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Delaying in FACT
Impact on Managerial Motivation and Team Effectiveness

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By

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CERTIFICATE

This is to certify that the thesis entitled **“Delaying in FACT - Impact on Managerial Motivation and Team Effectiveness”** is an authentic record of original research work carried out by **Mr. George Sleeba**, under my supervision and guidance.

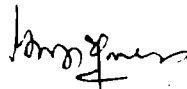
I further certify that no part of this thesis has formed the basis for the award to the candidate for any Degree, Diploma, Associateship, Fellowship or other similar titles of any University or Society

A handwritten signature in black ink, reading "M. Meera Bai". The signature is written in a cursive style with a horizontal line underneath the name.

Dr. M. Meera Bai

DECLARATION

I hereby declare that this thesis entitled "**Delaying in FACT- Impact on Managerial Motivation and Team Effectiveness**" – is a bonafide record of research work done by me and that no part of this thesis has been presented earlier for any Degree, Diploma or similar title of any other University.



George Sleeba

A Word of Gratitude

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George Sleeba

Delaying in FACT

Chapter	CONTENTS	(Page Number in bracket)
	Executive Summary	(7)
•	<u>Chapter 1 Introduction</u>	(9)
	Background, The need for Restructuring and Delaying FACT, Organizational Diagnosis, The Strategy and Scope of Restructuring FACT	
•	<u>Chapter 2 The Research Methodology</u>	(18)
	The Research Problem, Relevance of the Study, Objectives of the Research study, Conceptual Model, Hypotheses, Research Methodology, The Research Process, Data collection, Direct Observations, Opinion surveys, The interview process, Population & sample size, The Questionnaire design, Reliability and validity of instruments used for data collection, Research outline, Limitations of the Study, Chapterisation	
•	<u>Chapter 3 Delaying- The Concept, Indian Experiences and Cases</u>	(41)
	Part I - What is Delaying? (41) The delayed structure, Process of delaying, The mechanics of delaying, Dimensions of delaying, The effect of fewer layers-social issues, Downsizing, Impact of restructuring, The new organisational architecture, Delaying in Public sector.	
	Part II - Delaying in the Indian Context (53)	
	Part III - Delaying – Indian & Foreign Case Studies (57) Delaying at ABB, Delaying at G&B, Delaying at Wipro Infotech, Delaying at Infosys, Delaying at HAL, Delaying at HMT and Restructuring at Volkswagen – A German case study	
•	<u>Chapter 4 Delaying in FACT - The System and its Implementation</u>	(74)
	Part I - FACT – A Profile (75) Organisation set up of FACT, Management, Capital structure, Products, Trade unions & Officers' Associations, Manpower.	
	Part II - Developing a Delaying Scheme for FACT (77) Objectives of Delaying, The Approach, Mechanics of delaying, Salary Groups & Pay scales, Rationalisation of Designations, Managerial strength after delaying, Role relationship within a layer, Career growth within a layer	
	Part III - Developing the new Performance Appraisal System (85) Salient features of the New PA system, The three-tier appraisal process, Performance linked career growth	
	Part IV - Implementation Strategy (89)	

Ensuring management commitment, Organising for change, Deciding the level at which delayering exercise is to be handled in FACT, Specifying role and responsibility for implementation

Part V - Assessment of Organisation's preparedness for delayering (93)

Preliminary survey I , steps involved, survey design, Findings of the survey, Discussions with Officers' forums, Vehicles used for awareness building, Making responsibilities explicit, Planning implementation, Pilot study at UD & observations, Post-trial run survey II, survey findings, Planning for organisation-wide implementation

- **Chapter 5 Impact of Delayering in FACT- Analysis of Post-delayering Survey Responses (108)**

Part I - Post-delayering Survey (109)

Scope of Survey III, Concepts measured, Tools used, The rating scale

Part II - Statistical analysis of responses and Testing of Hypotheses (112)

Objectives, Hypotheses, Methodology, Chi-square test, One-way Anova test, Post-Hoc test, Results

Part III - Analysis of responses to the Post-delayering Survey (122)

Managerial perceptions about delayering in general, Impact on factors contributing to Managerial motivation, Team effectiveness& Organizational Performance such as Organizational climate, work culture, Job satisfaction, Opportunity to utilise one's capabilities, Reduction of grievances, Job redesign, Organizational communication, Empowerment& decisionmaking, Close supervision&control, Networking&Teamwork, Multiskilling & organisational flexibility, Information sharing&Joint problemsolving, Role clarity, Managerial perception about New PA system, Managerial perception about improvement in career prospects, Management of change

Part IV - Impact of Delayering on Organisational Performance (154)

The Post-delayering scenario of FACT, Reduction in Manpower, Performance indicators, Production per man, Turnover & value added per man

- **Chapter 6 Discussions based on the Findings and Recommendations (162)**

Part I - Delayering as a tool for improving Organisational Performance (162)

Delayering & Organisation climate and culture, Delayering & organisational communication, Delayering & decisionmaking, Delayering & Empowerment, Delayering & Teamworking, Delayering & Downsizing, Delayering & Performance Appraisal, Delayering as a strategy for countering obsolescence of middle managers

Part II - Organisational Change and Managing the Transition (185)

Triggers for change, Resistance to change, The levers of change, Incremental vs. Transformational change.

Part III - Recommendations (191)

- **Chapter 7 Developing a Heuristic Model for Managerial Motivation and Group Effectiveness (207)**

Part I - Implications of Findings to the theory of motivation and Group effectiveness (207)
Motivation and Team performance in the context of delayering

Part II - Generalising the Findings and Developing a Heuristic framework (221)
The Approach to developing the model, The rationale for separate framework for Individual and Group effectiveness, The contributing factors and their inter-relationship, Impact of Individual/Group/Organisational characteristics, Heuristic model of Group effectiveness, What motivates the groups to perform

Part III - How the FACT framework for Individual/Group effectiveness is related to the existing body of knowledge (234)
The Cohen&Bailey model of Group effectiveness, Comparison of Cohen&Bailey model with FACT model

Part IV - FACT Delayering Model-Cross-cultural comparisons (238)
Comparative HRM practices, Challenges for HRD in FACT in the changing environment

Part IV - Areas for further Research (248)

- **Chapter 8 Summary and Conclusion (251)**

Summary

Conclusion, Contributing factors for success

Removing negative perceptions, Impact on middle level, Redundancy, Loss of earnings, Changes in location, conditions of employment, Changes in beliefs, values& assumptions, Changes in Job content, changes in social groupings, changes in status, managing change, Monitoring & evaluation, Challenges for HRD in the changing environment, Will the positive change sustain?, Declining profits-an area of concern, Does organisational restructuring alone can contribute to organisational effectiveness ?

Bibliography (270)

Annexure I – Assessment of Organisation's readiness for change- Pre delayering survey I questionnaire

Annexure II – Assessment of Managers' perception about delayering in FACT- Pre delayering survey II questionnaire(After trial run at UD)

Annexure III- Post-delayering survey III questionnaire (After full-scale mplementation)

Annexure IV – Summary of responses to the post-delayering survey I:1

IV (a) Overall Response % - Summary

IV (b) Response summary – Layer 1 Officers

IV © - Response summary – Layer 2 Officers

IV (d) Response summary – Layer 3 Officers

Annexure V – Performance Highlights of FACT during post-delayering period 1998-99 to 2000-01

Annexure VI - Abstract of the Paper co-authored by the Researcher

Executive Summary

This Research Project on “**Delaying in FACT- Impact on managerial Motivation and Team Effectiveness**” is a case study of the management initiative called “Delaying” implemented in The Fertilisers And Chemicals, Travancore Ltd(FACT) - a major Public Sector Enterprise(PSE) in the Country, as part of its strategy for meeting the challenges of competition posed by the new economic policies of the Government of India. Delaying is essentially a simplification and streamlining of organization structure by which redundancies are eliminated and the flow of work and decision making are speeded up. It improves flexibility in organizational functioning, besides facilitating empowerment and team working at lower managerial levels. In FACT, the restructuring and delaying of the managerial cadres was undertaken during 1993-98 with the objective of improving organizational performance through enhancing managerial motivation and Team effectiveness. The project that took around six years from concept to commissioning was a major change programme affecting the structure, culture and systems of the organization.

The main objective of the Research was to study the Delaying scheme implemented in FACT in all its aspects and to examine *whether implementation of delaying has contributed to improvement in organizational performance by improving managerial motivation and team effectiveness*. To enable this, a post-delaying impact assessment was done by eliciting views and analyzing the perception of managers affected by the change programme. Organisation-wide Surveys were carried out as part of data collection - prior to, during and after

implementation. The methodology adopted was the Case Study approach, which involved a longitudinal study of the Implementation process using tools such as Observation, Opinion surveys and Interviews and relating the research findings with the theories/studies on the subject for generalization and for drawing conclusions.

The findings of the Research indicate that *managerial employees have perceived improvement in motivation and team performance after delayering*. The performance of FACT in terms of production, consumption efficiency and productivity in the post-delayering period has also shown improvement, thereby substantiating this finding. Based on the Research study, the causal factors for performance improvement and their interrelationships were analysed and a heuristic model on Team effectiveness has been developed. This model has also been used to explain the improvement in organizational performance in FACT after delayering.

The Research study has been useful as a feedback to FACT on the effectiveness of the change programme undertaken. The findings of the study have enabled the organisation to adopt appropriate strategies for sustaining the positive impact of delayering. The Research is of great relevance in the context of the restructuring and delayering programmes being implemented by many other PSEs in the Country, as documented case studies of organisations that have adopted delayering as a strategy for performance improvement are rare in the Indian context. The present Research is intended to fill up this gap to some extent, while opening up new areas for further research.

Chapter 1

Introduction

This chapter provides the background of the Research Study. The economic policy changes initiated by the Govt. of India in the early 1990s had its impact on the Industrial environment, especially with respect to Public Sector Undertakings in the country. To face the challenges of competition and Change, the Fertilisers And Chemicals, Travancore Ltd(FACT), a major Public Sector Enterprise(PSE) in the State of Kerala, had undertaken a Restructuring and Delaying of its managerial cadres during the period 1993-98. The Research Thesis presents a Case Study of the Delaying system implemented in FACT, from concept to commissioning and evaluation of its outcomes. The background of the study covering the contextual factors - both external and Internal - that necessitated delaying in FACT is presented in this chapter. The chapter also outlines the strategy and scope of delaying in FACT and the scope of the present Research study.

1.0.0 The Background

1.1.1 India has been reforming her economy over the last one decade. The central strategy of the reforms programme has been to secure a greater share of the global market in industry, trade and services through increased productivity and efficiency (Basu, 1995). The reforms aim at freeing the economy from various regulations and controls and making it more efficient through increased market orientation. As observed by Roopen Roy(2003), "globalisation is not an option to us. It is an irresistible force. We cannot compete unless we develop core competencies". As regards Public Sector Enterprises(PSEs) in the Country, the reform programmes aim at making them competitive and reducing the drag on Government budget. The Economic Survey 2001-02 calls for deepening of reforms. The Survey points out that the economy responded to the economic reforms of the 1990s with a higher growth performance than in the previous decade (Sheela Sharma, 2002). With the reform programmes moving to its second phase now, the future of the Public Sector has come into question as more and more PSEs are getting disinvested. With each passing day, the uncertainty created by the economic reforms is turning into reality - the approaching doom of the Public Sector (Raj K. Nigam, 1995). PSEs which in the 1970s were identified with "the commanding heights of the economy", today find themselves under a siege laid by Private Sector conglomerates and Multi-National Corporations

(MNCs). The New Economic Policies (NEP) envisage a “roll back” of the State and greater reliance on the free play of market forces (Ramaswamy, 1995)

- 1.1.2 It is now widely recognized that urgent steps are to be taken to improve the performance of PSEs, with a view to sustain the momentum of growth of the successful ones and to overcome the weaknesses of the others. Units which may be faltering at present, but are potentially viable, must be restructured and given a new lease of life (Chandy 1995). PSEs in the country are therefore, in the process of equipping themselves to meet the challenges of competition by restructuring and reorienting their strategies. The Fertilisers and Chemicals, Travancore Limited, the largest Central Public Sector Undertaking in the state of Kerala, popularly known as FACT, was no exception. During the 1990s, FACT had made a review of its business and product portfolio with a view to become competitive. Though the Company was enjoying good profits, the indications were that the profitability will suffer in the coming years. The profit before Taxation (PBT) touched a high of Rs. 84.76 crores during 1995-96, but started declining from the next year onwards. This necessitated redefining the Company's priorities and a relook at its structure and systems. The market conditions demanded a vibrant organization which could ward off stagnation and thrive in chaotic environment.
- 1.1.3 As a company grows and diversifies, the number of levels in its hierarchy of authority increases. Too many hierarchical layers impede free flow of communication within the organization. It causes information distortion. Proliferation of levels reduces the scope of managerial authority, affecting managerial motivation. This in turn affects managerial performance and organizational efficiency. The number of middle managers increases in a multi-layer organisation, leading to delay in decision making and increase in bureaucratic costs. Because of these reasons, restructuring of the enterprise with focus on Delaying or flattening of hierarchy becomes the preferred strategy for companies intending to achieve improved Organizational performance.
- 1.1.4 Rao (1997) based on a study of decision making at middle management level in the PSEs has observed that the liberalization policy has forced the hitherto monopolistic Public Sector to stand up to competition both from native as well as foreign

Companies. As a result, many of the PSEs have started, or are in the process of starting the organizational restructuring exercise. This restructuring exercise undertaken by companies is not necessarily due to global competition, but also due to domestic competition and an effort towards cutting the fat in an enterprise so that survival and growth can be achieved (Rajen Mehrotra,2001). Three dimensions of restructuring have been identified - business restructuring, financial restructuring and organizational restructuring (Venkitaramanan, 1988). While the resistance to change is minimal in the case of business restructuring or financial restructuring, it is maximum for organizational restructuring as it is a major change programme affecting the organizational structure, culture, reporting relationship, job design and management systems like performance appraisal, career planning, succession planning and training & development. However it promises maximum advantage to the organization with minimum cost as the investment needed is minimal. The approach of FACT like many other PSEs, has been also to adopt organisational restructuring as a strategy for performance improvement in the liberalised environment.

- 1.1.5 As the layers of hierarchy increase, an organization becomes more formal and more impersonal. The organization also becomes more bureaucratic. In the competitive business environment, organizational objectives can be achieved only through the participation of employees and by creating a consultative working atmosphere. In a multi-divisional company like FACT, the vertical hierarchical organization structure had become more lethargic due to the communication barriers imposed and the insulation caused by multiple layers. Rai (1995) argues that in the increasingly competitive corporate environment of today, an organization would be benefited by a switch over to a more democratic, less formal and thus more flexible horizontal structure, where the top can deal, interact and work with various product and functional groups, who also interact more directly with each other and where awareness of importance of customer directs the functioning and where hierarchies can be ignored. According to Lobo (1995), manufacturing management needs to be modernized to meet the requirements of a fast changing, dynamic and discriminating market. The dimensions in which modernization is demanded are

superior performance, flexibility, speed of response, style of functioning and proactive approach. These observations based on their long years of association with PSEs are equally valid for FACT as also to other PSEs in the new business environment.

1.2.0 The Need for Restructuring and Delaying FACT

1.2.1 FACT, established in 1944 had grown over the years into a multi-product, multi-divisional Corporation with more than 9500 employees in its fold by the year 1990. With the growth of the enterprise, the number of managerial employees also increased and over the years various layers were created for meeting the organizational needs and also for satisfying the career aspirations of employees. By 1993, the organizational structure had become a multi-layered set up, inflexible and lacking customer-orientation.

1.2.2 Organizational Diagnosis

A closer look at the Organization - its structure, systems and culture, a series of discussions with Senior Managers and Department Heads and a review of the performance appraisal system and other HRM systems in FACT - had revealed the following weaknesses in the Organization:

- **Structure :** There were many hierarchical levels which were hampering the free flow of information down the hierarchy. The functional grouping of departments had created independent islands of performance with little cross-functional flow of information. The career movement of managers was also restricted to their functional disciplines. This policy, though had protected the interests of the functional specialists, had created inequity in career growth, and consequent lowering of motivation and morale of managerial employees.
- **Role dilution :** There was ambiguity in the role definitions of Managers especially of those at the Junior and Middle levels. Managers in the middle level felt that they had no specific role to play other than that of an intermediary level, which for all practical purposes was not adding any value to the organization. The role of a Deputy Chief Manager was neither 'here nor there' as the Plant Manager in the middle management level was generally identified as the Section Head and the Chief

Manager at the Senior management level as the Dept. Head. This anomaly had to be corrected and clear cut levels of accountability established.

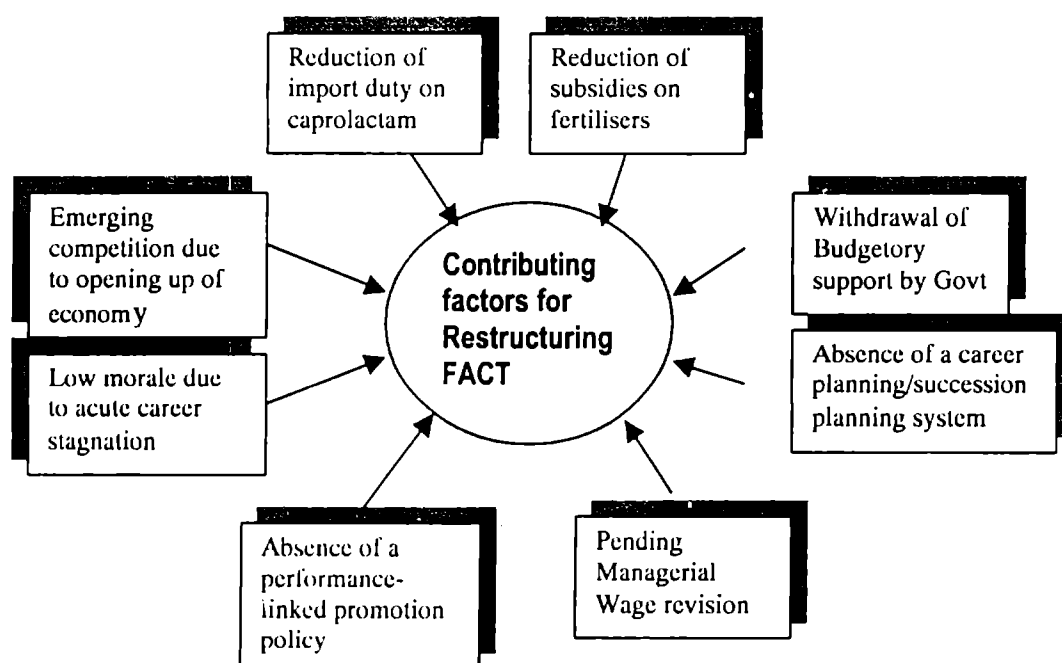
- **Promotion Policy :** The promotion policy existing in FACT was perceived more to be in favour of *seniority* than *merit*. Managers possessing different levels of qualifications, for example, Engineering graduates, Diploma holders/Science graduates had to follow the “quota” system for promotions with its attendant disadvantages from the organizational perspective. There were disparities in the career growth opportunities available to Technical and Non-Technical disciplines, between Divisions and among Management Trainees in the same discipline who had joined in the same batch. All these had created a feeling of frustration for the high performers. Since there was no reward for *outstanding performance* either by out-of-turn promotion or by extra monetary incentives, the existing system was perceived to be not conducive for attracting and retaining the best talent.
- **Over Staffing :** The manpower strength - both managerial and non-managerial- was quite high in comparison with other PSEs or other fertilizer Companies. FACT had over the years followed a policy of employment generation by large scale recruitment of Unskilled, Semi-skilled and Skilled persons into the non-managerial cadre and Engineering Graduates, MBAs and Finance/Cost Accountants as Management Trainees into the Management Cadre. This policy continued up to the beginning of the 1990s. As a result, most of the unskilled jobs that could be outsourced at lesser cost were carried out departmentally. This had also contributed to overmanning and increased labour cost. In the emerging competitive business environment, it was necessary for FACT to shed its extra flab to become lean and trim for retaining its vitality.
- **Under Productivity :** Productivity of the input resources especially labour was low due to the restrictive labor practices that required large number of supervisory personnel and workforce. This situation needed correction. Further, to comply with the BPE (Bureau of Public Enterprises, Govt. of India) guidelines regarding *maintaining unit labour cost the same even after the wage revision*, both management and unions accepted a voluntary reduction in manpower as a pre-condition for implementation of the wage revision due from 1.1.1992 (which was implemented in

1995). Hence improving the labour productivity for higher organizational performance was a priority need area for FACT to become competitive in the new business environment.

- **Mindset** : The prevailing mindset of the Managers lacked direction and a favourable disposition towards the Company or its future. Employees were mostly superior- driven with little empowerment at lower levels. There was also lack of Customer sensitivity in their roles.
- **Managerial Skills Development** : There was a mismatch between competencies of individuals and job requirements. This mismatch was more pronounced in the case of some of the Senior positions. A scheme for systematic skill development through job rotation for placing the 'right man in the right job' was absent. The concept of *corporate cadre* with interchangeability of managers between functional areas, though in existence for many years, also did not ensure development of Managers with the necessary skills for senior management posts. The Training and development programmes were neither need-based nor focussed on developing core competencies needed for the challenging business environment.
- **Team working** : Team working was perceived to be absent at lower levels and even at middle and senior levels. Decision making was always pushed upwards and the intermediary levels of management served only as filters that slow down the information flow. Networking of Departments for gaining synergy for optimum results was lacking. Departmental Managers pursued individual goals in preference to the organizational goals and objectives. Rivalry between different functional areas was characteristic of the existing work environment. There was a need for improved team working and for utilising the potential of the team members for organizational growth.
- **Career Stagnation** : The career stagnation of managerial employees was perceived to be at its peak as organizational growth was stagnant for many years. The multiple salary scales introduced in the company in the past to provide time-scale promotions had lost its motivational effect as it was available to all. The policy of seniority-based promotions, rigid hierarchical structure and absence of an objective

system of performance appraisal had all contributed to the low motivation level of managers. This had a direct impact on organizational performance also.

1.2.3 The internal and external factors that necessitated restructuring in FACT are shown in Chart below. The emerging competition due to opening up of the economy, reduction of Govt. subsidies for the company's major product - fertiliser, reduction of import duty on another major product-Caprolactam and withdrawal of budgetary support by Govt to PSEs were the main contributing factors in the external environment. The internal factors were career stagnation of managerial employees, pending wage revision, inequity in promotional opportunities and absence of a performance-linked career growth plan.

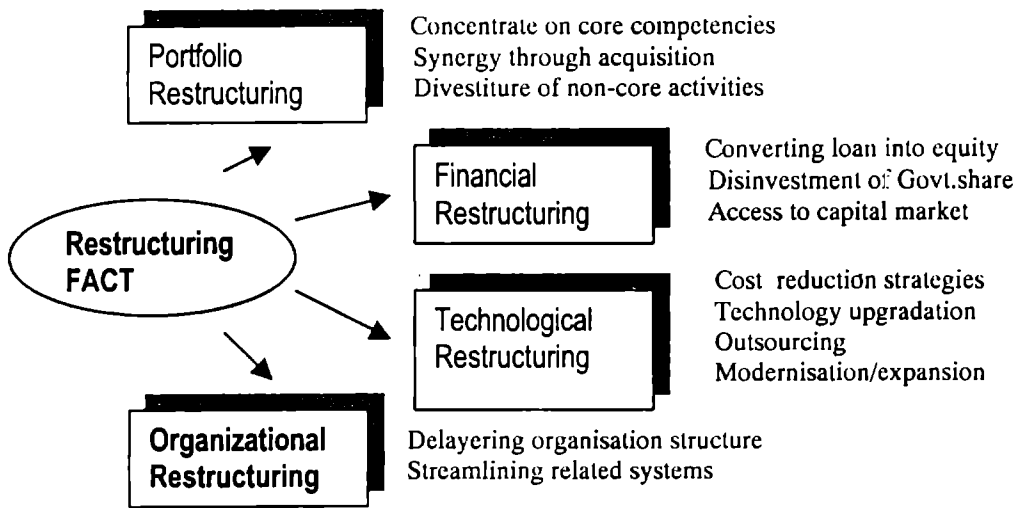


CONTRIBUTING FACTORS FOR RESTRUCTURING FACT

1.3.0 The Strategy and Scope of restructuring FACT:

1.3.1 Corporations restructure to gain strategic, financial and operational leverages (Monga, 1977). The various types of restructuring undertaken by organizations are - **Portfolio restructuring, Financial restructuring, Technological restructuring and Organisational restructuring.** Of these, Organizational restructuring involves

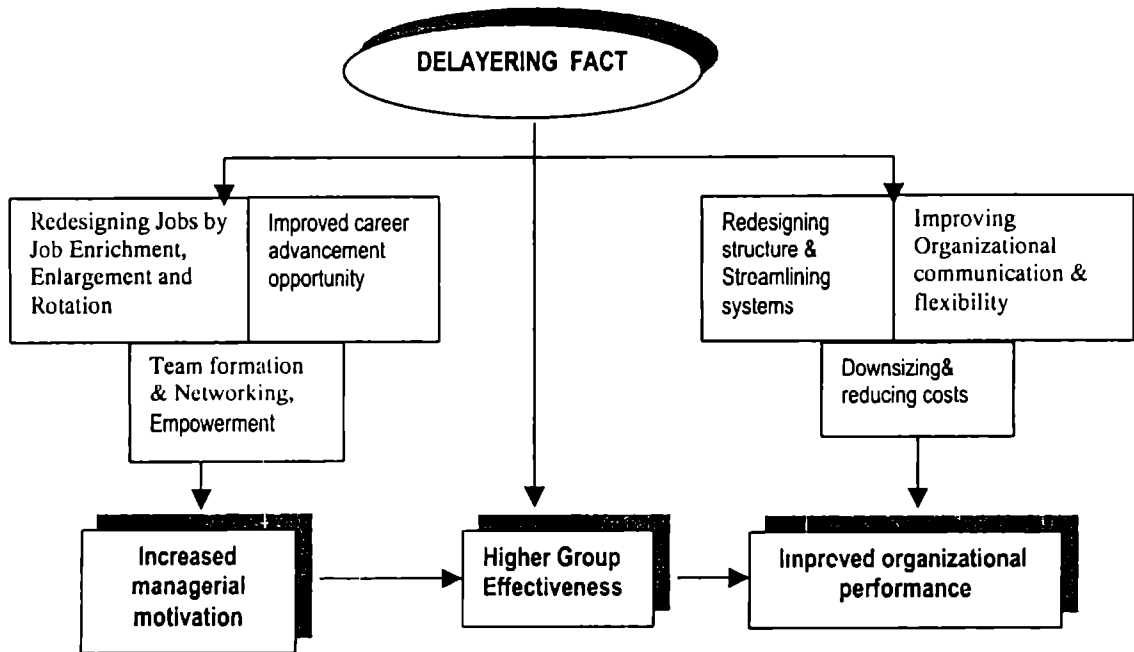
increasing the efficiency and effectiveness of the Organisation through significant changes in the organization structure, systems and culture. Chart below shows the scope of various types of restructuring.



RESTRUCTURING FACT – The Scope

1.3.2 Since each type of restructuring has its own specific purpose, it is undertaken either alone or in combination to provide the desired level of productivity and profitability. Of these, **organizational restructuring** has been attempted by a number of Indian organisations mainly due to the low cost involved and the advantage of carrying out the changes in incremental steps compared to the quantum jumps required in other types of restructuring. While the Restructuring process and redesigning of Human Resource Management (HRM) systems are expected to improve career growth opportunities that would in turn increase managerial motivation, the associated downsizing of the organization, streamlining of systems, reduction in hierarchical levels and empowerment at lower levels can speed up decision-making and improve organizational performance. However, the trials and tribulations that an enterprise has to undergo in restructuring of manpower is the maximum compared to other organizational areas (Rajan Mehrotra,1995). Hence, a well planned Human Resources strategy is required for implementing the restructuring exercise.

1.3.3 **The Scope of Organizational Restructuring in FACT:** The scope of Organisational Restructuring carried out in FACT and the expected outcomes are depicted in Chart below:



1.3.4 The twin objectives of restructuring FACT i.e. *increased managerial motivation* and *improved organisational performance* are proposed to be achieved by designing and implementing the change initiative called *delayering*. The scope of the Research covers the Delayering process from initiation to implementation and an assessment of its impact on the Organisation. It examines the contextual factors that necessitated delayering, strategies adopted for implementation and its impact on organizational outcomes. For this study, the *case study* approach was adopted as it is most appropriate. Data collection was done during the period of implementation using tools such as observation, opinion surveys and Interviews. The data collected were analysed qualitatively and statistically to draw conclusions. Hypotheses were formulated and tested as part of the research.. Cross-cultural comparisons were also made based on the findings. The findings of the research while enabling an assessment of the impact of delayering in FACT are also intended to facilitate generalization and developing models/new hypotheses that could be tested by further research.

Chapter 2

The Research Methodology

Delaying in FACT was carried out as part of a management strategy to improve organizational performance by enhancing managerial motivation and Team effectiveness. The problem chosen for the Research was whether implementation of delaying in FACT has actually contributed to improvement of managerial motivation/Team effectiveness, and thereby organizational performance. This problem was chosen considering its relevance not only to FACT but also to other Organisations intending to carryout Delaying as a tool for organizational restructuring and performance improvement.

The Chapter provides a statement of the Research problem and the Objectives of the Research study. The Research design, Research process and Methodology adopted are explained in detail. The tools used for data collection and the details of pre and post-delaying surveys are given. The hypotheses and the methodology adopted for testing are explained. The limitations of the present Research are also discussed. The Chapter ends with the grouping of topics and organization of chapters for presenting the Thesis.

2.1.0 The Research Problem

- 2.1.1 FACT had enjoyed the status of a Profit-making company for over one and a half decades, mainly due to the budgetary support and protection provided to it as a PSE. With the economic policy changes initiated by the Govt in the early 1990s, the industrial scenario underwent significant changes. This necessitated all PSEs, including FACT to become competitive for survival and growth. The restructuring and delaying of managerial cadres was carried out in FACT in this background to equip the organization to meet the challenges of change and come out successful.
- 2.1.2 The objective of the delaying and restructuring exercise was to Improve organizational performance by improving employee motivation and Team effectiveness.

This objective was sought to be achieved by various measures such as:

- Delaying the organizational hierarchy to reduce the number of hierarchical levels between junior management and Middle management,
- Introducing the concept of teamworking with in Junior and Middle management layers and empowering these Teams , with a view to improve Team effectiveness
- Downsizing the organisation

- Introducing a system of objective evaluation of performance and a performance-linked career advancement scheme for managerial employees, with a view to enhance managerial motivation
- Streamlining systems and procedures for speeding up decision making and for improving organizational flexibility

2.1.3 The problem chosen for the Research was whether implementation of *Delaying* in FACT has resulted in improvement of organizational performance by enhancing both managerial motivation and Team effectiveness. The Research makes an exhaustive study of the *Delaying* scheme implemented in FACT Ltd. with focus on its impact on organizational outcomes. It examines the role of *delaying* as a strategy for organizational restructuring in the post-liberalised industrial environment in the country with specific reference to the *Delaying* scheme implemented in FACT Ltd. It enquires into the factors that contributed to performance improvement in FACT after *delaying* and examines its impact on managerial motivation and Team effectiveness after *delaying*. The findings of the study are discussed in relation to the theories of Motivation and Group effectiveness. To enable generalization of the findings of the research, a heuristic model has been developed. This model is intended to explain the improvement in organizational performance after *delaying*. The Research, while adding to the existing body of knowledge on the subject is expected to throw up new areas and hypotheses for further research in the area of organizational restructuring.

2.2.0 Relevance of the Study

2.2.1 The Research is of contemporary relevance as Indian Organizations are restructuring themselves to meet the challenges of competition posed by the liberalized economy. *Delaying* as a strategy for organizational restructuring is also gaining ground in the Country, in view of its positive impact on organizational performance. But live case studies of Organisations that have adopted *delaying* as a strategy for Organisational restructuring are rare in the Indian context. The findings of the Research will therefore have relevance not only to FACT, but to other PSEs also that intend to undertake *delaying* as a strategy for improving organizational

performance. It has also relevance to Academicians and Practitioners in Management who are interested in the theory and practice of Delaying organisational structures.

