CHAPTER 5

‘PISoolip’ - A Paradigm Shift in the Methodology to Measure the Effectiveness of Participative Management

5.1 Introduction

‘Labour participation in management’ has been a ‘hot issue’ for all the times. Even though, the Union Government has made much efforts to get it fully operationalised in the industrial sector; the general feeling is that most of the business units are afraid of even initiating it in a small way due to one or more reasons. Perhaps, the much complexity with regard to the formal structure and nature of participative management might have created a sense of apprehension in the minds of stakeholders. At the same time, many industries execute the very same concept in an informal manner. Hence the need and necessity of design-

Part of the contents included in this chapter have formed the paper Deepu (2008).
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ing a practical approach to measure the effectiveness of participative management in the industrial sector can hardly be exaggerated.

5.2 ‘PISOLIP’- A New Approach to Measure the Effectiveness of Participative Management

It is a fact beyond doubt that a very formal system of participative management rarely exists in the industrial establishments in Kerala (Pushpa, 1993; Vijaya Prabha, 2007). Therefore, it is the right time to enquire about the designing of an alternative model that shall be helpful in measuring the effectiveness of participative management in the industrial sector of Kerala.

It is in this respect the concept of ‘informal participation’ gains importance. Drafting of an organisation manual for effecting workers’ participation in management, organizing committees at various levels, ensuring worker representatives even in the Board of Directors etc. are the forms of formal participation of workers in management. Since the volume and magnitude of participation in this nature is too negligible and at the same time, many business organisations substantially improve in their organisational efficiency and productivity over the years due to the well maintenance of a satisfied and motivated labour force, it is evident that the role and significance of certain ‘indirect’ means of workers participation is worth studying. The researcher, for better convenience and understanding, has categorized these factors under eight heads, namely,

1. Productivity;

2. Industrial relations;

3. Social commitment of the Organisation;

4. Organisational effectiveness;

5. Organisation culture and development;

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6. Labour welfare and compensation;

7. Industrial discipline; and

8. Professional development of the labour.

The volume and magnitude of above mentioned factors in an industrial organisation has a direct correlation with the effectiveness of participative management there. The more their presence, the more will be the effectiveness of labour participation in management. The researcher has coined the term ‘PISOOLIP’ to recognise the above mentioned eight variables collectively by incorporating the first letters of those variables.

Hence, the determinants of effectiveness of participative management in the industrial sector of Kerala can be studied with reference to each of the constituent of PISOOLIP. A brief discussion of these variables is attempted below.

5.2.1 Productivity

**Meaning and Definition**

A crucial and decisive factor contributing to the volume of effectiveness of participative management is ‘productivity’. Measuring the variations in productivity between two periods can be a hint with regard to the participative nature of the business in the sense that any improvement in productivity can be attributed to the increased nature of participation of the labour force in organisational affairs.

The welfare of individuals, the growth of business establishments, and the development of the national economies are largely dependent on their comparative productivity. Productivity is the ratio between the output of the wealth produced and the input of resources used in the process of any economic activity. There always exists a scarcity of input of resources and each input possesses certain inherent ‘input creativity’ which is translated into output. The ‘input creativity’ can yield greater amount of output through ‘conversion efficiency’. Thus ‘conversion efficiency’ is the basis of industrial productivity.
According to the Oxford Illustrated Dictionary (2003), productivity is “efficiency in industrial production to be measured by some relationship of outputs to inputs.”

The Encyclopedia Britannica (2005) views productivity as “the ratio of what is produced to what is required to produce it. Usually this ratio is in the form of an average, expressing the total output of some category of goods divided by the total input of say, labour or raw materials. In principle, any input can be used in the denominator of the productivity ratio. Thus one can speak of productivity of land, labour, capital or sub-categories of any of these factors of production.”

The concept of productivity is so closely attached to the labour input that the term ‘productivity’ is almost used as the synonym of ‘productivity of labour’. The International Labour Organisation (1947) has defined productivity in this context. “Productivity is the ratio between the volume of output as measured by production indices and corresponding volume of labour input as measured by employment indices.”

**Productivity and Production**

The concept of productivity and that of production are different. Production refers to the absolute output, while productivity is a relative term wherein output is always expressed in terms of input. The production may rise without the corresponding rise in the productivity and vice versa. If inputs remain the same and the production output increases, there is a rise in the level of productivity. If the output rises in greater proportion than the increase in the input, there is still a proportionate rise in the level of the productivity. But if the output rises at a slower rate than the input, there will be a fall in the productivity even though there is an increase in production on the whole.

Productivity, thus, refers to efficient utilisation of resources. The improvement in the level of productivity refers to the efficient utilisation of the various types of inputs contributing to the output.

The concept of productivity integrates the objectives of both the owners and workers.
Greater productivity increases production through efficient utilisation of inputs rather than the exploitation of workers. In principle, it emphasises that due share in the increased production and profits must go to the workers who are the key contributories to the productivity.

**Importance of Productivity**

The productivity consciousness has increased in all types of business activities because it avails the following advantages:

1. It emphasises the efficient utilization of all the factors of production which are scarce universally. It attempts to eliminate the wastage of every kind.

2. It facilitates the comparison of performance of the firm with that of its competitors or related firms, both in terms of aggregate results and in terms of major components of performance.

3. It enables the management to control the performance of the firm by identifying the comparative benefits arising out of the use of different inputs, or varying proportions of the same inputs, currently and over longer periods, as the basis for considering alternative adjustments over future periods.

4. It also provides a reliable data for certain managerial decisions such as collective bargaining regarding the wages with the trade unions, effective presentation before the government against the imposition of prospective restrictions etc.

5. At the national level, the statistical data about the productivity assist the government in framing its economic policies.

**Factors Affecting the Industrial Productivity**

Productivity is a technique of extracting greater output from the inherent ‘input creativity’ of various resources through the ‘conversion efficiency’. The ‘conversion efficiency’ which changes the level of productivity is largely affected by numerous factors, namely,
1. **Technological factors**
   The technological advancement always strives to achieve the increased production with minimum of costs and efforts, which always result into increased productivity.

2. **Managerial factors**
   Progressive and imaginative managerial skill always taps greater output of the human and non-human resources. Good organisational relationships, delegation of authority, true recognition of human factor, imaginative judgment etc. results into increased productivity.

3. **Financial factors**
   The availability of financial resources enables business organisations to spend money for the research and development, employment of professional executives, adoption of latest technology, provision of amenities for labour etc. All these factors directly affect the level of the productivity. The low level of productivity and poor industrial growth of the underdeveloped countries are due to poor capital formation and constraints on the financial resources.

4. **Natural factors**
   The natural resources like geographical, physical, and climatic conditions directly affect the level of the productivity.

5. **Sociological factors**
   The genetic characteristics, racial quality etc. have a great impact on the productivity of the labour. The productivity is also affected by the attitude of the workers towards the work and the approach of the management towards the working force and the provision of working conditions.

6. **Governmental factors**
   The government policy regarding financial incentives, taxation, industrial licensing, labour laws etc. also affects the productivity.
Tools of Productivity

All progressive business organisations strive to attain the higher levels of productivity. The productivity is a key factor which brings success to any Organisation. The level of productivity can be increased through the following measures:

1. Application of the scientific management techniques;
2. Devising better methods of operating the things with the help of time, motion, and method studies;
3. Implementing simplification and standardisation in operations;
4. Application of the principle of division of labour and specialisation;
5. Effectivating the control techniques, such as production control, quality control etc.;
6. Improvement in the plant-layout and material handling facilities;
7. Provision of better working conditions and personnel services;
8. Provision of effective plant maintenance services;
9. Proper selection and training of workers; and
10. Establishment of good industrial relations in the Organisation.

5.2.2 Industrial Relations

Meaning and Definition

Another determinant of effectiveness of participative management in the industrial sector as perceived by the researcher is the prevailing industrial relations. A very cordial and congenial industrial atmosphere is prima-face resulting in a positive attitude of the working force. Industrial relations is concerned with structuring and regulating the employment relationship by means of interaction, dialogue, bargaining, and argument between the employers and employees. It is a participatory process that allows employees to exert some
influence over their work and the conditions under which they work, which results in the involvement of employees in the decision-making process, which traditionally has been the responsibility and prerogative of the employer and manager. The term ‘industrial relations’ has been widely used as an integral aspect of social relations arising out of employer-employee interaction in industries, regulated by the State in varying degree, in conjunction with organised social forces. In the words of Pande (2008), “industrial relations involves a study of the state, the legal system, and the workers and employers organisations at the institutional level, and the patterns of industrial organisations including management, capital structure, labour force, and a study of market forces at the workplace”.

Industrial relations is concerned with job regulation and rule-making in the employment relationship. Armstrong (1995) defined industrial relations in the following words: “Industrial relations is concerned with the systems and procedures used by unions and employers to determine the reward for effort and other conditions of employment, to protect the interest of the employed and their employers and to regulate the ways in which employers treat their employees.”

According to Deery et al. (1997) “in its broadest sense, industrial relations is about the behaviour and interaction of people at work. It is concerned with how individuals, groups, organisations, and institutions make decisions which shape the employment relationship between management and labour.” Yodar (1997) defined industrial relations as “a whole field of relationship that exists because of the necessary collaboration of men and women in the employment process of an industry.” Another noteworthy definition has been given by Deb (2009). “Industrial relations is concerned with the administration of the employment function and involves harmonious relationship with workers, unions and government.”

**Objectives of Industrial Relations**

The key objectives of industrial relations include the following:

1. The efficient production of goods and services and, at the same time, determination of adequate terms and conditions of employment, in the interests of the employer,
employees, and society as a whole, through a consensus achieved through negotiation;

2. The establishment of mechanisms for communication, consultation, and co-operation in order to resolve workplace issues at enterprise and industry level, and to achieve through a bipartite or tripartite process and consensus on labour policy at national level;

3. Avoidance and settlement of disputes and differences between employers, employees, and their representatives, where possible through negotiation and dispute settlement mechanisms;

4. To provide a social protection where needed e.g. in the areas of social security, safety and health, child labour etc.; and

5. Establishment of stable and harmonious relations between employers, employees, and their organisations, and between them and the state.

**Importance of Sound Industrial Relations**

A sound industrial relation system is one in which relationships between management and employees on one hand, and between them and the State on the other, are more harmonious and co-operative and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust. Industrial relations seek to balance the economic efficiency of Organisations with equity, justice, and the development of the individual, to find ways of avoiding, minimizing, and resolving disputes and conflicts and to promote harmonious relations between and among the actors directly involved, and society as a whole. Good industrial relations are asset to any Organisation. Healthy industrial relations helps the Organisation in the following ways:

1. Leads to mental revolution;
2. Creates conducive environment for new programmes;

3. Enhances employee morale;

4. Reduces industrial disputes; and

5. Reduces scraps and wastages.

**Stakeholders of Industrial Relations**

There are three major stakeholders of industrial relations in India, namely, labour and their representative organisations, employers and their representative organisations and the state and its agencies.

Traditionally the relationship between capital and labour has been a disbalanced relationship. This is because labour is a weaker party as compared to its employers. In order to protect its rights and further its interest and issues as a class, it is not possible for any individual worker to obtain the same from his employer. Therefore, labour forms in collectivity its own representative organisations which are commonly known as trade unions. These trade unions are essentially political institutions, created under the Trade Union Act, 1926 and patroned by major national and regional political parties. The trade unions act as a pressure group on employers in order to obtain concessions and benefits from the employers for the employees.

With rapid industrialisation, the number of people working in industrial organisations has increased manifold. With the increase in workforce, the number of trade unions has increased exponentially. With this, employers as a class are increasingly coming under pressure for providing increased wages, better working conditions and higher benefits. Therefore, in order to create a counter force, employers have created associations for protecting their rights as employers. These associations are essentially trade bodies, which seek to further the interest of the industry as a whole.

