CHAPTER 1
INTRODUCTION

The fact that 'the social climate and the social psychological aspects of work environment influence workers satisfaction and productivity', was recognized by Howthorne Studies.

Production, in modern industrial system is the result of joint efforts of many and all the factors of production. According to classical economists, there are five factors of production: land, labour, capital, organization and entrepreneur (Verma & Aggarwal, 1989).

Layout unlike other factors of production is an active factor and controls all other factors of production, co-ordinates them to get the maximum output at minimum cost. The modern theory emphasizes the best use of this human factor of production to achieve the greater industrial productivity. Industrial productivity depends mainly on the productivity of labour because it is not possible to raise the overall productivity of the industry inspite of the high quality material and modern machines, if labour-force is inactive or inefficient. Labour has been regarded as one of the important factors of production. Now a worker, is not simply a worker, he is regarded as a man at work and therefore, is influenced and controlled by other social and physical factors. His complete
personality is influenced by fears, frustrations, needs and motivation, attitudes etc.

Production is the measure of how well resources are brought together in an organization and utilized for accomplishing a set of results. Productivity is reaching the highest level of performance with the least expenditure of resources. Ganguli (1961) categorised the factors into three heads which affect the performance of workers i.e. (a) personal factors, (b) work factors and (c) environmental factors.

High productivity suggests minimum use of resources. George Kuper (1975), former acting Executive Director of the National Commission on Productivity and work quality, thinks of productivity as a combination of effectiveness and efficiency i.e.

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\text{Production Index} = \frac{\text{Output Obtained}}{\text{Input expended}} \times \frac{\text{Performance achieved}}{\text{Resources consumed}} = \frac{\text{Effectiveness}}{\text{Efficiency}}
\]

Therefore, productivity is a combination of effectiveness and efficiency. Effectiveness relates to performance and efficiency to resource utilization.

**Effectiveness:** Effectiveness is related to the impression of work on people working in the organization, to the appropriateness of objectives, short and long term results, humanistic and realistic values. Any management can prove to be effective if it recognizes the
desire of people at work to use their intelligence, imagination, skill and talent. Managerial effectiveness exists when the jobs are improved, organizational design is more congruent with human personality, goals, norms and values of the workers satisfaction and in the light of social welfare.

Further, effective management is one which: (a) sets short term goals with in the context of long-term policies so that there is no dichotomy between the two and (b) is geared to implement the goals effectively relying on logical organizational system. It also refers to the well planned human resources management and producing the results in the line of objectives. Moreover, an effective management is that which produces the desired results and goals with in the prefixed parameters.

On the other hand the word efficiency means power to produce the result intended or adequate fitness:

“True efficiency means ameliorating conditions for the worker ..... for the employer .......... and also for the co-operation and finally for the Nation” (Jain, 1988).

According to Wash Brook (1977), “Efficiency may be defined as the total examination of an organization or part of it, includes checks on the effectiveness of an organization, their compliance with company or professional standards, the reliability of management data, the
quality of performance of duties and recommendations for improvement”.

In the operation of any enterprise, the research is endless. This is done to improve the methods and performance, to obtain greater efficiency, to reduce costs and to find better ways of doing things.

Purpose of Efficiency Measuring

1. To evaluate the performance of the employees on his present job.
2. To determine what steps should be taken to improve, his performance on the present job.
3. To consider the employees potentialities for promotion.
4. To determine the training and development needs of employees.
5. To decide on the increments as a reward for performance and progress.
6. To evaluate the employee’s value to the organization compared with other employees.
7. To identify unsatisfactory employees for demotion or termination.
8. To inform employees where they stand.
9. To make inventories of talent with in the organization for the purposes of organizational and personnel planning
10. To determine salary increments etc.
11. For training and development purposes (William, 1961).
The research on efficiency in industry, particularly for training and development purposes has been of interest to the investigators since quite some time and has led to many fruitful consequences, thus, further lading towards a guidance to manage the organizational climate and achieve on increased output or productivity. In this respect, generally, the following Indices have been undertaken.

