsibility for the continuous improvement of business processes, and of their own skills and contributions.
- To serve as a two-way channel for communication about roles, objectives, relationships, work problems and aspirations



In brief, performance management aims to; (a) identify expected performance levels; (b) encourage high levels of performance; (c) measure and evaluate performance; (e) extends necessary assistance for performance improvement; and (f) confer reward or punishment depending upon actual performance.

An organization's overall performance management begins with the development of organizational strategy. Before any assessment of individual performance can be made, the organization's directions must be articulated and communicated to the members of the organization with almost clarity.

Objectives

In more detail, the aims of performance management are to:

- Help to achieve sustainable improvements in organizational performance
- Act as a lever for change in developing a more performance oriented culture
- Increase the motivation and commitment of employees
- Enable individuals to develop their abilities, increase their job satisfaction and achieve their full potential to their own benefit and that of the organization as a whole
- Enhance the development of team cohesion and performance
- Develop constructive and open relationships between individuals and their managers in a process of continuing dialogue which is linked to the work actually being done throughout the year.
- Provide opportunities for individuals to express their aspirations and expectations about their work.

Performance management Aims – Suggested by - The American Compensation Association (1996) states that organizations rely on performance management to:

- Document job responsibilities
- Help define performance expectations
- Provide a framework for supervisors and employees to communicate with each other
- Provide ongoing opportunities for supervisors to coach and encourage personal development
- Align individual performance expectations with organizational goals.

The Scope of Performance Management

Performance management is about managing the organization. It is a natural process of management, not a system or technique (Fowler 1990). It is also about managing, within the context of the business (its internal and external environment). This will affect how it is developed, what it sets out to do and how



it operates. The context is very important: Jones (1995) goes as far as to say 'manage context not performance'.

Performance management concerns everyone in the business – not just managers. It rejects the cultural assumption that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is shared between managers and team members. In a sense, managers should regard the people who report to them as customers for the managerial contribution and services they can provide. Managers and their teams are jointly accountable for result and are jointly involved in agreeing what they need to do and how they need to do it, both in monitoring performance and in taking action. In their recent report, David Guile and Nickie Fonda argue that underlying the current debates about organizational competitiveness is an assumption that the drive to enhance performance is making ever – greater demands on the knowledge and skills of the workforce and that people will carry a much greater responsibility for their own performance (Guile and Fonda 1998).

In short, best – practice performance – management processes are part of a holistic (i.e. all – embracing) approach to managing for performance, which is the concern of everyone in the organization (this theme is developed in the next chapter). However, as our research demonstrated, this is not necessarily universal practice and, consequently, performance management is carried out with varying degrees of success and commitment from employees.

Importance of Performance Management

The ultimate achievement of any organization directly and vitally depends on the quality of performance of its people. Hence the need and importance of performance management in any organization paramount importance. The following are some of the major areas of performance management, which highlights the importance of performance management in 21st century organizations:

- Helps in clarifying the mission, vision, strategy, and values of the organization to the employees in order to enable them achieve the same.
- Helps in improving various business processes as the deficiencies are highlighted.
- Helps in attracting and retaining talents in the organizations and helps in establishing a robust talent review system
- Facilitates competency mapping, training and development needs identification, and implementation as part of the performance development tool (employees have the competencies to meet both the present and emerging requirements of the organization)
- Assists management in validating their recruitment and selection process and techniques.