India being a welfare state, has a professed responsibility for maintaining and further-
ing the well-being of all its citizens, which includes employees as well as employers. The state through its various agencies and authorities keeps close eye on the relationship between employers and employees and intervenes as a third party with a view to establish sweet and harmonious relationship between capital and labour.

Factors Affecting Industrial Relations

The industrial relations system of an Organisation is influenced by a variety of factors. These interrelated and interdependent factors determine the texture of industrial relations in any setting. In fact, they act, interact, and reinforce one another in the course of developing the industrial relations. Factors affecting industrial relations are the following:

1. Institutional factors;
2. Economic factors;
3. Social factors;
4. Technological factors;
5. Psychological factors;
6. Political factors;
7. Enterprise-related factors; and

Institutional factors include government policy, labour legislation, collective bargaining agreements, joint family system, system of power status etc. Economic factors included economic organisations, structure of labour force, demand for and supply of labour force etc. Under social factors items like population, religion, customs and traditions of people, race ethnic groups, cultures of various groups of people etc. are included. Under technological factors fall items like work methods, type of technology used, mechanisation,
automation, rationalisation, computerisation etc. Those factors pertaining to industrial relations like employer’s and employee’s attitude towards work, the degree of motivation and morale etc. are included under the head psychological factors. The political factors include the political system in the country, political parties and their ideologies, their growth, mode of achievement of their policies, involvement of trade unions etc. Under enterprise-related factors, fall issues like style of management prevailing in the enterprise, its philosophy and value system, organisational climate, organisational health, extent of competition, adaptability to change, and the various human resources management policies. Under global factors, the various issues included are international relations, global conflicts, dominant economic-political ideologies, global cultural milieu, economic and trading policies of power blocks, international trade agreements and relations, role of international agencies like International Labour Organisation etc.

**Approaches to Industrial Relations**

Industrial relations issues are complex and multifarious. A number of approaches have emerged for managing industrial relations. The common approaches to industrial relations are described below:

1. **Psychological approach to industrial relations**
   According to psychologists, issues of industrial relations have their origin in the differences in the perceptions of management, unions and rank and file workers. The perceptual differences arise due to differences in personalities, attitudes etc. Similarly, factors like motivation, leadership, group goal versus individual goals etc. are responsible for industrial conflicts.

2. **Sociological approach to industrial relations**
   Industry is a social world in miniature. Organisations are communities of individuals and groups with differing personalities, educational and family backgrounds, emotions, sentiments etc. These differences in individuals create problems of conflict and competition among the members of industrial society.
3. Human relations approach to industrial relations

Human resources are made up of living human beings but not machines. They need freedom of speech, thought, expression, movement, and control over their timings. This approach implies that relationship between employee and employer as between two human beings.

4. Gandhian approach to industrial relations

Mahatma Gandhi’s views on industrial relations are based on his fundamental principles of truth, non-violence, and non-possession. Under the principles of non-violence and truth, Gandhiji meant a peaceful co-existence of capital and labour. He advocated that workers should seek redressal of reasonable demands through collective action.

5. Dunlop’s approach

Dunlop (1958) in his book on ‘Industrial Relations System’ presented an analytical framework of industrial relations. The purpose of his presentation was to provide tools of analysis to interpret and to gain understanding of the widest possible range of industrial facts and practices. According to him, actors of industrial relations include workers at all levels of an enterprise and their associations, employers and their associations, and the government. The industrial relations system is highly influenced by the relative distribution of power among these actors. At the same time, the environmental factors of technology and market also interact with each other and influence the industrial relations system.

Interrelations of Industrial Relations

Six types of relationships are evolving out of a dynamic industrial relations environment. They are the following:

1. Employee-employer relationship;

2. Employee-employee relationship;
3. Employee-union relationship;

4. Union-management relationship;

5. Management-employer relationship; and

6. Union-employer relationship.

These relationships are exemplary and each shall supplement and compliment the rest.

5.2.3 Social Commitment of the Organisation

Meaning and Definition

Society has become increasingly aware of the interdependence between business and its environment. Business organisations are no longer viewed as totally private bodies free to pursue their own goals. Instead, they are increasingly expected to contribute to the betterment of society.

The term ‘social commitment’ or ‘social responsibility’ of a business organisation can be explained in the following manner: The business organisation is primarily responsible to perform its economic function of producing and supplying goods and services in the most efficient manner so as to maximise its profits. While performing its economic function, the business has got a fundamental obligation to consider the interest of society at large. As an economic agent of society, a business enterprise must use its economic power to protect and promote public interest and social values.

Social responsibility transcends legal obligations and it is on a voluntary basis for the genuine benefit of the society. In the words of Drucker (1988), “social responsibility requires management to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength, and harmony.”
According to Davis (2002), “social responsibility is the obligation of the decision makers to take decisions which protect and improve the welfare of the society as a whole along with their own interest.”

**Nature of Social Commitment**

Social responsibility has become the hottest phrase in the current corporate lexicon. A socially responsible business organisation does not operate to benefit a narrow segment of society like shareholders. Rather it seeks to pursue the wider public interest. It has a sincere concern for public interest and social good which legitimises the pursuit of private profit. It serves as an instrument of purposeful and positive social change within the constraints of its economic viability and solvency. It has keen social orientation and social sensitivity which are embodied into its objectives, policies, and day-to-day functioning. It is in this context Jones (1980) has defined corporate social responsibility as “a firm’s obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract.”

A socially responsible Organisation considers both the economic and social implications of alternative courses of action, before taking any decision. It finds out and pursues an appropriate harmony between its economic and social goals. A business organisation is doing business only because society grants it the right to do so and this right will continue only so long as society is satisfied with its results. The grantors of the right are the owners, creditors, suppliers, employees, customers, and the general public at large (Parket and Eilbert, 1975).

Mahatma Gandhi (1947) evolved the theory of trusteeship to make businessmen responsible to society. According to him, “those who own wealth should hold and use it on behalf of and for the benefit of the society. Businessmen are trustees of the society and they should not use the resources at their command for self-enrichment at the cost of the society. They should earn a reasonable income for themselves and should avoid all types of exploitation in the process of earning profits.” Gandhiji hold the theory of trusteeship as
a peaceful method of transforming a capitalist society into an egalitarian society where the employees, customers, government, and the public will have a share in the ownership and management of big business.

Case for Social Responsibility of Business

The rationale for assuming social responsibility lies in the following arguments:

1. Coalition
   A business organisation is a coalition of several interest groups such as shareholders, customers, employees, suppliers etc. Business should, therefore, work for the interest of all of them rather than for the benefit of shareholders alone.

2. Creation of society
   Business is a subsystem of society. It draws support and sustenance from society in the form of inputs. Socially responsible behaviour is essential to sustain this relationship between business and society.

3. Social impact
   During the course of its functioning, a business enterprise makes several decisions and actions. Its activities exercise a strong influence on the interests and values of society. Business must fulfill social obligations as a compensation for undermining the legitimate interest of society.

4. Social power
   Large corporations have acquired tremendous social power through their multifarious operations. Social power may be misused in the absence of social responsibility. In the words of Davis (2002), “in the long run those who do not use power in a manner that society considers responsible will lose it. This is the iron law of responsibility.”

5. Legitimacy
   It is in the enlightened self-interest of business to assume social responsibility since;
it legitimises and promotes the economic objectives of business. By improving social life, business can obtain better customers, employees, and neighbours. Social responsibility is thus good citizenship as well as good business.

6. *Competence*

Business organisations and their managers have proved their competence and leadership in solving economic problems. Society expects them to use their competence to solve social problems and thereby play a leadership role.

7. *Free enterprise*

If business does not voluntarily assume social responsibilities, government will force it to do so through regulation and control. Failure to discharge responsibility will eventually result in the death of an enterprise. It is better to behave in a socially responsible manner and thereby avoid government control.

8. *Professional conduct*

Professional mangers are required to display a keen social sensitivity and serve the society as a whole. Social responsibility is one of the professional demands on managers.

9. *Public image*

Adoption of social responsibility as an objective will help to improve the public image of business. A good public image is a valuable asset for any business organisation.

**Responsibilities of Business Towards Different Groups**

The scope of social responsibilities of business is very wide. The responsibility is manifold and extends to all those who have a stake in the business. To be specific, the management of a business enterprise is responsible to:

1. the inside group consisting of shareholders and employees; and
2. the outside group comprising customers, suppliers, government, and the community in general.

These internal and external responsibilities of a business organisation are explained below:

1. Responsibility towards shareholders

   (a) fair return on investment;
   (b) safety of investment;
   (c) steady appreciation of investment; and
   (d) regular, accurate and full information about the working and progress of the company.

2. Responsibility towards employees

   (a) fair wages and salaries;
   (b) good and safe working conditions;
   (c) adequate service benefits such as housing, medical facilities, insurance coverage, retirement benefits etc.;
   (d) recognition of workers' rights to form trade unions, to collective bargaining, and strike;
   (e) opportunities for education, training, and promotion; and
   (f) workers' participation in decision-making.

3. Responsibility towards customers

   (a) regular supply of right quality goods at right time and right place;
   (b) charge reasonable prices;
c) supply goods that meet the needs of different classes and tastes with different purchasing power;

d) prompt, adequate, and continuous service;

e) prompt redressal of customer’s grievances;

f) true and fair information through advertisements; and

g) avoid unfair and unethical practices like adulteration, hoarding, and black-marketing.

4. Responsibility towards government

a) to abide by the laws of the land;

b) to pay taxes honestly and in time;

c) to avoid corrupting public servants;

d) to encourage fair trade practices; and

e) to avoid monopoly and concentration of economic power.

5. Responsibility towards community

a) to make the efficient and best possible use of the resources of the society;

b) to provide maximum possible employment opportunities;

c) to keep the environment healthy and free from all types of pollution;

d) to contribute to the upliftment of the weaker sections of the society;

e) to refrain from indulging in anti-social and unethical practices;

f) to improve public health, education, and cultural life of the community;

(g) to set up socially desirable standards of living and avoid ostentation and wasteful expenditure;

(h) to provide and promote general amenities and help in creating better living conditions in general; and
to play a proper role in civic affairs.

It is a fact that a business organisation working on sound lines only could cater the varying needs of the surrounding community. Such a business unit shall recognise the social needs of its workers, follow an accurate financial and cost reporting and accounting policy, provide quality goods at fair prices, fight against black marketing and hoarding, undertake various community development activities, ensure prompt payment of taxes and duties to the government, protect the environment and maintain eco-friendliness, and generate employment opportunities in the society.

5.2.4 Organisational Effectiveness

Meaning and Definition

Organisational effectiveness has attracted considerable attention these days. This increased attention is seen in two phenomena. First, interest in this topic has heightened by a growing appreciation of the vital role played by business organisations in the life of people in the contemporary society. People have become depended on Organisations of various types for the satisfaction of their needs, and their need satisfaction directly depends on the degree of effectiveness of Organisations. Second, an effective Organisation shall always pay due attention to the varying needs and wants of its workforce and always keep them satisfied. Thus, in a way, organisational effectiveness is the key to organisational success and growth.

Yutchman and Seashore (1967) has commented that “an Organisation remains effective as long as it uses its resources in an efficient manner and continuous to contribute to the large system.”