Indices of Efficiency:

(a) Efficiency of Labour
(b) Utilization of Machinery
(c) Cost of Production
(d) Financial Ratios

Efficiency of Labour

(a) Quantity of output per unit of working time, for example monthly, weekly or daily output of a worker over a period of time and; (b) in the reserve from, number of units of working time spent in turning out a unit of output, e.g. man-hours consumed for the manufacture of a unit of product compared over a period of time.

The ratio of man-days lost and man-days worked provides an idea of overall utilization of labour capacity. Some industries give the breakup of the days lost, for e.g. through sickness and accidents. These figures would indicate the concern of the enterprise about the workers welfare and safety.
The percentage increase in various categories of the labour force compared with the percentage increase in some aspects of operation for example operation or sale could roughly indicate the productivity in aggregate over a period of time.

The turnover of the various categories of personnel as percentage of the total number of persons employed in each category would partly indicate the efficiency of the personnel department.

**Utilization of Machinery**

The ratio of output to annual average production capacity would generally indicate the extent to which the product capacity of the enterprises is being utilized. This capacity should also be compared with the installed capacity and reasons for the difference between the two be accounted for.

**Cost of Production**

To produce a good, every firm, makes use of factors of production. The amount spent on the use of factors of production is called cost of production. Cost of production mainly depends on quantity of production. Ordinarily, cost of production increases with increase in output. It can, therefore, be said that the cost of production is a function of quantity of output, i.e.: \( C = f(Q) \)

Figure of the cost of production be compared over a period of time and with similar enterprises.
Financial Ratios

Like other ratios, financial ratios require a norm with reference to which they can be measured, otherwise the ratios in themselves do not convey much meaning. As to fix a norm or standard for each enterprise is not easy, the utility of these ratios would largely be obtained by inter-time comparisons, or (of then with many limitations) by a comparison with similar enterprises elsewhere. The following financial ratios, among many others could be usefully given in Annual Reports.

(a) \textit{Net Profit Ratio}, Profit (after depreciation, interest and taxes) as percentage of sales.

(b) \textit{Net Yield Ratio}: Profit (after depreciation, interest and taxes) as percentage of equity capital plus free reserves.

(c) \textit{Coverage Ratio}: Paid up capital and reserves as percentage of fixed liabilities.

(d) \textit{Liquidity Ratio}: Current assets as percentage of current liabilities.

(e) \textit{Inventory-Turnover Ratio}: Inventories as percentage of sales.

(f) \textit{Expense Ratios}: The ratios of important items of expense to net sales.

Some aspects of efficiency are very difficult to measure quantitatively for example the quality of products or services provided by an enterprise. For a public enterprise, particularly one
providing service the number of complaints or suggestions received from the public and the way they are dealt with is an important criterion of efficiency. Then it may be seen how for a public enterprises acts as a good citizen of the community in which it operates, how benevolent it is as an employer, and so on (Laxmi Narain, 1972). Besides these above mentioned indices of efficiency, there are other factors too which have captured the attention of psychologists like absenteeism, turnover and some other psychological variables representing the mental conditions of employees and employers, e.g. quality of performance of duties (Washbrook, 1977) and some other aspects of quality of work life itself.

**Absenteeism**

In these days when the needs of the country require greater emphasis upon an increased productivity and the economic and rational utilization of time and materials at our disposal, it is necessary to minimize absenteeism to the maximum possible extent.

Absenteeism is one of the major problem of wastage in Indian industries. The global experiences reveals that with the greater industrialization, improved standards of medical care, better working conditions and higher income levels, the rate of absenteeism tends to decrease. The problem of absenteeism is intimately linked to
production. Since efficiency refers to input expanded or resources consumed, absenteeism is directly related to efficiency.

An analysis of various studies on absenteeism indicates that the absenteeism and turnover have led to four important conclusions:

(a) **Ineffective and inadequate selection and placement:** Turnover may be reduced in industry by careful selection and by shifting men to work jobs to which they may be better filled.

(b) **Industrial Fatigue:** Work loading to excessive fatigue increases the rate of accident. Frequent optimum rest pauses should be given as and when necessary.

(c) **Unsatisfactory Working Conditions:** also increase the absenteeism and turnover.