- **Relevance to FACT :** A study of the Delaying process and its impact on managerial motivation and organisational outcomes would provide the necessary feedback to FACT management on how far the scheme has been successful in achieving its objectives. It would facilitate identification of factors that contribute to success. Further, it would also help drawing up action plans for overcoming weaknesses in the systems and strategies adopted for implementation and derive long term benefits.
- **Relevance to other PSEs :** It is possible to relate the findings of the study to the theory and practice of Human Resource Management systems in organisations. The findings of the study can be generalized to provide an appropriate model for delaying PSEs that are plagued with the problems of under-productivity, over manning and inflexible organization structures. An analysis of the change process, the implementation strategy, evaluation of impact and findings will make the research invaluable to other organizations proposing to undertake such change initiatives in future.
- **Relevance to Academicians and Practitioners :** The knowledge gained through the research study will be of relevance to practicing professionals and academicians involved in organization design and analysis. The findings of the study when related to the existing body of knowledge in the subject would provide further insight into the theory of Managerial motivation, Group effectiveness and practice of HRM systems in organizations. It is also possible to generalize the findings and to develop a heuristic framework that explains the contributing factors and their interrelationships in improving organizational performance in FACT in the post-delaying period. This model can also be used to formulate new hypotheses that could be tested by further research.

2.2.2 Though a large number of organizations, both in the public and private sectors, have undertaken delaying as a strategy for improving organizational performance, research studies on the Delaying process covering all aspects from concept to commissioning and its impact on the Organisational outcomes are rare in the Indian

context. It is this gap, the present research study is intending to fill up. The research provides an indepth case study of the delayering process implemented as an organization-wide change programme spanning over a period of six years and evaluation of its impact. The new knowledge would be useful for developing and implementing appropriate *Delayering Models* for organizations intending to adopt delayering as a strategy for performance improvement. The findings of the study would also provide insight into the impact of delayering on *Team effectiveness* in organisational settings, thus adding to the existing body of knowledge on the subject.

2.2.3 In an article on 'Delayering organization structure', Nina Jacob (1996) has observed that, given the equivocal outcomes of delayering as recorded in the literature, some actual accounts from the field reflecting the Indian experience would be enlightening. In the emerging global order, newer forms of organizing are being called for, the patterns of which are obviously still evolving. Delayering in FACT was chosen as the topic for Research in view of the above, considering its relevance not only to FACT but to other PSEs also in the present competitive business environment. A case study of the implementation of delayering in FACT and an assessment of its impact becomes all the more relevant, as documented studies on Delayering in the Public sector environment are rare.

2.3.0 Objectives of the Research Study

The main objective of the Research is to make a Case Study of the design, implementation and impact of a change programme called "Delayering" in FACT Ltd in all its aspects - from initiation of the scheme to its implementation and evaluation of final outcomes - with a view to generate case data that will facilitate generalizations of the findings and drawing inferences.

The following were the sub-objectives of the study :

- 2.3.1 To examine the role of Delayering as a strategy for organizational restructuring in the post-liberalized environment in the Country, with specific reference to Indian/Foreign experiences and cases
- 2.3.2 To portray accurately the Delayering Scheme implemented in FACT as a tool for organizational restructuring, bringing out the contextual factors that necessitated the

- scheme, its objectives, Scheme design, procedures and strategy adopted for implementation,
- 2.3.3 To assess the perception of Managers on the impact of Delaying on Organisational performance with specific reference to Managerial motivation and Group Effectiveness,
 - 2.3.4 To discuss the findings of the Study and the strategy and management of the change process with a view to offer recommendations for sustaining the positive impact of delaying in FACT,
 - 2.3.5 To relate the findings to the existing body of knowledge on the subject and to develop heuristic models for Individual and Group/Team effectiveness, and
 - 2.3.6 To draw conclusions that enable developing appropriate strategies for successful implementation of delaying and restructuring in organisations.
- 2.4.0 Conceptual Model :**
- 2.4.1 The Research does not start with a Hypothesis, but uses a conceptual model that would facilitate framing the Objectives of the study, Data collection and analysis. It is expected that, based on the findings of the Research, the conceptual model could be further elaborated. The heuristic model thus evolved would provide hypotheses that could be tested by further research.
 - 2.4.2 To develop the conceptual model, the factors relevant for improving managerial motivation and organizational performance in the prevailing organizational context in FACT were first identified. For this purpose, a pilot study was initially undertaken by interviewing a selected group of managers from each level/cadre from the various divisions of the company. The factors perceived by the Managerial employees as relevant based on the pilot study were used for developing the conceptual model. The conceptual model was subjected to detailed examination through the present research, considering its relevance to the study of managerial motivation and Team effectiveness in the prevailing organizational context of FACT.
 - 2.4.3 A positive or favourable response to the questions under respective factors in the post- Delaying survey is considered as an indication of the perceived improvement in Managerial motivation, Team effectiveness and organizational performance after delaying. The conceptual model is also used to frame hypotheses to establish that

implementation of Delaying in FACT has helped to improve Organizational Performance by enhancing Managerial Motivation, Team Effectiveness and streamlining organizational Systems and Processes.

Factors related to Managerial Motivation

- Job Design factors
- External Environmental factors
- Performance evaluation & Reward related factors
- Career growth related factors

Factors related to Organisational characteristics

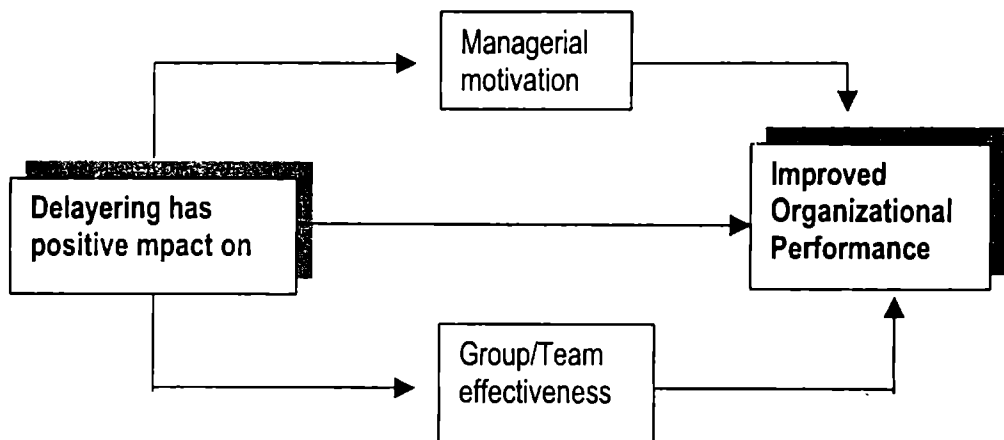
- Right sizing the Organisation
- Delaying & Flattening the hierarchy
- Organisation culture & PA Systems
- Training & Employee Development systems
- Empowerment & Decision making

Factors related to Individual/Group Characteristics

- Job Knowledge / Multiskilling
- Organisational Communication
- Team formation & Networking
- Joint Problemsolving & Decisionmaking



The conceptual model depicted below was used as a starting point for this research and for developing hypotheses:



Conceptual Model of the impact of Delaying in FACT

Note : The literature on Motivation and Productivity is vast and replete with various models. A host of factors, both external and internal to the

organization do influence managerial motivation and organizational performance. However it is to be noted that what is relevant to the present Research project is the factors perceived as important by managerial employees of FACT in the prevailing organizational and industrial context. Limiting consideration only to the above factors is done to limit the boundary of the Research project and to make the study more organization-specific.

2.5.0 Hypotheses

The following null hypotheses are proposed to be tested through this research:

- 2.5.1 There is no improvement in managerial motivation in FACT after delayering
- 2.5.2 There is no improvement in Team/Group effectiveness in FACT after delayering
- 2.5.3 Delayering in FACT has not contributed to improvement in organisational performance

2.6.0 Research Methodology

Since the objective of the research is to make an exhaustive qualitative analysis of the Delayering process implemented in FACT in all its aspects, the *Case Study method* was adopted. For this purpose, a longitudinal study was conducted covering a six-year period from 1993 to 1998. The methodology also involved carrying out organization-wide surveys during various stages of implementation of the Delayering scheme, analysing the survey results and drawing conclusions. The conclusions drawn were further substantiated by analyzing the physical performance of FACT before and after implementation of Delayering.

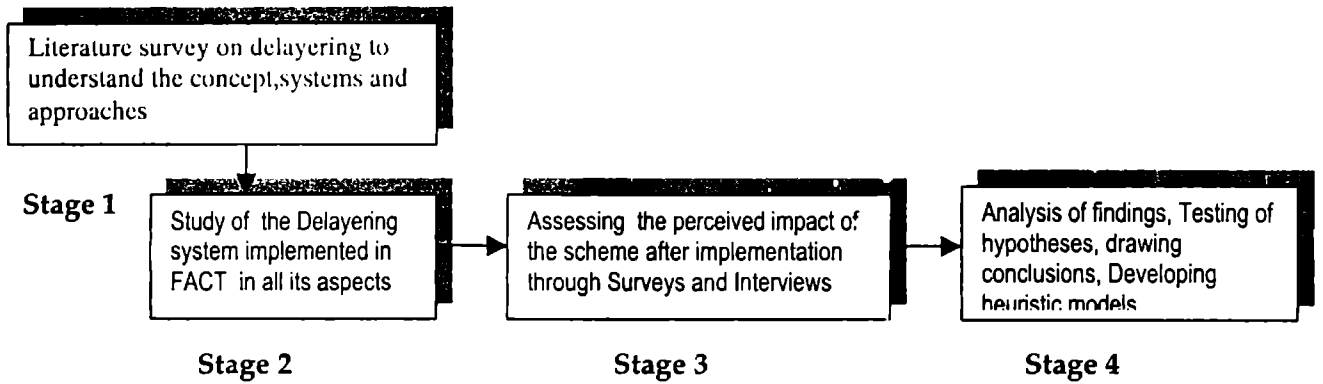
The case study method was considered appropriate to gain more insight into the contributing factors for improving organisational performance and to examine the mutual interrelationships of causal factors. It was chosen to enable the Researcher to obtain a real and enlightened record of personal experiences which will also reveal the respondents' inner feelings and motivations that drive them to adopt a certain pattern of behaviour. Though the basic approach followed was the Case Study method, the other research methods were also used extensively depending on the circumstances, such as questionnaires, depth interviews, documents and study reports.

2.7.0 The Research Process

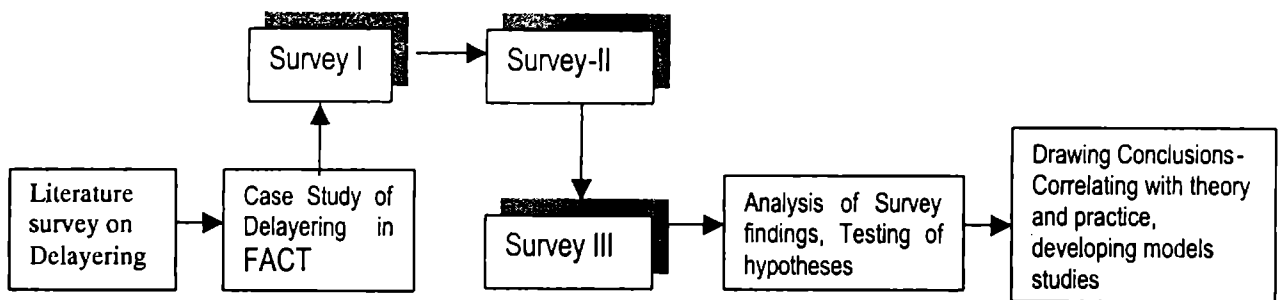
The Research involved undertaking a longitudinal study of the Organisation to make an in-depth analysis of the Delayering scheme implemented in FACT. Organization-wide surveys

before, during and after implementation of Delayering, analysis of survey results for drawing conclusions on the impact of delayering on Managerial motivation, Team effectiveness and Organizational performance also formed part of the research. The conclusions drawn were further examined in relation to the theories of managerial motivation and team effectiveness. The physical performance of FACT before and after implementation of delayering was also analysed to substantiate the findings.

The various stages involved in the Research process are shown in charts below:



Before & During Implementation of DELAYERING



After implementation of DELAYERING

- **Stage 1 - Literature survey to Study the Delayering Models and their impact in Indian/Foreign organizations :** Delayering as a strategy for organizational restructuring has been adopted by various organizations, both in the public and private sectors with the overall objective of improvement in organizational performance. An analysis of the various models, approaches and strategies adopted for implementation would therefore be helpful in making a comparative study of the

FACT model and for drawing conclusions. Stage I of the research thus involved a literature survey to study the experiences of other organizations that have adopted Delayering as a strategy for organizational restructuring

- **Stage 2 - Study of the Delayering process and related systems implemented in FACT :** Since the impact of Delayering on the organisation depends on the scope of coverage of the Delayering scheme, the Delayering process, the strategy adopted for implementation, the commitment of the Top management and full involvement of employees affected by the change programme, an in-depth study of the Scheme was carried out covering a six year period (commencing from initiation of the scheme to full-scale implementation and evaluation) to understand the background of Delayering FACT, objectives of delayering, mechanics of the scheme and the implementation process. Since the success or failure of any major change programme depends on the effectiveness of the Strategy adopted for implementation, this aspect was also studied in detail.
- **Stage 3 - Assessing the perceived impact of Delayering through a post-delayering Survey :** The Delayering Scheme was implemented in FACT during the period 1993-1997. Two surveys were conducted during the period prior to organization-wide implementation of delayering. Primary data collected in the first two surveys were mainly used as a feedback to FACT Management on the effectiveness of the employee involvement and communication programmes during the *Awareness building phase* and *Trial Run phase*. Based on the responses of the participants to these surveys, necessary changes were made in the implementation strategy. To assess the impact of delayering on factors contributing to Organisational Performance, a post delayering survey was also conducted among managerial employees of FACT after full-scale implementation of the scheme.
- **Stage 4 - Analysis of Findings & Drawing conclusions:** The findings of the post-delayering survey formed the basis for impact assessment and for drawing conclusions. During this stage, analysis of the perceived impact of Delayering on the following aspects were made and conclusions drawn :

- **Impact of Delayering on Managerial Motivation:** Whether the change process implemented has helped in improving the motivation level of managerial employees, which was observed to be at a low ebb when the study was undertaken.
- **Impact on Decision making:** Since organisational effectiveness depends on faster response to environmental changes and the quality and speed of decisions taken by managers, the perception of managers on this aspect was analysed
- **Impact on Empowerment:** The success of Delayering depends on the transfer of power to the lower levels in the organization and empowering them to meet the exacting demands of the customers- both internal and external. The extent to which empowerment has taken place is important for sustaining the change and hence this aspect was also examined.
- **Impact on Team working:** One of the results expected is an improvement in the work culture due to team work and team based systems. The managers in each layer is expected to work as a team, and the concept of self-management teams was introduced along with implementation of Delayering. Hence to what extent Delayering has contributed to team working and team effectiveness in the Junior and middle management levels was an area of interest in the study undertaken.
- **Impact on the Performance Appraisal System:** Along with implementation of delayering, the Performance Appraisal system was redesigned. The study also examined whether the managers perceive the new PA System as more objective and linked to performance related factors rather than personality traits.
- **Impact on Career growth opportunity:** The assurance of better career advancement opportunities after delayering was one of the factors that reduced the resistance to change. It was therefore necessary to analyse the impact of Delayering on the career management system in the Company to see whether the employees perceive a 'real' improvement in their career prospects after Delayering.

2.8.0 Data collection

The study has used mainly two types of data:

- (i) Primary data
- (ii) Secondary data.

While the primary data was collected through direct observation, opinion surveys and Interviews, the secondary data was collected from published materials- books, journals, files and records maintained by the company during the eight year period 1993 to 2000.

Opinion surveys were conducted through structured questionnaires, copies of which are given in Annexures I, II and III. Data so collected were supplemented by interactive interviews with selected managerial personnel. For the primary data, three sets of questionnaires and schedules were used for surveys and interviews. Besides the above methods of data collection, the method of Observation and critical analysis were also used throughout the study, to measure the depth of feelings of the respondents to the various aspects of delayering.

2.8.1 Direct Observations during the study were made from the following angles:

- As a 'senior manager' of FACT, who is not directly affected by the change process but can influence the thinking of junior and middle level managers who are affected by the change
- As a 'change agent', who is responsible for designing the model for delayering FACT and for co-ordinating all activities of the change programme, from initiation of the scheme to its implementation and evaluation of impact
- As an 'employee' of FACT, who is part of the Organisation and the group of managers affected by the change process.
- As a 'Researcher' who is interested to study the dynamics of the change process, the strategy adopted for implementation, its impact on the organization and the contributing factors for success.

2.8.2 Opinion surveys

Opinion surveys were conducted in three phases- BEFORE, DURING and AFTER implementation of the Scheme. Separate surveys were conducted at each phase followed by an analysis of the survey findings with a view to use the findings as a feedback for course correction before undertaking the subsequent phase. The post-dlayering survey is the main focus of the present research work as evaluation of the impact on organizational outcomes has been one of the key objectives of the study.

Survey I - Prior to introduction of delayering: This survey was carried out at the introduction and awareness building stage, i.e. prior to start of actual implementation of the delayering programme. This stage corresponds to the "Defreezing" stage in the Likert model

Survey II - During implementation of delayering : This survey was carried out after the trial run of the delayering scheme in one of the Divisions of FACT, i.e. prior to organization-wide implementation, to understand the perception of managers and to make course correction wherever needed. The full-scale implementation of the scheme was taken up after this survey

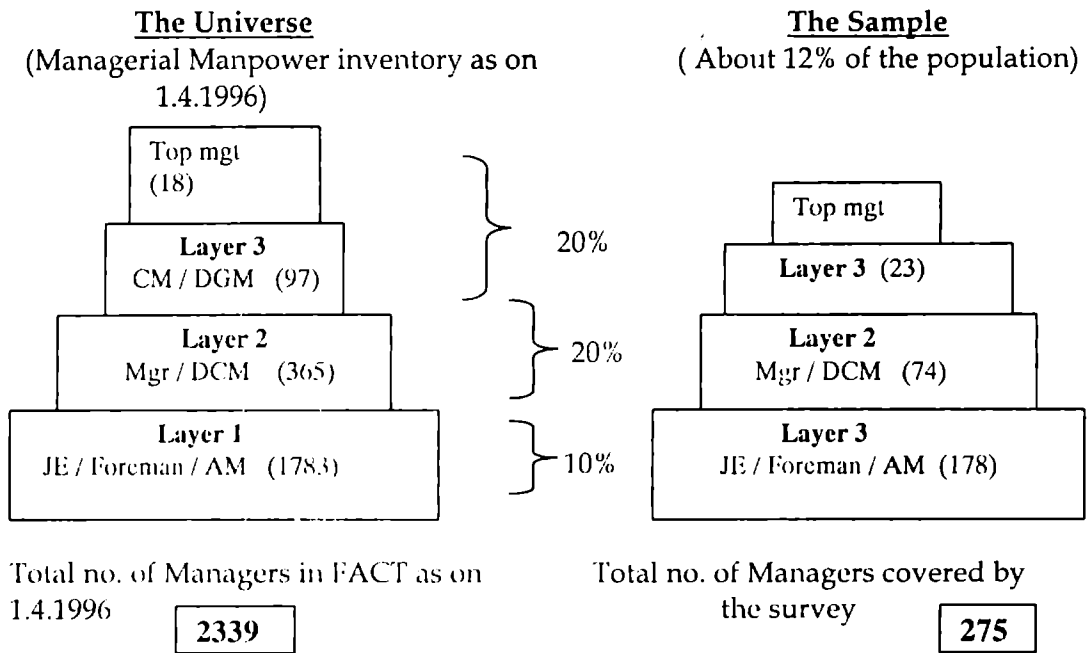
Survey III - After implementation of delayering in FACT : The post-delayering survey was carried out one year after the full-scale implementation. The objective of this survey was to assess the impact of delayering on managerial motivation, Team effectiveness and organizational performance in FACT. The survey covered all Divisions of the company, all managerial cadres and all functional areas.

The Interview Process

In- depth interviews were conducted with Managerial employees of the company who had responded to the questionnaires, by meeting them at their work places, to elicit more information and to clarify their responses. Since evaluation of the effectiveness of implementation was a requirement of the FACT Management also, there was total management support for the data collection effort. This was one of the reasons for the high response rate to the surveys. Further, being one of the key Resource persons entrusted with the responsibility for implementing the change programme, the Researcher by virtue of his position in the organization, had access to all the Departments, Divisions and Management levels, which made process of data collection easier. This unique position as an 'insider' also helped the Researcher to have access to all management reports and even classified documents which otherwise are not available to outsiders.

2.8.3 Population and sample size:

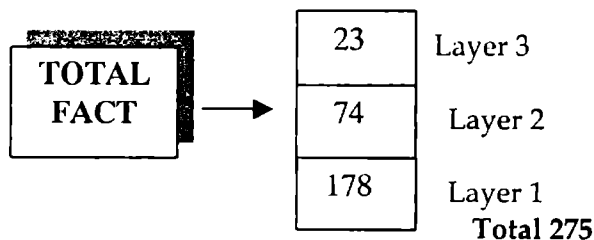
The selection of sample for data collection is shown below:



The population for the study consisted of the 2339 Managerial Employees of FACT belonging to different levels, salary groups and Divisions. The sample size was decided as 20% of the Managerial employees belonging to senior and middle levels and 10% in the junior management cadre. Since FACT has seven major divisions, to eliminate Divisional bias, the selection of 20% from Senior & middle levels and 10% from junior level was done in proportion to the number of Managers available in each Division. The study thus covered an overall 12% of the total number of Managerial employees of the company. The sampling procedure adopted was stratified Random sampling after making a systematic classification of Managers based on Division/Level/Designation/Grade/Layer, to avoid any Division-wise/cadre-wise bias. The sample was drawn at random from each Division/cadre, covering a total of 275 Managerial employees, as per details below:

Constitution of Sample

(Distribution of Sample for the Survey- Divisionwise / Layerwise)



Division-wise breakup

	UD	CD	PD	FEDO	FEW	Mktg.	HO
Layer 3	3	3	3	7	1	3	3
Layer 2	8	16	12	24	3	5	6
Layer 1	45	46	22	22	9	18	16
Total	56	65	37	53	13	26	25

Division	UD	CD	PD	MK	FED	FEW	HO	Total
Sample size	56	65	37	26	53	13	25	275

Layer	Designation	Sample size
3	DGM / CE	23
2	DCE / M	74
1	AM / E / JE	178
Total		275

UD, CD, PD, MK, FED, FEW and HO indicate the seven divisions of FACT from which sample was drawn. Layer 1 to 3 correspond to Junior, Middle and Senior Management cadres. Designations are linked to the salary scales in each layer.

Note :

1. A stratified sample as above was adopted on the basic assumption that the population is markedly heterogeneous and can be sub-divided into stratas on the basis of layers. Within each strata/layer, the method of random sampling was adopted
2. To avoid *statistical errors*, the following approach was adopted:
 - (i) Since the study covered all the 3 layers of management i.e.- Junior, Middle and Senior Management, to avoid *management cadre bias*, the sample was distributed among the 3 layers based on the number of Managers available in each layer / cadre in the organization as a whole.
 - (ii) To avoid *divisional bias*, the sample was again distributed among the various divisions on the basis of the cadre wise strength available in each Division.
3. The stratified sample thus considered for the survey covered Division wise, cadre wise distribution uniformly so that there is no bias towards any Division or cadre.

2.8.4 The Questionnaire

The opinionnaires used for data collection were distributed personally among the respondents selected for the study. The post-delaying questionnaire contained 50 questions grouped into ten heads dealing with Delaying in general, Fulfillment of Organisational needs, Team work, Decision making, Fulfillment of employee needs, Performance Appraisal System, Motivation of Managerial employees, Apprehensions about delaying and General comments on the Scheme and its implementation. The data collected were supplemented by personally interviewing selected number of managers belonging to various levels. The type of interview adopted was *focussed personal interview*. It was possible to gather more insight into the perception of different categories of managers on delaying and its impact through these personal interviews as many managers were reluctant in giving their views in writing initially, though anonymity was assured.

2.8.5 Reliability and Validity of the instruments used for primary data collection:

The post-delaying survey questionnaire was tested for its *reliability* and *validity*. Two aspects of reliability viz. *stability* and *equivalence* were considered. Stability was established by carrying out repeated measurements of the same person using the same instrument and getting more or less consistent results during all the three phases of the survey. This was further verified from the responses in the interview. The equivalence aspect was ensured by having the same investigator for data collection and for conducting the personal interviews of selected respondents. By the above approaches, the reliability of the instruments used for data collection was ensured.

For test of validity of the instruments used, the aspects considered were *content validity* and *criterion-related validity*. Content validity is the extent to which the measuring instrument provides adequate coverage of the topic under study. This was ensured by discussing the final questionnaire with academicians and professionals in the field of management and ensuring its adequacy for collection of the required data. For criterion-related validity, due care was taken to select appropriate characteristics and criteria for measurement which are relevant to the study and free from bias. This was further ensured by administering the questionnaire to a select group, getting responses, analysing the responses with

academicians/practitioners and making necessary changes before using the same for organisation-wide survey.

2.9.0 Statistical Analysis of responses

The data collected through the questionnaires and interviews represented the subjective opinion of the managers who participated in the surveys based on their perception of the delayering scheme and its impact on managerial motivation, group effectiveness and organisational performance of FACT. Since the respondents belonged to all the three layers of management, the responses were analysed layer-wise also.

The data collected were subjected to two types of analysis for drawing conclusions:

- (i) Descriptive Analysis based on the percentage of managers responded from each layer, in favour or against each question in the opinionnaire
- (ii) Statistical Analysis to determine whether the opinions expressed by the three layers of managers towards delayering and restructuring in FACT are the same or different.

The objectives of the statistical analysis, hypotheses and methodology adopted are explained below:

2.9.1 Objectives

- (i) To analyze the general perception of managers towards delayering and restructuring in FACT
- (ii) To analyze the perception of managers layer-wise, towards delayering and restructuring in FACT with respect to Organizational needs, Team work, Decisionmaking, Employee needs, Performance appraisal, Empowerment and Motivation.

2.9.2 Hypotheses

- (i) There exist very strong association between the opinion expressed in Question numbers 1 to 4 of the post-delayering survey(Survey III) by managerial employees belonging to the three layers
- (ii) In general the attitude of managers towards delayering and restructuring in FACT depends on the layer to which they belong
- (iii) Attitude of managers belonging to the three layers towards delayering and restructuring in FACT with respect to organisational needs, Team work,

Decisionmaking, Employee needs, Performance appraisal, Empowerment and Motivation are different.

2.9.3 Methodology

To test the hypothesis (i) the *Chi-square test* of association is used. Chi-square is the statistics used to test the hypothesis where rows and columns variables are independent. In this test, the null hypothesis is that the characters considered are independent (against they are dependent). If the chi-square value is greater than the tabled value, we reject the hypothesis and conclude that the variables are dependent. Otherwise, the variables are taken as independent.

To test hypothesis (ii) and (iii), the test of equality of mean, *ONE WAY ANOVA* is used. The one-way ANOVA procedure produces a one-way analysis of variance for a quantitative dependent variable by a single factor (independent) variable. Analysis of variance is used to test the hypothesis that several means are equal. This technique is an extension of the *two-sample t test*. In addition to determining the differences that exist among the means, it is also necessary to know which means differ. There are two types of tests for comparing means:

- *A priori contrasts* and
- *post hoc tests*

Contrasts are tests set up before running the experiment and post hoc tests are run after the experiment has been conducted.

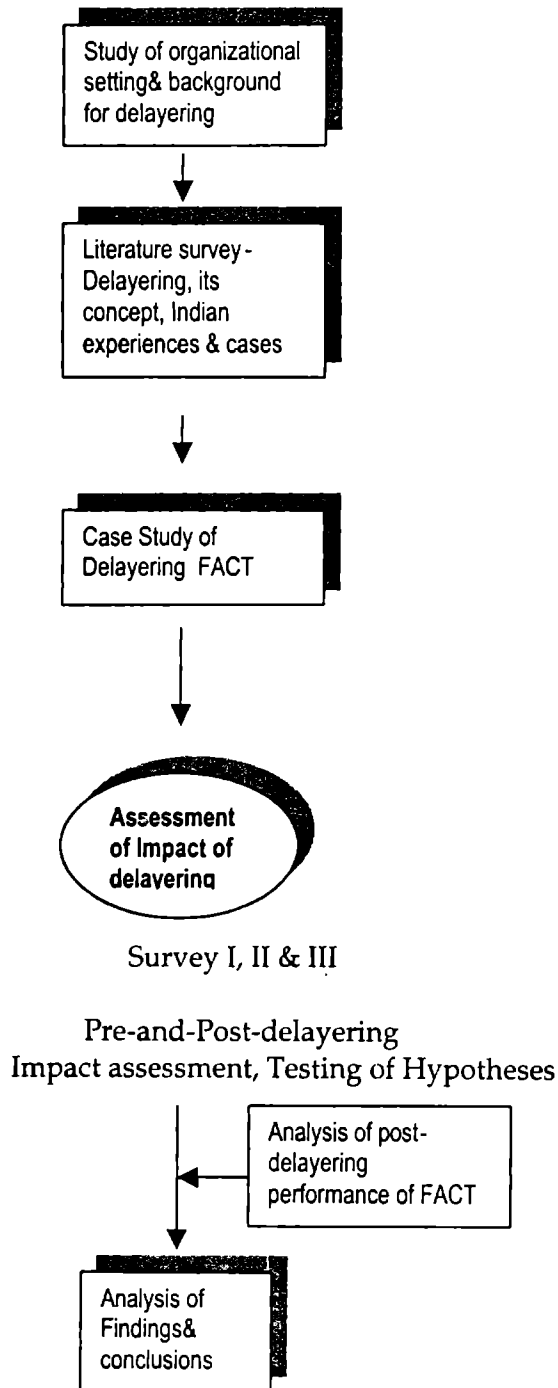
For the above purpose, scores have been assigned to each question as below:

Response	Score
Strongly Agree	5
Agree	2
Not Sure	0
Disagree	- 2
Strongly Disagree	- 5

For Question Numbers 5 to 49, scores have been assigned as above and the Total Score for each employee is found out for each question in the opinionnaire. Then the equality of means is tested using this Total Score with ONE WAY ANOVA.