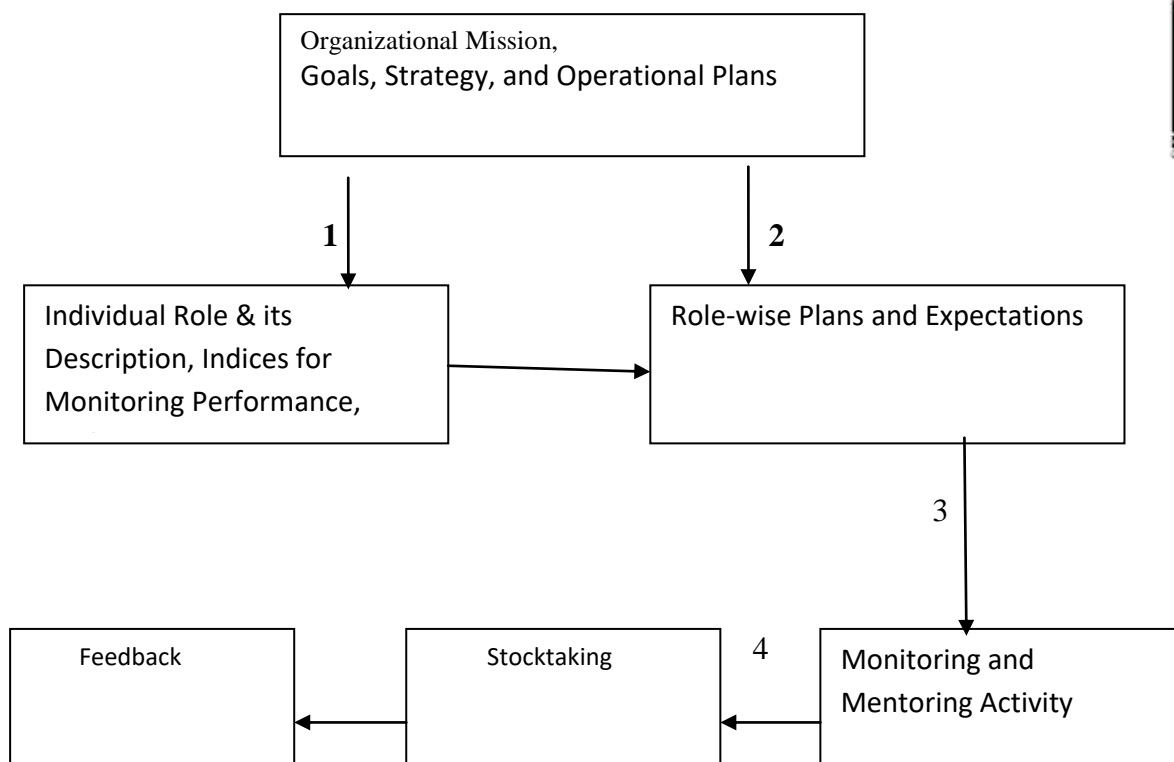


- Helps employees attain their full potential and attain a balance between work and personal life.
- Improves organization's ability to change faster by highlighting the gap between potential capabilities and present abilities.
- Helps in making a shift from industrial relations to individual relations with a focus for employee growth and development.
- Enables sustainable organizational competitiveness, innovation, and low employee turnover by helping in reviewing organization structure and plan succession.
- Builds the intellectual capital not only at managerial level but at front-line level also.

1.5 The process of Performance Management

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 throughout 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 throughout 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 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. Organizational Mission, Goals, Strategy, and Operational 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 manager before each training and development activity – both on the job and off the job. Briefing focuses on the manager learning agenda. Debriefing the manager crystallize 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 avail by the manager. 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 manager's development needs of future tasks and responsibilities is done more realistically to stocktaking.

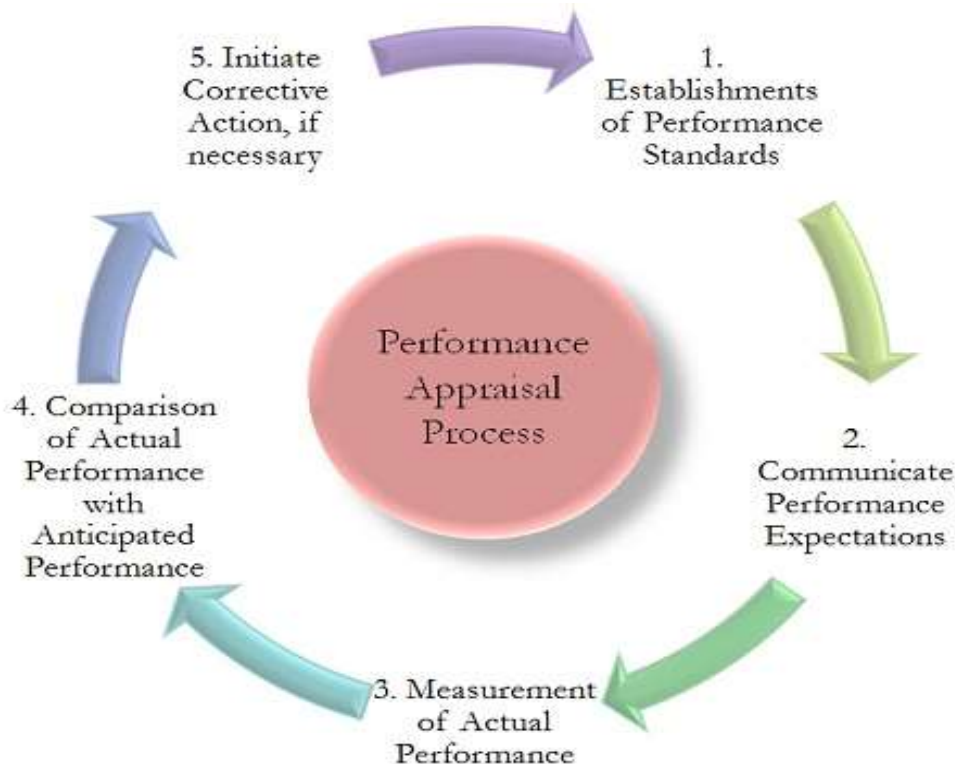


1.6 Performance Appraisal to Performance Management

Performance Appraisal is defined as an assessment of employees by the manager, in which he evaluates the overall contribution made by the employee to the organization. It is a systematic and logical review, conducted by the organization annually to judge his potential in performing a task. It helps to analyze the skills and abilities of an employee for their future growth that increases the productivity of employees. It helps to identify, the employee who performs their task well and those who are not, along with the reasons for the same.