(d) **Poor Supervision:** Supervisors play an important role in factory with its tremendous impact upon the attitude and morale of the employees. It has been indicated in Howthorne studies that turnover was reduced due to good supervisory and judicious dealing.

The other criteria of efficiency can be quality of working life in which the psychologist may be more interested than the already mentioned variables related to production. Quality of working life refers to the factors like work involvement, intrinsic job motivation, job satisfaction, life satisfaction etc. These variables may affect the
efficiency and some of them in turn may also be affected by the efficiency as the individual's efficiency leads towards a sense of achievement. The quality of working life also refers to the mental conditions of the employees.

Quality of Working Life (QWL)

Quality of working life refers to the favourableness or unfavourableness of a job environment for people. The basic purpose is to develop jobs that are excellent for people as well as for production. As a movement, quality of working life seeks to improve the overall quality of work life for everyone. It represents the development of a work norm that places a high premium on the value of human resources that make up that work force.

Quality of working life is concerned with the overall climate of work. An analysis of the quality of working life described it as a concern about the impact of work on people as well as organizational effectiveness (Nadler & Lawler, 1983). In other words, QWL also refers to the input expended on the part of an individual. The recognized purpose is to change the climate so that the human, technical organizational interface leads to better quality of working life. This phenomenon is basically positive and is reflected from this fact that there are now more quality of working life programs and activities than ever before.
The phenomenon of quality of working life has been given certain other terms around the world, while explaining it. The most common term used for it is *humanization of work*. This term also means that workers are human resources that are to be developed rather than simply used and that they should be provided with an environment that even satisfies their higher order needs and encourages them to improve their skills. Quality of working life is also termed as *job enrichment*. This term was coined by Frederick Herzberg (1959) and it means that additional motivators are added to make the job rewarding. Another common term is *participative work* that means that workers should be given equal participation in the decisions of management so that they could find out ways for improvement of their quality of working life.

These terms may be the different names used for job designs, but the basic idea is same and that is to emphasize the human factors and to improve the quality of working life of people.

While explaining the meaning of quality of working life, different authors have emphasized on different aspects of working life. Delemotte and Walker (1979) explained that there are several strands of thoughts which have been active in continuos process of humanizing work.
One aspect of the concept of humanization of work covers the physical working environment. A second aspect has been wage-work bargain. A third aspect has been the protection of workers against the hazards of illness and unemployment. Fourth concern for the humanization of work has also focussed on protection of the worker against the exercise of the arbitrary authority of the employer including dismissal. Fifth, the protection and extension of human rights in society, enabling workers to have their interests represented by their own organizations has been an important element. Finally, there is a strand of thought that draws attention of workers need for meaningful and satisfactory work and for participation in decisions that affect their work situation.

The concept of quality of working life made its appearance in India in middle seventies when the country was passing through a phase of intense labour unrest. However, the concept failed to take roots despite the fact that its promoters received substantial support particularly from the Government and the public sector industry.

Of late, however, there is an attempt to boost the concept even though the factors that led to its failure in the past have not substantially changed. De, N.R. and his colleagues (1981) in the National Labour Institute are pioneers of this movement in this country and carried out some work-redesign experiments in both
manufacturing and service sectors. The results were increased productivity and efficiency.

Walton (1975) views it as a comprehensive concept he is of the view that the quality of working life today must include values that were at the heart of the earlier reform movements as also other human needs and aspirations which have only now come to force. Based on this comprehensive view, Walton has proposed the following eight conceptual categories which provide a framework for analysis of the salient features that together make up quality of working life.

1. Adequate and fair compensation
2. Safe and healthy working conditions
3. Immediate opportunity to use and develop human capacities.
4. Opportunities for continued growth and security.
5. Social integration in work organization.
6. Constitutionalism in the work organization.
7. A proper balance between work and total life space.
8. Social relevance of working life.

In Indian context a limited number of studies have focused on behavioural parameters in work setting in relation to life-stress (Pradhan & Mishra, 1985, Sahu & Mishra, 1995). Researchers have
suggested that stresses in the work environment are much less potent than those encountered in personal life.