In the words of Kimberly (1979), “effectiveness of an Organisation can be seen in terms of the survival of the Organisation.” According to Etzioni (1990), “organisational effectiveness is the degree to which an Organisation realises its goals.”
Constituents of Organisational Effectiveness

Organisational effectiveness is one among the primary factors on the basis of which the participative nature of the business organisation can be measured. The variables those responsible to contribute positively towards organisational effectiveness are identified by the researcher as follows:

1. Organisational goals, policies and procedures;
2. Better communication;
3. Better co-ordination;
4. Proper delegation of authority and responsibility;
5. Better accountability;
6. Motivation and morale;
7. Effective supervision;
8. Effective decision-making;
9. Better technology adaptation; and

1. Organisational goals, policies and procedures

Goals are the end results for which Organisations strive, and these end results are often referred to as mission, purpose, goal, objective, target etc. An Organisation as a collectivity of people must define why it exists and how it justifies that existence. From this point of view, the Organisation must define its mission and goal. “The purpose or mission of an Organisation is a general enduring statement of the Organisation the extent of which embodies the decision maker’s philosophy; it implies
the image which the Organisation seeks to project.” (Drucker, 1974). Organisational mission, defined properly, offers guidance to managers in developing sharply focused, result-oriented objectives, strategies, and policies. Therefore, a detailed understanding of organisational mission is the starting point for rational managerial action and for the design of its strategies. Managerial effectiveness and labour effectiveness tend to begin with clarity of mission with an accurate, carefully delineated concept of just what the Organisation is trying to do and why. A feature of organisational goal analysis, according to some management experts is that there is often difference between official goals and actual operating goals. “Official goals are the general purposes of the Organisation as put forth in the charter, annual reports, and public statements like key and other authoritative pronouncements. Operative goals, on the other hand, designate the ends sought through the actual operating policies of the Organisation; they tell us what actually the Organisation is trying to do, regardless of what the official goals are” (Perrow, 1961). He further points out that the types of goals most relevant to understanding organisational behaviour are not the official goals, but those that are embedded in major operating policies and daily decisions of the personnel.

2. Better communication

Organisation is a group constituted for achieving certain specified objectives. The individuals in an Organisation performing different activities are functionally interrelated. The working and maintaining of these relationships is possible through communication, which provides for exchange of information and sharing of ideas. Communication, then, becomes a necessary element in human relationships by providing the foundation for human interaction. Further, it also performs the energising function in the Organisation by transmitting information, facts, feelings and ideas thereby making co-ordinated efforts possible.

The significance of better communication in the context of modern complex Organi-
sation is even greater. The process of communication involves something more than mere transmission of the message; the proper interpretation and understanding of the message is also important from the point of view of organisational effectiveness. As such, the greater the degree of understanding presents in the communication, the more the likelihood that human action will proceed in the direction of accomplishing goals.

In an industrial organisation, there are a number of channels or paths connecting various positions for purposes of communication; the sum total of these channels is referred to as ‘communication network’. Broadly, the communication network is made up of two types of channels which are interrelated and interdependent, namely, formal and informal. The existence of both formal and informal channels is necessary for organisational communication and thus contributing to organisational effectiveness. The formal channel is the deliberately created and officially prescribed path for flow of communication between various positions in a business organisation. The informal channel of communication, also known as ‘grapevine’, is the result of not of any official action, but of the operation of social forces at workplace.

Communication is the life blood of an Organisation and without it Organisation cannot exists. As such, management should ensure that adequate and smooth communication flows in all directions and it is effective as well.

3. *Better co-ordination*

Better co-ordination is the essence of organisational effectiveness. It is the integration or synchronisation of group efforts in the Organisation to achieve its objectives. In the words of Haimann (1972) “co-ordination is the orderly synchronising of efforts of the subordinates to provide the proper amount, timing and quality of execution so that their unified efforts lead to the stated objective, namely, the common purpose of the enterprise”.

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In an Organisation, every individual is related with others and his function affects others. Since all individuals ultimately contribute to the same end result, their contribution will be the maximum when there is positive effect of one’s efforts over others. If this is not done, the efforts of some will be counter productive for others. From this point of view, co-ordination has got high significance. It is a continuous and dynamic process that involves the fixation of time and manner of performance of various functions in the business organisation and makes the individual efforts integrated with the total process. Higher is the degree of integration in the performance of various functions by various persons in the Organisation, higher is the degree of co-ordination and higher is the possibility of achievement of organisational objectives and contribution to the organisational effectiveness.

4. Proper delegation of authority and responsibility

“Authority is the power to make decisions which guide the actions of another. It is the relationship between two individuals, one superior, and the other subordinate. The superior frames and transmits decisions with the expectation that these will be accepted by the subordinates. The subordinate executes such decisions and his conduct is determined by them” (Simon, 1977). Authority is one of the means of influencing behaviour of people in an Organisation. According to Koontz et al. (1996) “authority in the Organisation is the power of a position and through it, the person occupying the position exercises discretion in making decisions affecting others”.

“Responsibility is the duty to which a person is bound by reason of his status or task. Such responsibility implies compliance with directives of the person making the initial delegation” (Hurley, 1980). Thus responsibility is the obligation of an individual to perform activities and duties assigned to him to the best of his ability.

Organisational effectiveness cannot be accomplished without a proper and balanced delegation of both authority and responsibility. Assignment of various activities in an industrial establishment to different jobs and positions through the process of delega-
tion creates responsibilities and in order to carry these responsibilities, appropriate authority shall also be delegated. In fact, delegation of authority must be commensurate with responsibility.

5. **Better accountability**

Another essential factor contributing to organisational effectiveness is the volume of accountability of a subordinate to his superior. When a person in the organisational hierarchy is delegated with enough authority and responsibility to carry out a job, he is made accountable for the performance of the particular job. Thus Hurley (1980) has defined accountability as “liability for reckoning of the responsibilities received by delegation of authority.” Robbins (1978) has given a more comprehensive viewpoint of the term accountability. “Authority is the right to act, responsibility is the obligation to carry out delegated authority; and accountability establishes reliability for the proper discharge of the duties delegated to the subordinates.”

Thus accountability creates the obligation for the maintenance of responsibility by the superior and an accompanying insistence that the work performed must meet his expectations. Subordinates are responsible for the completion of tasks assigned to them and are accountable to their superiors for the satisfactory performance of that work.

6. **Motivation and morale**

Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong motivation will enable the increased output of employees but a negative motivation will reduce their performance. Every superior in the business organisation must motivate his subordinates for the right types of behaviour. It is the process of stimulating people to action to accomplished desired goals. In the words of McFarland (1974) “motivation refers to the way in which urges, drives, desires, aspirations, strivings, needs direct, control, or explain the behaviour of human beings.” Motivated employees put higher
performance as compared to other employees. Further, motivated employees stay in
the Organisation resulting in low employee turnover and absenteeism. Not only that,
if the labour of an Organisation is kept properly motivated, it can easily introduced
organisational changes.

Organisational effectiveness, to a large extent, is influenced by the level of motivation
of workers. Maslow (1954) has studied the human wants and needs and coined
his ‘need hierarchy theory of motivation’. According to him, human needs can be
arranged in a hierarchy ranging from the lowest order needs to the highest order
needs and each higher level need emerges even before the complete satisfaction of
a lower level need.

Herzberg et al. (1959), on the basis of a study, established that there are two sep-
arate sets of conditions which are responsible for the motivation and dissatisfaction
of workers. When one set of conditions called ‘motivators’ is present in the Organ-
isation, workers feel motivated but its absence does not dissatisfy them. Similarly,
when another set of conditions, called ‘dissatisfiers’ is absent in the Organisation,
the workers feel dissatisfied but, its increased presence does not motivate them.
According to Herzberg et al. (1959), there are six factors that motivate employees.
These are: achievement, recognition, advancement, work itself, possibility of growth,
and responsibility. Most of these factors are related with job contents. An increase
in these factors will satisfy employees; however any decrease will not affect their
level of satisfaction. There are ten dissatisfiers or hygiene factors, namely, company
policy and administration, technical supervision, inter-personal relationship with su-
pervisors, inter-personal relationship with peers, inter-personal relationship with sub-
ordinates, salary, job security, personal life, working conditions, and status. They are
not intrinsic parts of a job, but related with conditions under which a job is performed.
These maintenance factors are necessary to maintain a reasonable level of satisfac-
tion in employees. Any increase beyond this level will not provide any satisfaction to
the employees; however, any cut below this level will dissatisfy them.

Morale refers to the overall attitudes of individuals and groups in an Organisation towards their work environment. It is a bye-product of motivation. It is a collection of employee’s feelings, sentiments, and attitudes towards their jobs, superiors and the company. It reflects a state of mind of people arising out of their working and living environment. If the employees appear to feel good, happy, optimistic, and friendly, there may said to exist a high morale. High morale is always associated with superior motivation and accomplishment and low morale is resulting from frustration, discouragement and the lack of drive.

The volume and magnitude of motivation received by an employee is positively reflected in his work attitude. Morale can be best described in terms of the feelings of an employee or manager toward his work; it is thus a matter of work satisfaction. Guion (1958) described morale from the point of view of an individual worker and defined it as “the degree to which the individual needs are satisfied and the degree to which the individual desires satisfaction from his total job situation”. Hence motivation and morale are positively correlated.

7. Effective supervision

Supervision is an important element determining organisational effectiveness. Managers at all levels perform the supervisory function. At each level, supervision is required to translate plans and programmes into action.

Supervision means overseeing the subordinates at work to ensure that they are working according to plans and policies of the Organisation. It involves direct face-to-face contact between the supervisor and his subordinates. The aim of supervision is to ensure that subordinates work efficiently and effectively to accomplish the organisation objectives.

In the above context, the responsibilities of a supervisor are quite onerous. He is
expected:

(a) to schedule work so as to ensure an even and steady flow;
(b) to assign work to different individuals according to their abilities;
(c) to provide proper working conditions, materials, tools and other facilities to workers;
(d) to issue orders and instructions to the subordinates;
(e) to prescribe work methods and procedures;
(f) to guide, train and inspire workers in the efficient performance of work;
(g) to enforce rules and regulations so as to maintain discipline;
(h) to communicate managerial policies and decisions to workers;
(i) to convey workers’ suggestions and grievances to management; and
(j) to review quantity and quality of performance and to take corrective action, if necessary.

Effectiveness of supervision is judged on the basis of how the supervisor is contributing to his Organisation by his work. Thus, he and his effectiveness can be measured in terms of his qualities, his supervisory process and the result of his actions. All these are related to the contributions to the achievement of organisational objectives. In order to be effective in his work, a supervisor should have the following fundamentals in his mind:

(a) Accurate and effective planning is an essential element of good supervision. An effective supervisor must be able to develop a realistic framework for planning of work. He should be fully familiar with management by objectives, budgeting, network analysis, and other techniques of long-range planning.
CHAPTER 5. ‘PISOOLIP’ - A PARADIGM SHIFT IN THE METHODOLOGY TO MEASURE THE EFFECTIVENESS OF PARTICIPATIVE MANAGEMENT

(b) A supervisor should be able to manage his time effectively. Also, he should be a good delegator. By assigning some of the work to his subordinates, a supervisor can utilise his time on high priority tasks.

(c) Purposeful and systematic arrangement of the resources and activities of the group is another fundamental of good supervision.

(d) Effective supervision involves proper staffing of workers. In large organisations, the personnel department looks after the selection and orientation functions. In small organisations, on the other hand, supervisors are responsible for the selection and orientation of workers.

(e) Supervisors are usually entrusted with the responsibility of training and development of the workers. They provide on-the-job training to new and existing employees. During the process of training and development, a supervisor is required to instruct, suggest, praise, criticise, comment, and question the employees.

(f) Discipline is essential for the effective functioning of every organisation and enforcing proper discipline determines the effectiveness of supervision. An effective supervisor shall have the ability to understand and to cope with the personal problems of employees in so far as these are related to performance.

(g) Every supervisor is responsible for evaluating the job performance of his workers and for submitting the appraisal report to higher authorities.