2.10.0 The Delaying process along with the Research outline showing the various activities in the Research study in parallel are shown in Chart below:

RESEARCH OUTLINE



DELAYERING PROCESS

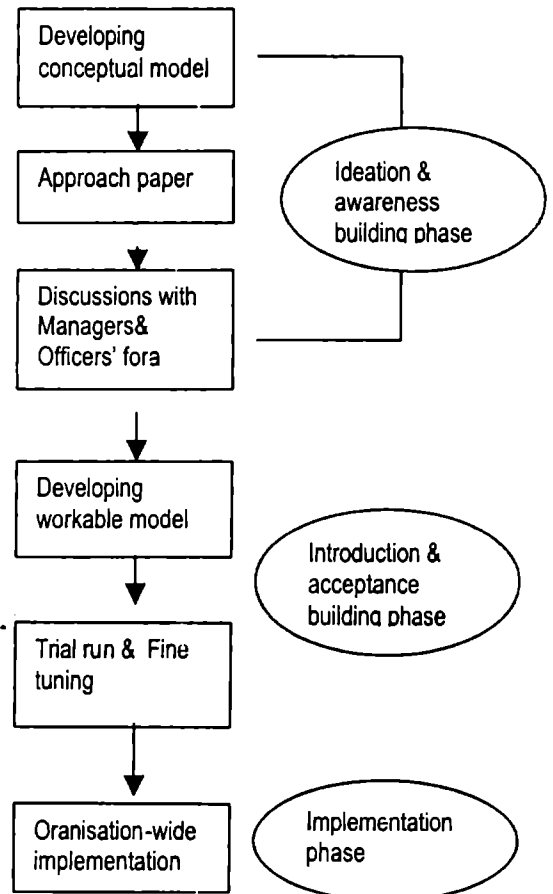


Chart : The Research Outline vis-à-vis The Delaying Process

2.11.0 Limitations of the Study

The following are some of the limitations that should be taken note of while generalizing the findings and drawing conclusions:

- 2.11.1 The Research project involved a longitudinal study of the delayering scheme implemented in FACT from its conceptualization to full-scale implementation, covering a period of six years. It is not possible to assume that all the variables in the external or internal environment will remain constant throughout the period of implementation. Hence, changes taken place in the external and internal environment of the organization may affect the findings of the study.
- 2.11.2 The post-delayering impact assessment was carried out one year after full-scale implementation of delayering, through an organization-wide survey and in-depth interviews with managers of FACT. Performance data of the organization for the two years immediately succeeding the year of full-scale implementation of delayering was also collected and analysed. Though there was no other major management initiative implemented in the organisation other than delayering during the seven years of observation and study, there were changes in the incumbents to the post of Chief Executive of the organisation, which has affected the pace of implementation. The role of leadership and the impact due to leadership changes on the outcomes are not analysed.
- 2.11.3 As the liberalization process in the country advanced into its second phase by the late 1990s, the external environmental pressures due to competition had mounted up forcing the organization to aim for higher levels of production and productivity to survive and grow. The change in attitude of the Govt to the PSEs, the cut in the budgetary support to PSEs and also the strict monetary controls exercised by the Govt. might have forced the employees to strive for higher levels of performance. It may not be therefore possible to attribute the favourable mindset and positive response of the employees after implementation of delayering entirely due to delayering alone. The impact of these Govt. controls on the performance of the company are not separately analysed.
- 2.11.4 The respondents included Managers with different levels of qualifications. In the junior management level, the qualification ranged from SSLC / ITI to Diploma /

Graduation to Post-Graduation / Professional degree holders in Engineering, Law, Finance and A/cs etc. Thus the chosen group in the Junior Management level presented a heterogeneous sample from the point of view of their understanding of organizational goals, competencies and career growth aspirations, which may influence their responses to the study.

- 2.11.5 The respondents included Managers with different age levels. While normally younger age group is expected at Junior Management level, the actual situation was that the age of managers in Layer 1 ranged from 25 years to 50 years. This is because, this cadre included a mix of personnel belonging to the *promotee cadre* and *direct recruitees* as Engineers/ Management Trainees / Finance & Accounts professionals. Naturally the competence level and career aspirations of the young, the middle aged and the old would be different. It is linked to the external factors (*Hygiene factors*) also such as Township, medical facilities, Children's education facility etc.
- 2.11.6 The respondents included Managers having different experience levels in the organization. The number of years of experience varied from 9 years to 35 years in the Junior Management cadre; though in the middle and senior management cadre, this difference was not that pronounced.
- 2.11.7 Each of the divisions covered had a culture of its own, which could also affect the response of Managers. This is more so in the case of Junior Management cadre where majority of Managers had only worked in a particular division and had no exposure to the work culture in other Divisions. Divisions like 'FEDO' and 'FEW' had a work culture different from the production divisions and the 'Marketing Division' had a culture different from that of other Divisions due to its operations in all the southern states, in contrast to a localized operation of other Divisions.
- 2.11.8 The age of the Division itself and the outlook of the employees with regard to the future of the organization and their own future may also affect their responses. Among the Divisions, UD was the oldest having maximum number of lower qualified personnel among Managers. In the youngest division - Petrochemical Division (PD) - the minimum qualification for entry level for operators is a graduation and as such the qualification level of many of the non - managerial personnel (operators) in PD is seen to be much more than some of the managerial

employees of UD or CD. UD, established in the 1940s had a different working environment compared to PD established in the 1990s, typical of a 'generation gap' in outlook and approach to issues.

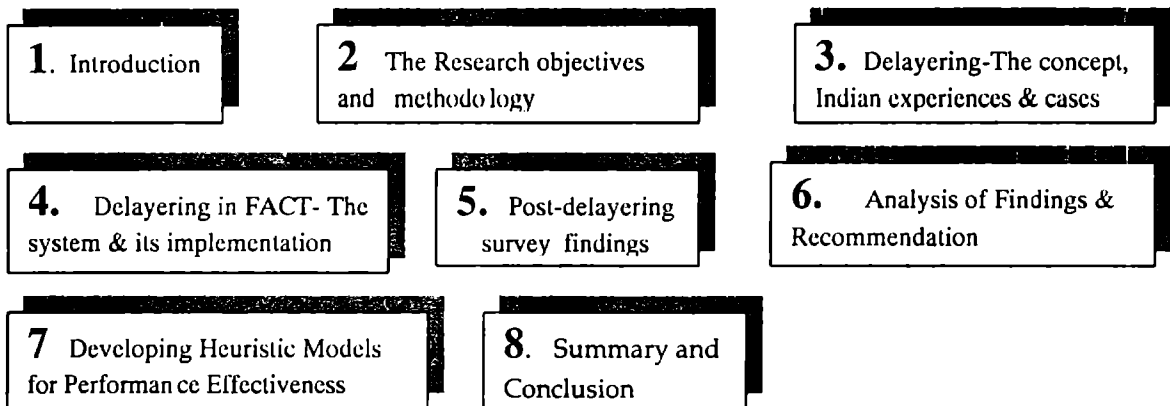
2.11.9 The Senior Management Cadre for this study covered Chief and DGM levels only and not the Division Heads. Since the Division Heads were part of the Top Management Team responsible for implementing delayering in FACT, their views were taken as always supporting delayering, by virtue of them being part of the Top Management team. This assumption need not be true always.

One of the major limitations of this research is the time frame of the study. The study covered a period of six years and the changes in the environmental factors - both internal and external - during this long period of time could affect the perception of managers. Though pre and post-delayering surveys were conducted, the responses were not strictly comparable as the same respondents were not available for the surveys each time, in view of the long time span involved. Some of the managers who participated in the pre-delayering survey had retired by the time the post-delayering survey was commissioned. This is naturally expected in a social sciences project like this, as it may not be possible to keep all variables steady except the control variable, till the project is over. This has been the main reason why an increased rigour has not been pursued for its own sake, while adopting the methodology or analyzing the data. Even with these limitations, the sample selected had uniformity and homogeneity from the point of view of this research in as much as the respondents belonged to the same organization (FACT); belonged to the same managerial cadre having uniform policy and procedures through out the organization irrespective of the Division they belonged to; covered under the same promotion policy of merit-cum-seniority irrespective of the Divisions, age or qualifications and covered under the common job rotation plan for majority of staff, whereby their exposure was not confined to any particular division, but to other Divisions of FACT also. This common thread connecting all managers of FACT is expected to ensure homogeneity for the purpose of this research. However, the above limitations are pointed out to specify the boundaries of the present research study and the factors that could possibly moderate the findings of the research. The factors like age, qualification level, experience in the organization, past career growth

opportunities, early career experience etc. of the respondents could also influence their response to the surveys. Though the present research study has not considered these variables, an attempt has been made to analyse the impact based on the data gathered during the personal interviews with the respondents.

2.10.0 Chapterisation :

The Thesis is divided into Eight Chapters as below:



- **Chapter 1** provides an introduction to the Research study and presents the contextual factors that necessitated delayering in FACT, Scope of delayering and the scope of the Research study.
- The main objective of the Research study, the sub-objectives and Methodology adopted are presented in **Chapter 2**.
- The role of Delayering as a strategy for organizational restructuring in the post-liberalized environment in the Country has been examined in detail in **Chapter 3** with specific reference to Indian Experiences and Cases.

- **Chapter 4** portrays the Delaying Scheme implemented in FACT as a tool for organizational restructuring, bringing out the contextual factors, objectives, Scheme design, procedures and strategy adopted for implementation.
- Details of the post-delaying survey carried out to assess the perception of Managers on the impact of Delaying are provided in **Chapter 5**.
- An analysis of the findings, observations and Recommendations for improvement in the system for sustaining the positive impact of delaying is given in **Chapter 6**.
- An attempt to relate the findings of the study to the existing body of knowledge on the subject and to develop heuristic models for Individual and Group/Team effectiveness in Organisational setting has been made in **Chapter 7**.
- The Research Thesis is concluded in **Chapter 8** by presenting the summary and highlighting the strategies to be adopted for successful implementation of delaying in organisations and for sustaining its positive impact.

The last Chapter is followed by **Bibliography and Annexures**

The sample Questionnaires used for the surveys are given as **Annexures I, II and III**.

A summary of the responses to the Post-delaying Survey is given in a consolidated form in **Annexure IV**.

Annexure V provides Performance Highlights of FACT during the post-delaying period starting from 1998-99 to 2000-01 to indicate improvement in Organizational performance.

Annexure VI provides abstract of a Paper co-authored by the Researcher along with Job deHaan, Rejie George and Gerard deGroot of the Tilburg University, The Netherlands titled " SOCIALLY RESPONSIBLE RESTRUCTURING TO ACHIEVE SUSTAINABILITY : LESSONS FROM INDIA", presented at the Second World Conference on POM and 15th Annual POM Conference, Cancun, Mexico, April 30- May3, 2004

Chapter 3

Delaying - The Concept, Indian experiences and Cases

*“Layers insulate
They slow things down. They garble.
Leaders in highly layered organizations are like people who wear
several sweaters outside on a freezing winter day.

They remain warm and comfortable, but are blissfully ignorant of the
realities of their environment.....”*

Jack Welch
CEO, General Electric

This chapter gives an introduction to the concept of delaying and restructuring organisations. It examines the role of delaying as a strategy for improving organizational performance in the post-liberalised industrial environment in the country, by analyzing Indian & Foreign experiences and Cases on Delaying. It explains the concept of delaying and how the structural change due to delaying affects the people and systems in the organization, by making specific case studies of six Indian organisations- four in the Private sector and two in the public sector - and a case study of the restructuring carried out at the Volkswagen company in Germany. It concludes that though many advantages with regard to reduction in manpower, teamworking, organizational flexibility and improved performance and productivity are reported by organisations after delaying, it has raised a number of social issues as well due to the resulting downsizing of the organization. There are specific issues with regard to resistance to change to be tackled when delaying is undertaken in Public Sector Organisations. The chapter ends with the observation that organizational scientists are equivocal in their view that the structure of the 21st century is going to be a 'Horizontal organization' and hence the need and relevance for delaying organizational hierarchies.

This Chapter is based on a compilation of the secondary data available in the literature. The data is presented in three parts as below:

Part I - Definition of Delaying, the process, its advantages and dis-advantages

Part II- Experiences of Indian and Foreign organizations in the Public and Private sectors that have implemented delaying and restructuring

Part III- Case studies on delaying at six Indian organizations and one in Germany, giving details of the objectives of delaying, the process, strategy adopted for implementation and its impact on the organisation

Part I

What is Delayering ?

3.1.0 Organisations in today's global competitive economy are in the quest for greater efficiency and productivity. In this quest, Corporations are attempting to redraw their hierarchical organization charts that have defined corporate life since the Industrial Revolution, through a process called Delayering.

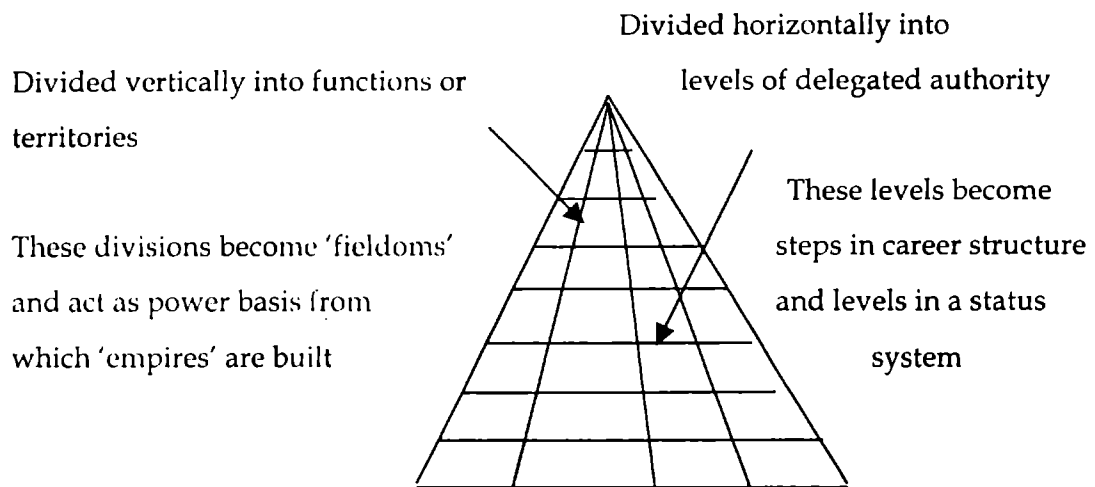
3.1.1 Definition of Delayering : Delayering is essentially a simplification and streamlining process of the organization structure by which redundancies are eliminated, flow of work and decision making are speeded up. It involves flattening of the organization i.e. the removal of unwanted management layers in the organizational hierarchy. Delayering eliminates excess staff by identifying unproductive layers of work and activities that do not add value. The result is a small, compact, efficient organization, free from roadblocks and overstaffing.

There is empowerment when Delayering takes place. Authority increases and with it responsibility and accountability of managers. Jobs get enlarged and the managers are required to coordinate the efforts of more subordinates who perform diverse functions and jobs, leading to the concept of *Autonomous Work Teams*.

The increased responsibility comes not only in the form of responsibility for the work of subordinates but also responsibility for one's own career and developing critical skills and competence for undertaking higher level responsibilities. The new relationship between the firm and the individual employee is no longer based on loyalty resulting in job security, but on mutual commitment towards the organizational goals.

3.1.2 The Traditional Structure

As a company grows and diversifies, the number of levels in its hierarchy of authority increases to allow it to efficiently monitor and coordinate employee activities. In the days when business environment was more or less stable and changes and trends were predictable, the vertical structures and reporting relationships were adequate to meet the goals of the enterprise. The decision making power was concentrated at the top as shown in the traditional model of organization Chart. The levels or layers in an organisation's hierarchical structure exist to define levels of authority and associated responsibility.

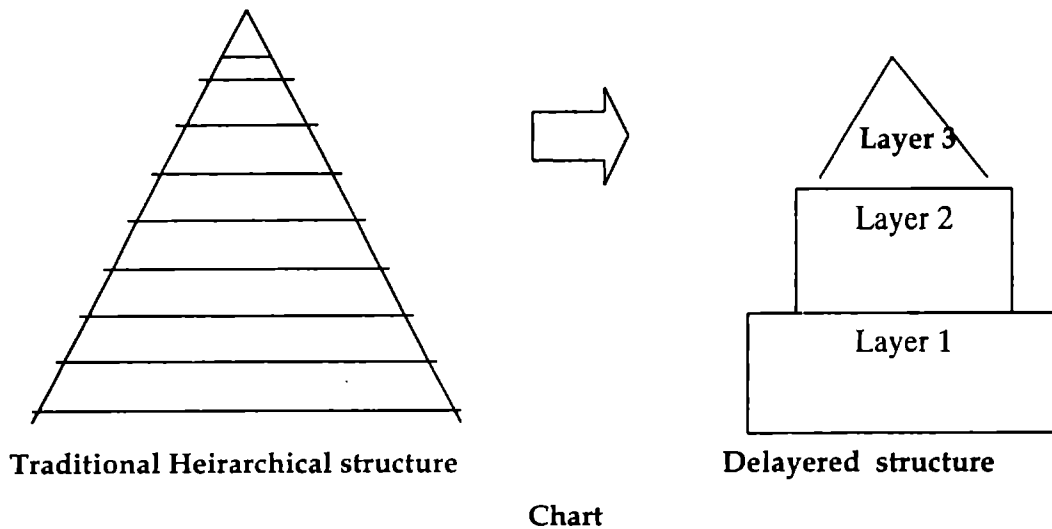


The traditional model of organization chart

The layers serve two functions: First, they form steps in a career structure. A steep hierarchy offers a ladder with many rungs which serve as an incentive or reward for the employees by way of promotion. Hence, organizations which reduce the number of layers, for whatever reason, restrict promotion opportunities. *They encounter the paradox of 'high fliers' hitting 'low ceilings'* (Philip Sadler, 1995). Secondly, the layers serve as the basis for a status system. Hence changing the structure - and delayering in particular - inevitably challenges the existing 'pecking order' and is a major factor affecting managerial motivation.

3.1.3 The Delayed structure

The objective of Delayering is also 'downsizing' the organisation with a view to cutting costs and streamlining processes. Since mere downsizing does not change the way work gets done in an organization, the trend is towards flatter organisations where managing across has assumed more importance than managing up and down in a top-heavy hierarchy. Such organizations, called the horizontal corporation, eliminates both hierarchy and departmental / functional boundaries. The organization becomes 'delayed' with only three or four layers of management between the Chief Executive and the lowest level staff in a given process as shown in chart:

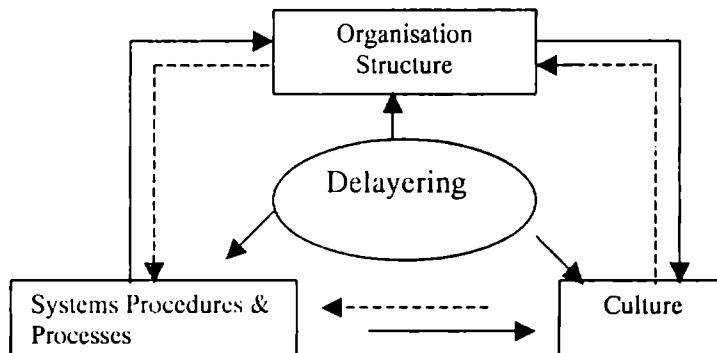


In *Thriving on Chaos*, Tom Peters states that a change in the organizational structure is necessary for achievement of goals, total customer responsiveness and empowerment of employees. He stresses that an organization should limit the layers of hierarchy to *Five* in the case of complex organizations and *Three* for any plant, operation etc. The effect of lesser layers, according to him, is "A lot less is a lot more".

The result of Delaying is that the bureaucratic organizations give way to cluster or network organizations. The emphasis shifts to horizontal learning with everyone becoming a resource to everyone else and the creation of team spirit, with each employee supporting and assisting the other. Cross-functional teams and networking is the essence of the new system. The emphasis is on a process oriented management as stated by Masaki Imai in "Kaizen".

A simple form automatically means a lean staff. In fact, after delayering, the middle management is eliminated as they are found to inhibit communication and efficient operations. Ed Carlson, Chairman of VAL, propounds the Hour-Glass Theory. According to him, middle management is actually a hindrance to smooth flow of communication, as it restricts flow of information downward and feedback upward. He says that middle management is engaged in *Make-work* activities that only help in increasing complexity and delays in operation. Work is done faster and more efficiently with fewer people in the middle.

When organizational change takes place, it involves changes in any or all of the three components of the organization - **Structure, Systems and Culture**. Chart below illustrates the interdependence of these components and how they are affected by *delaying*.



Delaying cuts down layers of hierarchy. When the pyramid of hierarchy gets flatter, the base widens. This means that the span of control of each person increases considerably. Thus autonomy of subordinates is the key factor in a delayed structure as against supervision and control. This also to a large extent involves empowerment, delegation of authority and shift of power to lower levels of the organization. Instead of centralized decision making with top-down communication, the new structure calls for a bottom-up, participative approach. This change calls for a change in the whole culture of the organization. People have to shift from control and direction to empowerment.

3.1.4 Process of Delaying

Delaying being a process of major organizational change, the conviction and active support of all employees is a must for its effective implementation. Implementation of delaying therefore involves the following stages :

- **Creation of receptivity to change** - In this stage, the employees are made aware of the need for change. This is essential as top management and employees view change differently.
- **Overcome obstacles to change** - Here, the employees should be made to accept the need for change and be involved in the change process.
- **Create a vision** - A new vision of a better, creative organization to be formulated.

- **Successful mission** - The change should be introduced with continuous involvement and consent of the employees.
- **New changed order** - The new changed order should become the work culture of the organization.

3.1.5 The Mechanics of Delaying

According to Kravetz, Delaying of organizational hierarchy requires specific actions on the part of management. They are:

- **An audit** of the current number of supervisory levels to identify redundancies for the purpose of removal of these unwanted layers and excess staff,
- **Communication of proposed changes** down the line to all employees and getting their support,
- **Participative Management system** for implementing changes in work and work related matters by cooperation between workers and management,
- **Removing Restrictive policies** and rules that inhibit independent action, creativity and morale of employees, and
- **Networking** and cross functioning to encourage independent, responsible action by employees

3.1.6 Dimensions of Delaying

Delaying not only involves reduction in the levels of management, but also considers the following aspects of change in the organization. These can be considered as dimensions in terms of which Delaying is undertaken.

- **Flat Hierarchy** - Reduce supervision, combine fragmented tasks, eliminate work that fails to add value,
- **Organise around processes, not tasks** - Build the Company around its core processes with specific performance goals,
- **Use of teams** - Teams are the building blocks of the organization. Limit supervisory role by making the team manage itself. The teams should have a common purpose and be accountable for measurable performance,
- **Customer - driven activities** - The prime driver and measure of performance should be internal and external customer satisfaction,

- **Empowerment** - The employees should be provided with operational decision making powers. It includes both decentralization and delegation of authority, and
- **Downsizing** - Also called Rightsizing or Smartsizing, involves planned elimination of superfluous positions or jobs.

3.1.7 The effect of Fewer Layers – social issues

The advantage of having fewer layers in the organization structure can be seen from the following:

- A 1985 study of forty one large companies by management consultants, A.T. Kearney contrasted winning and losing companies on the basis of long-term financial performance. Winners had 3.9 fewer layers of management than losers (7.2 versus 11.1).
- Meredith Belbin (1993), based on various studies has concluded that *“inefficiency in hierarchical bureaucracies is broadly commensurate with the number of command levels in an organization. With flatter organisations, communications shifts from down and up to mainly lateral relationships”*. According to Belbin, in so shifting, Delaying offers the prospect of increased efficiency.

But these benefits will accrue only if the organization simultaneously tackles a number of social issues, indicated below:

- **With fewer chains in command, there needs to be more team work:** Getting on with colleagues and to be effective as a team member/leader requires personal qualities quite different from pleasing the boss.
- **Talented individuals may not operate well in a team:** People who have faith in their competencies would prefer to go alone.
- **Career expectations of employees should be protected:** We live in a society where the notion of promotion is uppermost in the minds of the most able and aspiring within an organization.
- **As hierarchies become delayed, empowering lower level Managers becomes a necessity:** It requires more decentralization of power and decision making pushed down to lower levels.

- **Personal growth and employees' expectation for advancement** should be accomplished by broadening of experience rather than through elevation in status. An enriched job gives more opportunity for shouldering additional responsibility.
- **Job Rotation should be an integral part of the new design** for broadening of the Managers' experience.

3.1.8 Down Sizing

In a 1992 article, *Business Week* reported on the status of American high-tech business as follows: "*THINK - an industry by word in IBM's hey day, is giving way to SHRINK. It is not just computers that are getting smaller. It's most of the companies that make them too. They're deconstructing - shutting factories, cutting jobs, spinning of subsidiaries, farming out work, and slashing management*". It is reported that between 1988 and 1993, 87 % of US companies undertook some form of downsizing or cost-cutting initiative. Jack Welch, General Electric's Chairman said "*We need to cultivate a visceral hatred of bureaucracy*". By the early 1990s, bureaucracy had become anathema in the American business. The same has happened in the Indian Industry also by late 1990s. Lean management, eliminating unnecessary work and downsizing has become priorities in the corporate agenda. Reduced costs, improved productivity and greater competitiveness are the thrust areas for action today.

3.1.8 Impact of Restructuring

Though restructuring is attempted in organisations to improve productivity and performance, few people associate redesigning organisations with survival. But the fate of companies and their employees can hinge on how a redesign is approached. *All too often, major organisation redesigns create little, if any value. In many cases, they actually subtract value, frustrate managers and lower employee morale* (Felix Barber, 2003).

Tin Plate Company of India Ltd (TCIL), an associate company of TATA Steel has made an impressive turnaround by taking initiatives in change management and rightsizing (Bushen Raina, 2002). In contrast, Southwest Airlines in the US has had a record of *no sacking of any workers* during the worst of the post September 11 crisis and declared profits every year for over 12 years-the only airline to do so (Ramachander, 2002)

In a survey of 547 companies that had downsized, the American Management Association (AMA) found that operating profits had improved for fewer than half, while 77 % experienced a decline in employee morale after downsizing. The consulting firm Kepner-

Tregoe reported in a November 1992 study that half of the Companies that downsized experienced a neutral or negative effect. Robert Tomasko (1992) author of *“Downsizing”* has reported the experience of firms that had undertaken downsizing in the 1980s and early 1990s as follows:

- Almost 90% of the surveyed companies wanted to reduce expenses, but less than half actually did
- About three-fourths hoped for productivity improvements, but only 22 percent achieved it.
- More than half wanted to improve cash flow or increase shareholder’s return on investment, but less than 25% were able to accomplish either.
- More than half expected to reduce bureaucracy or speed up decision making, but only 15% did.
- Many of the downsizers sought improvements in customer satisfaction and product quality from their reorganizations. Others expected to become more innovative or better able to utilize new technologies, but fewer than 10% felt they had met their goals in these key areas.

Between 1987 and 1992, over 3.5 million American workers lost their jobs due to the country’s downsizing binge, yet profits for too many of the biggest downsizing bingers remained anemic. The AMA reported that *“63% of companies that downsized in any one year would just come back for another round of downsizing the next year. It was the corporate version of crash dieting. And the repeated corporate dieting-binging was wrecking havoc with the work force and with its trust of and loyalty to employers”*.

A *Time-CNN Poll* showed that in companies that had downsized, *“63% of the workers felt less loyal to their employers, 57% felt their companies were less loyal to them, and 50% expected to change jobs within the next five years. 74% of the senior managers of companies that had downsized reported their workers had low morale, feared future cutbacks, and distrusted management”*. The research also showed that one-fourth of the work force didn’t believe what they were told by their managers, two-thirds felt their managers were untrustworthy, and 30% were dissatisfied with their work place. Because of the feeling of being abandoned by their companies, *“many middle managers were becoming fearful, anxious cynics”*. Commenting on this reaction, Peter Drucker wrote, *“The cynicism out there is frightening. Middle managers have*

become insecure, and they feel unbelievably hurt. They feel like slaves on an auction block". The above experiences lead one to think that downsizing is not enough to lead an organization to competitiveness. It needs a new organisational architecture and a new set of assumptions about how the Indian Industry and PSEs in particular should be restructured for meeting the challenges for the year 2000 and beyond.

3.1.9 The New Organizational Architecture

Large organizations like FACT preserves multiplicity of levels for two reasons:

- **The pressure for personal advancement** and the personal expectations of managers within the organization. The reaction to this pressure is for management to offer promotion through a system of career progression through intermediary hierarchical layers and salary grading. The by-product of this system is an extension of the status hierarchy and increasing complications in the social system.
- **The assumed need to exercise closeness of control.** In practice, this usually take the form of eyeball-to-eyeball supervision, which in turn affects the way in which the firm is structured.

The hierarchies of yester years are giving way to a flattening web of corporate ambiguity(Harigopal,2002). Paul Allaire, Chairman and CEO of Xerox corporation opined in a 1992 *Harvard Business Review* interview: *"When most companies reorganize, usually they focus on the formal structure of the organization - the boxes on the organization chart... Rarely do senior executives contemplate changing the basic processes and behaviours by which a company operates... We have embarked on a process to change completely the way we manage the company. Changing the structure of the organization is only a part of that. We are also changing the processes by which we manage, the reward systems and other mechanisms that shape those processes, and the kind of people we place in key managerial positions. Finally we are trying to change our informal culture-the way we do things, the behaviours that drive the business... In fact, the term "reorganization" doesn't really capture what we are trying to do at Xerox. We are redesigning the "Organisational architecture" of the entire Company".* This would mean that the focus of restructuring should not limit itself to mere delayering of the organization, but extend to the processes by which the company is managed, its culture and human resource management systems.

For a redesign effort to succeed, a company must have a clean vision for action, committed leadership and exacting project management. It also must vigorously manage its change programme to guarantee that key stake holders are involved in and support the process,

and it must monitor the emotional response of its employees. According to Felix Barber et al.(2003), *the change process must be addressed at the very outset of the redesign, when the critical business issues are starting to be identified. Waiting until the redesign is over is an enormous mistake; employees will already have made up their minds about change and their opinions will almost certainly be negative. The price of such a failure will be high, not only in financial terms, but more important, in terms of the redesign's impact on people.*

Charles Handy (1989) in "*The Age of Unreason*" has drawn attention to what he calls the Shamrock pattern of Organisation. This pattern tells us that the gigantism of earlier Organisations is breaking down. The world is moving towards smaller teams. Micheal Porter (1990) points out the advantages of organizations co-existing in proximity with functional areas packed together in a hive, like a honey comb (*The competitive edge of Nations*, 1990). Belbin (1993) argues that when power is transferred to autonomous workgroups, a pre-requisite is the dismantling of formal hierarchy. Sultan Kermally (1997) argues that the shape of the Organisation of the twenty first century will be a horizontal structure. Felix Barber(2003) has observed that *there is no such thing as a perfect organisation design. But one thing is sure. Some designs clearly do'nt work. The ones that do work manage the trade offs inherent in any choice as well as the people affected by that choice.* Companies are thus experimenting with a new form of organization by *de-layering* the hierarchy and making a horizontal structure.

Tom Peters concludes that since *Excessive organisational structure is a principal cause of slow corporate response to changed circumstances*, we must:

- Radically reduce layers of management
- Assign most *support staff* – in accounting, personnel, purchasing etc – to the field, reporting to line managers and
- Establish a radically increased ratio of non-supervisor to supervisors – a *wide span of control*- at the organization's front line

Tushman(2004) argues that the best organisation structure for balancing the long term and short term perspective on innovation is an ambidextrous organisation. Ambidextrous organisations segregate exploratory units from their traditional units, encouraging them to develop their own unique processes, structures and cultures. But they also tightly coordinate these new units with existing organisations at the senior management level.

Tom Peters admits that he had down played the importance of structure in *In search of Excellence* and again in *A passion for excellence*. “We were terribly mistaken. Good intentions and brilliant proposals will be dead-ended, delayed, sabotaged, massaged to death or revised beyond recognition or usefulness by the over-layered structures at most large and all too many smaller firms”. The conclusion is that in this competitive environment, excessive structure kills an organization. Hence most companies are reducing it. Yet, excess middle management staff still exists in most firms. They have to be controlled. The Delaying exercise in FACT has been an attempt in this direction to improve organizational performance, while enhancing managerial motivation.

3.1.10 Delaying in the Public Sector

In the wake of liberalization, Indian Companies are increasingly resorting to Delaying as a management strategy to meet the challenges of escalating competition, complexity of business decisions and the uncertainty in the external environment. While many organizations including some of the PSEs have been successful, for many others this battle for survival is posing insurmountable problems. Most Indian PSEs have a pyramidal structure inherited from the Government, with highly centralized and rigid decision making systems and practices. The Public Sector Enterprises are characteristic of outdated technology, over manning and under productivity. Most of them turned flabby due to a protected economy and a culture that promoted creation of employment and recognition of seniority in place of merit. Large number of people and the need for providing opportunities for meeting their career aspirations by creating levels have led to a tall pyramidal structure. Most of these additional layers were created at the middle management level. The changing environment and the need for faster decision making have however, necessitated a flattening of their organizational structures to remain competitive. However, Delaying in the Public Sector poses a number of issues:

- Powerful forces still apparently push toward centralization
- Most senior managers have developed a psychological dependence on the support provided by the lower level managers
- The problem of what to do with the huge excess of middle managers
- What to do with the first-line supervisor population, of whom a large number would become redundant

- How to develop alternate control schemes when the complement of intervening staff layers virtually disappears.