Performance Appraisal is an organized way of evaluating employee performance, for which a comparison is made between actual performance and the preset standards. The results of the performance appraisal are documented. After that reviews are given to the employee about their performance during the year, to tell them where they require improvements. Employees also wish to know their position in the organization after a particular period of time.

You can understand the procedure of the performance appraisal, with the help of the following diagram:



Performance Appraisal Vs Performance Management



Performance Appraisal and Performance Management are the most commonly confused terms because they both are associated with the evaluation of employees. Therefore, these terms are used interchangeably. But the truth is that they both differ in their meaning and concept. **Performance Appraisal**, is a yearly system while if we talk about **Performance Management**, it is a continuous process that does not occur eventually.

Basis for Comparison	Performance Appraisal	Performance Management
Meaning	Performance Appraisal, means the analysis of an employee's performance and their caliber for future growth and development	Performance Management is the management of human resources in an organization
What is it?	It is system	It is a Process
Nature	Rigid	supple
Type of Tool	Operational tool	Strategic tool
Owned by	Human resource department	Managers
Conducted	Annually	Continuously
Approach	Individualistic	Holistic
<i>Focused on</i>	Quantitative Aspects	Qualitative Aspects
Correction	Retrospective	Prospective

1.7 Performance management in Infosys

Infosys uses the web application Performagic to capture all the performance appraisal related activities.

The appraisal is done twice a year, once in October and another in April. The cycle is initiated by the HR and the employee has to then add both appraiser and reviewer. The appraiser and reviewer for any particular employee are identified based on the projects the employee worked during the appraisal cycle.

If the employee is not satisfied with CRR rating then the following actions can be taken.

Data Capture in Performagic



The employee is evaluated based on performance tasks, competency and behavioural tasks.

The performance tasks are set based on the role and the project in which the employee is working. The manager has the flexibility to make necessary modifications according to his perception of the role and expectations from the employee. Competency and behavioral indicators are based on the official designation of the employee. The employee is given the option to rate any 10 options from the competency and any 5 from the behavioral tasks.

There is also individual utilization measures set for each employee which has to be met by the employee to ensure a met expectations rating. The utilization measures set are broadly defined on the IBU level, but can be modified if the appraiser feels that it's required. Based on the ratings give to the performance ratings and behavioral tasks the score for the employee will be calculated based on pre decided logic. The CRR for employees are decided based on this cumulative score that the employee scores.

1.8 Let's Sum Up

Performance management is the current buzzword and is the need in the current times of cut-throat competition and the organizational battle for leadership. Performance management is a much broader and a complicated function of HR, as it encompasses activities such as joint goal setting, continuous progress review and frequent communication, feedback and coaching for improved performance, implementation of employee development programmes and rewarding achievements.

The process of performance management starts with the joining of a new incumbent in a system and ends when an employee quits the organization.

Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks.

1.9 Key Terms

Performance Appraisal is defined as an assessment of employees by the manager,
in which he evaluates the overall contribution made by the employee to the organization.

Performance management is the process of identifying, measuring, **managing**,
and developing the **performance** of the human resources in an organization.



1.10 Self-Assessment Question

1. Discuss the various Objectives of Performance Management.
2. Discuss the process of Performance Management.

1.11 Further Reading

- *Business Intelligence and Performance Management: Theory, Systems, and Industrial Applications*, P. Rausch, A. Sheta, A. Ayesh (Eds.), Springer Verlag
- *Performance Management - Integrating Strategy Execution, Methodologies, Risk, and Analytics*. Gary Cokins, John Wiley & Sons
- *Handbook of Organizational Performance*, Thomas C. Mawhinney, William K. Redmon & Carl Merle Johnson. .
- *Improving Performance: How to Manage the White Space in the Organization Chart*, Geary A. Rummler & Alan P. Brache. Jossey-Bass
- *Human Competence: Engineering Worthy Performance*, Thomas F. Gilbert.

1.12 Model Questions

1. Discuss the various benefits of Performance Management.
2. Discuss Performance Appraisal.
3. What are the difference between Performance Appraisal and Performance Management?

Answers to Self-Assessment Questions



1. To provide a framework for systematic planning of Performance objectives at the beginning of the year.

To ensure that individual objectives are aligned to the organizations goals.

To ensure an objective and scientific evaluation of employee performance.

To identify gaps in performance and take necessary actions to ensure the achievement of organizational and individual goals.

To define a proper career planning process.

To provide inputs for determining the Compensation, Rewards & Recognition.

2. The whole process of the performance management can be approached in a different mode. Planning, review and stock taking can happen throughout 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.