(h) Effective supervision requires understanding the process of controlling. Control consists of four phases—setting standards, measuring actual performance, comparing the actual with the standard, and taking the required corrective actions. A supervisor should use the appropriate methods and techniques for controlling the operations of his workgroup.

(i) A good supervisor should know how to deal with labour problems and maintain sound labour relations in the Organisation. A supervisor can create and
Chapter 5. ‘PISoolip’ - A Paradigm Shift in the Methodology to Measure the Effectiveness of Participative Management

maintain a healthy and productive relationship with employees by using his wit, charm, tact, and perseverance.

(j) Effective supervision is highly related to group cohesiveness. Group cohesiveness is characterised by the group situation in which all members work together for a common goal. An effective supervisor attempts for maintaining group cohesiveness by infusing trust and confidence in employees.

8. Effective decision-making

A decision is a course of action which is consciously chosen from among a set of alternatives to achieve a desired result. It represents a judgment and a commitment to action. According to Shull et al. (1970), “decision-making is a conscious and human process, involving both individual and social phenomenon based upon factual and value premises, which concludes with a choice of one behavioural activity from among one or more alternatives with the intention of moving toward some desired state of affairs.”

According to Haynes and Massie (1969), “decision-making is the process of selection from a set of alternative courses of action which is thought to fulfill the objective of the decision problem more satisfactorily than others.”

On the basis of the above description, the following features of effective decision-making can be identified:

(a) Decision-making is a goal oriented process. Decisions are made to achieve some goal or objective.

(b) Decision-making implies a set of alternatives. A decision problem arises only when there are two or more alternatives.

(c) Decision-making is a dynamic process; it involves a time dimension and a time lag. The techniques used for choice vary with the type of problem involved and the time available for its solution.
(d) Decision-making is always related to the environment. A manager may take one decision in a particular situation and quite another in a different situation.

(e) Decision-making implies freedom to the decision maker regarding the final choice. It also involves commitment of resources in specified ways.

(f) Decision-making is continuous or ongoing process. Managers have to take a series of decisions and managerial job is perpetually a decision-making exercise.

(g) Decision-making is an intellectual or rational process. Decisions are the products of deliberation, reasoning, and evaluation.

Decision-making is the vehicle for carrying managerial workload and discharging managerial responsibilities. It is through decision-making that managers strive to achieve organisational goals. Decision-making is so crucial to the job of managing that it is called the heart of management.

9. Better technology adaptation
Organisational effectiveness in a large way is influenced by the level of technology used by the business organisation. In the present day competitive business environment no firm can survive without the adaptation of the most modern technology. Not only in the production process, but also in every other walk of organisational life, modern technology finds its application.

Designing of the organisation layout, recruiting personnel, payment of compensation to workmen, providing continuous training for professional development, manufacturing of goods, its distribution, providing sales promotion and publicity etc. are some of the avenues where the sophisticated technology of the world class can be better adapted. The high the level of technology, the more will be organisational efficiency and effectiveness.
10. Job satisfaction

Job satisfaction is one of the important factors which have drawn attention of managers in the Organization as well as academicians. It is a set of favourable or unfavourable feelings with which the employees view their work. Job satisfaction like an attitude is generally acquired over a period of time as an employee gains more and more information about the workplace. It is the mental feeling of favourableness which an individual has about his job. DuBrins (1988) defined job satisfaction in terms of pleasure and contentment when he says that "job satisfaction is the amount of pleasure or contentment associated with a job. If you like your job intensely you will experience high job satisfaction. If you dislike your job intensely, you will experience job dissatisfaction."

While analysing the various determinants of job satisfaction, it is to be kept in mind that all individuals do not derive the same degree of satisfaction though they perform the same job in the same job environment at the same time. Therefore it appears that besides the nature of job and job environment, there are individual variables which affect job satisfaction.

Level of education of an individual is a factor which determines the degree of job satisfaction; though some studies have found negative correlation between the level of education, particularly higher level of education and job satisfaction (Korman, 1977). The possible reasons for this phenomenon may be that highly educated persons have very high expectations from their jobs which remain unsatisfied. In their case, Peter's principle which suggests that every individual tries to reach his level of incompetence, applies more quickly (Peter and Hull, 1969).

Individuals experience different degree of job satisfaction at different stages of their life. According to Hammer and Organ (1978), "job satisfaction is high at the initial stage, gets gradually reduced, starts rising up to certain stage, and finally dips to a low degree." Besides these factors, there are other individual factors also which
affect job satisfaction. If an individual does not have favourable social and family life, he may not feel happy at the workplace. Similarly, other personal problems associated with him may affect his level of job satisfaction.

Like individual factors, job related factors also have an influence on the level of job satisfaction of an individual. Higher level jobs provide more satisfaction as compared to lower levels. This happens because high level jobs carry prestige and status in the society which itself becomes a source of satisfaction for the job holders. Another job related factor influencing satisfaction is the content of the job. Job content refers to the intrinsic value of the job which depends on the requirement of skills for performing it, and the degree of responsibility and growth it offers. A higher content of these factors provides higher satisfaction.

Like individual and job related factors, there are situational variables related to job satisfaction. Working conditions, particularly physical work environment, like conditions of workplace and associated facilities for performing the job determine job satisfaction. Similarly, the type of supervision at the workplace affects job satisfaction. Other situational variables are the cases of equitable rewards, opportunity for promotion etc.

Job satisfaction significantly contributes to employee productivity and morale. An industrial organisation can be substantially benefited if it cares to develop general individual attitudes in its personnel that can effectively contribute to job satisfaction. If an Organisation appropriately discovers attitudes on factors related to the job, it can take necessary steps to prevent bad situations and thereby improve the job satisfaction of its employees.

As regards to measure for increasing job satisfaction, although management cannot change the personal factors in job satisfaction, it should appreciate the role of such factors and must take care to place the employees where the personal factors of the
individual will help him in achieving job satisfaction. Similarly, management can use the factors inherent in the job to plan and administer job more advantageously for its personnel. Factors controllable by the management such as security, opportunity for advancement including appropriate policies for promotions and transfers, working conditions etc. are quite significantly related to job satisfaction and management should carefully watch them and take necessary steps to develop a well satisfied group of employees by adopting appropriate policies and practices in regard to such factors. Above all, while keeping in view the factors related to job satisfaction, the management must recognise the importance of the stability of employee attitudes that may lead to high morale and production.

5.2.5 Organisation Culture and Development

Another factor identified by the researcher in relation to which the effectiveness of participative management can be measured is the extent of organisation culture and development.

Meaning of Organisation Culture

Organisation culture is the framework within which the behaviour of the members of the Organisation takes place. It is a set of assumptions that the members of an Organisation share in common. Such assumptions may be in the form of internally-oriented characteristics like beliefs, values, attitudes, feelings, personality types, and so on known as abstract elements of the culture; or externally-oriented characteristics like products, buildings, dresses etc. known as material elements of the culture.

Sathe (1985) has exemplified some common things to demonstrate the components of organisational culture. According to him, shared things, shared saying, shared actions, and shared feelings are the four components constituting organisational culture.

Every Organisation, being a social entity, develops within it a cultural system with some unique modes of behaviour. These unique modes distinguish an Organisation from others. For example, while defining Tata House, J.R.D. Tata, former chairman of Tata
group said that “I would call it a group of individually-managed companies united by two factors. First, a feeling that they are a part of large group which carries the name of Tatas, and public recognition of honesty and reliability- trustworthiness. The other reason is more metaphysical. There is an innate loyalty, a sharing of beliefs. We all feel a certain pride that we are somewhat different from others.” (Lala, 1981). These words summarise the crux of organisation culture.

Nature of Organisation Culture

Every Organisation has a unique and distinct culture of its own. Therefore, one Organisation can be distinguished from others in terms of culture. The cultural characteristics of an Organisation are relatively enduring over time and relatively static in their propensity to change. According to Gupta (2006), the main points about the nature of organisational culture are:

1. Like an individual every Organisation has its own personality;
2. This personality defines the internal environment of an Organisation;
3. It differentiates one Organisation from others;
4. It is relatively enduring or stable over time;
5. It is perceived by the members and outsiders; and
6. It exercises a significant influence on the attitude, behaviour and performance of organisational members.

Impact of Organisation Culture

Organisation culture, being unique and distinctive, prescribes some specific modes of behaviour for its members. These modes of behaviour affect the entire behavioural processes. Though such behavioural processes may have different dimensions, they ultimately create impact on the following areas:
1. Objective setting;

2. Work ethic;

3. Motivational pattern; and

4. Organisational processes.

1. **Objective setting**
   Culture moulds people and people are the basic building blocks of the Organisation. Therefore, it must reflect, at least in part, the objectives of its members, particularly those who are the key decision makers. Thus, for one Organisation, the objective may be profit maximisation, but the same objective may be unworthy, mean, and petty for other Organisations.

2. **Work ethic**
   Ethic relates to conformity to the principles of human conduct. According to common usage, moral, good, right, honest etc. are more or less used as synonymous to ethical act. Work ethic in an Organisation is derived from its culture. Thus, corporate culture determines the ethical standards for the Organisation as a whole and its individual members.

3. **Motivational pattern**
   Culture interacts to develop in each person a motivational pattern. Culture determines the way people approach their jobs and even life in general. If organisation culture is geared towards achievement, people will, find it quite motivating and put their maximum possible energies for the work. In its absence, high achievement-oriented people develop frustration and desert the Organisation.

4. **Organisational processes**
   Various organisational processes like planning, decision-making, controlling etc., are determined by the organisational culture because these processes are carried out
by the people in the Organisation. Bhattacharya (1988) has analysed the cultures of various professionally managed companies including multinationals as well as family-managed companies in India to find out how cultures affect organisational processes and has observed that professionally managed companies emphasises on professional qualifications as far as the nature of desired managerial skill is concerned while, family-managed companies look for demonstrated skills. He concluded that there is much difference in the dimensions of corporate culture among business firms.

**Organisation Development - Meaning and Definition**

Organisation development is a systematic and practical approach to launching and diffusing change in Organisations. It is an attempt to improve the overall organisational efficiency and effectiveness. It is basically a long range programme, not a one-shot deal, attempting to change the behavioural attitude and quality performance of the entire Organisation.

French and Bell (1980) has defined Organisation development as “a long-range effort to improve an Organisation’s problem-solving and renewal processes, particularly through a more effective and collaborative management of organisation culture- with special emphasis on the culture of formal work teams- with the assistance of a change agent, or catalyst, and the use of the theory and technology of applied behavioural science, including action research.”

In the words of Burke (1982), “Organisation development is a planned process of change in an Organisation’s culture through the utilisation of behavioural science technology, research, and theory.”

On the basis of the above definitions, the following features of organisation development are identified:

1. **Planned change**

   Organisation development is a strategy of planned change for organisational im-
provement. This ‘planned’ emphasis separates organisation development efforts from other kinds of more haphazard changes that are frequently undertaken by Organisations.

2. Comprehensive change
Organisation development efforts focus on comprehensive change in the Organisation, rather than focusing attention on individuals, so that change is easily absorbed. The concept of comprehensive change is based on the systems concept- open, dynamic, and adaptive system. Organisation development efforts take an Organisation as an interrelated whole and no part of it can be changed meaningfully without making corresponding changes in the other parts.

3. Long-range change
Organisation development efforts are not meant for solving short-term, temporary, or isolated problems. Rather, it focuses on the evaluation of an Organisation to a higher level of functioning by improving the performance and satisfaction of organisational members on long-term basis.

4. Dynamic process
Organisation development is a dynamic process and includes the efforts to guide and direct changes as well as to cope with or adapt changes imposed. It recognises that when organisational goals change, the methods of attaining these goals should also change. Thus, organisation development efforts are ongoing, interactive, and cyclic process.