Working life and personal life can not be separated in two watertight compartments. As human beings our experience and life style affects our behavioural intentions and performance.

Activities in our daily life including activities related to our job and activities along with the critical incidents in our life affect our behavior (Robert, 1973).

It has to be realized that good working conditions and living conditions have a great effect on the efficiency of the workers, their wages, migratory character and on industrial relations (Daniel et al. 1983). The efficiency of a worker depends directly on his health and willingness to work. In the absence of desirable working and living conditions the worker is not comfortable and feels as if his job is a very tough one and he becomes sluggish and it becomes difficult for him even to pass the time. With good working and living conditions not only the worker remains happy but the employer also gains because with better efficiency, production is greater, than the gulf between the nominal wages and the real wages can be reduced with the help of better working and living conditions. When ever the conditions of work are healthy and employers make provision for the welfare of the workers, the labourers are willing even to work at
lower wages. Besides, one of the important causes of migratory character of the Indian labour is that the worker, who comes from the open surroundings of the village, finds the work in factories entirely difficult and under bad conditions, feels miserable and tries to go back to his village as early as possible. Good working and living conditions can remove this important cause of the unsuitability of labour force and will also reduce absenteeism and labour turnover to a great extent.

The relation between employers and workers will also improve, if the employers take care of the conditions under which the workers have to work and live and provide them with a bright and clean atmosphere. The workers will also not feel much exhausted and depressed.

In many a studies improving quality of working life has led towards better efficiency by leading towards less absenteeism (Hackman, and Lawler, 1971), reduction in turnover and absenteeism (Gyllenhammer, 1977, Walton, 1977) reduced absenteeism turnover and improved quality of the product (Cohen, 1979)

Therefore, it was decided to measure quality of working life as a factor reflections efficiency in the present study. The working conditions directly refer to the organizational climate.
Organizational Climate (OCI)

*Just as people move to a certain weather, climate of sea, mountains or desert, they will also choose an organizational climate.*

Modern industrial organization is a complex entity. It consists of many individuals, who, working in different functions and roles, are engaged in the pursuit of some overall goal or a set of goals. Every organization operates in terms of a set of policies and norms, which are sometimes clearly laid down while at other times are in the form of traditions and conventions. To plan, co-ordinate and control its various activities, an organization requires managers who, in their day to day interactions, reflect a variety of leadership styles and skills in dealing with their subordinates. The sum total of these and many other such activities creates an internal environment within each organization which accounts for its uniqueness and identity. Members of an organization work within and are continuously influenced by this internal environment, which is also called Organizational Climate.

The concept of organizational climate describes the importance of environmental and situational factors in determining the motivation and job satisfaction of the employees. It is therefore, necessary to think about the concept of organizational climate.
Schneider and Hall (1972) view perceived organizational climate as a phenomenon that represents an interaction between personal and organizational characteristics.

Likewise, Payne and Mansfield (1973) view it as a conceptual linkage between organization and individual that intervenes between specific situational attributes or events and individual perceptions, attitudes, and behavior. The concept of organizational climate, therefore, encompasses both organizational and individual characteristics and attributes.

According to Peters and Waterman (1982) the very way managers define productivity improvement and tools, they use to achieve push their goals further out of reach. They feel that organizations can only go so far by doing more of what they are already doing, or by doing it better. However, this is not so, they can do some things differently by improving on the existing climate in the organization. This can be done by improving two major levers which will further enhance both productivity and quality of life in the work place "the design of the work itself" and "the structure of the work organizations."

The term climate has two distinctly different meanings, which helps to add to the impression that organizational climate, includes everything. The first widely used definition argues that climate refers
to a common perception, or a common reaction of individuals to a situation. Thus, these may be a climate of satisfaction, resistance, involvement, or as Terkel (1970), puts it salubrity. Given this definition the only limit on sampling the climate domain is one's ability to evoke relevant attitudinal adjectives and demonstrate some degree of concurrence among organizational members.