The above are certain issues that increase the resistance to change and hamper the speed of implementation of the delayering process. It is necessary that, to be successful, the organisation look for satisfactory solutions for the above issues while embarking on a Delayering exercise.

Part II

Delayering in the Indian Context

3.2.0 Though a large number of organizations in the Country, both in the Public and Private Sectors have adopted Delayering and restructuring as a management strategy to meet the challenges of the competitive business environment, documented case studies of Delayering carried out in the Indian context are few. In all these cases, the primary objective was improvement in organizational performance by equipping the organization to meet the challenges of competition and change. Though much details are not available about the system and the strategy adopted, the available data from the journals and reports point to the positive impact of delayering on the organization and its managers

3.2.1 For **Philips**, the restructuring was triggered off when the Company in the last 59 years of its existence in India, made Rs. 17 crore loss, for the first time. The Company considered this major organisational crisis as the best time to usher in change, because people were far less resistant. In the case of **Mafatlal**, however, the process was more a proactive one. The Company had attempted Delayering along with a restructuring exercise carried out as part of the Strategic Planning Process.

3.2.2 **Mahindra & Mahindra** had adopted Delayering to avert a crisis in the near future. The approach was to *create a crisis scenario*, which spells out the threats the Company is going to face which served as the trigger for change. In the case of Mahindra & Mahindra, when the organisation carried out an environmental scan, it was clear that with liberalization, competition would escalate at a tremendous rate and so *“unless the organization was toned up for the future, there was the danger of losing out to*

more customer-focussed competitors." The result was the 'Mahindra 2000' strategy by which the Automotive and Tractors division aimed to benchmark or achieve parity with world class products by 2000 A.D. To do this, M & M had overhauled the traditional hierarchical structure in line with the management model implemented in the U.K. Mahindra & Mahindra could thus bring about the required change while remaining as a healthy Company, with a growth rate of over 20% per year.

- 3.2.3 **ITC** is one of the Indian Companies that went in for a restructuring exercise early. TISCO also overhauled its highly cumbersome and bureaucratic pyramidal structure for a flatter management structure. Another Indian example is that of Bajaj Auto, which had slashed the number of layers in the organization from 11 to a mere 6 (inclusive of worker's category). Each of the Company's four divisions – scooters, motor cycles, three wheelers and engines operate in a virtually autonomous fashion after Delayering and restructuring.
- 3.2.4 Tractor manufacturer, **Eicher Goodearth** also delayed its hierarchy, to enable closer links with the customer. In the delayed set up, Engineers, Area managers and Sales managers report directly to the Regional Manager, thus shortening communication channels and speeding up decision making.
- 3.2.5 **Modi Xerox** and **J.K. Tyres** have gone in for flatter structures to become more customer friendly. **Citibank** has restructured its hierarchy to create a *flower structure* with the core representing the top management and each petal representing the twelve functional Heads who report directly to the Vice President, instead of the earlier six-layer reporting structure.
- 3.2.6 **SRF** is another organization that had attempted TQM (Total Quality Management) and BPR (Business Process Re-engineering) also as part of Delayering. With a bloated work force and glaring inefficiencies at the workplace, SRF was finding it difficult to meet the challenges of the open economy. During 1992, the Company initiated a major change process through its *Employee Involvement (EI) Committee*. Managing the change involved a two-step process. The first step was to get involvement and support of the Trade Unions and the second step involved putting TQM in operation. The net result was that within one year of implementation, they

could achieve 60% increase in productivity, 8% reduction in production costs and significant improvement in quality.

- 3.2.7 **MARUTHI Ltd.** is one organization which has used empowering as a tool for improving organizational productivity. Three contributing factors can be identified in Maruthi's success - ensuring that employees at all levels have certain basic educational qualifications at the time of entry; investing substantial time and funds on Human Resource Development, and job rotation. Maruthi which was since inception modelled on the lean and flat structure of Suzuki, had an advantage compared to other organisations in this respect. The average age of employee at Maruthi is quite low, around 30 years, which the Company has used to its advantage. Being young, they are willing to take on greater responsibilities and are accepting change. They also link their career prospects to the growth of Maruthi and as such are able to align their personal goals with that of the organization.
- 3.2.8 Multinational Companies like **SIEMENS** have, on the other hand, used high growth as an opportunity to delayer. Since the Company is in a phase of high growth in India, Siemens felt that the best time to redesign its structure is when the going is good. The new structure is intended to link the Indian Company's different product divisions with their counterparts at the German Head Quarters in Munich, resulting in economies of scale and synergy.
- 3.2.9 In the information technology field, **Info Corporation Ltd.(ICL)**, had taken up an ambitious plan of Delaying the highly centralized organization and empowering its frontline staff as a response to the rapidly increasing changes in the market place. But it was a case of failure as the change was not fully accepted by the management and employees. Further analysis showed that many of the managers did not support the change programme for fear of losing power.
- 3.2.10 In the case of **Glaxo**, delayering has been useful in building up entrepreneurial skills in the organization. Like many large organizations, in Glaxo also, new designations were created in the past for providing promotions to Officers and Staff. This in turn, over the years, had built up bureaucratic layers in the organization. A process of Delaying enabled the Company to flatten its organizational structure and to make decision making faster.

- 3.2.11 In contrast to Maruti's experience, the **National Panasonic** India Pvt. Ltd., after setting up its operations in India had grown into 16 layers in the management cadre. A typical Matsushita group company normally operates with just five functional layers - Staff, Supervisor, Manager, General Manager and Director. The justification for more layers in India, is that *Indian people want title*. However, all the different salary grades and designations for the purpose of functioning has been compressed into five levels as in any other Japanese Company so that while meeting the employee needs for better titles, the organizational needs are not sacrificed.
- 3.2.12 In the case of Public Sector Undertakings also, the winds of change sweeping across the country is making an impact. **Bharat Electronics Ltd. (BEL)** and **Indian Telephone Industries Ltd. (ITI)**, both faced with the problems of loss of captive market, entry of competitors, high production costs, over manning and under productivity, had also undertaken restructuring programmes to transform themselves to meet the challenges of global competition. ITI Ltd., affected by the sudden withdrawal of the captive market provided by the Dept. o. Telecommunications (DOT) had carried out a complete organizational restructuring, forward and backward integration as well as diversification. Product-oriented manufacturing philosophy has been replaced by process-oriented business approach. Through Delaying of its structure, ITI has reduced its management layers from 12 to just 3. BEL also had suffered a set back in the early nineties due to withdrawal of the captive market provided by the Dept. of Defence and also a cut in the defence expenditure. With strategies on technology upgradation, diversification around its core areas of competency mainly in communication and radar equipment, BEL is today emerging as a manufacturing base for complex electronic equipments and sub-assemblies for the civilian market. Along with these measures, a restructuring of its organization with customer focus and revamping of the marketing set up has led to improvement in its performance. But, to be successful in the long run, it is necessary that these organizations transform themselves into learning organizations, accepting change as a way of functioning. Being PSEs with the usual weaknesses of slow response, over manning and under productivity, they

need to bring about lot of changes internally, to cut down costs and continue to be competitive.

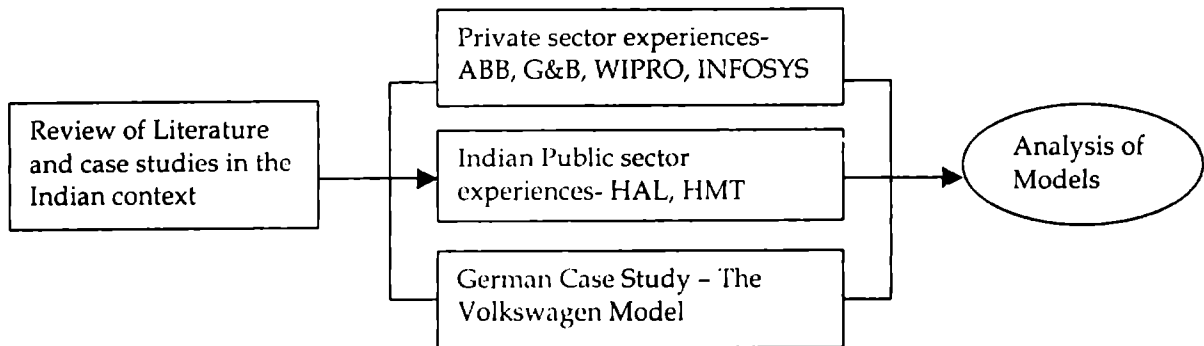
3.2.13 With increasing competition, as the country plunges more and more into liberalization, privatization and globalization, Indian organizations are now convinced that they need a new structure and change in systems to meet the emerging challenges. The concept of Delayering is therefore gaining popularity in Indian organizations, particularly in those with a competitive focus.

Part III

Delayering and Restructuring – Indian and Foreign Case Studies

3.3.0 Though the philosophy and concept of Delayering are generally the same and the anticipated outcomes are downsizing and an overall increase in organizational productivity, the rationale for Delayering, the mechanics of Delayering and the implementation strategy are likely to be different for each organization, in view of the specific requirements expected to be met through Delayering and restructuring. Case studies of Delayering in seven organizations - two Central PSEs and four private sector organizations in the Country and one abroad - provide seven different models for comparative study and evaluation. Among the Indian PSEs, HMT and HAL provide fairly successful models of Delayering. In the fast changing Information Technology sector, WIPRO, INFO TECH and INFOSYS demonstrate how restructuring and Delayering would contribute for maintaining competitiveness. Two other models - one of Asea Brown Boveri (ABB), a multinational with a major presence in India and that of Godrej and Boyce(G&B) - highlight how Delayering can bring about customer orientation by reducing layers and speeding up decision making. The German Case Study-The Volkswagen Model-is an attempt to reduce costs and increase competitiveness while preserving employment. This model is therefore, an alternative to corporate downsizing. It emphasises the point that discontinuities in the corporate environment do not always have to be dealt with by downsizing. Profits and social

responsibility do not necessarily have to be competing goals, but can sometimes be jointly accommodated by using appropriate human resource management programmes.



For the purpose of analysis, the Delaying system adopted by each of these organizations was examined with regard to the following aspects:

- Objectives of Delaying
- Organization structural changes
- Delaying process
- Implementation strategy
- Managing the change process
- Employee reactions to Delaying
- Impact on Managerial motivation, Organizational performance and related systems such as performance appraisal, HRD, Career Planning and succession planning.

3.3.1 Delaying at ASEA BROWN BOVERI (ABB)

ASEA and BROWN BOVERI had merged in the late 1988 to form Asea Brown Boveri. However, the hierarchical structure of their Indian outfits were creating problems due to delay in decision making and lack of customer focus. These structural problems turned out to be obstacles to growth and in achieving competitiveness. ABB had therefore taken the help of Management Consultant Athreya, who prepared the restructuring plan of ABB in India.

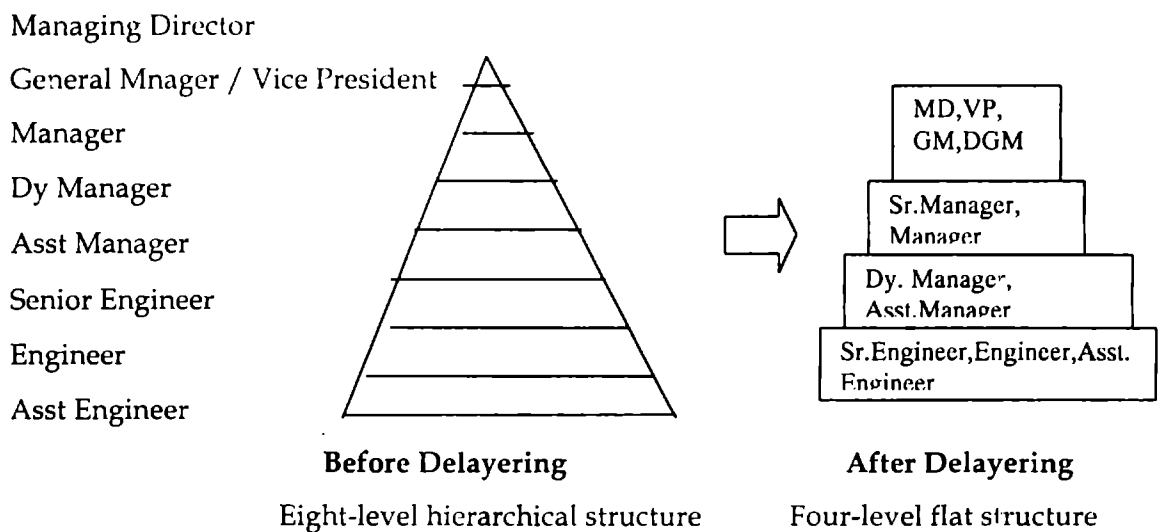
Objectives of restructuring

- To eliminate duplication of efforts between the two Units, as they had common operations.

- To develop synergies, by combining the competencies and selecting/developing the better of the technologies being employed by both these organisations.
- To make ABB achieve competitiveness in the changed industrial scenario.

The Scheme

ASEA had nine reporting layers among management ranks at the time of merging with centralized decision making and a chain of command flowing through the entire line. HBB too had a similar structure as ASEA, but the responsibility and accountability at the same levels were different across the two organizations. By combining these two structures and by rationalizing responsibility levels at both ASEA and HBB, ABB adopted a four level structure as shown in Chart below:



Among the four levels indicated above after delayering, no reporting relationships have been shown to facilitate cross communication across the levels. ABB being a project based organization, work in the delayered system is designed around TEAMS depending upon the size of the project, expertise etc., Even a level 4 employee could act as a Project Manager with the authority to induct people from other functions as per requirements.

Impact of Delaying on Organisational Outcomes

The following specific improvements have been noticed by ABB after the Delaying exercise:

- Improvement in productivity, performance and motivation level of managerial employees, especially those belonging to the junior and middle levels.
- Faster response to customer requirements
- Reduction in communication delays and communication distortion leading to faster decision making.
- Empowering employees by pushing down decision making powers to frontline managers.
- Building up confidence amongst the employers for initiating bigger change programmes like TQM, BPR etc.

3.3.2 Delayering at Godrej & Boyce Manufacturing Company Ltd. (G&B)

The restructuring exercise carried out at G&B involved a two-stage Delayering, the first in 1993 when the Company attempted a major restructuring into SBU with decentralized decision making process, reducing the number of management layers from thirteen to nine. In 1996, G&B attempted a further Delayering and reduced its decision making layers from nine to five. Though in the initial restructuring the salary scales were also reduced from 13 to 9, in the second phase of Delayering, the 9 salary scales were maintained as such, but the managerial employees were grouped into five bands as below:

Band	5	Strategic
	4	Executive
	3	Tactical
	2	Professional
	1	Operational

The objective was to reduce the decision making levels and make the organization respond faster to the needs of the customers.

- **Impact on the organization :** The delayering programme was conceived during 1996 and was implemented from 1997. Details of the implementation plan and its present status are not documented. The management also had not taken a top down approach to change nor had revealed its plans on coping with the resistance to change from employees. As such the organizational outcomes of the change efforts are not available.

3.3.3 Delayering at WIPRO INFOTECH LIMITED

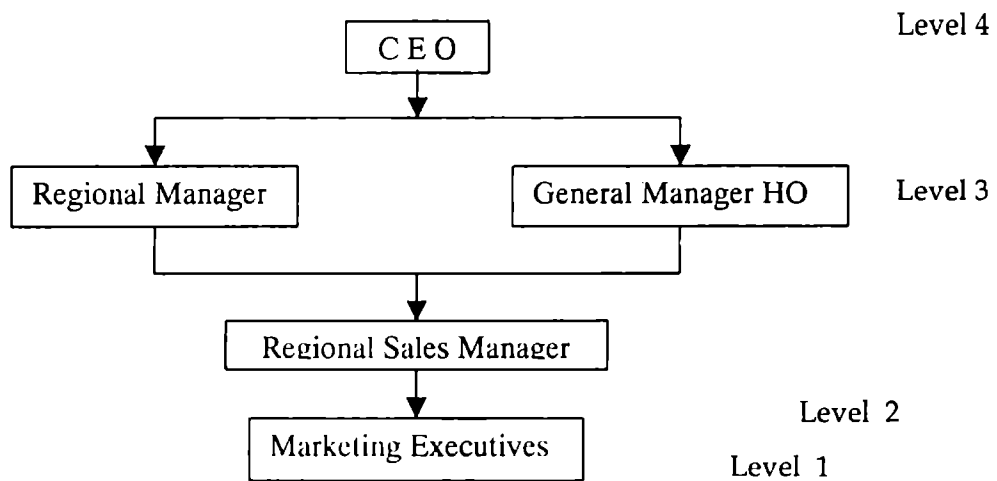
A decision on Delayering at WIPRO was taken in line with the organisation's philosophy of *continuous pro-active change* to remain competitive in its industry. The restructuring exercise was undertaken in 1993 and continued till 1995. WIPRO at that time was performing very well. However, the organization was becoming flabby and gradually losing flexibility and speed. Delayering was undertaken at WIPRO as a pro-active strategy with the following objectives:

- **Customer focus** - to provide total solutions for the customer, from specific brand promotion to meeting customer requirements.
- **Remove redundancies** - while restructuring anticipated task redundancies, the approach was redeployment of excess people and not retrenchment.

Before Delayering , WIPRO had the following designations and reporting structure:

Divisional Structure	Reporting	Reporting Structure in staff functions	
		HRD	Finance & Accounts.
General Manager	↑	General Manager	
Regional Manager	↑		
Regional Sales Manager	↑	HR Manager	F & A Manager
Area Sales Manager	↑	Sr. Manager, HR	↑
Territory Manager	↑	Manager, HR.	
Senior Mktg. Executive	↑	Sr. HR Executive	Sr. F & A Executive
Marketing Executive	↑		

The existing structure which had six decision making levels at the divisional level has been reduced to four, by reducing two levels at the middle management cadres as below:



Within the above 4 levels, the existing designations were retained to provide promotional avenues to managers.

Employee Perception Survey : WIPRO had conducted an employee perception survey utilising an external agency to find out the response of the employees on certain factors like internal customer satisfaction, the values of the Company as the employees see it etc. as a confidential exercise to serve as an input to the top management for policy decisions. But details are not documented.

Impact of Delaying : Though a systematic approach was adopted for implementing the change, WIPRO had not set any quantifiable objectives prior to the Delaying exercise and hence evaluation of the impact has been done by the organisation at a subjective level only.

The following benefits are seen by WIPRO after Delaying:

- Customer-orientation has improved considerably resulting in better sales performance
- Decision making has speeded up due to empowerment of front line staff
- Due to the system of internal mobility, the employee competence as also motivation level has gone up.
- The attrition rate of 16% during 1994 has increased to 18% during 1995. But this cannot be attributed due to Delaying as the attrition rate in the Software Industry is among the highest and is an area of concern for the Software Industry as a whole.

3.3.4 Delayering at INFOSYS Technologies Ltd.

Infosys, established by a group of seven software professionals grew at a rapid pace in the 1990s into a total software solution provider offering the entire range of software products and services to the global market. The growth rate from 1993-94 to 1994-95 was 95%. The employee strength also increased along with the growth of the Company to over 1050 by 1996. Since most of the employees were highly qualified software professionals, the organization was working on an informal structure. The organization had 10 job titles which represented the formal designation for the purpose of administration and remuneration. The objective of restructuring was to introduce a formal structure with reporting relationship that will facilitate autonomy, accountability and flexibility. Accordingly the organization was restructured into four cadres which represented the various levels in the organization. Within each cadre, the job titles/formal designations were retained for the purpose of promotions and salary increases. The functional roles were delineated from the formal designations. The functional hierarchy, the cadre and the corresponding formal designation after Delayering is indicated below:

Functional Role	Formal Role Job Title / Designation	Cadre
Software Developer	Software Engineer Systems Analyst	Systems Analyst
Module Leader	Sr. System Analyst Asst. Project Manager	
Project Leader	Assoc. Project Manager Project Manager	Project Manager
Project Manager	Project Manager Sr. Project Manager	
Business Unit Head	Assoc. Vice President Vice President Sr. Vice President	Vice President
BOARD OF DIRECTORS		

The activities of Infosys were grouped into four core areas and separate divisions were established to increase customer focus and to ensure accountability. These Divisions were termed as 'Strategic Business Units' (SBU) for the four sectors of Infosys business- Banking, Ware Housing and Logistics, Finance and Insurance and Telecom & Related fields.

Organisational communication & Management of Change :

Infosys practices an open door policy. The Director addresses employees every month on the Company's plans and programmes. The HRD Cell looks into the grievances of employees on a continuous basis. The Company expects that the changes introduced as part of restructuring will help the Company to achieve its objectives of becoming a *Company-of-choice* for prospective customers, prospective employees and prospective investors.

3.3.5 Hindustan Aeronautics Limited (HAL)

Like many PSEs that started in the post-independence era, HAL had only few levels among managerial and worker category employees. However, along with the growth of the organization and the policy of the Govt. in support of generating employment, the employee strength increased disproportionate to the growth in business activity. As PSEs did not have any system for monetary compensation in tune with the changes in the industry or for salary increases, the only strategy for motivating employees and retaining managerial talent was through promotion to higher posts. As time passed, the need for upgradation of posts and promotions also increased. This approach though created promotional opportunities for existing job holders had resulted in creation of additional layers not needed from the organizational point of view. By the end of 1990, HAL had thus six scales for workers and 10 grades corresponding to 10 layers of decision making for executives.

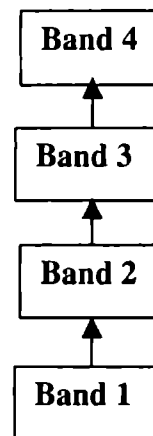
One of the issues that concerned HAL during this period was the increased cost of production and the low productivity of manpower. Hence, the management took a two-pronged approach to reduce costs - increase productivity and reduce manpower cost. In line with this policy, induction was reduced drastically and strict control was exercised in filling up of vacancies caused by retirements by outside recruitment. This had helped HAL to reduce its manpower from 44,000 to 34,000 employees in a period of 7 years.

The above actions were however, not enough to maintain the profitability of HAL. Increased red-tapism, bureaucracy like in Govt., lack of team work and excessive manpower in staff and functional departments continued to plague the organization, and it was in that context that HAL went in for a Delaying of its hierarchical structure.

Action Plan for Delaying

An action plan was developed to achieve the objectives of Delaying by retaining the salary scales and designations. The Managers were regrouped into four bands based on the level of responsibility and work content as below:

Band 4	Chairman, MD/Functional Directors	Policy Making Level
Band 3	General Manger, Addl. G.M, Dy.G.M	Senior Management Level
Band 2	Chief Manager, Sr.Manager, Manager	Middle Management Level
Band 1	Dy. Manager, Engineer, Asst. Engr.	Junior Management Level



Impact of Delaying on Performance of HAL

Though Delaying scheme was introduced in HAL with top management involvement, it was considered only as an initiative by the Personnel Dept. and hence, no specific objectives were set or made known. However, it is reported that delaying has helped in toning up the organization in the following ways:

- The organization is responding more to the changes in the external environment
- Decision making has become faster.
- Communication among Officers and workers has improved.
- The discussion process before introduction of Delaying between managers, officers’ forums and workers had helped to remove the resistance to change and to get full involvement of employees in the change process.

3.3.6 Delaying at HMT Ltd

HMT Ltd set up in 1953 had a tall hierarchical structure that had grown and become more complex in the four decades of its existence. The management cadre in the organization comprised of the PS(Pay Scale) grade officers starting with the Executive Director at PS 10 and ending with officers at PS 1. The number of levels in the management cadre had increased over the years as a result of the creation of ranks for the purpose of promotion.

During the early 90's, the structure of HMT was a 10 layered hierarchy with multiple reporting points

Objectives of Delaying

- Achieve customer orientation by reducing the number of reporting levels which would help quick action, resulting in curbing of the falling market share and achievement of profits.
- Increase effectiveness, efficiency and competitiveness by speeding up the decision making process.
- Meet the organisational needs as well as employee aspirations for career growth by providing new relationship between positions and ranks.
- Create cross functional management environment by strengthening lateral bonds.
- Empower employees.

The New Structure: There will be only 3 layers of hierarchy in Corporate Head office(CHO)/ Business Groups/ Functional Groups and 4 Layers in the Units. The various positions with grouping of ranks(PS Grades) are designated as below:

CHO	Business Groups	Units
Position - I Director (Ranks D/X)	Position - I Business Head (Ranks D/X/IX)	
Position - II Chief (Ranks IX/VIII)	Position - II Chief (Ranks IX/VIII)	Position - I Chief (Ranks IX/VIII)
Position - III Dept Head (Ranks VII/VI)	Position - III Dept Head (Ranks VII/VI)	Position - II Dept Head (Ranks VII/VI) Position - III Section Head (Ranks VI/V) Position -IV Group Head (Ranks IV/III/II)

Though there will be no change in the present status of Ranks viz. PS-I/II through PS-X/D. the group of executives of various ranks shall form a network by flattening the levels of hierarchy. Before implementing, HMT had initiated interaction with the Units on the mechanics of delaying. The system was implemented on a dry run basis before full-scale implementation. *Delaying navigators* and *Coordinators* were identified at Unit level and trained to ensure smooth implementation.

Impact of Delaying at HMT : HMT has not reported results of any post-delaying evaluation carried out. However, a Project work done by Ms. Bindu Jacob for the MBA Degree of the Cochin University of Science & Technology, on *The Impact of Delaying in HMT Ltd* under the guidance of the Researcher has concluded the following:

- HMT Ltd. being an organization with more than 40 years history, bringing about any radical change will be difficult as the Public Sector culture is deeply embedded in the psyche of the people. Hence only through focused efforts, with top management commitment and total employee involvement change programme of the magnitude of Delaying can be made successful.
- Information on Delaying was not made available to all concerned. As a result employees had very little idea of what Delaying would do for them and for the organization. This has also resulted to a large extent, in the poor results.
- There is a general feeling among managers that Delaying is beneficial for the organization. But they feel that the exercise is to be done with total commitment of top management and involvement of the whole organization. HMT Ltd. according to them, is a large multi-divisional organisation and success of the change programme depends on the involvement of each and every individual in the process and not just a part of them.
- The work culture in HMT Ltd. is quite *soft*, which has resulted in the promotion of inefficiency, low productivity, absenteeism, indiscipline and an attitude of non-commitment to the organization.
- Training and development is essential for improving the knowledge level and quality of performance of employees. HMT Ltd. has fallen short in this area. Employees admit that training has to be more focused with both organizational growth and individual needs being met at the same time.
- The company has to continue with follow-up programmes to assimilate the delayed structure before adopting new measures to improve the organizational performance.
- The career growth system does not involve an evaluation of the employees' performance during the whole year. As a result, sustained improvement in the

performance of employees has not been achieved, and enhanced performance is seen only around the time of evaluation and appraisal.

- Seniority-based promotions have resulted in strengthening the existing work culture leading to decreased organizational effectiveness and low motivation of employees.
- The power structure has not changed and has remained the same even after Delayering.

From the study conducted, one of the major concerns that emerged was the lack of trust and openness, and fear of victimization indirectly expressed by respondents, especially at the lower levels.

3.3.7 Restructuring at Volkswagen – A German Case Study

3.3.7.1 Background

At the beginning of the 1990s, the European automobile industry was in crisis. On the one hand it was affected by declining demand and on the other hand it had to overcome major problems of structure and efficiency. World-wide automobile production was about 39 million cars, while annual demand was approximately 28.5 million. In addition, the internationalization of automobile markets increased pressure on costs, since the Japanese in particular, were superior on this dimension of competitiveness. At the beginning of 1993, automobiles sales had declined 20% in Germany in comparison to the previous year. This negative development required dramatic restrictions of the production in 1993 which was accomplished through massive reduction of work hours. It was estimated that Volkswagen AG had more than 30,000 superfluous employees, taking into account the reduced sales and the productivity potential in the company. All indications were that the market situation would not change much in the next few years. In order to maintain competitiveness and adapt to the new environmental conditions, a 20% reduction in production costs was necessary, as quickly as possible.

3.3.7.2 THE PROCESS OF SOLVING PROBLEMS IN A SOCIALLY JUSTIFIABLE MANNER AT VOLKSWAGEN.

Volkswagen's policy of creating consensus, even when the interests of the parties conflict, was mirrored in the negotiations to solve the crisis of late 1993. Consistent with the dialogic

principle of responsibility according to which the interests of capital and labor should be a joint responsibility of the company (Deetz, 1995), Volkswagen aimed at an agreement that was acceptable to both management and works councils. On the one hand, a reduction in personnel costs had to take place in order to enhance efficiency and take into account the reduced demand caused by the recession in the automobile market. On the other hand, the method for achieving this goal had to be acceptable to the employees (Der Betriebsrat, 1998).

3.3.7.3 THE ALTERNATIVES

The different options for solving this problem were evaluated by the management. The traditional approaches, such as early retirement, temporary reduction in working hours, and consensual termination agreements could not be used to adapt capacity for several reasons. A large number of early retirements would not have been affordable in view of legal changes that made this option expensive. The period of time during which temporary reduction in working hours was allowed was running out. Besides, reduced working hours would have represented a hardship for individual workers on account of the wages lost. Consensual termination agreements to reduce the workforce would have had serious repercussions for the terminated employees, even if they had obtained generous severance payments. Most of them would have had difficulty finding a new job, since the region of Wolfsburg, where the biggest production plant is located, already had an unemployment rate of over 15%.

Therefore, the following key question had to be answered:

How can one raise productivity and yet secure jobs, improve financial performance and yet assure levels of pay, enhance competitiveness and yet still retain expensive manufacturing locations?

3.3.7.4 THE NEGOTIATION PROCESS.

Volkswagen finally began negotiations with the union in 1993, with the aim of implementing shorter work hours without compensatory payments to the employees, based on the premise that a 20% reduction in sales must lead to a 20% reduction in working hours if costs were to be reduced adequately. The negotiations were conducted with all concerned including the members of the works council of the corporation, the IG-Metal union. The workers' agreement to the new acceptability was a pre-condition for the suggestion that the company put forward to shorten working hours.

3.3.7.5 THE SYSTEM OF SECURING EMPLOYMENT

The VW-Employment model developed through the negotiation process is especially suitable for showing how creativity can emerge from a crisis, without using the customary step of mass dismissals (Hartz, 1994). The program did not just shorten working hours, although this was the main part of the job preservation plan, but also implemented a number of measures to increase productivity. The Volkswagen model is therefore not just a reaction to the drop in sales, but also shows possible ways to overcome structural crises (Helmer, 1994).

3.3.7.8 THE NEW EMPLOYMENT MODEL (FLEXIBILITY OF WORKING HOURS)

By introducing new employment models, Volkswagen aimed at reducing personnel costs by the amount that 30,000 employees would cost, but to employ not fewer than 100,000 people. The discrepancy between the level of employment and the level of demand by the end of 1995 was to be covered by the following three employment models: "Four-day-week". "Block system" and "Stafette" (Hartz, 1994). This was not only the fairest and most socially acceptable solution, but in the end even the most cost-efficient solution for the company.

- **THE FOUR-DAY-WEEK**

The four-day-week, the basis of job preservation, produces a reduction of the standard weekly working hours by 20 percent. The actual weekly working hours have been reduced from 36 to 28.8 hours per week since January, 1994. According to the company's cost reduction objectives, the annual income of the employees also had to be reduced. One crucial point was to leave the total monthly pay the same so that every employee could meet his/her monthly fixed costs. With the help of a complex system of charging and additional allowances, the monthly pay was finally stabilized at the level of October 1993.

- **BLOCK SYSTEM (BLOCKZEIT)**

As the existing personnel surplus could not be decreased adequately with just a 20 percent shortening of working hours, Volkswagen also introduced the employment model 'block system' (Blockzeit), which enables the employees to take days off for a longer period during the year. With this block system the employee can work and can also continue his/her education, depending on his/her economic situation. This model appeals mainly to people between 18 and 30 years old. For this purpose the employment can be interrupted for 3-6

months depending on the employees current economic situation. For this period the employee does not get any pay (Hartz, 1994).

In the **stafette system**, the working time for younger employees gradually increased, while the daily working time for older employees was supposed to gradually decrease by the same amount. The time dropped from 24 hours per week at 56-59 years of age to 20 hours per week at 60-63 years, until the employee retired. The grading system was the most flexible building block for practice-oriented employment (Hartz, 1994).