5. Participation of change agent
Most organisation development experts emphasise the need for an outside, third party change agent, or catalyst. There is a close working relationship between the change agent and the target organisational members to be changed. The relationship involves mutual trust, joint goals and means, and mutual influence. The change agent is a humanist seeking to get a humanistic philosophy in the Organisation.
6. **Emphasis on intervention and action research**

Organisation development approach results in an active intervention in the ongoing activities of the Organisation. Action research is the basis for such intervention. A change agent in the organisation development process does not just introspect the people and introduce changes, rather, he conduct surveys, collects relevant data, evaluates the data, and takes action for intervention.

7. **Normative educational process**

Organisation development is based on the principle that ‘norms form the basis for behaviour and change is a re-educative process of replacing old norms by new ones.’ This is done to arrive at certain desirable outcomes that may in the form of increased effectiveness, problem-solving, and adaptability for the Organisation as a whole. At the individual level, organisation development attempts to provide opportunities to be ‘human’ and to increase awareness, participation, and integrate individual and organisational goals.

**Objectives of Organisation Development**

As pointed out by Margulies and Raia (1972) “organisation development technology is aimed at developing new organisational learning and new ways of coping and dealing with problems.” The primary focus is on improving productivity, morale, and satisfaction of employees in an Organisation. The other objectives of organisation development according to French (1969) are the following:

1. To increase the level of trust and mutual emotional support among all organisational members;

2. To increase the incidence of confrontation of organisational problems both within groups and among groups in contrast to ‘sweeping problems under the rug’;

3. To create an environment in which authority of assigned role is augmented by authority based on knowledge and skill;
4. To increase the openness of communications, laterally, vertically, and diagonally;

5. To increase the level of enthusiasm and personal satisfaction in the Organisation;

6. To find synergistic solutions to problems with greater frequency; and

7. To increase the level of self and group responsibility in planning and implementation.

Organisation development efforts place a premium on humanistic values and goals. In fact it is a way of looking at the whole human side of organisational life.

**Process of Organisation Development**

Organisation development can be taken as a process of changing people, structure and other related aspects of an Organisation. It consists of many sub-processes or steps. According to Carlson (1977) there are eight steps in an organisation development programme, namely, awareness acceptance, readiness and commitment to work, diagnosis and search, application, measurement of improvement, institutionalisation, and self-renewal.

Ahmed (1972) has identified six steps in organisation development. These are motivation for change, data collection and problem identification and diagnosis, strategy for change, intervening in the system, reinforcement and follow-up, and monitoring and evaluation.

In this context, the researcher has identified six stages in the process of organisation development, and are mentioned below:

1. **Problem identification**

   Understanding and identification of the problem in the Organisation marks the beginning of organisation development process. Usually, the Organisation is entrusting this task to a consultant who is an expert practitioner in organisation development. Management may brief the consultant about the organisational problems as per-
received by it in general terms and it is the responsibility of the latter to identify the roots of such problems.

2. Collection of necessary data
The organisation development practitioner collects necessary and relevant data from the Organisation to understand the root causes of problems. He can gather necessary information from personal discussions and interviews with the members of the Organisation and also by supplying questionnaires to them.

3. Diagnosis
The third stage of organisation development demands considerable skill on the part of the consultant that he has to exercise a scientific diagnosis of the organisation problems based on the analysis of the data collected. The information collected must be subjected to a microscopic examination, and, therefore, experience and judgment are critical to this phase.

4. Planning for change
When the real problems of the Organisation are identified through an expert diagnosis, the organisation development consultant plans the various courses of action. Attempts are made to transform diagnosis of the problems into a proper plan of action involving the overall goals for organisation development, determination of the approach suitable for attaining these goals and sequence for implementing the approach.

5. Intervention in the system
After having developed an action plan, the organisation development consultant is making a real intervention into the system to change the Organisation and its people. It is a long-term affair and hence a gradual process.

6. Evaluation and feedback
Evaluation and feedback is the final step in the organisation development process.
This step is related to the evaluation of the results of organisation development programme. Careful monitoring and evaluation of organisation development programmes provides feedback regarding what is going on and whether any further improvement is needed.

**Organisation Culture and Development versus Innovative Practices**

Organisation culture speaks volumes about the nature of a business organisation in terms of its innovative and qualitative practices. The following innovative practices can be incorporated in the organisational life and culture of a business enterprise:

1. **Benchmarking**
   A business organisation which aims at grand success in a competitive world can learn a lot from the management practices of excellent corporations. Such practices serve as the benchmarks. It is much more than simply copying. Benchmarking is a continuous search for application of significantly better practices that lead to superior competitive performance.

2. **Cost-Benefit Analysis**
   This type of analysis consists of estimating the real costs and benefits of a project under consideration. This is an innovative technique involving the evaluation of all costs associated with implementing a particular project, and comparing them with the expected benefit. As far as a business organisation is concerned, a problem-solving team would use cost-benefit analysis to find out if a solution is practical in terms of cost.

3. **Customers' Contingency Table**
   Such a table helps the business organisation to understand the needs of its customers for fulfillment of their satisfaction.

4. **Deming Wheel**
   This management concept emphasises to satisfy the quality requirements of the cus-
tom by using the cycle: plan, do, check, and action (PDCA). It is particularly useful in the development of a new product based on the requirements of the customer.

5. **Gannt Charts**

Gannt charts are useful for implementation of a quality improvement project. When the business has decided upon a project and is planning its implementation, Gannt charts can be used for scheduling the events necessary to complete the improvement activity.

6. **Kaizen**

A Japanese term meaning ‘change for the better’, the concept implies a continuous improvement in all company functions at all levels. Kaizen means improvement and an ongoing improvement which involves everyone in the Organisation- top, middle, and lower managers, supervisors, and workers. It emphasises on process-oriented way of thinking and management system that supports and acknowledges peoples’ process-oriented efforts for improvement.

7. **Mystery Shopping**

It is a technique involving looking at one’s own business from the outside and measuring its efficiency from the customer’s viewpoint.

8. **PERT**

Programme Evaluation and Review Technique (PERT) is a visual network which is most appropriate for planning, monitoring, and controlling complex and unique projects.

9. **Critical Path Analysis**

It is a project planning technique which separates the work to be done into discrete elements, allowing the key elements that affect the overall project to be identified.

10. **Quality Circles**

Kaoru Ishikawa (1990) of Japan coined the term Quality Circle. A Quality Circle is a
small group of employees in the same work area or doing similar type of work who voluntarily meet on regular basis to identify and solve work related problems so as to improve quality and productivity and to minimise cost. The concept of Quality Circle has entered in Indian Organisations only very recently, but the concept is catching the attention of many Organisations. The idea of Quality Circle has emerged from quality control. The members receive training in problem solving, statistical quality control, and group process. Quality Circle generally recommends solutions for quality and productivity problems which may be implemented by the management.

11. **Team Building**

Team building has been a widely accepted technique for organisational improvement. In the words of French and Bell (1980), “probably the most important single group of interventions in the organisation development are the team-building activities, the goals of which are the improvement and increased effectiveness of various teams within the Organisation.” The essence of team building lies in the ‘concept of synergy’. “Synergy is the process of putting two or more elements together to achieve a sum total greater than the sum total of individual elements separately. This effect can be described as 2+2=5 effect.” (Prasad, 2000).

12. **Task Force**

In a business organisation, in order to tackle issues of current importance, a special committee of people from different areas with enough powers of action and decision, as well as responsibilities for investigation, planning, research, and analysis are set up with a specific task or mission. Such a group is called task force.

13. **Brainstorming**

It is a conference technique by which a group of persons attempts to find a solution for a specific problem by amassing all the ideas spontaneously by its members. Alex F. Osborn is the father of this technique who detailed it in his book ‘Applied Imagination’ published in 1963. The technique is widely used to generate alternate
solutions to a problem and create ideas for the development of products, services, processes etc.

14. **Mind Mapping**

   It is a technique that facilitates facts learning and agile memory of things learned. Tony Buzan is the originator of this technique who published a book titled ‘The Mind Map Book’ in 1993. The technique uses symbols, colors, images, dimensions etc. in imparting ideas instead of linear text method. Several business organisations are using this technique in the areas of training, idea generation, and to improve productivity.

15. **Mentoring**

   Mentoring is a workplace partnership between two people, which gives employees the opportunity to share their professional and personal skills and experiences, and to grow and develop in the process. It is based upon encouragement, constructive comments, openness, mutual trust, respect, and a willingness to learn and share. According to Clutterbuck and Megginson (1999), “mentoring is an offline help by one person to another in making significant transitions in knowledge, work or thinking.” In the words of Parsloe (2003), the purpose of mentoring is “to help and support people to manage their own learning in order to maximise their potential, develop their skills, improve their performance, and become the personnel they want to be.”

16. **Just-in-Time Management**

   Just-in-Time (JIT) system is also known as zero inventory and stockless system. JIT is streamlined planned configuration that rises productivity, as a production line balancing approach, as a quality and set up control tool and as an employee involvement and motivational mechanism. It suggests, produces, and delivers finished products just-in-time to be sold, sub-assemblies just-in-time to be assembled into finished products, fabricated parts just-in-time to go into sub-assemblies, and purchased materials just-in-time to be transformed into fabricated parts. JIT is an
operational control technique and its basic objective is to improve return on investment through cost reduction, quality improvement, waste reduction, and inventory control.

17. **Total Quality Management**

Total Quality Management (TQM) is a strategic approach of providing the best to customers through continuous innovation and improvement in all products, services, and processes with the involvement of everybody. It involves integrated efforts of all the groups and departments of an Organisation for full customer satisfaction.

18. **Quality Audit**

Quality audit is an independent review conducted to compare some aspects of quality performance with a standard for that performance. It is a systematic, independent examination and evaluation to determine whether quality activities and results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable for achieving objectives.

19. **Business Process Re-engineering**

Hammer and Champy (1986) introduced the technique of Business Process Re-engineering (BPR) and defined it as “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed.”

20. **ISO Certification**

The International Organisation for Standardization (ISO) is a specialized agency for standardization based in Geneva which prescribes various quality systems standards. The Bureau of Indian Standards (BIS) is the national standards body of India represented on ISO. ISO has the primary objective of co-ordination and unification of international standards. “The quality systems and standards are the organisational structures, responsibilities, procedures, processes, and resources for implementing...
quality management” (Sharma, 2005). ISO certification proves beyond any doubt the quality management systems and practices of a business organisation.

21. **Human Resource Accounting**

Human Resource Accounting (HRA) is the measurement and reporting of the costs incurred to recruit, hire, train, and develop employees and their present economic value to the business organisation. It involves the assessment of the costs and value of the people as organisational resources.

22. **Human Resource Audit**

The concept of Human Resource Audit (HR Audit) contained in the book ‘Corporate Assessment’ written by Adrian Furnham and Barrie Gunter published in 1993. HR Audit focuses on improving the effectiveness of the human resource function of a business organisation. It provides an overview and evaluation of current human resource policies, systems and practices with an aim to recommend ways in which they can be improved. According to Deb (2009), “HR Audit is a systematic procedure to evaluate the effectiveness of various people oriented processes, policies, programmes, and practices for attaining organisational goals and objectives successfully.” The function of HR Audit has been mentioned by Storey and Sisson (1993). According to them, “HR Audit is concerned with the gathering, analysing information, and then deciding what actions need to be taken to improve performance.”