A second quite distinct definition argues that the term climate should be used to refer to a set of conditions, that exist and have an impact on individual behaviour. Examples might include coordination between different units within an organization, the social distance required by status differences, or the involvement of individuals is the range of potential processes, practices, and conditions that affect the way in which organizations function. These completing definitions are compatible in the situation where a set of objective conditions leads to a common individual perception. In situations where this is not the case, the manager is stuck with definitions, one arguing that climate is an individual physical state like satisfaction and the other organizing that climate is an objective set of circumstances like organizational structure.

However, Tagiuri and Litwin (1968) have offered the best conceptual definition. "The organizational climate is a relatively enduring quality of the internal environment of an organization that, (1) is experienced by its members (2) influences their behaviour and
(3) can be described in terms of the values of a particular set of characteristics, or attitudes of the organization.

Every organization in this universe is unique like fingerprints. Each one is different from others in its culture, traditions and methods of action and they all constitute climate for its people. Everyone at the time of entering the organization, makes a psychological contract with his organization and expects a supportive climate to help him meet his economic social and psychological needs (Verma & Aggarwal, 1998).

A good organizational climate can reduce worker's turnover and absenteeism, lessens the numbers of accidents and degree of scrap and waste, results in more units of production and less defects in production and leads to less employee theft. This rationale is based on self interest. Happier workers are also more productive and efficient. Hence, organizational climate is an important factor in the study of human organization. Infact, “happy employees are likely to be more effective and more efficient employees”.

Importance of Organizational Climate

Organizational climate has the following impacts on the organizational behaviour, i.e.
1. **Effect on Motivations, Productivity and Job Satisfaction**

Organizational climate can have a major influence on motivation, productivity and job satisfaction. Climate determines the action and it creates few expectancies as to consequences. Employees can expect certain rewards, penalties, satisfaction or frustrations based on the organizational climate and their expectations tend to lead to motivation as shown by expectancy theory.

2. **Contingency Relationship**

There is a contingency relationship between climate and organization. It means climate of an organization is contingent upon the type of employees, it has the type of technology, workers, education and the other like variables. A research institute or department would certainly want a climate different from that of a workshop or an office.

3. **Represents Entire Social System**

Organizational climate represents the entire social system of a work group. It is clearly a system concept. There are two important aspects of climate, i.e.

(a) Work - Place Itself

(b) Treatment to Personnel from Management
If employees feel satisfied while at work and if climate provides a sense of personal worth, it can be assumed that climate in that organization is favourable. As far as treatment from management is concerned they will like to be listened to and treated as they are some one of them. They want that management should really feel and care about their needs and problems. If these two are favourable, there prevails a good climate in that organizations.

Thus, a good organizational climate is necessary for the development of organization, good climate attracts good and effective people to the organization, who, if satisfied may contribute to the productivity of the organization.

1. Success of organizational efficiency or production depends upon the harmonious relations and co-operation between employees and employers. The factors which affect the organizational climate are all psychological variables. Generally, the organizational climate includes the factors like: Attitude and Morale, Motivation, Job Satisfaction, Incentives, Absenteeism, Turnover, and Decision Making etc.

Collaboration Trends

India was one of the first countries in which Japan invested after the war. It started with creating fishing facilities and making fountain pen in the 1950s. Import substitution manufacturing
industries such as rayon, wire ropes, bicycle chains, wall tiles, electric motors, transformers and bearings followed in the next decade. In 1970 when there was definite surplus in the international balance of payment, there was a rapid increase in Japanese investment world-wide, more so in India. Agriculture tillers, and dry cell batteries attracted investment, still it was not much in absolute terms (Dhankar, 1989).

In the early 1980s, there was a drastic change in the investment pattern. In 1982, Ms. Suzuki, a world leader in passenger cars collaborated with Maruti Udyog Limited of India for manufacturing passenger cars in India. In early 1990s there was a spurt in collaborations in the commercial vehicles manufacturing sector. In fact, Indo-Japanese collaborations cover all fields now.

India and Japan have run through different historical process, encountered varying socio-economic problems and pressure and both the countries have colourful and distinctive political and cultural heritages. Therefore, behavioural, national and conceptual differences are bound to be evident between the people of the two nations.