3.3.7.6 MEASURES TO IMPROVE PRODUCTIVITY

To avoid organizational downsizing, it was not only necessary to create work flexibility to cut costs, but also to increase productivity. Therefore, Volkswagen adopted the following measures to improve productivity (Hartz, 1994; 1996).

- **CONTINUAL IMPROVEMENT PROCESS**

In the manufacturing sector, Volkswagen supplemented its competitive battle with the continual improvement process. This refers to workshops with about 10 to 12 participants from different departments. Assisted by a moderator, the workshop participants discuss possible improvements for the product chain that might immediately be translated into action. With this process, all current manufacturing system can be questioned. Conflicts resulting from the possibility that improvements might lower personnel demand were avoided by the employment guarantee for all employees.

- **THE COACHING COMPANY**

A core concept of Volkswagen for training and employment was the 'coaching-company' idea. The objective of the 'coaching-company' was a socially acceptable structural change of the work and the systematic realization of employee innovation. Therefore, one of the tasks of the 'coaching-company' was to train the employees during block-leisure time. Besides conventional tasks like further education, measures for developing and training management were also important tasks. The development of managers was considered especially important and thus the training programs were individually adapted.

3.3.7.7 PROBLEMS IN IMPLEMENTING THE VOLKSWAGEN MODEL.

The implementation of the Volkswagen model was accompanied by several problems. In particular, the realization of the four-day-week took a long time. In fact, it took four months and numerous discussions before the collective labor agreement took effect on the 4th of

April, 1994 in the parent firm in Wolfsburg. The new working hours had to be adjusted to each department and factory according to their special conditions and in the end resulted in a multitude of different models and systems (Kandel 1993). Balancing personnel surpluses and deficiencies also did not work as planned. Some departments were short of personnel, while others had an increased work load and the members of the works council had to introduce overtime hours (Der Spiegel, 1994). In 1994, the unexpected increase of demand in the automobile market confused the process of implementing the new system. Volkswagen could not handle all the incoming orders with only 28.8 working hours. At factories like Hannover or Braunschweig, the workers had to work overtime. Compensation, resulting in an increased claim for leisure time instead of extra pay, caused annoyance among the workforce. Therefore, the reason for the shortening of working hours had to be explained to the employees once again after the publication of reports about increased sales (Bode, 1994).

3.3.7.8 REACTION OF THE WORKFORCE TO THE VW-MODEL

The quality of management decisions and of their implementation increases if the workforce accepts the decisions from the very beginning. Therefore, the reaction of the employees to this new system was of the utmost importance. In the beginning, the majority of the workforce could not understand the information and could not imagine working 20% hours fewer than previously. Thus, acceptance varied from worker to worker. Some of the employees did not mind the new system, while others ignored the situation and refused the suggestions of management with arguments suggesting that the management just wanted to draw a gloomy picture of the situation because of coming wage negotiations. Only a few and especially those who already worked short-time and whose jobs were directly endangered, recognized the reality of the situation and were willing to make sacrifices. They showed the most willingness to shorten their working hours. In general, it can be said that the workforce finally accepted the reduction of the working hours, although they were uncomfortable with the loss of pay. A 53% majority of the employees could only cope with difficulty with the financial loss resulting from the four-day-week (Hartz, 1994). However, the workers could not forget the loss of income. The most important reason that 75% of the employees of the different workforce groups agreed to the new model was to assure jobs (Hartz, 1994).

3.3.7.9 THE POSSIBILITY OF TRANSFERRING THE VOLKSWAGEN MODEL TO OTHER COMPANIES

Transferring this system from Volkswagen to other companies, industries, regions, or even countries would only be possible in some respects, as the structures and policies of a company are embedded in its specific historical development, which may not always be comparable to other companies or even other countries (Der Betriebsrat, 1998). In the case of VW, this refers not only to legal conditions but also to the communication-based relationship between the board of directors and the works council, and the culture of consensus at Volkswagen, which was indispensable for developing the model. To implement this model in other companies, it would be necessary to change the companies' culture so that socially relevant decisions were made on the basis of a widespread consensus (Leisinger, 1997).

A transfer of the Volkswagen solution to companies in other countries, for example the United States, would presumably be even more difficult, because the development of this system also has to be seen in the context of the industrial relations and the institutional framework of the Federal Republic of Germany. As already explained, German industrial relations are constructed in such a way that a company can only pursue a cost competition strategy with difficulty (Hencke and Soskice, 1997). On one hand, a German company cannot force down wages as all wage negotiations are conducted by strong industrial trade unions. On the other hand, the works councils in many German companies often slow down quick, cost-effective solutions. The whole institutional context forced Volkswagen to concentrate on more than simple cost leadership strategies and to look for new solutions in cooperation with the works councils. Recession and competitions forced adaptation, but the institutional frame of industrial relations constrained its form (Hancke, 1997).

CHAPTER – 4

Delayering in FACT – The system and its implementation

To make an exhaustive study of the delayering scheme implemented in FACT, a longitudinal study was undertaken along with the implementation process. This Chapter provides a brief profile of FACT and an analysis of the organizational setting at the time of introduction of delayering in FACT. Details of the Delayering scheme along with salient features of the new performance appraisal system which was implemented as part of delayering to provide performance-linked career growth for managerial employees are explained. The six phase implementation strategy is highlighted to emphasise that the essence of the change management strategy followed was involvement and commitment of all concerned and demonstration of that commitment by the top management through its plans and actions.

The primary data for the case study was collected using tools such as observation, organization-wide surveys and in-depth interviews of managers of FACT. Two Pre-delayering surveys were conducted. Survey-I was aimed at assessing FACT's readiness for undertaking the Delayering programme and also to study the general perception of Managers about 'Delayering'. Survey-II was undertaken after the Trial Run in one of the Divisions, to assess the effectiveness of the awareness building efforts and communication programmes carried out till then and to plan for organization-wide implementation.

The Chapter is presented in six parts as below:

Part I - Background of FACT

Part II - Details of the Delayering Scheme implemented in FACT

Part III- Details of the New Performance Appraisal System introduced as part of delayering

Part IV - Strategy adopted for implementation of Delayering in FACT

Part V - Details of the Pre-Delayering Survey(Survey-I) for assessing organisation's preparedness for delayering and its findings

Part VI - Post-Trial Run survey(Survey-II) and its findings

Part I

FACT – a Profile

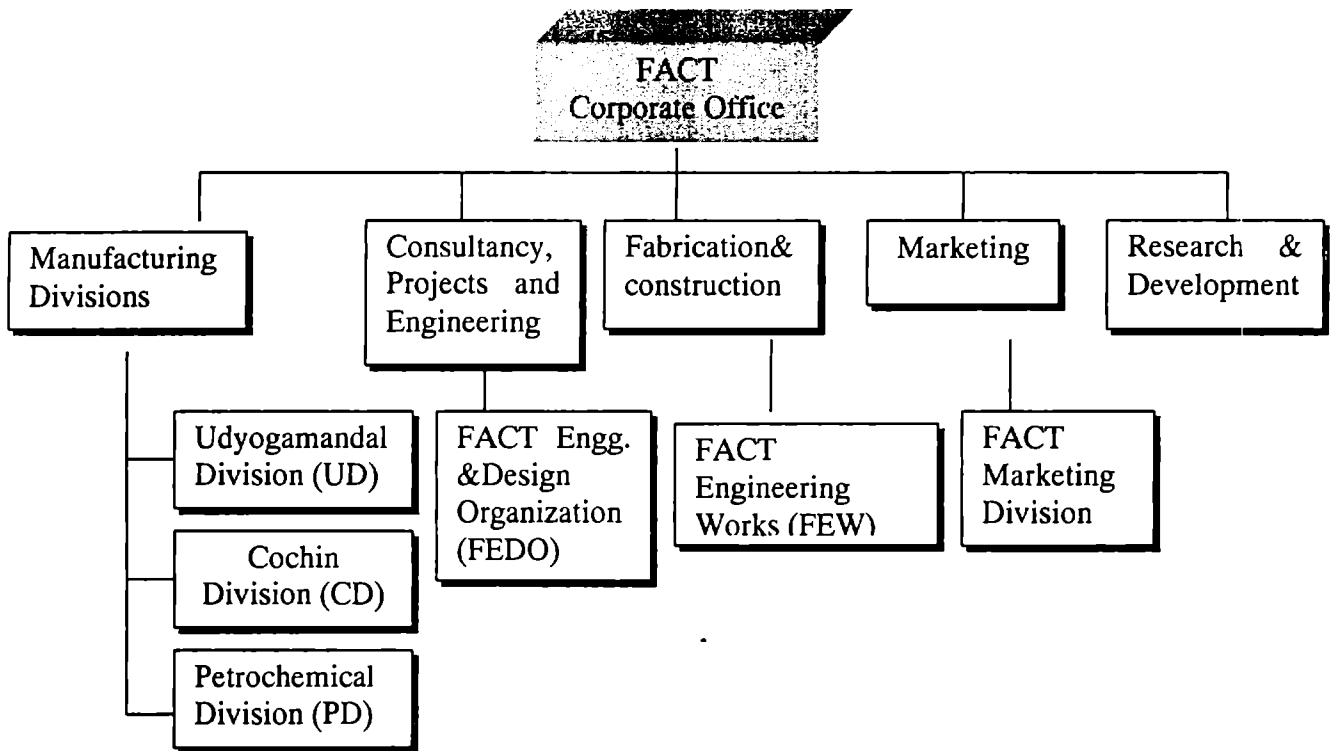
4.1.0 The Fertilisers and Chemicals, Travancore Ltd., popularly known as *FACT* was incorporated in the year 1943 to set up India's first largescale Fertiliser Plant at Udyogamandal (Ernakulam District, Kerala State). Initially promoted by the Seshasayee Brothers, a prominent Business House in South India, *FACT* became a Public Sector Company in 1960 and by 1962, the Government of India became the major shareholder. From a modest beginning, *FACT* has today expanded and diversified in to a multi-divisional corporation with varied activities with a combined annual turnover of around 1400 crores and 6000 employees.

The parent Division at Udyogamandal(UD) underwent four stages of expansion, upgrading technology and increasing capacity. The Cochin Division(CD) was established in two phases - Phase I comprising of an Ammonia-Urea Complex and Phase-II, consisting of Sulphuric Acid, Phosphoric Acid and Complex Fertiliser Plant. The Petrochemical Division(PD) for production of Caprolactam commissioned during 1990-91 saw *FACT* diversify into the then sunrise Petrochemical Industry.

In the 1960s, recognizing the need for developing indigenous capabilities for design and construction of Chemical and Fertiliser Plants, *FACT* established an Engineering & Consultancy wing christened FEDO (*FACT* Engineering & Design Organisation) and also a fabrication Division called FEW (*FACT* Engineering Works)

FACT's products are sold in the southern states of India, the marketing territory being mainly defined by the movement costs. Fertilisers are distributed through a Dealer network having 98 Agro Service Centres, 100 Field Sales Officers and around 7800 Dealer Points. For Caprolactam, there are mainly 10 consumers in India. This product is also exported and enjoys good reputation in the international market. The marketing activities are coordinated by the Marketing Division at Udyogamandal.

4.1.1 Organizational Set up of FACT



4.1.2 Management

FACT is under the administrative control of the Department of Fertilisers, Ministry of Chemicals & Fertilisers, Government of India

4.1.3 Capital Structure

97.38 % of the shareholding is by the Government of India. The remaining shares are held by the State Governments, Banks, Financial Institutions, Private Corporate Bodies etc

4.1.4 Products

- FERTILISERS : Urea, Ammonium Sulphate, Complex Fertilisers
- CHEMICALS : ammonia, Sulphuric Acid, Phosphoric Acid, Soda ash, Nitric Acid
- PETROCHEMICALS : Caprolactam

4.1.5 Installed Capacity in terms of Nutrients:

Nitrogen - 324,500 MT per annum,

P₂O₅ - 131,900 MT per annum and

Caprolactam - 50,000 MT per annum

4.1.6 Trade Unions & Officers' Associations

FACT has 11 recognised Trade Unions at corporate level and two officers' Associations. There are also a number of unrecognized Trade Unions in the various divisions of the Company. The Officers of FACT are organized into Two Officers' Forums - FACT Officers' Association (FOA) and FACT Officers' Federation (FOF). In addition, there was also another forum called FACT Managers Association (FMA) representing a section of managerial personnel mostly belonging to Junior Management level which got merged with FOF later.

4.1.7 Manpower

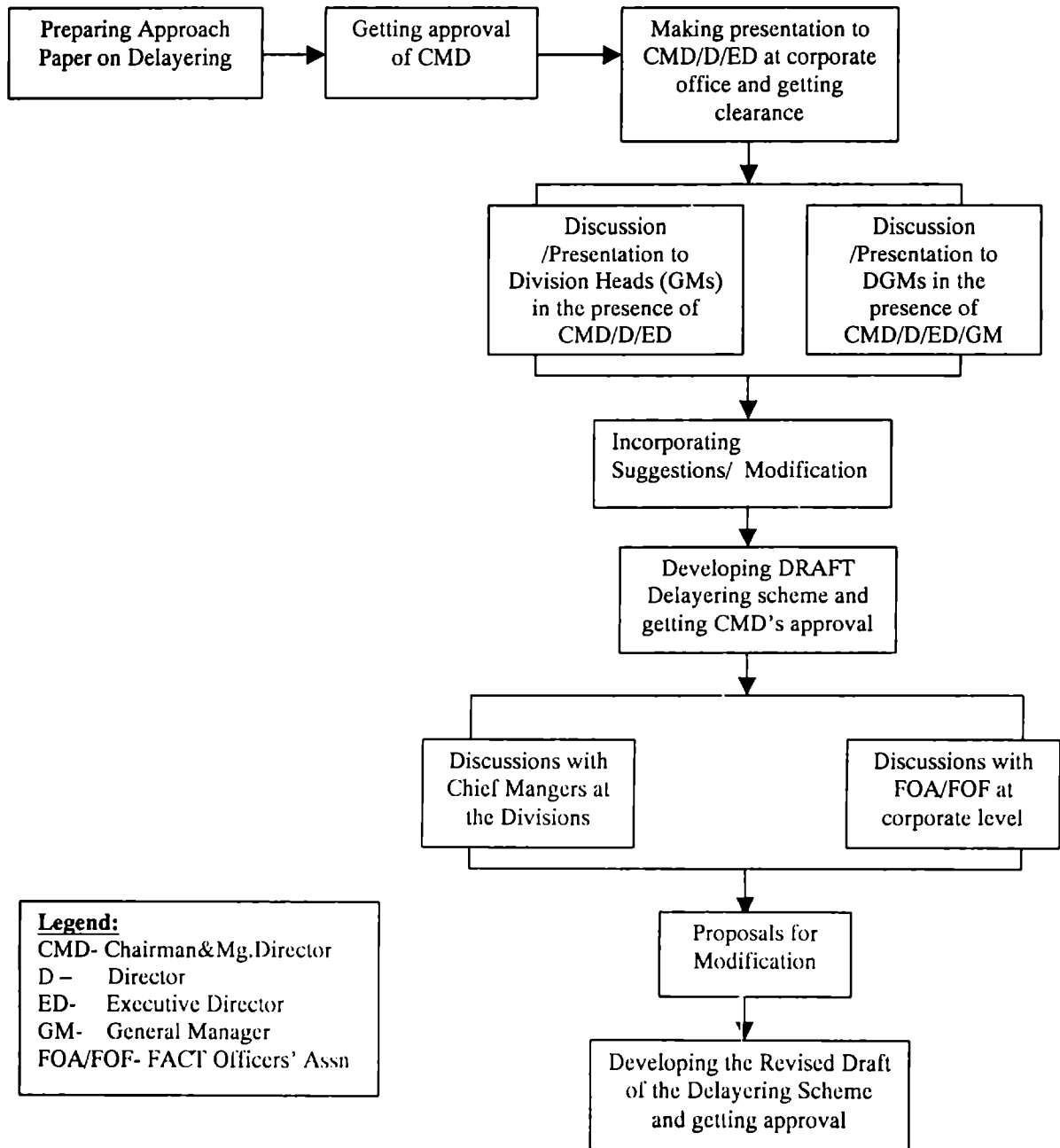
There has been a gradual reduction in the manpower strength of the Corporation due to the conscious policy undertaken by the Management of filling up only the essential vacancies and undertaking a restructuring and redesign of the jobs of managerial and non-managerial employees during the 90s. This restructuring was carried out as part of the Wage settlement signed on 24.3.1995 in the case of non-managerial employees and as part of the requirement for implementation of wage revision with effect from 10.01.1997 for Managerial Employees. The manpower of the Corporation which stood at 9500 during early 1990s is now only around 6000 including 2000 managerial employees.

Part II

Developing a Delaying scheme for FACT

4.2.1 Considering the specific requirements of FACT and also the experiences of other organizations as revealed through the Literature Survey, a model for Delaying FACT was evolved. Incorporating this model, an *Approach paper on Delaying* was prepared by the Researcher as a starting point for initiating discussions with the management and Trade Unions/Officers' Forums. The *Approach Paper* was a comprehensive document outlining the need for delaying FACT and the objectives sought to be achieved through a delayed system of working. The Approach paper focussed on how the new system would meet the organizational objectives without affecting the career growth prospects of Managers, as *Stagnation* in Managerial cadres was a burning issue to be tackled then. The approach paper

was also intended to be the first *official communication* on Delayering to employees, where by sufficient information for subsequent discussions was passed on to all levels in the management hierarchy. The stages involved in developing the delayering scheme is shown below:



DEVELOPING DELAYERING SCHEME FOR FACT – The stages involved

4.2.1 The FACT Delayering Scheme - Objectives

- Increase in efficiency and effectiveness of employees, increase in overall organisational productivity;
- Reduction in manpower;
- Faster response, speeding up decision making;
- Total flexibility in the Organisation by interchangeable roles;
- Opportunity for recognizing and rewarding outstanding performance;
- Improved career advancement opportunity for employees;
- More closer interaction and communication facilitating integration of organisational needs and employee aspirations;
- Empowerment of employees leading to increased motivation.

4.2.2 The Approach

In 1993 when the study was undertaken, FACT had Eight Levels/salry groups in the managerial cadres from the lowest level (Asst. Officer) to the highest level (CMD). In certain levels, there were multiple salary scales also. Managerial personnel were thus placed in about 20 categories/layers as per the then existing structure. By delayering hierarchies and reducing the one-to-one relationship between positions and salary grades, the traditional pyramidal structure of FACT was flattened to four layers as shown in Chart 4.2.2 (a)

The Mechanics of Delayering

Layers of Hierarchy : There will be only 4 layers of hierarchy including a Sub-layer which will serve as a dividing layer between the managerial and non-managerial employees.

Positions : The various positions coming under the first two layers in each Division are as shown in Chart 4.2.2 (b)

Salary Groups & Pay Scales

The present system of salary groups from I to VIII were to continue, but within each group there will not be any higher multiple/stagnation grades; except for AM and Dy.Chief levels. For AM, the stagnation level will be Dy.Mgr and for Dy. Chief level, the stagnation level will be Additional Chief as shown in Chart 4.2.2 (c)

**Hierarchical Structure
Before Delaying**



**New Structure
After Delaying**

CMD
Directors

Exe.Directors
GMs

DGMs
CE / CM

Addl CE/CM
DyCE/DyCM

Manager

Dy Manager

Asst Manager

Officer

Asst Officer

JE / Jr Officer

Sr, Technician

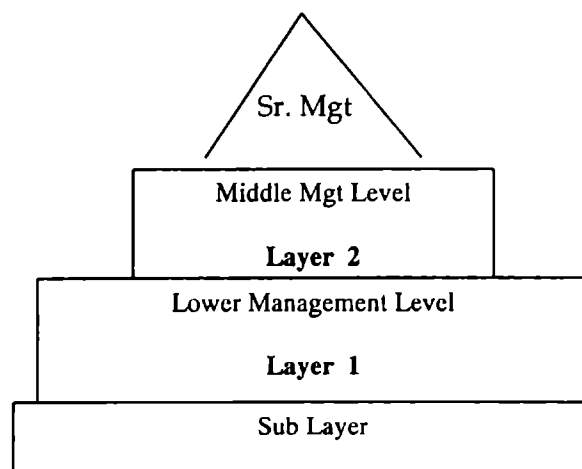
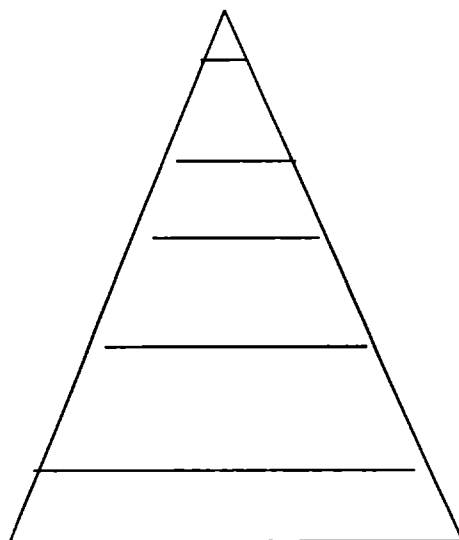


Chart 4.2.2 (a)

Layer	Salary Group	Divisions & Designations / Positions						
		UD	CD	PD	FEDO	FEW	MKTG	HO
SUB-LAYER		Charge-man	Sr. Techn	Sr. Techn	JE	JE	SO	AAO
Layer 1	II III	Foreman APM	PE APM	PE APM	DE SDE	E SE	SSO ASM/R M	AO APM
Layer 2	IV V	PM Dy.CE	PM Dy.CE	PM Dy.CE	DM Dy.CE	PM Dy.CE	SRM Dy.AM	DPM Dy.Chief SDFM

Note: The Designations indicated are only representative.

Abbreviations used :

JE - Junior Engineer, SO - Sales Officer, AAO- Asst. Accounts Officer, PE- Process Engineer, DE- Design Engineer, PM- Plant Manager, DM- Design Manager, ASM- Asst. Sales Manager, RM- Regional Manager, DY.AM-Dy. Area Manager, SDFM- Senior Dy. Finance Manager, E - Engineer, SSO- Senior Sales Officer, AO- Accounts Officer
APM- Asst. Plant Manager, SDE - Senior Design Engineer, Dy.CE - Dy. Chief Engineer, SRM- Senior Regional Manager, DPM- Dy. Personnel Manager

Rationalisation of Designations

The Designations within each layer are rationalised as indicated in Chart 4.2.2 (b):

Layer	Existing Designations					Proposed Designations
	Personnel	Finance	Materials	Marketing	Technical	
Sub-layer (Salary Group 1)	Asst. Pers. Officer Asst. W.Offr Jr. P.S	Asst. A/cs. Officer Asst. Audit Officer	Asst. Stores Officer Asst. Purchase Officer	SO, Research Officer, Asst. SVO	JE/Chargeman /Sr. Techn	Asst. Officer/ Asst Engineer /AO/AE
Layer 1 (Groups II&III)	Pers. Officer Asst. Pers. Manager	A/cs. Officer Asst. Finance Manger	Purchase Officer Asst. Mgr (Purchase)	SSO/MRO/ SVO Asst. Sales Mgr.	Engr/Foreman SE/APE	Officer /Engr. O/E Asst. Mgr (Function) AM
Stagnation Group IV						Dy.Mgr (Function /Area DM
Layer 2 (Group IV & V)	Dy.Pers.Mgr/PM Dy.CPRM	Dy.Finance Mgr SDFM	Purchase Mgr. DY.MMat	SRM Dy.AM		Manager(Function/Discipline M Dy.Chief(Fun./Discipline)
Stagnation Group VI						Add.Chief (Fun./Discipline) ACE/ACM
Layer 3 (group VI & VII)	CPRM DGM (P)	FM/ (DGM (FA)	CMat DGM (Mat)	AM/CSM / CDM/CA g DGM(F)	CE/CM/ CSP/CST ech DGM/GP M/ JGM	Chief (Fun./Area) CE/CM DGM (Fun./Area)

Chart 4.2.2. (b)

Managerial Strength After Delaying

A reduction of 20% in managerial manpower was expected through the delayering efforts, while improving the career advancement opportunities for Managers

Layer	Salary Group	Existing Scale Rs.	Proposed Scales Rs.	
Sub-Layer	I	E ₀ 2000-3360/ E ₁ 2200-3600/ E ₂ 2400-4320	E ₀ 2000-3360 E ₁ 2200-3600 E ₂ 2400-4320	← Scales indicated are pre-revised
		E ₂ 2400-4320/ E ₃ 3100-5100	E ₂ 2400-4320	
Layer 1	II	E ₃ 3100-5100 E ₄ 3700-5900	E ₃ 3100-5100/ E ₄ 3700-5900	Stagnation scale in Layer 1 (Dy. Manager)
	III	E ₄ 3700-5900 E ₅ 4300-6330	-	
Layer 2	IV	E ₅ 4300-6330 E ₆ 4900-7100	E ₅ 4300-6330/ E ₆ 4900-7100	Stagnation scale in Layer 2 (Addl. Chief)
	V	E ₆ 4900-7100 E ₇ 6250-7475	E ₆ 4900-7100 E ₇ 6250-7475	
Layer 3	VII	E ₇ 6250-7475 E ₈ 7250-8250	E ₇ 6250-7475 E ₈ 7250-8250	
Layer 4	VIII	E ₈ 7250-8250	E ₈ 7250-8250	

Chart 4.2.2 (c)

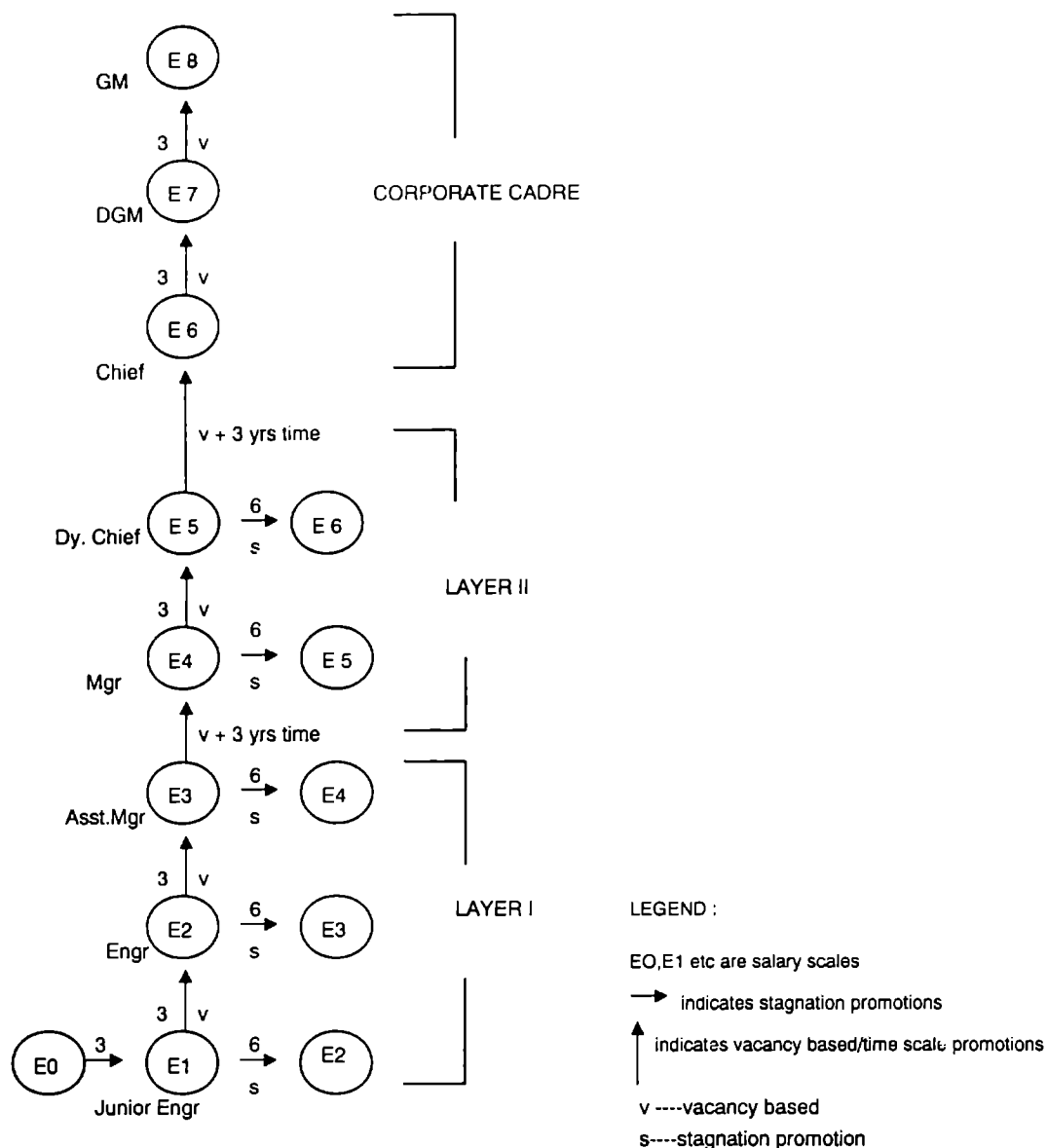
Role Relationship with in a Layer

The group of Managers in each layer formed a *working group* irrespective of their salary scale or designations by flattening the levels of hierarchy. They perform interchangeable tasks/roles. For eg. under Layer 1 in a Production division like UD /CD, the positions available are Foreman and APE. These Officers in Layer 1 will work as a team and perform interchangeable tasks for effectively carrying out their roles. In otherwords, a Foreman may perform the role of an Asst. Plant Manger in shift and the APM in shift will perform the role of a Foreman as the situation warrants. Each layer in the hierarchy indicate the reporting levels for supervision and control purposes. These layers correspond to the Junior, Middle and Senior levels of management. The managers in each layer is considered as a Team. The salary scales/grades with in each layer is retained to provide career growth.

Career Growth within a Layer

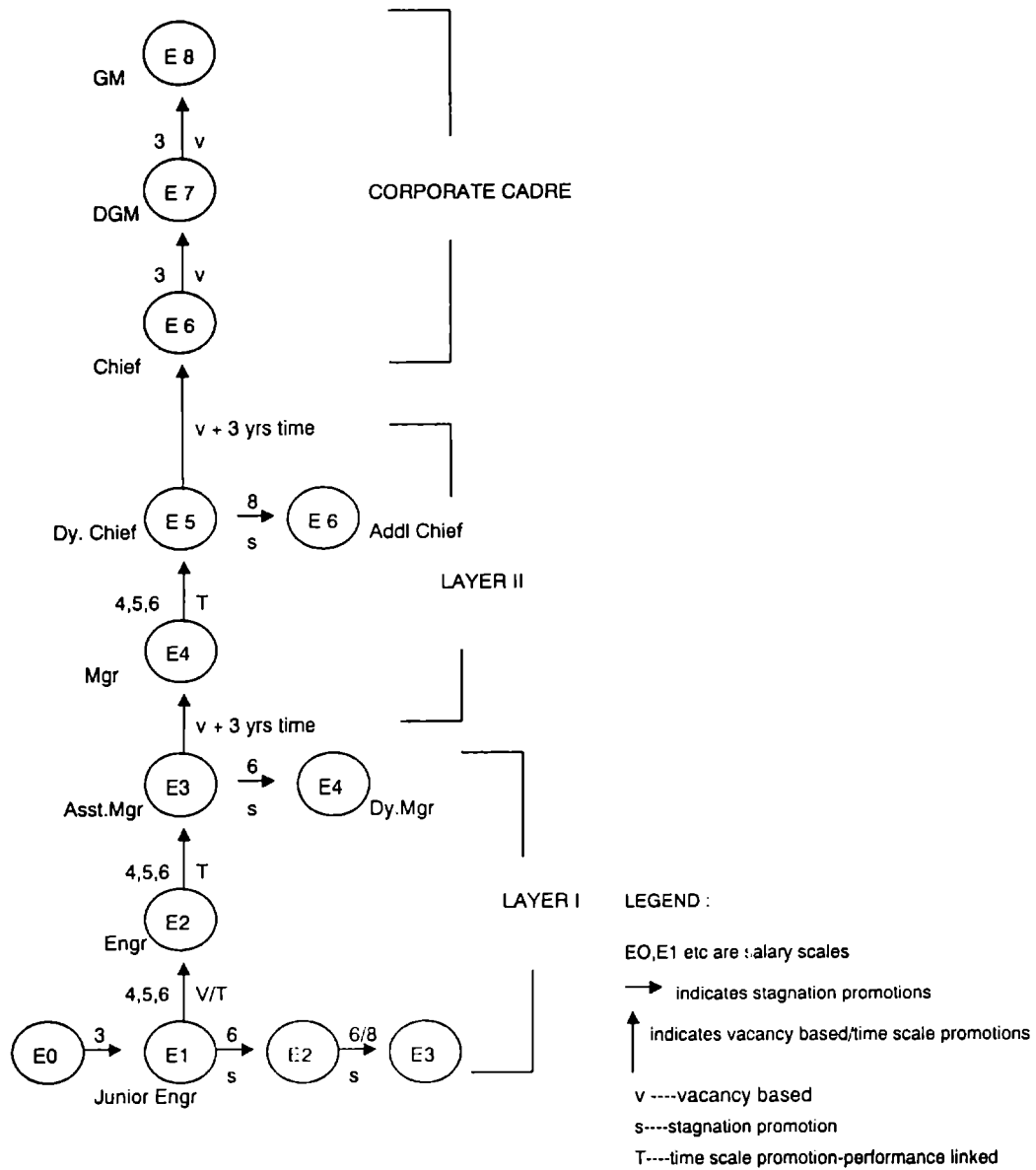
The career path before and after Delayering is shown in the charts. As can be seen, the Delayered system provides for an assured career growth for Managers up to the highest level in each layer including the stagnation level. For eg: Managers in E0 or E1 salary scale presently working as Chargeman will move to the higher salary Grade E2 as Foreman on a time scale linked to performance, subject to meeting the educational qualifications prescribed for the post.