23. **Culture Audit**

The importance of understanding and managing organisational culture has grown manifold in the recent past. Alan Wilkins in 1983 proposed a twin factor criterion to understand and assess the corporate culture: (i) shared assumptions, and (ii) taken for granted/ shared meanings that people assigned to their social surroundings. Audit of culture is significant to business organisations to infuse motivated and productive work behaviour. Organisations no longer can take it for granted that people just respond to their overtures or regulations or written contracts or norms.
More important is to know what people share at the shop floor and assumptions behind them because these are more powerful than management imposed customs in motivating or de-motivating employees.

24. **Social Audit**

The concept of social audit was developed by Howard Bowen in 1953. Social audit is a mechanism to measure the effectiveness of the social performance of a business organisation. The use of an effective social audit is likely to encourage a careful cost-benefit analysis of corporate programmes for the benefit of society. A social audit may include in its scope, the Organisation’s performance in community relations, consumer relations, investor relations, labour relations, pollution control etc.

25. **Management Audit**

Management audit is an overall and scientific appraisal of the quality of management. It is an independent and critical examination of the entire management process as a total and organic system. In 1962, Jakson Martindell of the American Institute of Management developed the scope and methodology of management audit. He identified ten areas, namely, organisation structure, executive appraisal, functioning of the management board, soundness of earnings, economic functioning, service to stockholders, research and development, fiscal policies, production efficiency, and sails vigour within the purview of management audit. (Gupta, 2006).

26. **Responsibility Accounting**

It focuses attention on management by objective rather than management by domination. Each person is responsible for his area of operation, and for effective control, he must know what his costs should be and what his costs were. Thus in responsibility accounting, costs are assigned to responsibility centers and a clear distinction is made between costs that are controlled by the head of the responsibility center and the costs which are not controlled by him.

27. **Zero Defect System**

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Another innovative practice of a business organisation can be ‘zero defect system’. Each product of the business should conform to the requirements that the company has established on the basis of customers’ needs. Philip Crosby in 1979, in his best selling book ‘Quality is Free’, mentioned about the zero defect system. He believed that the prime responsibility for poor quality lies with management and not with the workers. Management should set the tone for quality initiatives from the top. Zero defect does not mean that people never make mistakes, but that companies should not begin with ‘allowances’ or ‘sub-standard targets’ with mistakes as an inbuilt expectation.

28. **Zero-Base Budgeting**
   It is a newer concept in business budgeting. Zero-Base Budgeting (ZBB) is based on a system where each function, irrespective of the fact whether it is old or new, must be justified in its entirety each time a new budget is formulated. It requires each manager to justify his entire budget in detail from scratch, that is, zero-base.

29. **Quality of Work Life**
   It aims at integrating the socio-psychological needs of people in the Organisation, the unique requirements of a particular technology, the structure and process of the Organisation, and the existing socio-cultural milieu.

30. **Management by Objectives**
   It is a technique and system which helps in improving organisational performance. The basic idea of Management by Objectives (MBO) has been derived from the concept of participative goal setting as a technique of organisation development. The term MBO was coined by Peter F. Drucker in 1964 when he emphasised the concept of managing by results. According to Chakrabarty (1976), “MBO is a result-centered, non-specialist, operational managerial process for the effective utilisation of material, physical, and human resources of the Organisation by integrating the individual with the Organisation and the Organisation with the environment.”
5.2.6 Labour Welfare and Compensation

The Concept of Labour Welfare and Social Security

The concepts of labour welfare and compensation, employee safety, and social security have acquired added importance with the growth of industrialisation and mechanisation. In wider sense, labour welfare is inclusive of labour compensation, employee safety, and social security. An industrial worker cannot cope with the pace of modern life with minimum sustenance amenities. He needs an added stimulus to keep body and soul together. Labour welfare work aims at providing such service facilities and amenities which enable the workers employed in industries to perform their work in healthy congenial surrounding conducive to good health and high morale.

In a resolution in 1947, the International Labour Organisation has defined labour welfare as "such services, facilities and amenities as adequate canteens, rest and recreation facilities, arrangements for travel to and from work, and for the accommodation of workers employed at a distance from their houses, and such other services, amenities and facilities as contribute to improve the conditions under which workers are employed."

The terms labour welfare and social security are highly related in the sense that the former is the means and the latter the end. Industrial labour with limited means of living can hardly provide effective security against the contingencies like sickness, maternity, employment injuries, old age, unemployment and other emergency expenses. Therefore, the idea of social security is that the state shall make itself responsible for ensuring a minimum standard of material welfare to all its citizens on a basis wide enough to cover all the contingencies of life. On December 10, 1948, the General Assembly of the United Nations Organisation adopted and proclaimed the universal declaration of human rights as common standard of achievement for all nations; the declaration said that: "everyone has the right to a standard of living, adequate for the health and wellbeing of himself and of his family including food, clothing, housing and medical care and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood
in circumstances beyond his control.”

The International Labour Organisation (1952) adopted the following nine components of social security:

1. Medical care;
2. Sickness benefit;
3. Unemployment benefit;
4. Old-age benefit;
5. Employment injury benefit;
6. Family benefit;
7. Maternity benefit;
8. Invalidity benefit; and
9. Survivor’s benefit.

In our country, the various social security schemes implemented have taken into account the above mentioned fundamental components. Social security schemes in India are either social assistance schemes or social insurance schemes. Under social assistance, the State finances the entire cost of facilities and benefits provided to the beneficiary. Social insurance schemes are organised by the State where the cost of facilities and benefits provided to the beneficiary are to be shared by the workers and employers with or without a subsidy from the State. Various social insurance schemes in India consist of the following enactments:

1. The Workmen’s Compensation Act, 1923;
2. The Employees’ State Insurance Act, 1948;
3. The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952;

4. The maternity Benefit Act, 1961;

5. The Payment of Gratuity Act, 1972; and


**Employee Safety**

One of the important functions of human resource management is to maintain and preserve employees’ physical abilities and mental attitudes. The importance of industrial safety was realised because every year millions of industrial accidents occur which result in either death or in temporary or permanent disablement of the employees and involve a good amount of cost such as resulting from wasted man hours, machine hours etc. Under the employee safety programme, two types of activities are carried out in a business organisation, namely,

1. health and safety programmes to take care of workers’ health and physical ability; and

2. employee service programmes to take care of workers’ mental attitudes.

**Principles of Labour Welfare**

The following principle should be followed to achieve successful implementation of welfare programmes:

1. Principle of social responsibility of industry;

2. Principle of totality of welfare;

3. Principle of evaluation;

4. Principle of time liners;
5. Principle of responsibility;
6. Principle of association or democratic values;
7. Principle of efficiency;
8. Principle of co-ordination or integration;
9. Principle of adequacy of wages;
10. Principle of re-personalisation; and

The above principles are briefly mentioned below:

1. **Principle of social responsibility of industry**
   Industry is a subsystem of the society. It draws its manpower from the society. Obviously, industry has an obligation towards its employees to look after their welfare. Thus, according to this principle, to provide welfare facilities to the employees is a social responsibility of the business.

2. **Principle of totality of welfare**
   According to this principle, labour welfare activities and facilities must be extended to all the employees of the Organisation.

3. **Principle of evaluation**
   This principle suggests that the welfare programmes must be evaluated periodically. This is very much necessary to judge and analyse the success of welfare programmes and reorganise it for better results.

4. **Principle of time liners**
   The time liners of any welfare programme help in its success. Timely action in proper direction is essential in any kind of welfare activities.
5. **Principle of responsibility**
   This principle is based on the assumption that labour welfare is the joint responsibility of employers and employees.

6. **Principle of association or democratic values**
   For the success of a welfare programme, association of employees in planning, organizing, and implementation is most essential.

7. **Principle of efficiency**
   Efficiency of the workers and welfare facilities are interdependent. Hence, principle of efficiency places an important role in organising welfare activities in a business enterprise. Employers quite often provide welfare facilities to their employees as it would increase their efficiency which would in turn lead to an increase in their productivity also.

8. **Principle of co-ordination or integration**
   Welfare programmes will be effective only if they are properly coordinated. Its very purpose must be the integration of employees with their work environment and the community at large.

9. **Principle of adequacy of wages**
   According to this principle, workers have a right to adequate wages. Labour welfare facilities must be provided to complement and supplement the adequate wages because, a high wage rate alone cannot create healthy working atmosphere and make a sense of commitment on the part of the workers. A balanced combination of adequate wages and labour welfare measures together would achieve good results.

10. **Principle of re-personalisation**
    This principle suggests that the goal of labour welfare activities should be the overall development of the employees. Labour welfare measures help the workers to resist the poisonous effects of the industrial system.
11. *Principle of self help*

The principle of self help is based on the argument that labour welfare must aim at helping employees to help themselves in future. It makes employees to become more responsible and more efficient.

**Labour Compensation - Meaning and Definition**

Good compensation plans, well administered, have a salutary effect on the entire enterprise, employees are happier in their work, co-operation and loyalty are higher, productive output is up, and quality is better. In the absence of good plans, compensations are determined subjectively on the basis of haphazard and arbitrary decisions. This creates several inequities which are among the most dangerous sources of friction and low morale in a business organisation.

Organisations expect efficient performance form their employees in order to contribute to the attainment of the individual and corporate goals. (De Cenzo and Robbins, 1994). The soundness of compensation management depends upon the amount of wage or salary paid to an employee for a fair day’s work. Despite the conclusions of morale studies, wage or salary is significant to most of the employees as it constitutes to a major share of their income (Pigors and Myers, 1977). Pay, in one form or another is certainly one of the main springs of motivation in our society (Kindall, 1969). Salary provides more that a means of satisfying the physical needs - it provides recognition, a sense of accomplishment, and determine social status. Hence, formulation and administration of sound remuneration policy to attract and retain right personnel in right position is the prime responsibility of any Organisation.

A business organisation has to balance fairly, financial and non-financial rewards and extrinsic and intrinsic rewards. Effective reward system requires not only that the absolute level of compensation paid by an Organisation compares favourably but also requires that it satisfies the principle of internal equity and equity with the job content.
Compensation Strategy

According to Deb (2008), compensation strategy refers to “the policy, programme and decision on how an Organisation wants to pay its employees so as to achieve employees’ pay satisfaction and at the same time achieve its goals and objectives successfully. Compensation strategy varies from Organisation to Organisation and according to the nature of the industry, level of competition, human resource management philosophy and legal framework.” Compensation strategy involves making decisions about pay which can be classified into four distinct areas such as:

1. Pay level decision;
2. Pay differentiation decision;
3. Pay structure decision; and
4. Pay administration decision.

1. **Pay level decision**
   The pay level decision determines whether an Organisation will have a lead, lag, or match policy. Pay decisions made by Organisations can significantly impact individual and group level consequences, including performance, skill development, work-related attitudes, and workforce composition. Pay level and benefit policy can determine what types of employees are attracted to the Organisation by signaling job seekers to less visible organisational attributes. These policies will determine whether or not employees are willing to continue to work for the Organisation. If the pay level or benefit level is not satisfactory, the desirability of movement will increase and it is more likely that withdrawal behaviours such as tardiness, absenteeism, and turnover will increase.

2. **Pay differentiation decision**
   Pay differentiation may arise due to two decisions made by the Organisation. The
first decision involves paying employees based on seniority, which is based on length of service. Compensating on seniority has been a traditional approach, which tends to reward individuals for possessing more experience. The second decision pertains to compensating employees based on merit. In this approach, employees who perform better are paid higher compensation irrespective of their length of service.

Organisations paying on seniority alone are less likely to attract high caliber employees. On the other hand, if an Organisation relies solely on merit pay, it will result in pay dissatisfaction amongst more experienced employees and attrition rate amongst senior managers will increase. Therefore, Organisations have to wisely choose amongst these two approaches so that the Organisation attains its goals and objectives effectively.