Japan was lucky that it was peopled by a single stock, speaking the same language and faith in the same one religion. But the Indian situation is different. India has inherited one of the oldest cultures of
the world. Its problems are complex in the sense that it is peopled by
distinct racial elements, various religions, beliefs and various
languages flourish here in the country. All the time when Japan was
preparing for equality with the west, India was primarily engaged in
the struggling for gaining independence and acquiring a common
national sense.

Competition is at the heart of Japan's success. Speaking in
terms of industry, domestic competition sharpens ingenuity so as to
enable all country to compete internationally. The prosperity of a
company means prosperity of its employees and their families. The
concept of social harmony and peace in industry has permeated all
over Japan. As a result, unions are very reasonable and co-operative
with management for improving the performance of the company.
The master-servant concept has disappeared in Japan.

A growing economy requires a work-ethic and therefore, it is
understandable when late Mr. Rajiv Gandhi, the young Prime
Minister of India asserted that a new work culture must be evolved
in which government is "result bound and not procedure bound". Reward and punishment must be related to performance and strong
concern for efficiency must permeate all institutions.
Indian work ethic is another fact, where the work ethic needs drastic-re-orientation and regard for labour, be it manual or otherwise and should be given top priority.

Why the secrets of present day Japanese miraculous economic-growth and its effective management have become a fascination for all the academics, business leaders, practitioners and businessman from developed as well as from developing countries. The developed countries are confronted with some serious human resource management problems such as increasing negative attitudes of workers, lack of work ethic and increasing conflicts between the management and employees. These prevalent state of affairs have compelled the developed countries to look at Japan for emulation. On the other hand developing countries like India are looking towards Japanese competent management techniques to abolish poverty by increasing the rate of economic growth and also to manage human beings at work for higher productivity.

Japan's remarkable achievements were due to a combination of several factors, i.e.

Japanese priority to production line - best talent assigned to marketing and production. Most energetic and talented employees are sent to shop floor.

Flexible job classifications, kept deliberately wider and vague to enable inter-departmental cooperation.
Japanese management practices are designed to avoid class distinctions: e.g. common work uniform from the President to the Janitor, common canteen, etc. are aimed at promoting a sense of common identity.

The Japanese president is thus, no different from other employees, who therefore, easily identify with him producing a unique feeling of unity within the company.

Japanese are willing to incorporate the opinions of people at every level of the organization, which appeals to every working heart, builds a spirit of camaraderie and carries the pleasure of working together with friends.

The typical Japanese commitment and respect for the individual and appreciation that every employees has something to contribute towards improvement.

Japanese is the only nation who have develop a systematic and standardized decision making known as Group Decision Making which insists that a decision should not be based on majority but on consensus. In Japan relations between workers and management are very cordial. Both management and labour consider improvements in productivity.

Indian and Japanese Collaboration Relevance

Each nation has its characteristics which might differ significantly. Hence, a given set of principles and practices can not be made universally applicable. Business organizations are run by
people and people differ in their characteristics. Even so, both nations and people possess common characteristics as well.

Both India and Japan are rich in ancient traditions and history. What is unique about the Japanese is their ability to retain their rich tradition and culture and link them effectively to the modern realities. Quite contrary to this we observe an erosion in the rich traditions of India.

On the face of it there appears to be a lot of commonality between the Japanese and Indian way of life, its ethics, culture and work philosophy, but the main difference between the Japanese and Indian value systems and business philosophy, is reflected in our culture of individualism against the Japanese sense of nationalism. In India, the main concern always is, what the state is doing for the individual, in Japan the question always asked is, what the individual is doing for the State. For Japanese it is the national interest which is always and most supreme. The interest of the organization comes next and is followed by personal interest. In India, the situation is just the reverse.

Moreover, Indians have a tendency to do or not to do certain things in organizations as consequence to certain political pressures, the friendships, personal favours, regionalist considerations etc. one
must rise above all these aspects and strive with a single-mindedness towards the accomplishment of objective alone.

So, it is clear that it seems worthwhile and relevant for us to learn from the experience of the Japan and suitably adopt its concepts and practices to the Indian environment. Japan is an outstanding example in point of borrowing ideas from the western world, particularly as far as the organisation is concerned.