CAREER PATH BEFORE DELAYERING



From Grade E2, all Managers meeting qualifications/eligibility requirements will further move to Grade E3 as Asst. Plant Manager based on a time scale linked to performance, irrespective of the availability of vacancies at APM level. If the officer stagnates as APM for want of vacancies at the PM level in layer 2, the next higher grade E4 is available as *Stagnation scale* on completion of six years (subject to qualifications and ratio applicable, if any between Engineering Graduates/Non-Engg. Graduates at PM's level), and designated as Dy. Plant Manager (DPM).

CAREER PATH AFTER DELAYERING



The DPM will form part of layer 1 for operational purposes. For an Officer in E1 meeting eligibility requirements for higher levels, the proposed system therefore ensures at least three performance-linked time scale promotions irrespective of the availability of vacancies at higher levels. In the same way, a Plant Manager(PM) in Grade E4 in layer 2 will move to the higher salary group E5 as (Dy. Chief) on a time-scale linked to performance, irrespective of the availability of vacancies at Dy. Chief

level. Promotions from Dy. Chief level to the next layer, ie. layer 3 as Chief Manager(CM) in E6 will be based on availability of vacant slots and by selection. However, if an officer stagnates at Dy. Chief level in Layer 2 for want of vacant positions at Chief level, the stagnation grade of Additional Chief Manager / Addl. Chief Engineer in E6 is available after 8 years residency at the Dy. Chief level. The ACM/ACE will form part of layer 2 for operational purposes and will perform interchangeable tasks/roles with officers in Layer 2. Thus for officers at middle management level also, the delayed system ensures atleast two promotions irrespective of the availability of vacancies at higher levels.

Part III

Developing the New Managerial Performance Appraisal (PA) System

- 4.3.1 As part of 'Delaying' in FACT, a review of the PA System was also made to make it a tool for performance development. To motivate high performers, there was a need for linking career advancement to performance. As a prelude to making the necessary changes in the PA System, an Appraisal workshop was conducted by the Company for Senior Managers during March 1996 engaging an external Consultant - Prof: J. Philip, Ex-Director, IIM Bangalore. The objective of the workshop was "*to get a feedback on the perception of managers regarding the present Performance appraisal system in FACT*" and to use the same for making necessary changes.
- 4.3.2 The Feedback from the participants who attended the survey/workshop and the recommendations of the Consultant formed the basis for developing the new PA system in FACT. A series of discussions with Middle and Senior Management personnel were held at the FACT Management Development Centre with a view to revamp the existing system and to make the PA system equitable, performance oriented and acceptable to the Managerial Employees. To minimize bias and to

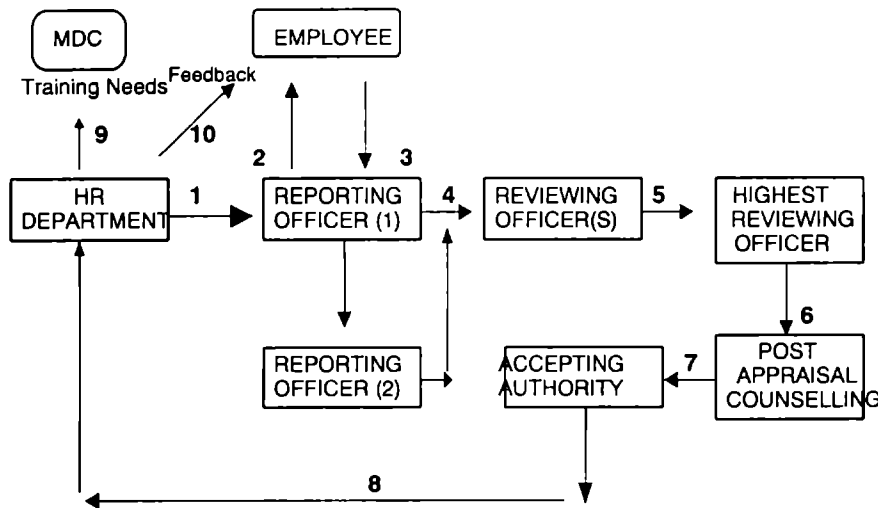
provide an opportunity to highlight one's performance contribution, the *self-appraisal* was introduced for all managers, without limiting it to the middle and senior management levels alone. One of the major weaknesses pointed out was the non-uniformity in performance categorisation made by *Reporting* and *Reviewing* Officers of various Divisions and disciplines, as their assessment was made mostly based on their judgement of relative performance of Officers under their control rather than against any common standards of evaluation or performance criteria. There was lack of understanding among the Reporting and Reviewing Officers of various functional areas/Depts. on the objectives and the process of appraisal. There was also a need to moderate the ratings given by the Dept. Heads to minimize the effect of *overrating* or *underrating* and to ensure uniform standards and equity in appraisal. Another weakness was that the performance assessment focused mainly on the primary roles of the Manager and its accomplishment, and not on the composite roles the Manager was required to perform in the real job situation, considering also the expectations of other *internal customers* in the Organization. Hence to assess overall effectiveness, it was necessary to have a joint assessment involving other Dept. Heads also. This objective was achieved through a *committee assessment* of Dept. Heads under the chairmanship of the Division Head. Since career growth of Managers was linked to their performance assessment, a *feedback* on performance assessment was required to be provided to the individual Managers to facilitate performance improvement. Further, a provision for *appeal* against the assessment, if aggrieved against the appraisal process or the performance rating, was needed. By making changes as above, the appraisal process was expected to be more objective and equitable.

4.3.3 Salient features of the New Performance Appraisal System:

The assessment and grading procedure in the New Performance Appraisal System involved the following steps.

- **Initiation** of the Performance appraisal format by Personnel Department and sending to Department Heads
- **Filling up self-appraisal** by the Officer concerned

- **Appraisal of performance** of Officers in Layer 1 by Reporting Officer (Department Head) in Layer 2 and review by the Reviewing Officer (Controlling Officer) in the Corporate cadre (Chief Manager and above). All *Outstanding* and *Unsatisfactory* ratings are to be substantiated with details



- **Appraisal of performance** of Officers in Layer 2 by the Controlling Officers in Corporate cadre and review by the next higher level officer
- **Committee Assessment** by a Committee of Controlling Officers under the Chairmanship of Division Head to review the performance ratings and moderate the ratings based on relative merit / comparison with Officers in other Departments within the Division
- **The performance categorisation** and Final grading as O, VG, G, S or US by the Division Head based on the committee assessment
- **Feed back** on Performance Assessment: When the final categorization is decided and approved by the accepting authority (For Officers in Layer 1, accepting authority is the Division Head and for Officers in Layer 2, the accepting authority is the Executive Director), the final grading is communicated to the Officer as a feed back on performance.

4.3.4 The Three-tier Appraisal Process

One of the distinguishing features of the New Performance Appraisal System is the *three tier appraisal* that takes place – The self appraisal, the Performance Appraisal by the Dept. Head and Review by the controlling Officers and the Committee Assessment by a committee of Controlling Officers under the chairmanship of the Division Head. The three- tier system is intended to make the Performance Appraisal more objective and transparent. It also provides an opportunity to *normalize* the performance ratings by making a joint assessment by the Committee of Dept. Heads, considering also the role holder's contribution in meeting the performance objectives of other functional areas/Internal customers/departments. The system thus provides for an evaluation of the overall performance effectiveness of the job holder by the Division Head considering his contribution during the whole year. Further, the feed back on performance categorization would help the employee to know whether he is progressing in the right direction. All these features have been built into the New Performance Appraisal System to ensure that the weaknesses in the existing performance appraisal system are overcome.

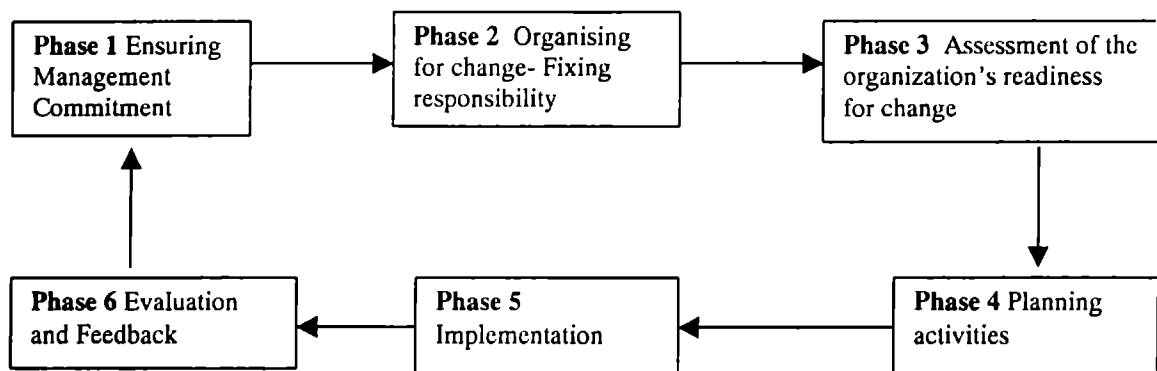
4.3.5 Performance Linked Career Growth

As per the new system of performance assessment, managers are grouped into 4 categories- *Outstanding (O), Very Good (VG), Good (G) and Satisfactory (S)*. The residency requirement for promotions within a layer vary from a minimum of four years to a maximum of six years depending on the performance categorisation of the officer. Promotions are based on performance records of the immediate past three years. The residency requirement is 4 years for those with '*O/VG*' categorization; 5 years for those with '*G*' categorization and 6 years for those with '*S*' categorization. For movement to the stagnation scales, the residency requirement is specified as 6 years/8 years. For eg. For stagnation promotion as Dy.Manager, the requirement is 6 years residency at AM level and for stagnation scale of Additional Chief, 8 years at Dy.Chief level subject to eligibility for movement to higher grade as per promotion policy. However, for vacancy-based promotions, from one layer to the next higher layer, the residency required is 3 years only.

Part IV

Implementation Strategy

4.4.0 The Delayering process in FACT was not just a downsizing exercise, but a well thought-out productivity management process which required significant change in the working of the organization. Hence *managing change* was the key consideration in the development of the implementation strategy. Being a change process, with wide implication throughout the organization, it was necessary to lay the ground work carefully, to *identify the barriers to change* beforehand and to prepare the organization for meeting these challenges. A strategy based on the principles of change management was therefore adopted as a general framework, which was modified appropriately to suit the organizational culture of FACT. The strategy involved six phases (John G. Belcher, 1991) as shown in Chart below:



4.4.1 Ensuring Management Commitment

Success of a major organizational change process like 'Delayering' depends on the involvement and commitment of the top management to the objectives of the change programme. The following initiatives by the top management were indicative of the recognition of an organization-wide change effort in FACT and the management's role in promoting change.

- The Chairman & Managing Director's (CMD) communication to all Division Heads on June 3, 1993 regarding the need for restructuring of

jobs and streamlining organization structure, to improve organizational productivity in the context of liberalization and globalisation.

- CMD's note to Division Heads on October 28, 1993 forwarding the *Approach Paper on Delaying* prepared by the Personnel Dept. for discussion in the meeting of all GMs and DGMs of the Company.
- Convening a meeting by CMD with all Division Heads and ED (HRD) on December 2, 1993 to seek their views and opinion on the Delaying proposal
- Constituting a Corporate level task force(CTF) for co-ordinating Divisional efforts with ED (HRD) as Chairman and Division Heads as members.
- Getting approval for the Delaying proposal from the Board of Directors of FACT in its meeting held on July 7, 1996.
- Overcoming the resistance to change at all levels and especially the apprehensions expressed by the Govt. Directors regarding the feasibility of introducing Delaying in a PSU like FACT.
- Getting acceptance of the Ministry and the Govt. for implementing the scheme in FACT.
- Issue of all management orders regarding implementation of 'Delaying' by the CMD himself.
- Constituting a *Grievance Redressal Cell* under the Chairmanship of ED (HRD) to look into grievances that arise on implementation of delaying and for redressal.

The direct involvement of CMD, ED(HRD) and Division Heads at various stages had demonstrated their commitment for implementing Delaying in FACT and for leading it to a successful conclusion.

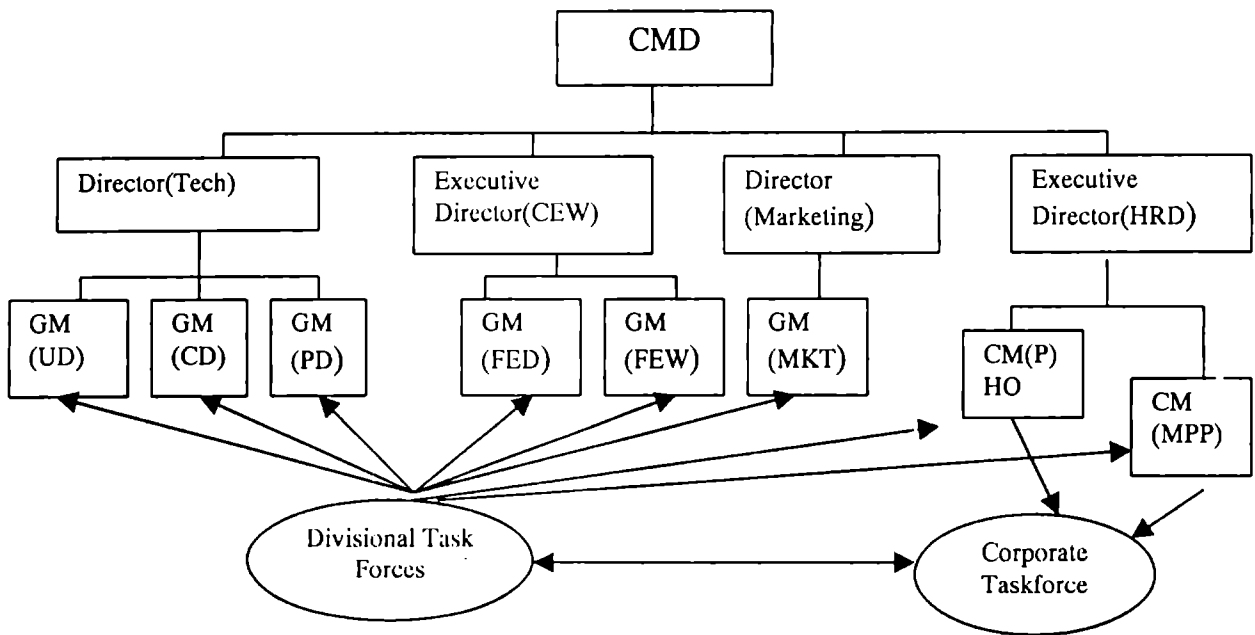
4.4.2 Organizing for Change

The responsibility of managing the Delaying process was entrusted to *special purpose task forces* constituted at corporate and divisional levels. At the corporate level, the task force(CTF) was formed with ED (HRD) as Chairman, Chief Personnel Manager (Head Office) as the Convener, Chief Manager (Man Power Planning) and Chief Personnel

Manager (HO) as members. At the divisional level, the Divisional task forces(DTF) were constituted with the concerned Division Head as Chairman, Industrial Engineer of the Division as Convener, Personnel Manager of the Division, Chief Personnel Manager (HO) and Chief Manager (Man Power Planning-MPP) as members. The constitution of Corporate and Divisional Task Forces as above with the Chief Personnel Manager (HO) and Chief Manager (MPP) as common members ensured uniformity in implementation of the scheme in all divisions. These Task Forces functioned as an on-going mechanism for monitoring the progress during different phases of the change programme, from awareness building to implementation and to the final stage of evaluation. The constitution of the Task Forces is shown in Chart below. Considering the magnitude and complexity of the task ahead, FACT had taken the following decisions with regard to organizing for charge.

- **Deciding the level at which the 'Delaying exercise' is to be handled in FACT:**

The Delaying exercise affecting about 2000 officers should have the acceptance of the Officers' Forums for its smooth implementation. It was therefore necessary to have a person who could interact with FOA/FOF and arrive at a consensus on various issues. Further, the identified person had to be at a level higher to the Division Head level to co-ordinate the divisional efforts. He should also be well versed with the systems and practices of the Company, especially those connected with the Organisation Structure, performance management, career planning, training and development. Considering all these requirements, the Executive Director (Human Resources Development) - ED(HRD) was nominated by the Management as the Senior Executive in charge of the delaying effort. To provide him the right support in developing the Delaying model, co-ordinating the awareness building efforts throughout the organisation, and for familiarization of the Scheme with Officers' Forums and monitor its implementation, the Chief Personnel Manager (Head Office)-- The Researcher-- an Industrial Engineer turned Personnel Manager holding responsibility for personnel establishment of managerial personnel at Head Office was also nominated.



- **Specifying the role and responsibilities of ED(HRD) and Chief Personnel Manager (HO) - The Researcher - in the Delayering effort.**

The following responsibilities were specified:

- Building organizational awareness on Delayering
- Advising Division Heads and Senior Managers at DGM and Chief levels (who represent the corporate cadre, but not covered by the Delayering scheme) regarding their role in the change effort.
- Building commitment at all levels through education, information sharing and persuasion.
- Involving managers, their associations (FOA/FOF) and Trade Unions in the Delayering effort by communicating the scheme to various groups of managers, officers' forums and Trade Unions, providing clarifications and removing apprehensions regarding the negative impact of Delayering.
- Monitoring progress, identifying weaknesses/problem areas and bringing to the attention of top management for offering solutions.
- Serving as Resource Persons to the organization and to employers on all aspects concerning the Delayering scheme and acting as champion for facilitating change.

- o Keeping up the tempo and morale of employees during each phase of implementation, carrying out trial run in one division first and transferring success in that division to the others.

The constitution of the CTF which act as the Steering Committee has been explained. The function of the corporate level task force is to provide direction to the divisional teams and to monitor the change programme. The CTF met regularly to establish policy, set goals, review progress and provide the authority to modify organizational systems to support and reinforce the Delaying process. Besides its role in implementation, the CTF served as an excellent demonstration of the top management's commitment and involvement in the Delaying effort. At the Divisional level, the DTF performed the same role as that of the Corporate Task Force, with respect to the concerned division. They were guided by the policies set by the Corporate Task Force even though their activities were confined to their division only. The responsibility of tailoring the delaying scheme to the special requirements of the division was entrusted with the Divisional Task Forces. To ensure uniform application of the policy, a networking of these Divisional Task Forces with the corporate level task force was also done.

Part V

Assessment of Organisation's Preparedness for Delaying

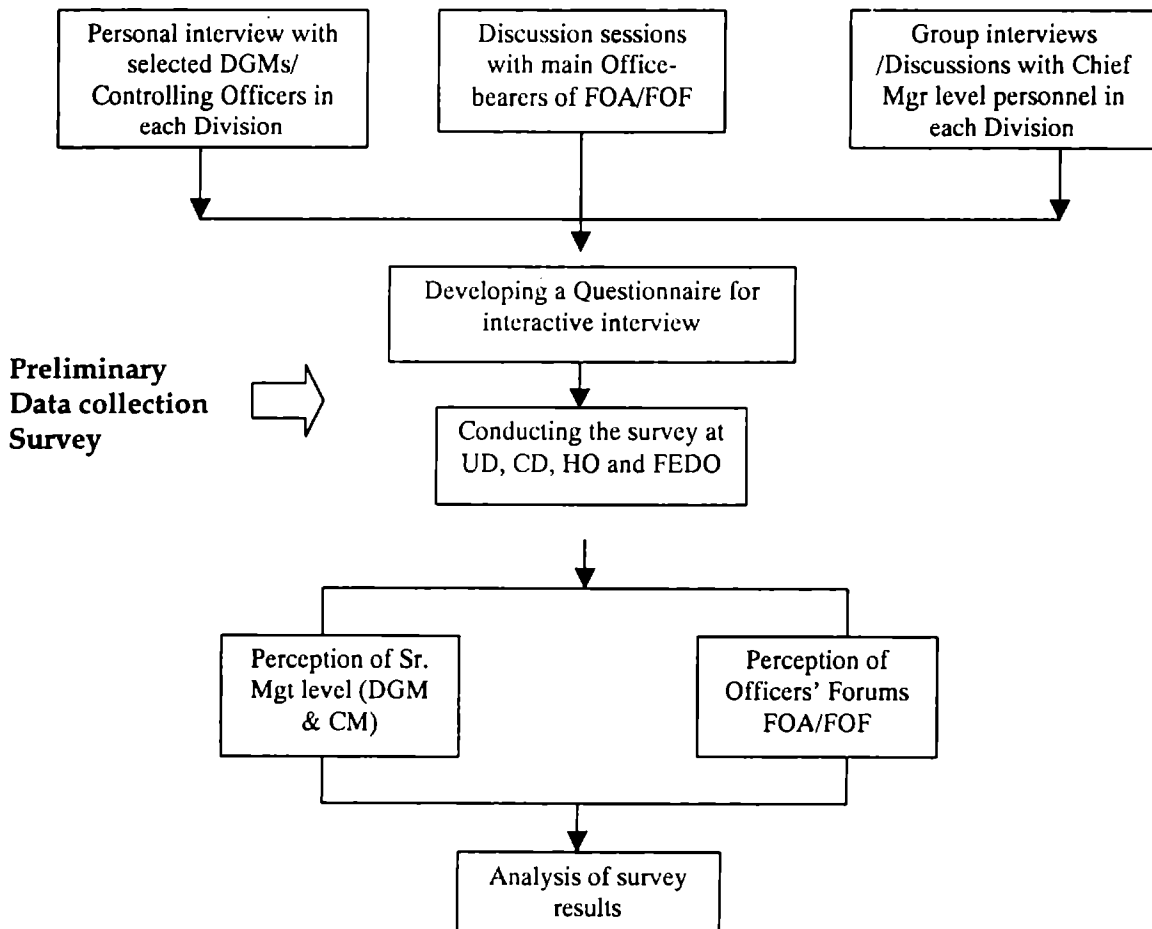
4.5.1 Before launching into an organisation - wide change programme, one important aspect to be considered was *whether the organisation is ready for accepting a radical change*. Unless care is taken to identify the existing blocks that hinder change and devise appropriate strategies to confront these challenges, the change programme, however assiduously sought and meticulously planned, is unlikely to bear fruit. A study carried out by Mc Kinsey (1996) into "*why organisations fail to shift strategic gears successively*"? had concluded that:

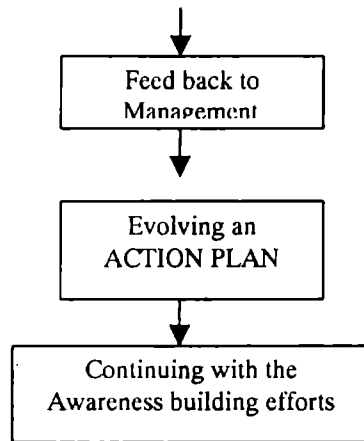
- ❖ 40% of the firms failed because they lacked the capacity to execute the strategy
- ❖ 35% of the firms failed because the organisation was not "change ready" or committed
- ❖ 17% of the failures was attributable to poor strategy and

❖ 8% for other reasons

4.5.2 A Preliminary survey was therefore conducted to assess FACT's readiness for undertaking the Delaying programme and also to study the general perception of Managers about 'Delaying'. During the initial stage ie. *ideation and awareness building* stage, discussions were held at length with the senior managers of the Company as their involvement and commitment was essential for the success of Delaying. Further, the managers at Corporate Cadre (Chief and DGM levels) represented the Controlling officers and hence their views were also critical for the smooth implementation of Delaying. The other groups involved in the initial discussions and deliberations were the officers' forums. These forums represented the Junior and middle level Managers of FACT and their acceptance of the scheme was crucial for the success. Thus the Senior Management Team at Chief and DGM levels and the Office bearers of the two Officers' Forums constituted the sample for the Preliminary Survey. The steps involved in conducting the preliminary survey were as shown below:

Preliminary Survey- steps involved





The other groups of managerial employees or Trade Unions were not considered for the preliminary survey as they did not have any opportunity for direct interaction on 'Delaying' with the top management team at the initial stage and were mostly informed of the scheme through the officers' forums or through management circulars only. Further, it is possible that they would be biased in their view as they were affected either positively or negatively by the new scheme being introduced.

4.5.3 The aim of the survey was to study the perception of the Officers' forums and Senior Managers about the proposed Change Initiative and their understanding of the objectives of the Delaying scheme. The survey was intended to provide a feedback on the effectiveness of the channels of Managerial communication and to ensure involvement of the Officers' forums and the Senior Managers in the Delaying exercise. The pre-delaying survey was also used to identify areas of resistance and encourage innovative/creative ideas to overcome problems that may arise during implementation.

4.5.4 The Sample selected at random consisted of 30 senior managers and 10 Office bearers of the Officers Associations, representing 30% of the universe. The Senior Managers belonged to the Chief level (Group E6) and Deputy General Manager level (Group E7) from various divisions of FACT. The Central office bearers who participated in the survey represented the two Officers' forums viz. FACT Officers' Association (FOA) and FACT Officers' Federation (FOF).

Division	Managers	Officers Forum	Total Number
UD	10	4	14
CD	5	2	7
FEDO	13	3	16
HO	2	1	3
Total	30	10	40

4.5.5 .The questionnaire for the preliminary survey covered 14 questions dealing with various aspects of Delaying, such as Reasons for Delaying FACT, Aims & Objectives of Delaying , Perceived Impact of Delaying on the Organisation/Work Systems/ Managers, and Role clarity regarding responsibility for implementation. The focus of the survey was to seek answers to the following questions that have a bearing on the implementation strategy:

- What is the level of organizational awareness about Delaying?
- What are employees' major concerns about Delaying?
- How committed are senior managers about implementation of Delaying in FACT?
- Are communication effective, and in all directions?
- What is the attitude of Officers' Association to Delaying?
- What are their objections to Delaying and do Managers perceive any benefits through implementation of Delaying in FACT?
- What are their views about the new performance appraisal system being introduced in FACT?
- What is their view about job rotation and multi skilling?
- What are the factors to be considered for redesigning jobs?
- What are their views about the future of FACT?

The above questions were addressed to know the perception of managers about Delaying in FACT and how they think the new system would be beneficial to the organization and to the managers. The data collected through the questionnaire were supplemented with the help of interactive interviews

4.5.6 Findings of the Survey

- ◆ FACT being an old organisation, bringing about change is a very complex task as the roots of existing systems and practices are deeply embedded in the employees' working style and attitudes. It is therefore necessary that careful planning is done with continuous involvement of the critical groups to ensure smooth transition.
- ◆ The information and views on delayering held by the lower level Managerial Cadre were as conveyed to them by the officers Forum. Since the impact of delayering was uncertain, middle and junior level managers viewed the change process with a feeling of insecurity and threat.
- ◆ The Performance Appraisal System existing in FACT at the time of Delayering was a theoretically well developed system but lacked appraiser commitment. This had led to the appraisee losing confidence in the performance evaluation system. There are apprehensions in the minds of officers on the career growth opportunities offered to them through Delayering linking it to the new performance appraisal system, as the objectivity of the PA system was yet to be established. The Officers however, felt that the *Committee Assessment system* would bring about uniformity in the norms adopted for evaluation and would offer equitable treatment to all employees in the matter of promotion opportunities. Some of the members of the Officers forums apprehended that the new system would help only a few favourites of the Management to gain higher organisational positions, might distort the seniority list and the significance of seniority-based promotions will be lost.
- ◆ The new promotion avenues opened up by delayering in the Officers' view would benefit only a section of staff. Some of the Senior Managers who were about to retire and who had stagnated for long in their career felt that they lost out on these opportunities of career growth in their days. Some of the FOA/FOF members felt that the new scheme may not encourage performance but led to favouritism and an 'YES man' culture.

- ◆ As a result of delayering and revamping of the organization- its structure, systems and processes- the Officers however felt that FACT will have a bright future and saw themselves as the immediate beneficiaries.
- ◆ Another observation was that even though from time to time, management had provided promotion avenues through various stagnation removal schemes, the attitude and mentality of the promoted managers remained unchanged even after promotions, leading to decreased managerial effectiveness. This was observed to be partly due to the seniority based promotion that existed in the company and also due to the fact that the stagnation promotion is available to all, irrespective of any specific performance contribution.
- ◆ The Senior Managers in FACT were more concerned about their personal relations with subordinates rather than organisational objectives and this stood in the way of their making an objective performance appraisal. In the circumstances the officers felt that the Committee assessment will make the appraisal more objective as the Reporting or Reviewing officers need not fully own up the *lower ratings* finally decided by the Committee.
- ◆ The motivation level of Managers in FACT was low because of the lack of monetary incentives, autonomy, empowerment, recognition of performance and career growth opportunities which the delayering system was expected to overcome.
- ◆ The work culture was seen to be a '*soft*' culture which promoted inefficiency, indiscipline, non-punctuality and poor performance rather than a learning and involved work culture. They hoped that a productive work culture will emerge after delayering
- ◆ Lack of importance and commitment to training and development by the FACT Management was also reported as a reason for the poor performance of managers. T & D is treated by many Managers as an '*off day*' with wages. The nominees for the programmes are mostly the spareable employees. They hoped that the scheme of Job enrichment, Job enlargement and Job rotation, supplemented with need based T&D programmes will improve the competence level of managers and organizational performance.

- ◆ The Human Resources in FACT were perceived to be underutilised, non-responsive to the environmental conditions and lacked flexibility. They felt that downsizing by 20% may not affect the performance of the company, but may lead to increase in workload for managers.
- ◆ Human Resources Policies lacked transparency and uniformity in the opinion of many of the Officers in FACT.
- ◆ There was broad consensus regarding the need for job rotation/multiskilling which they felt will enhance career growth opportunities of managers and development of skill and knowledge.
- ◆ The Officers felt that there will not be any shift in the power centre within the organisation after Delaying and that the concentration of power at the top is there to stay even after delayering.
- ◆ The positive aspect noted was that implementation of delayering exercise was viewed by most of the members as a collective function where every individual contribute for its success.
- ◆ There was lack of managerial commitment from the top, making implementation of change programmes difficult in FACT, though they appreciate the efforts already taken by the management for awareness building and also for involving senior managers and Officers Associations.
- ◆ The relationship between Officers' Forum and Senior Managers lacked trust and openness as revealed through the survey.
- ◆ The Management had successfully ensured that the Officers do not feel insecure because of the delayering exercise by making it clear at the beginning itself that there will not be any retrenchment due to delayering.