3. Pay structure decision
The pay structure decision determines the pay differences between levels of the organisational hierarchy. If there are significant pay differences between hierarchical levels, employees may focus on being successful rather than effective. That is, they will try to engage in behaviours such as networking and ingratiation that allow movement to higher levels instead of focusing on behaviours important to effective job performance.

4. Pay administration decision
It refers to the Organisation’s decision on means and measures to administer benefits to its employees. The procedures used to establish and rationalise pay differentiation decisions will also influence employee behaviour by signaling what is valued. The pay administration decision thus plays a key role in making the compensation strategy of the Organisation effective.
Factors Affecting the Compensation Package

According to Tripathi (2006), following ten factors bear a role in determining the compensation package of a business organisation:

1. Demand for and supply of labour
   Demand and supply conditions of labour have considerable influence on the determination of wage rates. If there is a short supply of labour, the wages may be high whereas if there is no dearth of labour, the wages tend to be low.

2. Labour unions and collective bargaining
   If the labourers are well organised into strong trade unions, their bargaining power would be high and they can demand higher rates of wages. On the other hand, if the labourers are not organised, the management may fix low wages.

3. Cost of living
   The cost of living of workers also has a strong influence on the rate of wages. If this factor is not considered, the labourers may not be in a position to make both ends meet and this will affect their efficiency.

4. Prevailing wage rates
   Prevailing wages in a particular industry are also taken into account by the employers while deciding wage levels of their employees. By considering the prevailing wage level, employers will come reasonably close to the wage level of competitors, and this will enable them to retain and attract qualified workers to the Organisation.

5. Ability to pay
   The wage level, to a large extent, is determined by the ability of the enterprise to pay its workers. The ability to pay in turn is determined by the profit earning capacity of the enterprise.

6. Job requirements
   Job requirements are also an important factor affecting wages. Job requiring spe-
cialised knowledge or involving much mental or manual effort are priced higher than those which are light or which do not need any specialised knowledge.

7. **State regulation**

State regulation is another factor influencing wage rates. As the State assumes responsibility for safeguarding the interest of citizens, it has to step in to regulate the wage rates of labourers through legislative measures.

8. **Increment system**

In some Organisations wages automatically increase annually at a prescribed rate without any relation to workers performance. In some other Organisations annual increase is based on merit. Thus, the prevailing system of granting increments also affects wages.

9. **Philosophy of management**

Some progressive Organisations, in order to attract, motivate, and hold employees, believe in paying them more than the established benchmarks.

10. **Court judgments**

In recent years, this factor has emerged as the most important factor in determining wages. Courts now-a-days not only interpret laws but also issue directions to the industry about the manner in which compensation plans to be framed and implemented.

**Incentive Plans**

An incentive is anything that attracts an employee’s attention and stimulates him to work. Incentive programmes are usually built on financial rewards, but may also include non-financial rewards. It acts as an inducement to employees for achieving higher productivity and profitability for the Organisation. Incentive wages relate earnings to productivity and may use premiums, bonuses or a variety of rates to reward for superior performance.
In the words of Anthony and Govindarajan (2003), “an incentive is an important mechanism that encourages and motivates managers to achieve organisational objectives.” Incentive schemes are regarded as beneficial to both employers and workers. The common incentive plans accepted in the industries include Halsey Premium Plan, Rowan Premium Plan, Taylor’s Differential Piece Rate System, Emerson’s Efficiency Premium Plan, Gantt Bonus Plan, Bedaux Point Premium Plan, Merric Piece Rate System etc.

**Profit Sharing System**

Profit sharing is regarded as a stepping stone to industrial democracy. It is an arrangement by which employees receive a share, fixed in advance of the profits. Profit sharing is a scheme whereby employees of a business organisation receive a certain percentage of the profits at fixed intervals in addition to regular wages and salary. Such a system forms part of progressive human resources policies embodying incentive characteristics and providing results not obtained from other systems. Effective profit sharing increases profits, enhances efficiency and creates a climate for improved employee relations.

Profit sharing usually involves the determination of an Organisation’s profits at the end of the fiscal year and the distribution of a percentage of the profits to workers qualified to share in the earnings. The percentage to be shared by the workers is often pre-determined at the beginning of the work period and is communicated to the workers so that they have some knowledge of their potential gains. The theory behind profit sharing is that management should feel its workers will fulfill their responsibilities more diligently if they realise that their efforts may result in higher profits, which will be returned to workers through profit sharing.

**Fringe Benefits**

Fringe benefits refer to various extra benefits provided to the employees, in addition to the compensation paid, at the cost to the employers. Fringe benefits include a number of employee services and facilities and constitute monetary and non-monetary benefits given to employees during employment period which are connected with employment but not for
the employee’s contribution to the Organisation.

Werther and Davis (1996) defined fringe benefits in the following words: “Fringe benefits embrace a range of benefits and services that employees receive as part of their total compensation package. Benefits and services, however, are indirect compensation because they are usually extended as a condition of employment and not directly related to performance.”

**Types of Fringe Benefits**

There are broadly two types of fringe benefits system in existence in India: statutory and voluntary. They are briefly mentioned below:

**Statutory Fringe Benefits**

Statutory fringe benefits are conferred under various labour legislations as under.

1. *Annual leave with wages*
   Under section 79 of the Factories Act, 1948, every worker who has worked for a period of 240 days in a factory during a calendar year is paid leave with wages in the subsequent calendar year calculated at the rate of 1 day for every 20 days of work performed by the workers.

2. *Weekly holidays*
   Under section 51 of the Factories Act, 1948, every worker is eligible for a full day rest day with wages after performing work for 48 hours.

3. *Festival holidays*
   Under the Industrial Establishments Act of State Governments, workers are eligible for a total of 8 paid holidays in a year which includes 3 compulsory holidays on account of Independence Day, Republic Day, and Gandhi Jayanti.

4. *Annual medical examination*
   In hazardous industries, as included in Schedule 1 of the Factories Act, 1948, every
worker shall be examined free of charge by certifying surgeon of the labour department to assess his health in view of hazards at workplace.

5. **Drinking water**
   Under section 18 of the Factories Act, 1948, effective and proper arrangements shall be made for providing sufficient supply of wholesome drinking water at convenient places.

6. **Ventilation and temperature**
   Under section 13 of the Factories Act, 1948, adequate ventilation shall be provided for circulation of fresh air and the workplace temperature shall be reasonable so as to prevent injury to the health of the workers.

7. **Latrines and urinals**
   Under section 19 of the Factories Act, 1948, proper arrangements for latrines and urinals to be made for use of the workers.

8. **Spittoons**
   Under section 20 of the Factories Act, 1948, sufficient number of spittoons at convenient places in the factory should be provided and maintained in hygienic conditions.

9. **Canteen**
   Under section 46 of the Factories Act, 1948, a canteen shall be provided and maintained for the use of workers, if the number of workers employed is more than 250.

10. **First aid appliances**
    Under section 45 of the Factories Act, 1948, first aid boxes shall be provided containing the prescribed contents for use by workers.

11. **Creches**
    Under section 48 of the Factories Act, 1948, any factory employing 30 or more female workers shall provide a creche for the use of children under the age of 6 years of such women employees.
12. **Social insurance**

Under the relevant provisions of The Employees State Insurance Act, 1948, employees are entitled for sickness benefit, maternity benefit, disablement benefit, dependent’s benefit, and funeral expenses.

**Voluntary Fringe Benefits**

Voluntary fringe benefits are conferred under human resource policies and programmes of a business organisation. Common voluntary fringe benefits are mentioned below.

1. Medical/ health insurance and regular medical check up
2. Group personal accident insurance schemes
3. Enriched retirement plans
4. Employee stock option plans
5. Bonus for recommending new employees
6. Railway half-fares season ticket
7. Family service- support in areas of child care, home care, and elder care
8. Company provided car
9. Educational assistance programmes
10. Employee discounts
11. Employer provided travel
12. Free parking facilities
13. Interest free loans
14. Subsidised meals and lodging
15. Retirement planning services
16. Food and beverages provided to employees at free of cost
17. Membership of health clubs
18. Gifts given to employees
19. Prices/rewards to employees for achievements
20. Leave travel assistance
21. Transportation facilities provided to the children of employees
22. Hospital care provided to the family members of the employees
23. Retiring and refreshing rooms
24. Jobs to the children of the employee
25. Old age counseling and assistance
26. Attendance and sincerity bonus
27. Facilitates of the co-operative credit societies
28. Beauty parlour services
29. Housing facilities
30. Income tax aid
31. Recreational programmes and facilities
32. Stress counseling
33. Parties and picnics and holiday homes
34. Legal aid and counseling
35. Dating allowance to select life partner
36. Community services activity
37. Productivity/ performance awards
38. Dinner with the boss to employee and his family members
39. On-the-job rewards like increased responsibility, job rotation etc.

5.2.7 Industrial Discipline

Meaning and Definition

Industrial discipline is yet another parameter to measure the effectiveness of participative management in the industrial sector. Discipline means orderliness in work and conduct. In Organisations, it means the situation in which all employees follow rules, regulations, and procedures of the Organisation while discharging their tasks, duties, and responsibilities.

Maintenance of effective discipline in an Organisation ensures the most economical and optimum utilisation of various resources including human resources. Thus the objective of discipline in an Organisation is to increase and maintain business efficiency. (Pigors and Myers, 1960). Effective discipline is a sign of sound human and industrial relations and organisational health.

Dessler (2000) defined industrial discipline as “a procedure that corrects or punishes a subordinate because a rule of procedure has been violated.”

Rue and Byars (2000) defined industrial discipline in the following words: “Discipline should be viewed as a condition within an Organisation whereby employees know what is expected of them in terms of the Organisation’s rules, standards and policies, and what the consequences are of infractions.”
According to Tead (1977), “industrial discipline is that orderly conduct by the members of an Organisation who adhere to its necessary regulations because they desire to co-operate harmoniously in forwarding the end which the group has a view and willingly recognises that to do this, their wishes must be brought into reasonable union with the requirements of the group in action.”

A high sense of regularity and punctuality of the labour force, reduced labour turnover and absenteeism, decreased number of strikes and lockouts, working of a sound employee grievance redressal system and the like contributes towards an improved industrial discipline and an effective involvement of labour in the decision-making process of the Organisation.

**Objectives of Industrial Discipline**

Following are the aims and objectives of industrial discipline:

1. To establish and maintain certainty of the activities in the Organisation;

2. To ensure compliance of rules, regulations, and procedures by employees for effective functioning of the Organisation;

3. To develop self-control amongst employees;

4. To develop sense of responsibility among employees;

5. To uphold harmony and productivity of the employees in the Organisation;

6. To create greater co-operation amongst employees;

7. To create an atmosphere of respect for the human personality and human relations; and

8. To establish harmonious relationship between labour and management.
Forms of Discipline

Discipline can be positive as well as negative as discussed below:

1. **Positive or proactive discipline**
   
   Positive discipline is an attitude in the mind of the employee, which makes him to work without any fear or apprehension. It motivates employees to abide by the rules and regulations of the Organisation and work towards attainment of organisational goals and objectives. It enables employees to have greater freedom and exhibit greater degree of self-expression. Positive discipline is based on internal control and therefore lasts longer.

2. **Negative or reactive discipline**
   
   The approach of negative discipline is just the opposite of positive discipline. This approach stresses upon penalty and punishment in place of self-control. Negative discipline provides punishment for violation of rules, regulations and procedures by the employees. It creates fear and terror in the minds of the employees and this adversely affects their performance and productivity in the workplace. It also restrains freedom of expression because of which employees are reluctant to offer new suggestions, ideas or criticise wrong procedures or policies for fear of being punished.

In the context of real world organisations, a combination of positive and negative discipline works. However, it should be the endeavour of managers to instill positive discipline in the workplace.