4.5.7 Discussions with Officers Forum

The basic issues involved were :

- What does '*Delayering*' mean to Managers?
- Are they fully cognizant of its implications?
- Can their full co-operation in the Delaying and restructuring effort be anticipated?

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The response and the keen interest shown by the managers to the survey indicated that the survey itself had served as an intervention to promote change. Since the survey covered the senior management personnel and also representatives of Officers' Forum, it had served the dual purpose of raising their level of awareness about the Delaying Scheme and getting involvement of the people right from the beginning. The various points/issues that came up during the survey together with the suggested approach for dealing with these issues were discussed by the Corporate Task Force with the Top Management Team. Discussions were held by the DTF with the Divisional managers and office bearers of FOA/FOF within their Division as a prelude to implementation of Delaying as an organisation-wide programme, to facilitate company-wide interaction and communication.

One of the issues that needed management's attention was intensifying the awareness building efforts. The preliminary survey had revealed that to many Managers the word 'Delaying' carried a negative connotation. Some of the senior managers in CD and PD qualified it as 'derailing', thus spreading the message that when fully implemented this will spell doom for the organization and the managers. They projected that Delaying will render many Managers surplus and may lead to a 'compulsory' VRS as has happened in organizations like HMT Limited. They were not appreciative of the relationship between Delaying and the improvement in organizational efficiency. In the above scenario, it was an ardent task to remove the negative feelings and to raise the level of awareness in the organization by further explaining the rationale for Delaying and its impact on organizational productivity and improved career advancement opportunities for managerial personnel. The awareness building efforts were continued throughout the period of implementation to prepare FACT for accepting the change process being undertaken and to derive maximum benefits from it.

4.5.8 Vehicles used for Awareness Building

In addition to the 'Approach Paper' presented to the Top Management and circulated among senior managers and Officers' forums, the following other approaches were also used to effectively communicate the message of Delaying and to remove the misconceptions from the minds of employees about the impact of delaying :

- Circulation of a Write up on Delaying among managerial personnel in all divisions, outlining the objectives and benefits of delaying.

- Face-to-face meetings with the FOA/FOF members by the Divisional Task forces,.
- Divisional discussion sessions between Task Forces and Managers.
- Meetings with Officers' Forums - individually and collectively.

4.5.9 Awareness Building as an On-going Task : To ensure effectiveness of implementation of the Delaying scheme, awareness building was adopted as an on-going task in FACT. This was necessary as new problems and issues cropped up when the implementation advanced. The Corporate Task Force therefore continued its interaction with the Officers' Forums on a regular basis, clarifying issues and seeking alternatives for consideration.

4.5.10 Making Responsibilities Explicit

In addition to building awareness, there was a need to fix responsibilities for undertaking various activities in connection with the Delaying effort, so that accountability is established for results. As far as FACT Management is concerned, one of the objectives of Delaying was achieving a manpower reduction of 20% from the filled strength as on 1.1.1992. This was a pre-condition for approval of the wage revision for non-managerial employees and pay revision for managerial employees, "*to ensure that the unit labour cost does not go up even after wage revision*" (DPE guidelines). Hence, along with the implementation of Delaying, responsibility for achieving the intended reduction of 20% in manpower in each Division was fixed on the Division Head and on ED (HRD) with regard to overall reduction. This target was given to the divisional Delaying Task Forces also. The fixing up of responsibilities for divisional teams as well as Corporate Task Force had ensured the involvement of all members of the Task Force and that of the Dept. Heads in the implementation of Delaying.

4.5.11 Planning Implementation

Successful organisation redesigns-particularly those with the goal of dramatic longterm change-tend to be implemented more organically than mechanically. A test-and-learn mentality prevails, by piloting the new organisation on a project basis (Felix Barber, 2003). With the diagnostic data generated through the assessment survey, a plan of action for carrying out Delaying was developed. It was decided to have a *Pilot Study* in one division in order to gain experience in the implementation process. For this purpose, Udyogamandal

Division (UD), which is the oldest division of FACT and which represents a good cross-section of all categories of managerial personnel was selected. The experience gained by the pilot study in UD had been invaluable in diffusing the process throughout the organization. The following were the factors that favoured selection of UD for the Pilot Study.

- Management support and willingness for undertaking Delaying was forthcoming in UD as the demand for stagnation removal was more in UD compared to other divisions.
- The divisional management style was democratic, participative and encouraging change as all options for stagnation removal had exhausted.
- Satisfactory Union-Management relationship and also Officers' Association-Management relationship prevailed in the Division due to the presence of senior leaders and mature leadership.
- Conducive organizational climate was another advantage, since two of the Officers' Associations who had majority presence in UD ie. FOF and FMA (which later got merged with FOF) had openly supported the scheme, in view of the perceived career growth opportunities to the stagnating officers in UD.
- Absence of any serious organizational or marketing problems (like in FEDO or PD) that would distract management's attention from the long-term change initiative.

4.5.12 Observations based on the Pilot study at UD

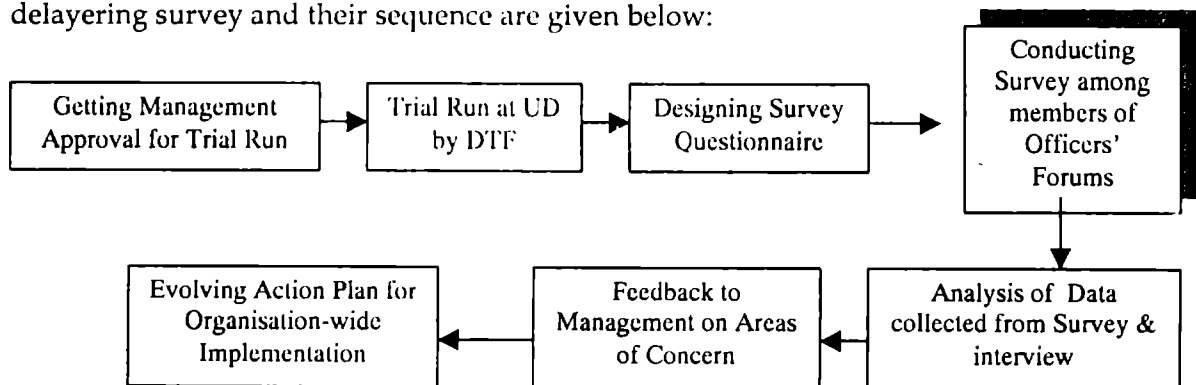
The following were some of the misconceptions and apprehensions held by the managers as revealed through the Pilot study which were given due consideration at the subsequent stages of implementation :

- Delaying helps only the management.
- It will make managers work harder.
- Delaying means loss of managerial jobs in FACT.
- FACT can be turned around only by infusing more capital investment and Delaying cannot contribute for long term success.
- Delaying is not feasible in FACT which has an established hierarchical structure.

- Each division of FACT is unique with its own problems and Delayering cannot be a common organization -wide solution.
- Since senior management cadre (Chief Manager and above) is not covered under Delayering, there is no senior-management motivation / commitment for the Delayering effort.
- Delayering will benefit only the long stagnated lower level managers and good performers cannot expect any gains from Delayering.

4.5.13 Assessment of Managers' perception about Delayering in FACT - Pre-Delayering(Post-Trial Run) Survey

The success of delayering depends on the perceived impact of change by the individuals who are involved in the change process and are affected by it. To find out how far the above assumptions about Delayering Scheme are true, a pre-delayering implementation survey was carried out among Office bearers of the three Officers for a - FOA, FOF and FMA. The survey was limited to the Officers' Association members as it was felt that adequate awareness had been created among managerial employees, while the members of the Officers' forum still had apprehensions about the scheme and its adverse impact on the managers. The objective of the survey was therefore to test the effectiveness of the awareness building efforts carried out after the Trial Run at UD and whether the delayering scheme on implementation will meet the twin objectives of higher organisational productivity and better career prospects for Managerial personnel by achieving Faster decision making, Improving team work, Recognition of merit in promotions, Providing a clear cut career path, Ensuring objective and transparent performance appraisal system, Equitable career growth opportunities, Reduction in manpower and Increased job satisfaction and morale of Managerial personnel. The activities involved in the pre-delayering survey and their sequence are given below:



The sample for the survey consisted of all the Central office bearers of the three officers' forums - FOA, FOF and FMA. The methodology adopted was collection of data through a specially designed questionnaire / opinionaire to elicit views on various aspects covered by the Delaying Scheme. The data collected through the questionnaire was supplemented by personal interviews of all the 30 participants to gather further information / clarification.

The Questionnaire used for the survey contained 29 questions relating to the areas where delaying is expected to make an impact on the organisation and the employees. There were multiple questions dealing with the same area to enable cross checking of the reliability of responses.

The following details give a brief profile of the respondents who participated in the survey:

- 70% of the respondents belonged to the age group of above 51 years.
- 70% was graduates in Science / Post Graduates and only 10% had Professional qualifications like Degree in Engineering, CA, ICWA etc.
- 85% of the respondents belonged to Asst. Manager and below levels ie. salary scale E-3 and below.
- 74% belonged to technical areas and the remaining to non-technical areas.
- 61% had more than 30 years service in the Company.

4.5.14 Findings based on the Pre-delaying survey

- There were two questions to find out whether Managers are aware of the changes taking place in the external environment and how it will affect the organisation. The responses showed that there is good awareness among all the Officers organisations regarding the need for change and the usefulness of Delaying as a strategy for improving organizational performance and hence it would be possible for the Management to get their acceptance for implementing the Delaying Scheme.
- Three questions were on the impact of delaying on improving organisational productivity. The response was uniform for all the questions and most of the participants felt that the delayed system would help to improve organisational

productivity. With this favourable mind set of Managers, it was possible to go ahead with the delayering process and to achieve the desired goals.

- Four questions related to whether delayering facilitate better career advancement, equity in assessment and faster promotions. The opinion of the majority of participants indicated that they expect better career advancement opportunities after Delayering. Equity in performance assessment and more or less uniform promotion opportunities to similarly placed officers irrespective of the discipline to which they belong and the Department to which they are attached, was perceived to be another factor supporting delayering. It was felt that this favourable perception about the impact of delayering scheme would help to elicit maximum co-operation from the Managers during the implementation phase and also for changing over to the proposed performance appraisal system.
- There were three questions on Team Working at junior and middle management level after delayering. The finding was that majority of Managers hoped better team work after implementation of delayering. This would be a welcome change from the present system where Officers in the various functional areas belonging to different qualification levels.(for eg. Graduate Engineers vs. Diploma Holders / Science Graduates) do not work as a team as each category perceive the other as a threat to their career growth.
- There were four questions dealing with this issue of faster response and speeding up decision making after delayering. The survey findings indicate that only less than 50% of the participants expected any appreciable difference either in the involvement of Managers in decision making or in the pace at which decisions are taken in the organisation. This gives an indication that it is not the structure alone that delays decision making in FACT, but the basic attitude of Managers to shoulder additional responsibility, exercise their judgment on areas entrusted to them and use the delegated authority.
- Opportunity for creativity, innovation and recognition of merit after delayering were the focus area in three questions. The response from the survey indicate that the present organisation climate is not very much conducive to fostering creativity and innovation at work place. It is felt that in such an environment it would require

greater Management efforts to introduce and manage major change initiatives like the delayering scheme.

- Two questions were on the expectation of Additional work load and responsibility after delayering. The response from the Managers indicate that they expect additional work load and added responsibility consequent to implementation of delayering. However, since the proposed system is generally welcomed by the Managerial community, it was felt that any additional workload and responsibility may not be a hindrance for successful implementation of the delayering scheme.
- Two questions were on Top management attitude towards delayering. The general feeling was that there is not much interest shown by the top management in the development and career growth of subordinates. The officers also expressed their concern that some of the Senior Managers are not convinced about the need for delayering and hence a change in mind set should take place first among the senior management team for the successful implementation of delayering.
- Maximum number of questions related to Employee morale and job satisfaction. There were seven questions dealing with various aspects of job satisfaction and overall career satisfaction. The responses showed that the present level of job satisfaction was quite low. While Managers expected an improvement in the overall satisfaction after implementation of Delayering, they felt that such a change will be only to a limited extent and may not last long.

4.5.15 Organisation-wide Implementation

After the trial run was completed and feed back obtained, the full scale implementation on an organization-wide basis was taken up. This involved getting the necessary approvals from the Management for the 'delayering scheme' and the related systems and procedures, getting approval from the Board of Directors of FACT and also from the Ministry. In view of the involvement of the Board and Govt. Agencies, this phase was the most time consuming and difficult. When the Delayering proposal was originally envisaged, it was thought that the system could be implemented with the approval of the Board of Directors of FACT and may not require the Govt. approval. However, while considering the proposal by the Board, the requirement of getting Govt. approval was also insisted. This resulted

delay in the implementation process. The full scale implementation was carried out during 1997. To overcome the weaknesses revealed through the post-Trial Run survey and to keep up the tempo generated among employees for Delaying, the following activities were continued.

- **Commitment Building** : The support of senior and middle management in the implementation activities was considered crucial for the success of Delaying. Accordingly the management continued with all activities connected with implementation including preparation of organization manual with redesigned jobs, fixing of revised manpower strength in each Dept./Division etc. The meetings of the Divisional Task Forces and the Corporate Task Force were also held at regular intervals to monitor the progress.
- **On-going Communications**: It was necessary that implementation activities are made completely visible through continuing communications to all categories of employees. This had helped to visualise problems that might arise during implementation and to sort out the issues after discussing with the Officers' Forums. Maintaining this effort at the forefront of the employee's attention served to reinforce the Delaying process and increased the rate of change.
- **Facilitation Resources**: More important in the implementation phase was the assistance needed to the Divisional Task Forces in sorting out certain issues that cropped up, which was not anticipated in the general frame work of the scheme. Hence assistance in the form of advice, coaching and trouble-shooting was needed throughout the implementation process. This assistance was provided by the Corporate Task Force.

Chapter 5

Impact of Delaying in FACT Analysis of Post - Delaying Survey Responses

This chapter provides details of the post-delaying survey carried out among managerial employees in FACT to assess the impact of delaying. Altogether three organization-wide surveys were conducted as part of data collection and analysis. Of these, two surveys were carried out prior to full scale implementation of delaying and the third survey, one year after full scale implementation.

This Chapter provides deals with the post-delaying survey(Survey III) carried out to assess the perceived impact of Delaying on the determinants of Managerial Motivation, Team effectiveness and Organisational Performance, with specific reference to the factors related to Managerial motivation, Organisational Characteristics and Group Characteristics. The survey covered 275 managerial employees of FACT belonging to various Divisions, representing about 12 % of the total managerial population. The concepts measured, the design of the questionnaire, survey details, and the findings are given in this chapter. The post-delaying survey is the focus of this research project as the other two surveys were undertaken as part of the implementation strategy and for ensuring success in implementation.

Primary data collected through the survey was supplemented by the secondary data collected from the Production records and published materials pertaining to the organization for the post-delaying period. Based on the data collected, an assessment of the impact of delaying on managerial motivation, Team effectiveness and organizational performance has been made and is presented in *four* parts as below:

Part I - Details regarding the Post-delaying survey, its Scope, the Concepts measured and the questionnaire used for data collection

Part II - Statistical Analysis of the Responses and Testing of Hypotheses

Part III - Analysis of survey findings on the perceived impact of Delaying on aspects that affect Managerial motivation, Team Effectiveness and Organizational performance.

Part IV - Post- delaying scenario in FACT- Production Performance of the company during the two year period immediately succeeding the year of full scale implementation of delaying in FACT collected from company records. This data has been compared with the performance indicators of the company for the pre-delaying period to enable a pre and post delaying evaluation against various parameters.

Part I

Post-delayering Survey

5.1.1 Scope of the Survey

The Post-delayering Survey(Survey-III) was aimed at assessing the impact of the delayering scheme implemented in FACT through a Questionnaire. The sample size was 275 managerial employees of FACT belonging to various Divisions of the company from all levels ie from Asst Officer/ Junior Engineer in E0 salary scale to Dy. General Manager in salary scale E7, representing about 12 % of the population.

5.1.2 Concepts Measured

- **General Awareness about Delayering / Restructuring Scheme.**

This concept measures the degree of awareness among executives about the Delayering Scheme implemented in FACT and their views on the scheme, its relevance, benefits, level of acceptance by the managers and top Management commitment to the scheme.

- **Organisational Needs**

This measures the extent of fulfillment of organisational objectives in terms of manpower reduction, productivity increase, flexibility, Team formation and Networking, Communication, faster decision making etc.

- **Employee Needs**

This concept is concerned with the needs of managerial employees of the organization relating to their career growth, job content and Job context factors - viz promotion policy, equity in performance assessment, career growth opportunities, job satisfaction, autonomy and Empowerment, job rotation, etc.

- **Communication**

This relates to interpersonal communication within an organisation. The organisational communication has three forms - downward, upward and interpersonal, lateral or horizontal communication. The study aimed at measuring the improvement of communication in all areas within the organisation.

- **Empowerment and Decision Making**

Empowerment is the authority to make decisions within one's area of operations without having to get approval from Superiors.

Some of the concepts involved in empowerment are:

Delegation of Authority : Delegation of authority is the process of entrusting part of work to the subordinates, so that the superior performs only that part of the work which he can perform efficiently, due to his unique placement in the organisation. This involves assignment of duties in terms of results and delegation of authority commensurate with responsibility.

Decentralisation : This is the pushing down of authority and power of decision making to lower levels of the organisation. It is the delegation of authority at all levels in the organisation. It helps develop personnel, improve motivation, morale and quality of work force, provides flexibility to the organisation and ensure co-ordination and control.

Decision Making : It involves choosing particular course of action from amongst different alternative courses open to a Manager. It also refers to the speed at which decisions are taken in the organization, the number of levels of vetting involved , the time taken to pass through each level and the value addition at each level

- **Teamwork**

In the delayed / restructured setup, emphasis is for team activity rather than individual performance. The study therefore aims to find,

- a) Whether the networking and the concept of interchangeable roles have improved teamwork.
- b) Whether there is reduction in supervisory roles by making the teams self manage.
- c) Whether multiskilling and team activity are preferred to individual performance.

- **Performance Appraisal**

One of the main features of the Delaying / Restructuring scheme is the introduction of the new performance appraisal scheme. The time required for promotion within a layer is linked to the performance categorization of the manager as per the new performance appraisal system. Hence, it is necessary that the rationale of the new appraisal procedure is accepted by the Managerial community. The study will reveal whether:

- The Managerial Community has accepted the new appraisal scheme as more objective and transparent.
- Whether the Managers consider the self evaluation helpful for assessing individual strengths weaknesses.
- Whether there would be healthy competition among employees for better performance rating.
- **Motivation**
Measurement/Assessment of the motivational level has direct relationship with productivity. Motivation leads to job satisfaction which in turn leads to higher productivity. In a motivated environment, the work culture will be more informal and more conducive for productivity. The cases of absenteeism/grievances will be less and better industrial relations will prevail.
- **Managers' apprehensions about the Scheme**
The study will also reveal the Manager's apprehensions about the scheme. The executives may have fears about possible increase in workload, change in the nature of job, and becoming redundant as a consequence of delayering. The survey thus aims to find out to what extent these fears exist.

5.1.3 The Tools used

The tools used for data collection are the Questionnaire method and personal interview of the respondents. A detailed opinionnaire was prepared and distributed among the respondents selected for the study. The questionnaire involved a total of 50 questions grouped into the above ten heads.

The Questionnaire was distributed to each respondent personally and the respondents were requested to complete the same in the presence of the investigator or answered by the respondent. This was to ensure that there was no ambiguity or lack of clarity while answering each question. Further this helped in getting a nearly 100% response rate. In the case of junior management personnel, it was necessary to explain the questionnaire and get it filled later, giving them adequate time.

5.1.4 The rating scale

Since qualitative data was considered, a summated scale was used for the purpose of ranking the choices. The scale was prepared on the basis of the likert scale. The

respondents were to choose from a range of five answers from '*strongly agree*' to '*strongly disagree*' as below.

<u>Scale</u>	<u>Code</u>
Strongly Agree	SA
Agree	A
Not sure	NS
Disagree	D
Strongly Disagree	SD

A sample opinionnaire used is enclosed as Annexure III.

Part II

Statistical Analysis of the Responses and Testing of Hypotheses

5.2.1 Objectives

1. To Analyze the responses of managers towards the Delaying and restructuring in FACT in General.
2. To Analyze the responses of managers belonging to the three layers,i.e. Layer 1, Layer 2 and Layer 3, towards Delaying and restructuring in FACT with specific reference to:
 - a) Organizational needs
 - b) Team Work
 - c) Decision making
 - d) Employee Needs
 - e) Performance Appraisal
 - f) Empowerment
 - g) Motivation
 - h) Apprehensions about Delaying Scheme

5.2.2 Hypotheses

1. There exist very strong association between the opinions expressed in Question numbers Q1, Q2, Q3 and Q4 by managers belonging to the different Layers.
2. In general, the attitude of managers towards the Delaying and restructuring in FACT depends on the Layer to which they belong.
3. Attitude of managers belonging to the three layers towards Delaying and restructuring in FACT with respect to Organizational needs, Team Work, Decision making, Employee Needs, Performance Appraisal, Empowerment, Motivation and Apprehensions about Delaying Scheme are different.

5.2.3 Methodology : Testing Hypothesis 1 .

To test the hypothesis 1, the chi-square test of association was used. Chi-Square is the statistics used to test the hypothesis when rows and columns variables are independent. In this test, the null hypothesis is that the characters considered are independent against they are dependent. If the chi square value is greater than the tabled value we reject the hypothesis and conclude that the variables are dependent . Other wise it is concluded that the variables are independent.

The results of the statistical analysis are given below:

- **Question No. 1** was regarding the major source of information on Delayering. In the table below, Columns indicate the three Layers,i.e. Layer 1, Layer 2 and Layer 3. Rows indicate the Sources i.e. (1) Management circular, (2) Officers forum, (3) Interaction with colleagues, (4) Interaction with Superiors and (5) Other Sources. The responses are summarised as below:

Q1 * Layer						
			Layer			Total
			1.00	2.00	3.00	
Q1	1.00	Count	64	31	16	111
		% within Layer	43.0%	46.3%	76.2%	46.8%
	2.00	Count	40	21	3	64
		% within Layer	26.8%	31.3%	14.3%	27.0%
	3.00	Count	32	12	1	45
		% within Layer	21.5%	17.9%	4.8%	19.0%
	4.00	Count	7	1		8
		% within Layer	4.7%	1.5%		3.4%
	5.00	Count	6	2	1	9
		% within Layer	4.0%	3.0%	4.8%	3.8%
	Total	Count	149	67	21	237
		% within Layer	100.0%	100.0%	100.0%	100.0%
Chi-Square Tests						
	Value	df	Tabled value	P value		
Pearson Chi-Square	3.952	3	7.815	0.267		
Not Significant						

From the table it is clear that there is no dependency of the opinions to the Layer to which the manager belongs. In other words, all the sources had its impact on all the three levels.

- **QuestionNo.2** relates to *whether managers have benefited in any way by implementation of delayering in FACT*

The responses are summarised below. Columns indicate the three layers. Rows indicate the following choices: (1) Change in Designation, (2) Change in salary scale/promotion, (3) By both, (4) Not benefited now, but will be benefited in future, and (5) Not applicable.

Q2 * Layer						
		Layer			Total	
		1.00	2.00	3.00		
Q2	1.00	Count	24	10	2	36
		% within Layer	13.6%	13.5%	8.7%	13.2%
	2.00	Count	9			9
		% within Layer	5.1%			3.3%
	3.00	Count	28	10	2	40
		% within Layer	15.9%	13.5%	8.7%	14.7%
	4.00	Count	97	47	3	147
		% within Layer	55.1%	63.5%	13.0%	53.8%
	5.00	Count	18	7	16	41
		% within Layer	10.2%	9.5%	69.6%	15.0%
Total	Count	176	74	23	273	
	% within Layer	100.0%	100.0%	100.0%	100.0%	

Chi-Square Tests				
	Value	df	Tabled value	P value
Pearson Chi-Square	9.797	3	7.815	0.020
Significant				

There exist well-established dependency of the opinion to the Layer. That is the two characteristics that define the contingency table are significantly related. In other words, even though about 54% of the respondents have given a positive response that they will be benefited, the fact is that the maximum benefit is perceived by Layer 2, followed by Layer 1.

The benefit perceived by Layer 3 is minimum. Thus there is a strong dependency of the response to the layer.

- **Question No. 3** was regarding the *basic reason for supporting Delaying*. The responses are summarised below. Columns indicate Layers and Rows indicate the reasons: (1) Because it benefits the organisation, (2) benefits the employee, (3) benefits both and (4) not applicable.

Q3 * Layer						
		Layer			Total	
		1.00	2.00	3.00		
Q3	1.00	Count	33	5		38
		% within Layer	19.2%	7.8%		14.7%
	2.00	Count	13	6	2	21
		% within Layer	7.6%	9.4%	9.1%	8.1%
	3.00	Count	95	29	14	138
		% within Layer	55.2%	45.3%	63.6%	53.5%
	4.00	Count	31	24	6	61
		% within Layer	18.0%	37.5%	27.3%	23.6%
Total	Count	172	64	22	258	
	% within Layer	100.0%	100.0%	100.0%	100.0%	

Chi-Square Tests

	Value	df	Tabled value	P value
Pearson Chi-Square	14.362	3	7.815	0.002
Significant				

The analysis shows that there exist well-established dependency of the opinion to the Layer. That is the two characteristics that define the contingency table are significantly related.

- **Question No. 4** was regarding *the enhancement of retirement age of managerial employees from 58 to 60 years after the implementation of delaying in FACT and how it has affected the effectiveness of implementation*. The Layer-wise responses are summarised below. Columns indicate the layers and Rows indicate the responses: (1) Yes, (2) No, (3) Not Sure and (4) To some extent.

Q4 * Layer

Crosstab

		Layer			Total	
		1.00	2.00	3.00		
Q4	1.00	Count	78	24	7	109
		% within Layer	45.3%	34.3%	30.4%	41.1%
	2.00	Count	51	17	8	76
		% within Layer	29.7%	24.3%	34.8%	28.7%
	3.00	Count	26	11	5	42
		% within Layer	15.1%	15.7%	21.7%	15.8%
	4.00	Count	17	18	3	38
		% within Layer	9.9%	25.7%	13.0%	14.3%
Total	Count	172	70	23	265	
	% within Layer	100.0%	100.0%	100.0%	100.0%	

Chi-Square Tests

	Value	df	Tabled value	P value
Pearson Chi-Square	7.632	4	9.488	0.106
Not Significant				

From the table it is clear that there is no dependency of the opinion to the Layer.

Testing Hypotheses 2 & 3

To test the hypotheses 2 and 3, the test of equality of mean, ONE WAY ANOVA WAS USED. The One-Way ANOVA procedure produces a one-way analysis of variance for a quantitative dependent variable by a single factor (independent) variable. Analysis of variance is used to test the hypothesis that several means are equal. This technique is an extension of the two-sample t test. In addition to determining that differences exist among the means, it is necessary to know which means differ. There are two types of tests for comparing means: a priori contrasts and post hoc tests. Contrasts are tests set up before running the experiment, and post hoc tests are run after the experiment has been conducted. For this purpose, the Questions 5 to 49, were assigned with scores 5, 2, 0, -2, -5 against responses *Strongly Agree, Agree, Not Sure, Disagree and Strongly disagree*. The total score of each employee against the major subgroups such as *Organisatioal needs, Teamwork,*

Decisionmaking, Employee needs, Performance Appraisal, Empowerment, Motivation and Apprehensions about delayering is found out and equality tested with this total score using ONE WAY ANOVA. THE COLUMNS INDICATE THE LAYERS

Descriptives									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Organisational need	1.00	178	.9045	13.45664	1.00862	-1.0860	2.8950	-40.00	37.00
	2.00	74	-5.0946	14.31655	1.66426	-8.4115	-1.7777	-40.00	40.00
	3.00	23	1.2174	15.60873	3.25464	-5.5323	7.9671	-34.00	40.00
	Total	275	-.6836	14.08336	.84926	-2.3555	.9883	-40.00	40.00
Team Work	1.00	178	1.6124	4.82476	.36163	.8987	2.3260	-15.00	15.00
	2.00	74	-.2973	4.45289	.51764	-1.3289	.7344	-15.00	15.00
	3.00	23	.3913	6.25038	1.30329	-2.3116	3.0942	-15.00	9.00
	Total	275	.9964	4.91794	.29656	.4125	1.5802	-15.00	15.00
Decision Making	1.00	178	-1.6517	5.73640	.42996	-2.5002	-.8032	-15.00	12.00
	2.00	74	-3.3514	5.45576	.63422	-4.6153	-2.0874	-15.00	9.00
	3.00	23	-.7391	5.76208	1.20148	-3.2308	1.7526	-15.00	7.00
	Total	275	-2.0327	5.70590	.34408	-2.7101	-1.3554	-15.00	12.00
Employee needs	1.00	178	3.7978	9.26652	.69456	2.4271	5.1684	-29.00	32.00
	2.00	74	1.5405	10.27857	1.19486	-.8408	3.9219	-28.00	35.00
	3.00	23	4.9565	9.09285	1.89599	1.0245	8.8886	-23.00	18.00
	Total	275	3.2873	9.56467	.57677	2.1518	4.4227	-29.00	35.00
Performance Appraisal	1.00	178	8.5787	6.77625	.50790	7.5763	9.5810	-15.00	25.00
	2.00	74	7.6757	8.17130	.94989	5.7825	9.5688	-25.00	25.00
	3.00	23	8.9130	4.97186	1.03670	6.7631	11.0630	-6.00	20.00
	Total	275	8.3636	7.04408	.42477	7.5274	9.1999	-25.00	25.00
Empowerment	1.00	178	-.7360	6.74834	.50581	-1.7341	.2622	-20.00	14.00
	2.00	74	-3.1622	7.63020	.88699	-4.9299	-1.3944	-20.00	14.00
	3.00	23	-.0870	5.34205	1.11390	-2.3970	2.2231	-10.00	8.00
	Total	275	-1.3345	6.96320	.41990	-2.1612	-.5079	-20.00	14.00

Motivation	1.00	178	-.2135	9.59222	.71897	-1.6323	1.2054	-30.00	24.00
	2.00	74	-4.7297	10.64019	1.23690	-7.1949	-2.2046	-30.00	16.00
	3.00	23	-.1304	9.45470	1.97144	-4.2190	3.9581	-27.00	12.00
	Total	275	-1.4218	10.04099	.60549	-2.6138	-.2298	-30.00	24.00
Apprehensions	1.00	178	-2.1910	7.86665	.58963	-3.3546	-1.0274	-30.00	24.00
	2.00	74	-3.4189	7.74067	.89983	-5.2123	-1.6256	-30.00	11.00
	3.00	23	-3.0000	7.56187	1.57676	-6.2700	.2700	-21.00	12.00
	Total	275	-2.5891	7.79963	.47034	-3.5150	-1.6632	-30.00	24.00
Total Score	1.00	178	13.2697	46.82116	3.50939	6.3440	20.1953	-146.00	134.00
	2.00	74	-9.7973	53.01020	6.16231	22.0788	2.4842	-178.00	153.00
	3.00	23	15.3478	51.35315	10.70787	-6.8589	37.5546	-101.00	94.00
	Total	275	7.2364	49.84061	3.00550	1.3196	13.1532	-178.00	153.00

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Organisational need	Between Groups	1971.849	2	985.925	5.120	.007
	Within Groups	52373.627	272	192.550		
	Total	54345.476	274			
Team Work	Between Groups	199.806	2	99.903	4.228	.016
	Within Groups	6427.191	272	23.629		
	Total	6626.996	274			
Decision Making	Between Groups	193.001	2	96.501	3.007	.051
	Within Groups	8727.704	272	32.087		
	Total	8920.705	274			
Employee needs	Between Groups	336.251	2	168.126	1.849	.159
	Within Groups	24730.054	272	90.919		
	Total	25066.305	274			
Performance Appraisal	Between Groups	50.195	2	25.098	.504	.605
	Within Groups	13545.441	272	49.799		
	Total	13595.636	274			
Empowerment	Between Groups	346.752	2	173.376	3.645	.027
	Within Groups	12938.470	272	47.568		
	Total	13285.222	274			