**Indiscipline**

Indiscipline means disorderliness, insubordination, and not following the rules and regulations of an Organisation. The symptoms of indiscipline are a change in the normal behaviour, absenteeism, apathy, go-slow at work, increase in number and severity of grievances, persistent and continuous demand for overtime allowance, lack of concern for performance etc.
Mamoria and Mamoria (1985) has pointed out the following causes of indiscipline:

1. Non-placement of the right person on the right job which is suitable for his qualifications, experience, and training.

2. Undesirable behaviour of senior official, who may have set a pattern of behaviour which they expect their subordinates to follow; but their expectations are often belied, and an infringement of rules follows.

3. Faulty evaluations of persons and situations by executives leads to favouritism which generates indisciplined behaviour.

4. Lack of upward communication, as a result of which the thoughts, feelings, and reactions of the employees cannot be conveyed to the top management. This may lead to aggressive or rebellious behaviour.

5. Leadership which is weak, flexible, incompetent, and distrustful of subordinates is often an instrument which makes for the creation of indiscipline among the employees, particularly when a decision is taken in a hast and withdrawn under pressure.

6. Defective supervision and an absence of good supervisors who know good techniques, who are in position to appreciate critically the efforts of their subordinates, who can listen patiently to them, who are capable of giving definite and specific instructions, and who believe in correcting their men rather than in uprooting them.

7. Lack of properly drawn rules and regulations, or the existence of rules and regulations which are so impracticable that they cannot be observed; and the absence of service manuals and a code of behaviour.

8. The ‘divide and rule’ policy of the management, as a result of which friction and misunderstanding are created among the employees which destroy their team spirit.

9. Illiteracy and low intellectual level of workers as well as their social background.
10. Workers’ reactions to the rigidity and multiplicity of rules and their improper interpretation.

11. Workers’ personal problems; their fears, apprehensions, hopes and aspirations; and their lack of confidence in, and their inability to adjust with, their superiors and equals.

12. Intolerably bad working conditions.

13. Absence of enlightened, sympathetic and scientific management.

14. Errors of judgment on the part of the supervisor or top management.

15. Discrimination based on caste, color, creed, sex, language, and place in matters of selection, promotion, transfer, placement, and discrimination in imposing penalties and handling out rewards.

16. Undesirable management practices, policies and activities aiming at the control of workers; e.g., employment spies, undue harassment of workers with a view to creating a fear complex among them, and the autocratic attitude of supervisors towards their subordinates.

17. Improper co-ordination, delegation of authority, and fixing of responsibility.

18. Psychological and sociological reasons, including misunderstanding, rivalry, and distrust among workers and supervisors, an absence of fellow-feeling, a widespread sense of injustice, or apathy on the part of the management.

**Redressing of Employee Grievances**

The National Commission on Labour (1969) provided the following definition of a grievance: “Complaints affecting one or more individual workers in respect of their wage payments, overtime, leave, transfer, promotion, seniority, work assignment, and discharge would constitute grievance.”
When a large number of employees work together in an Organisation, grievances naturally arise because all of them cannot feel fully satisfied in all respects. The nature, scope, and magnitude of these grievances vary but they do exist in the Organisation. Therefore, a procedure to deal effectively with grievances must be adopted.

A system and a procedure evolved to settle grievances of employees in an Organisation are known as grievance handling procedure. Every Organisation has a need for a continuous process of conciliation to facilitate settlement of controversies and to assure an employee with a grievance that his case will be given a fair hearing. The following steps can be incorporated in the grievance handling procedure of a business organisation:

1. Defining and describing the nature of grievance as clearly as possible;
2. Collecting all facts that will help to explain how, when, where, why and whom the grievance occurred;
3. After getting the clear picture of the grievance, the next step involves establishment of tentative solutions;
4. Collecting additional information to check the validity of tentative solution;
5. Applying the solution by taking into consideration the aggrieved employee and others involved; and
6. Taking follow up measures to ensure that the attitude of the employee has been favourably changed.

5.2.8 Professional Development of the Labour

Professional development of the labour speaks of their level of confidence, learning and behavioural modification, personality development, attitude change, oral and written communication skills, resistance to stress, time management, capacity for hard work, quality of decision making, analytical ability, organisational and planning ability, dignity in human
behaviour, creativity and innovation etc. A scientific checking on the strength of these elements in the labour force mentions the volume and magnitude of their loyalty towards the Organisation and the extent to which they participate in the managerial decision-making process.

Need for Professional Development

In today's fast moving world, basic education and training is no longer sufficient to carry through the jobs because jobs are growing faster than the man who holds them. There is a need for each employee to appreciate the fast changing scientific, cultural, and social environment. They must search for new ways and means to anchor themselves. This will only be possible if we keep pace with the time and continuously re-assess our training and development needs.

Self analysis is the base for professional development because the need for development can only be identified through an assessment of one's present capacities and potentials. Self analysis shall contain measurement of attitudes, measurement of personality, measurement of behaviour, and measurement of effective communication.

Parameswarn (2003) has pointed out that a programme of professional development of the labour will:

1. help, achieve, and maintain good human relations within the Organisation;
2. enable each employee to make maximum contribution to organisational goals;
3. ensure respect and well-being of other employees;
4. ensure employees' satisfaction and motivation; and
5. ensure labour participation in decision-making.

Development of Human Resources

In global economy, human resources are a key source of competitive advantage. Their capabilities, commitment, motivation, natural talents, experience and learning can provide
an inimitable edge to an Organisation. Therefore, in order to leverage their skills, competencies and commitment for enhancing organisational performance, their value should be increased by a systematic and coherent approach to investing in their growth and development. Professional development of the labour is about enhancing and widening these skills by learning, training and education, by helping people to grow within the Organisation, and by enabling them to make better use of their skills and competencies in the context of an Organisation's vision, mission, and strategy. Thus it involves structured and deliberate processes, programmes, and policies to help people and consequently Organisation to achieve their fullest potential.

According to Lynham and Cunningham (2004), “human resource development is a process or processes of organised capability and competency based learning experiences undertaken by employees within a specified period of time to bring about individual and organisational performance improvement and to enhance national economic, cultural, and social growth.” In the words of Swanson and Holton (2001), “human resource development is a process for developing and unleashing human expertise through organisation development and personnel training and development for the purpose of improving performance.”

Training of Labour Force

Training is the planned and organised activity to impart skills, techniques and methodologies to employees for contributing to the performance and success of the Organisation. Well-trained and knowledgeable employees are a valuable source of competitiveness for an Organisation. In the words of Kreitner (2004), “training is a process of changing employee behaviour and/or attitudes through some type of guided experience.” Armstrong (1995) considered training as “systematic modification of behaviour through learning which takes place as an outcome of education, instruction, development, and planned experience.”

Objectives of Training

The objectives of training include:
1. Employee specification may not exactly match with the job requirements of the Organisation. Training is needed to fill up these gaps to match the needs of the Organisation.

2. Creating a pool of readily available and adequate replacements for personnel who may leave or move up in the Organisation.

3. Enhancing the Organisation’s ability to adopt and use advances in technology because of a sufficiently knowledgeable staff.

4. Building a more efficient, effective, and highly motivated team, which enhances the Organisation’s competitive position and improves employee morale.

5. With growing complexity of jobs, increasing professionalisation of management, growing uncertainties, growing aspirations, global competition etc. has resulted in fast internal mobility of the employees, which in turn requires training to prepare employees for higher-level jobs.

**Learning and Behaviour Modification**

The attitude of employees to learn and learn continuously is a positive sign of their behaviour modification and professional development. According to the Dictionary of Psychology (1934), learning means “the process of acquiring the ability to respond adequately to a situation which may or may not have been previously encountered, the favourable modification of response tendencies consequent upon previous experience, particularly the building of a new series of complex coordinated motor response; the fixation of items in memory so that they can be recalled or organised; the process of acquiring insight into a situation.” Sanford (1986) defined learning as “a relatively enduring change in behaviour brought about as a consequence of experience.”

**Time Management**

Time is a very precious resource for an individual as well as for an Organisation. Unlike other resources, time cannot be renewed or replaced. It is the most inexorable and inelastic
element in our existence. Many people manage the time poorly. The things they have to accomplish in any given day are not necessarily beyond completion if they manage their time properly. As far as a business organisation is concerned, its people must prioritize the various activities by importance and urgency so as to manage the available time most effectively.

**Stress Management**

Stress is the general term applied to the pressure people feel in life. When pressure begins to build up, it can cause adverse strain on one’s emotions, thought processes, and physical conditions. When stress becomes excessive, employees develop various symptoms of stress that can harm their job performance and health, and even threaten their ability to cope with the environment. It is therefore important to design effective stress management strategies to make the employees of business organisation more productive.

**Tools for Identification of Employee Talents**

There are a number of traditional and modern tools used to assess the aptitude and attitude of employees in a business organisation in order to judge their professional development. These tools are briefly presented below:

1. *Simulation*

   Individuals are exposed to hypothetically real-life situations. A person’s web designing skills can be assessed through assigning a defined web-related task with time as deadlines. Similarly, a person’s decision-making capabilities can be assessed through seeking solutions to an organisational problem built on real life.

2. *Job knowledge tests*

   These tests measure the level of knowledge a person possesses in a given area of work. Tests can be designed based upon job analysis reports.

3. *Personality tests*

   To understand the personality characteristics of employees, personality tests are
used.

4. **Skill inventory tests**

   Skill inventory tests are effective to understand the areas of interest of an employee.

5. **Cognitive aptitude tests**

   These tests are used to determine reasoning abilities, memory, and linguistic and numeral abilities of employees of a business organisation.

6. **Psychomotor abilities tests**

   These tests are used to measure dexterity and co-ordination abilities of workers.

### 5.3 ‘PISOOLIP’-The Bondage of Interrelationships

The variables selected for the present study as incorporated in ‘PISOOLIP’ are related to each other and have a say in determining the effectiveness of participative management in the industrial sector of Kerala. In order to establish the thickness of bondage among

<table>
<thead>
<tr>
<th>PISOOLIP</th>
<th>Productivity</th>
<th>Industrial relations</th>
<th>Social commitment of the Organisation</th>
<th>Organisational effectiveness</th>
<th>Organisational culture and development</th>
<th>Labour welfare and compensation package</th>
<th>Industrial discipline</th>
<th>Professional development of the labour</th>
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<tr>
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</table>

**Table 5.1:** Correlation among the core variables determining the effectiveness of participative management

The variables selected for the present study as incorporated in ‘PISOOLIP’ are related to each other and have a say in determining the effectiveness of participative management in the industrial sector of Kerala. In order to establish the thickness of bondage among
the eight core variables determining the effectiveness of participative management, the researcher has attempted a correlation study based on the whole set of primary data.

On the basis of Table 5.1, it is concluded that all the eight core variables are positively correlated. There is a total of 28 pairs of relationships of which 25 are highly correlated and the remaining 3 are moderately correlated. For arriving at such a conclusion, the researcher has considered those pairs with a value of 0.7 or above, for the Karl Pearsons’ Coefficient of Correlation as the pairs which are highly correlated and those pairs with a value ranging between 0.5 to 0.7 for the Karl Pearsons’ Coefficient of Correlation as moderately correlated.

5.4 Conclusion

With the rapid industrialisation and growing competition, geared up with the initiatives for Liberalisation, Privatisation and Globalisation, ‘survival of the fittest’ is the manthra of the hour. No business establishment can sustain in the long run without promoting the concept of participative management, which is also the grand panacea to many a problems and sickness of the industrial sector today. It is the need of the day to re-engineer the human resource policies of business organisations to create a cordial and congenial environment to make participative management more effective and meaningful. In this respect, the eight point scale of ‘PISOOLIP’ to measure the effectiveness of employee participation in management gains added significance.

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