Motivation	Between Groups	1107.978	2	553.989	5.683	.004
	Within Groups	26517.091	272	97.489		
	Total	27625.069	274			
Apprehensions	Between Groups	83.048	2	41.524	.681	.507
	Within Groups	16585.519	272	60.976		
	Total	16668.567	274			
Total Score	Between Groups	29463.403	2	14731.702	6.154	.002
	Within Groups	651176.233	272	2394.030		
	Total	680639.636	274			

Result :

The above analysis shows that there exist significant difference between the layers in their responses. The difference is significant, if the value under last column is < 0.05 or 'F' value > 3.029 . Accordingly, it is concluded that for Organizational Need, Teamwork, Decisionmaking, Empowerment and Motivation, there exist significant difference in the perception of managers belonging to the different layers

Post Hoc Tests

Multiple Comparisons Tukey HSD							
Dependent Variable	(I) Layer	(J) Layer	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Organisational need	1.00	2.00	5.9991(*)	1.91932	.006	1.4760	10.5222
		3.00	-.3129	3.07465	.994	-7.5587	6.9329
	2.00	1.00	-5.9991(*)	1.91932	.006	-10.5222	-1.4760
		3.00	-6.3120	3.31267	.139	-14.1187	1.4947
	3.00	1.00	.3129	3.07465	.994	-6.9329	7.5587
		2.00	6.3120	3.31267	.139	-1.4947	14.1187
Team Work	1.00	2.00	1.9097(*)	.67236	.013	.3252	3.4941

		3.00	1.2211	1.07709	.494	-1.3172	3.7593
	2.00	1.00	-1.9097(*)	.67236	.613	-3.4941	-.3252
		3.00	-.6886	1.16047	.824	-3.4234	2.0462
	3.00	1.00	-1.2211	1.07709	.494	-3.7593	1.3172
		2.00	.6886	1.16047	.824	-2.0462	3.4234
Decision Making	1.00	2.00	1.6997	.78350	.078	-.1467	3.5461
		3.00	-.9126	1.25513	.748	-3.8704	2.0453
	2.00	1.00	-1.6997	.78350	.078	-3.5461	.1467
		3.00	-2.6122	1.35230	.132	-5.7991	.5746
	3.00	1.00	.9126	1.25513	.748	-2.0453	3.8704
		2.00	2.6122	1.35230	.132	-.5746	5.7991
Employee needs	1.00	2.00	2.2572	1.31887	.203	-.8509	5.3653
		3.00	-1.1588	2.11277	.847	-6.1378	3.8202
	2.00	1.00	-2.2572	1.31887	.203	-5.3653	.8509
		3.00	-3.4160	2.27632	.292	-8.7804	1.9484
	3.00	1.00	1.1588	2.11277	.847	-3.8202	6.1378
		2.00	3.4160	2.27632	.292	-1.9484	8.7804
Performance Appraisal	1.00	2.00	.9030	.97608	.625	-1.3973	3.2032
		3.00	-.3344	1.56364	.975	-4.0193	3.3505
	2.00	1.00	-.9030	.97608	.625	-3.2032	1.3973
		3.00	-1.2374	1.68468	.743	-5.2075	2.7328
	3.00	1.00	.3344	1.56364	.975	-3.3505	4.0193
		2.00	1.2374	1.68468	.743	-2.7328	5.2075
Empowerment	1.00	2.00	2.4262(*)	.95396	.031	.1781	4.6743
		3.00	-.6490	1.52820	.905	-4.2504	2.9524
	2.00	1.00	-2.4262(*)	.95396	.031	-4.6743	-.1781
		3.00	-3.0752	1.64651	.150	-6.9554	.8050
	3.00	1.00	.6490	1.52820	.905	-2.9524	4.2504
		2.00	3.0752	1.64651	.150	-.8050	6.9554
Motivation	1.00	2.00	4.5162(*)	1.36569	.003	1.2978	7.7347
		3.00	-.0830	2.18777	.999	-5.2388	5.0727
	2.00	1.00	-4.5162(*)	1.36569	.003	-7.7347	-1.2978
		3.00	-4.5993	2.35714	.127	-10.1542	.9556
	3.00	1.00	.0830	2.18777	.999	-5.0727	5.2388
		2.00	4.5993	2.35714	.127	-.9556	10.1542

Apprehensions	1.00	2.00	1.2279	1.08008	.492	-1.3174	3.7732
		3.00	.8090	1.73023	.887	-3.2685	4.8865
	2.00	1.00	-1.2279	1.08008	.492	-3.7732	1.3174
		3.00	-.4189	1.86417	.973	-4.8121	3.9742
	3.00	1.00	-.8090	1.73023	.887	-4.8865	3.2685
		2.00	.4189	1.86417	.973	-3.9742	4.8121
Total Score	1.00	2.00	23.0670(*)	6.76767	.002	7.1182	39.0158
		3.00	-2.0782	10.84149	.980	-27.6274	23.4711
	2.00	1.00	-23.0670(*)	6.76767	.002	-39.0158	-7.1182
		3.00	-25.1451	11.68075	.081	-52.6722	2.3819
	3.00	1.00	2.0782	10.84149	.980	-23.4711	27.6274
		2.00	25.1451	11.68075	.081	-2.3819	52.6722
* The mean difference is significant at the .05 level.							

Result : The mean difference is significant at 0.05 level, which indicate that Organisational need, Team Work, Empowerment, Motivation are Significant and the remaining are not significant.

The details are given below:

As regards perception of managers about *the usefulness of delayering for fulfilment of Organizational needs*, there is *significant difference* in the opinions expressed by Layer 1 and Layer 2.

Regarding *team formation & Teamworking and improvement in individual and organisational performance due to delayering*, there is *significant difference* in the opinions expressed by Layer 1 and Layer 2.

Regarding views on *Decisionmaking, Employee needs and Performance appraisal and Apprehensions about delayering*, there is *no significant difference* in the opinions expressed by the three layers of managers.

As regards views on *Empowerment and increased Motivation after delayering*, there is *significant difference* in the opinions expressed by Layer 1 and Layer 2.

Part III

Analysis of Responses based on the Post-Delaying Survey

5.3.0 **The Responses are analysed in the following order:**

- (i) Managerial Perception about Delaying in General
- (ii) Impact of delaying on factors contributing to Managerial Motivation, Team Effectiveness and Organisational Performance
- (iii) Perceptions about the New Performance Appraisal system
- (iv) Perceptions about Career Growth opportunity and related aspects

5.3.1 **Managerial Perception about Delaying in General.**

One of the basic issues on which response was sought, was regarding the acceptability of the Delaying Scheme by the Managers in general. The issues considered were whether the Scheme is clearly understood / accepted by the Managers, whether the top Management is committed towards its implementation, whether the Organisation and its executives have benefited by the Scheme and whether the decision to enhance retirement age of managers after implementation of delaying has affected the usefulness of the scheme.

The survey findings are given below:

- 50% of the managers who participated in the survey opined that they welcome Delaying because of the benefits it can bring to both the organization and the managerial employees. But 16% held the view that the Scheme is not accepted by the Managerial community as the advantages are more for the organization by way of downsizing and flexibility in work allocation, while the officers are overburdened with additional workload without any significant change in their career advancement opportunities. 34 % of Managers were non-committal as they were not sure about the positive or negative impact of the scheme. The minority who did not welcome the scheme nurse a grievance that while they have taken years to reach their present position, their sub-ordinates have an easy career path and may soon catch up with them in rank and position after implementation of delaying. This category of managerial personnel (who belong to the highest salary scales in each

layer at the time of implementation of delayering) are also affected adversely to some extent, by the loss of power and prestige consequent to Delayering and the apprehension in their minds regarding the requirement of performing interchangeable tasks with their juniors on implementation of delayering.

- 65% of the lower level managers and 49% of the middle level managers opined that the top management is committed to the implementation of the Delayering Scheme in FACT and has amply demonstrated its commitment for meeting the twin objectives of higher organizational performance and better career prospects for managers. 70% of the Senior managers also shared this view. The success of any change Management effort depends on the commitment of the top team and in that respect, the Delayering process in FACT had the support and involvement of Senior Managers throughout its implementation.
- 47% of the Managers were of the view that the Scheme is clearly understood by the Executives and they have supported the scheme knowing fully well the contextual factors that lead to its introduction and its possible impact on the organization and the managers. They agree that the efforts of the management for awareness building and for involving the Department heads and Officers Associations/Trade Unions from the conceptualization stage of the scheme itself have contributed greatly to creating an environment of transparency and mutual trust among employees. However 34% of the managers were 'Not Sure' of the effectiveness of management's awareness building efforts. 19% of the Managers disagreed with the view that there is clear understanding among the managerial community about the scheme and the consequences and implications of the change initiative.
- 40% of the Executives are of the view that the enhancement of retirement age from 58 to 60 years for managerial employees after implementation of the Delayering Scheme has adversely affected achievement of the organizational objectives due to delayering. They also think that the true spirit of delayering has been lost as many of the Executives lost their immediate promotion benefits to the next higher layer due to this management decision. Consequently, the Management has also failed to derive the full benefits due to delayering. According to them, while the managers are

benefitted by time-bound promotions within layers, there is no corresponding benefit to the organization.

- The responses from the senior management personnel and the representatives of the Officers' Forums indicate that delayering has been helpful in meeting the organizational needs and ensuring its competitiveness in the long run. About 80% of the managers opined that the organization will be benefitted by increased efficiency, flexibility and empowerment of employees. Though the Officers' Forum members do not fully subscribe to the view that Delayering would facilitate better communication, organizational flexibility, empowerment of managers and make the organization competitive, they all agree that Delayering would help to achieve reduction in manpower, higher managerial productivity, improved career advancement opportunities and increase in overall efficiency of the organization in the long run. The above perception of managers revealed through the pre-delayering survey and the post-delayering survey is a clear indication that the need for change is felt by the managerial community and they consider Delayering as a right strategy to improve organizational competitiveness and managerial motivation. This is also an indication of the fact that the management efforts of creating awareness about the need and objectives of the Delayering Scheme have been successful to a great extent.
- A section of executives, especially the high fliers, expressed their dissatisfaction about their growth prospects. They think that the promotions are still time-bound and not solely based on merit. Merit of the officer only helps to reduce the residency period. The system still provides weightage for seniority, especially for promotions from one layer to the next higher layer. This according to them limits the growth prospects of many meritorious and capable executives.
- Majority of the executives admit that the Company is overstaffed. They point out that when delayering was adopted, positions had been created to accommodate people rather than on a need based manner. This according to many has been against the basic spirit of delayering. They feel that since the jobs have been redesigned, only those qualified and competent to do these jobs are to be retained.

- Managers also expressed concern over the overlapping of duties and roles, interchangeability of tasks and the possible confusion in the delayed system due to lack of role clarity. Some expressed their dissatisfaction with the policy of promoting merit over seniority, team-based work systems and empowerment of lower levels instead of retaining the existing power structure.
- Only 38% of the Executives are convinced that due to delayering organizational productivity and performance will increase. While 35% disagree with this view, 27% of the Executives have given non-committal replies.
- Majority of Executives (58%) agree that the organization will be right sized by delayering due to reduction in manpower. 51% feels that there will be more flexibility in job allocation due to interchangeable roles and job rotation.
- According to 24% of the managers who participated in the survey, the Organisation is having a positive shift from procedure orientation to result orientation after delayering.
- Some executives expressed dissatisfaction about the training offered at the company's Management Development Centre. They think that the current training programmes at MDC do not develop job competence and new skills. According to them, need-based training would have helped them to perform better in the new performance based organizational culture which require empowerment and flexibility of operations.

5.3.2 Impact of Delayering on factors contributing to Managerial Motivation, Team Effectiveness and Organisational Performance

Analysis of impact has been done relating to the following aspects.

In addition, views were also sought on the New Performance Appraisal system and the perceived career growth opportunity in the delayed system

Factors related to Managerial Motivation

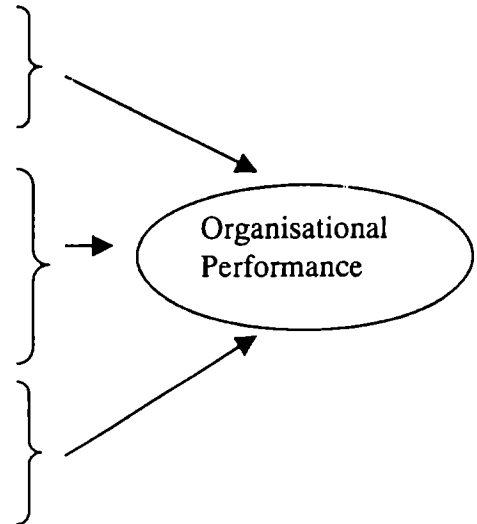
- Job Design factors
- External Environmental factors
- Performance evaluation & Reward related factors
- Career growth related factors

Factors related to Organisational characteristics

- Right sizing the Organisation
- Delaying & Flattening the hierarchy
- Organisation culture & PA Systems
- Training & Employee Development systems
- Empowerment & Decision making

Factors related to Individual/Group Characteristics

- Job Knowledge / Multiskilling
- Organisational Communication
- Team formation & Networking
- Joint Problemsolving & Decisionmaking



All the above factors are interrelated and interconnected. The following were the responses to the various statements in the questionnaire in respect of the above factors.

- **Organizational Climate:** To the statement whether the organizational climate has become more conducive for work after delayering, 50% of the Senior Managers, 22% of the Middle Managers and 36% of the Junior Managers responded positively. About one third of the Managers were not sure of the impact of the delayered system on the organizational climate. 46% of the middle level Managers disagreed with the statement as the positive impact of delayering is yet to be seen.
- **Work Culture :** The response to the statement *“The work culture has become informal after delayering”*, has been similar to the one observed for organizational climate. Here again, about one third of the Managers surveyed was not sure about any positive change in work culture after delayering.
- **Job Satisfaction:** To find out whether the delayered system is more satisfying to the employees from the point of view of job content and job context, the response of Managers was sought on the statement : *“I am more satisfied with my job than before”* The overall response is that about 50% of the Managers disagreed with the statement and the

disagreement is more pronounced in the Middle Management category compared to the Junior or Senior levels.

Opportunity to utilize one's capabilities: Another aspect that determines managerial motivation is the satisfaction one derives from the work environment when there is ample opportunity to utilize ones' capabilities. Regarding this aspect, the Managers who participated in the post-delaying survey have given mixed response. Of the Junior Managers, 45% felt that they have better opportunities to use their capabilities in the delayed set up. 26% of the middle level Managers also agreed with this view. The higher percentage of positive response from the Junior Managers is due to their perceived opportunity in the delayed system to perform interchangeable tasks with that of section heads/shift-in-change. In the case of middle level, as overlapping of functions already existed between Manager and Dy. Chief within layer 2, the change of role in the delayed system was not significant. This may be the reason why about 50% of the middle management level Officers gave negative response to this statement. The Senior Management personnel did not perceive any major change in their role or opportunities as they were unaffected by delaying.

Reduction of Grievances/ Court cases on service matters: Increasing number of grievances about promotions in the Managerial cadre was an indication of the low motivation level of Managers in FACT in the pre-delayed set up. There were a number of court cases on promotions and some of them even questioning the performance assessment made under the confidential reporting system existed prior to delaying. In the delayed system, an attempt was made to focus on performance on -the-job and to relate reward to performance. The criteria used for measuring performance and the objectivity in assessment, were major areas of concern for Managers and these were taken care of through the new system of performance -linked career advancement scheme introduced as part of delaying. It was therefore expected that in the post-delaying period, the number of grievances and court cases concerning managerial employees on service matters and promotions will come down. 36% of the Junior Managers and 28% of the Middle level Managers felt that there will be reduction in the number of grievances /court cases after delaying. However an equal number was indecisive. According to them, the impact of the new system in reducing grievances is to be assessed after some years of its operation and it may be premature to

make any assessment now. This has been the general feeling expressed by the Senior Managers also. They felt that there will be reduction in grievances if management could establish credibility for the new performance linked appraisal system and this process would take time.

Job Restructuring/ Job Redesign : According to Hackman and his associates, *skill variety, Task identity and Task significance are some of the conditions associated with a meaningful job* (Hackman, 1975). In addition, experienced responsibility and knowledge of results also contribute to motivation and satisfaction. For managerial employees, attitude towards redesigned jobs may be influenced by their needs. Those with unused capabilities and a need for growth and development usually want their jobs to be enriched and welcome greater responsibility. While some Managers prefer to work on their own, others with social need may want to work in groups. The apprehensions Managers hold about delayering and its impact on job-related aspects could be a source of dissatisfaction that diminish managerial motivation. Redesign of jobs in the middle and junior management cadre was carried out as part of delayering involving addition to the existing job content both vertically and horizontally. For e.g., in the junior management cadre, the jobs of Chargeman, Foreman and Asst. Plant Manager were combined into a composite job in layer 1, by job enlargement and enrichment. Similarly in the middle management cadre (Layer 2) also, the jobs of Plant Manager and Dy.Chief Manager were combined. This approach is in line with Herzberg's two-factor theory of motivation which holds that in order to motivate Managers, the job itself should be redesigned to provide opportunities for achievement, recognition, responsibility, advancement and growth. After delayering, the new job in layer 1 and layer 2 provide more variety in job content, require a higher level of job knowledge and skill, empower the Manager with more autonomy and responsibility for planning, directing and controlling own performance and provide an opportunity for personal growth and for meaningful work experience. The job redesign as above, involving both job enrichment and job enlargement calls for decentralization of decision making rights to each individual over areas that directly affect his/her task and functions. The task gets redefined, restructured, and broadened in scope and responsibility. Hence, an attempt was made through the post-delayering survey to assess the -perception of Managers on job restructuring and other

aspects concerning workload, nature of work, team working, role clarity and willingness to shoulder higher responsibility.

Increase in Workload : The response analysis shows that only 29% of the Managers felt that their workload will increase as a result of delayering. 51% disagreed. This indicates that majority of Managers considered the change in job content and additional responsibility as part of job enrichment and empowerment rather than for downsizing and for increase in workload. The layer-wise analysis shows that 48% of the Junior Managers, 53% of the middle Managers and 59% of the Senior Managers welcomed the change in job content.

Change in the Nature of work : Since the jobs are restructured and roles redefined, there has been change in the nature of work, especially for the junior and middle level Managers. While 24% of Managers reported that there is change in the nature of work after delayering, 46% felt that there is no significant change. This may be due to the fact that in the change-over period, the difference in work content and role change may not be quite significant. Since the Managers who are rendered surplus due to restructuring of jobs in layer 1 and layer 2 are permitted to continue in the same dept./division till they leave the services on superannuation or are deployed to other areas, they continued to perform their earlier roles till they are relieved. Though the initial understanding was that all Officers who are rendered surplus as per the delayering system will be taken out and brought under a common pool to facilitate redeployment on divisional/corporate basis, this has not happened in practice. Added to this, the decision to enhance the retirement age of Managerial employees from 58 to 60 years after implementation of delayering had resulted in the retention of about 400 Managers for a further period of 2 years (beyond their original date of superannuation of 58 years), who would have otherwise left the services on superannuation by April 2000. Availability of extra managerial manpower during this period has delayed the changeover to the new system and consequently the effectiveness of the delayered system.

Fear of being surplus : One of the factors that may affect the implementation of the scheme was the fear that Managers may become surplus, necessitating retrenchment or compulsory retirement in future. Hence all efforts were taken to remove this apprehension from the very beginning and assurances were given by the management that there will not be any retrenchment consequent to delayering. This aspect was emphasized in all

programmes and communication with employees. Of the total number of respondents, only 14% had expressed the fear that they may become surplus consequent to delayering. 47% of the Junior level Managers and 55% of the middle level Managers felt that the redeployment programmes initiated along with implementation of delayering would ensure that Managers are properly utilized. This shows that the delayering scheme has not created much negative impact in the minds of majority of Officers. This could be viewed as an indication of the success of the continuous programme of communication and awareness building with various levels of management and with the Officer's Forums.

Organizational Communication The responses of the Junior and Senior Management personnel to the statement '*whether due to Delayering, the upward and downward communication have become faster*' are found to be more or less similar. While 35% of the managers disagreed with the statement, the remaining 65% could see some improvement in communication after delayering. The Officers, whose response was 'not sure', later during personal interviews clarified that though they perceive some improvement in organizational communication, they are yet to feel the difference. According to them, the middle level management continue to be a stumbling block for the free flow of communication - upward or downward. However, they expect that there would be improvement in due course, when the concept of Delayering gets ingrained in the organizational psyche.

In contrast to the views expressed by the Junior and Senior management category personnel, majority of the middle management group was of the view that the upward and downward communication would not become faster after Delayering. This was naturally expected, as a positive response from this category to the statement would mean their accepting the view that the middle layer is a hinderance for the free flow of information in the pre-delayed system.

The response from the Junior and Senior Management levels were generally supportive of the view that lateral communication has improved after Delayering. However, the Middle Management level was not convinced of any positive change in lateral communication after Delayering. Of the Senior Managers surveyed, though only 20% disagreed with the statement, 60% were not sure of any positive impact on lateral communication and peer group interaction after Delayering. During interviews, they clarified that the culture of

team working is yet to take root in FACT and lateral communication would improve only when managers learn to work in teams. According to them Delayering can facilitate team working and can in turn lead to improvement in lateral communication. A majority of the middle management group however disagreed with this view. They felt that lateral communication, especially cross-functional communication may weaken the authority structure and as such may not be welcomed by the Dept. Heads. The net result would be that there would not be any appreciable change in the flow of lateral communication. While there is some truth in their arguments, taking the organization as a whole, the general view expressed was that there is likely to be improvement in the lateral communication after Delayering.

- **Empowerment and Decisionmaking :**

In the post-delayering survey carried out among Managerial Employees, one of the aspects on which response was sought was 'Empowerment'. Job enrichment is related to Herzberg's theory of motivation, in which factors such as challenge, achievement, recognition and responsibility are seen as the real 'motivators'. Though job enrichment is distinguished from job enlargement that attempts to provide more job variety, in the redesigning of jobs carried out in FACT, these two concepts were used in combination to make a composite job in layer 1 that provide both horizontal loading of tasks to increase volume and vertical loading to enhance responsibility. The objective of Job enrichment was achieved by building into the job, a higher sense of challenge and achievement by :

- Giving Managers more freedom to decide their work, the sequence and pace.
- Encouraging team work and participation within a layer, facilitating more interaction and exchange of views and ideas.
- Giving Managers a feeling of personal responsibility for their tasks.
- Giving them an opportunity to see how their tasks contribute to meeting the organizational objectives and
- Providing feed back on job performance.

With the above changes, the Company expected that majority of the Managers would be able to experience a positive change in their job satisfaction level. While 36% of the Managers felt that there has been job enrichment consequent to delayering, 40% disagreed with this view and 24% were non-committal. The layer-wise analysis shows that though

Senior Managers by and large are convinced about job enrichment at lower levels after delayering, majority of the middle level Managers are yet to experience any job enrichment or additional responsibility after delayering. In the Junior Management Cadre also, the response has not been significant enough to conclude a positive impact on job enrichment after delayering. This is an area of concern for the Management. On closer examination, it is seen that this issue is related to the surplus deployment issue and also the management decision of enhancing retirement age of managers which has to some extent negated the positive impact of downsizing. Further, it has delayed the organizational gains. Companies that have introduced programmes of job enrichment such as Texas Instruments, AT& T, Procter & Gamble and General Foods have reported productivity increase and improvement in employee morale after job enrichment (Harold Koontz, 1990). But for this to happen, it is necessary that the employees concerned 'feel' the difference and the management's commitment is demonstrated by both plan and action. As regards the speed of response and decision making after delayering, majority of the junior and senior management personnel were of the view that information flow has become faster and so also the speed of response and decision making. The reduction in the number of levels of hierarchy and consequent improvement in the vertical and lateral communication channels have facilitated more interaction and information sharing among managers leading to faster decision making. Majority of the middle management personnel, however disagreed with this view as 52% of them felt that Delayering has not influenced the speed of decision making significantly. During personal interview of some of these respondents, the impression got was that they continue to hold a negative attitude to Delayering possibly because the Delayering scheme has not been able to take care of their needs and expectations fully and that they are at a disadvantage compared to the lower level management personnel. Since this view is held by a large number of middle level management personnel interviewed, their response is to be taken as biased, not truly reflecting on the actual impact.

The above pattern of response from Managerial personnel lead one to think whether Managers really want job enrichment, especially of the kind that changes the basic content of their jobs. In the delayered set up, the Junior Management group involves, Chargeman, Foreman and Asst. Plant Manager. While Foreman and Chargeman would experience job enrichment with additional responsibility, those already in Asst. Plant

Manager level may not experience any enrichment or additional responsibility. These officers, on the other hand, may experience loss of power and prestige. As such, the reason for the skewed pattern of response could be due to the grouping of respondents in the survey and it is possible that the favourable response from the lowest salary grade personnel within a layer gets moderated by the negative response of the higher grade personnel within the same layer. During personal interviews some of the Managers belonging to Asst. Manager level opined that though they were told about the redesign of jobs being carried out as part of delayering, there was no involvement while deciding the grouping of posts in each layer. Because of this, many Managers still perceive that job restructuring is rather imposed on them. In this situation it is likely that the management efforts to redesign jobs is viewed by these managers as a strategy to make them work harder rather than as a tool for motivating managers.

- **Close supervision and Control :**

In a delayered system, Managers should be able to perform their duties with minimum controls from the top. This should be more so with regard to Officers covered under layer 1 and layer 2. But the response of Managers who participated in the post-delayering survey does not substantiate this view. While 30% of the Officers agreed that there is less need for close supervision and control after delayering, 43% disagreed and 27% did not give their opinion either way. The Senior Management level comprising of Chief Managers and DGMs were not sure about the extent to which they will be empowered after delayering, as they were not included in the delayering scheme. Because of this reason, there was no change in their jobs after delayering and the authority and responsibility relationship with their bosses remained the same even after delayering. The reason for maximum percentage of 'Not Sure' responses of Senior Management Cadre may be due to this. With regard to Junior and Middle Mgt. Levels, there is a marked difference in response. While majority of the Officers in the Middle Management group (53%) did not agree that there will be lesser supervision and control after delayering, 35% of the Junior level Managers belonging to layer 1 felt that delayering has enabled them to work with minimum controls and the organizational environment has become more informal. Officers in layer 2, who belong to the Middle Management Cadre are often expected to act as filters. While the Junior Mgt. Cadre gets empowered and are given more freedom by the Middle Mgt., they do not

perceive any empowerment in return from the Senior Management Team, as restructuring of jobs consequent to delayering is restricted to layer 1 and layer 2 only. Managers in the middle, have opined that they get disempowered in the process. While they perceive loss of power by empowering the Junior Management cadre, there is no corresponding empowerment taking place at the Middle Mgt. Cadre.

Nancy Foy describes the above situation as a form of castration, whereby middle Managers are forced to become '*Organisational Eunuch*' (Nancy Foy, 1994). According to Nancy, the Organisational Eunuch, in the absence of formally derived power, and arising from the frustration due to disempowerment puts hurdles and road blocks in the implementation of the change process. This phenomenon is observed, to some extent in the opinions expressed by the Middle Management personnel belonging to layer 2. Though, delayering has been helpful in providing career advancement opportunities to Officers in layer 2, their needs for empowerment is not met. The negative response from Officers belonging to layer 2 can thus be explained by the disempowered state in which they found themselves after delayering.

The above views are further substantiated from the responses to the statement regarding authority and delegation to take decisions after delayering. 50 % of the Managers who participated in the post-delayering survey, disagreed with the view that there is more authority and delegation to take decisions. Only 29% was positive in their response. As expected, majority of the Senior Management was 'Not Sure' of the delegation of more authority after delayering. 42% of the Junior Mgt. and 54% of the Middle Management personnel also could not see any change in the delegation of power and authority after delayering. As such Managers belonging to Junior and Middle levels (in layer 1 and 2) felt that though there has been increase in their responsibility consequent to delayering, there has not been any increase in authority or delegation of power commensurate with the additional responsibility.

One of the noticeable change expected in the Management Cadre consequent to delayering is the improvement in the morale of officers. In FACT, due to the long years of stagnation, the motivation level of Managers belonging to the Junior and Middle Management Cadres was perceived to be at a very low ebb. Hence the expectation was that delayering with its focus on empowerment and improving the career advancement opportunities of Managers would be seen as a 'motivator'. While this point of view has been substantiated from the

responses of managers in the survey, there is not enough evidence to support that empowerment carried out at lower levels has helped to improve the morale of the Officers. This may probably be due to the inadequacy of the empowerment effort carried out or the inability of the Managers to internalize and own up the process.

While 31% of the managers agreed that empowerment has helped to improve the morale of the employees, 34% disagreed. About one-third was non-committal. The disagreement was more pronounced in the Middle Mgt. Cadre where 44% gave an unfavourable response. In the Senior Mgt. cadre, though only 10% disagreed, majority could not relate empowerment at lower levels with increase in morale. Some of the Senior Managers during personal interview opined that empowerment requires taking more responsibility by lower level Managers for decision making which may not be welcomed by majority of the lower level Managers. According to them, the tendency to push responsibility for decisions up continues even after delayering, and it is to be seen to what extent delayering can change the present work culture and risk-taking attitude of lower level Managers.

The above aspect has been further substantiated by the response of the Senior and Middle Mgt. personnel to another statement "*whether lower level Managers are still unwilling to take decisions and want it to be handed down from higher ups?*" 56% of the Senior Managers and 53% of the Middle level Managers gave a positive response indicating that while on the one side the lower level Managers complain of inadequate delegation and lack of decentralization in decision making, the reality is that majority of them are unwilling to take responsibility for the decisions and would like to be told what to do rather than deciding issues themselves. This attitude has been confirmed by some of the junior managers as they fear that the consequences of a wrong decision by itself is the major deterrant for taking or assuming responsibility for decisions. The external controls by Audits, Vigilance and other Governmental Agencies on the functioning of PSE managers have been seen to be the major detracting factor for taking independent decisions not only by junior and middle level managers, but by senior managers as well. Going by the experiences of PSE managers, commercial decisions are difficult to be taken in PSEs without risking one's career and in the circumstances, empowerment loses its meaning and significance in the PSE environment as it exists today.

David Jenkins, in his book "*Managing Empowerment*" explains that in terms of career aspirations, people can be divided into three broad categories.

- Would be top dogs – Those who are determined to make it to the top. They represent a small minority.
- The Recognition seekers – Those who have an ambition to get on, but whose level of aspiration is much modest – those who are content to settle for a position in the top of the Middle Management Cadre
- Natural Coal face workers – Those who seek no promotion that means added responsibility within the traditional organization.

The above categorization made by Jenkins seems to be true in the case of FACT Managers. The first category represents the minority group among FACT managers who are achievement-oriented and are willing to take additional responsibilities. The second category represents the '*average FACT Manager*' who is generally satisfied with the '*Hygiene factors*' the company offers and is prepared to contribute his services for the organization, but is boss-driven and procedure-oriented. This category is seen in all layers and constitute the major share in each layer. The third category represents Officers who are found in all layers in the organization, who are mostly concerned about their personal goals, would like to remain unnoticed and would put in effort or take up responsibility only to the extent of *retaining* one's job in the company. This group also constitute a major share of managers in the PSE environment. Moving to the empowered organization means that the managers and their contributions get noticed, they are counted as performing members of the team having specific roles where non-performance of one affects the performance of other team members and there is group pressure for conformity. By empowerment, it is the members of the intermediate higher category that lose out, especially those belonging to the highest grades in each layer. They represent the Dy. Chief Managers in Layer 2 and the Asst. Plant Managers in Layer 1. They have already reached the top of the grades in each layer and cannot expect much due to the Delayed System or from the Performance Linked Career Growth Scheme implemented as part of delayering. Their responses are therefore likely to interfere with the responses of other Managers in each layer. In the case of those belonging to layer 3 (Corporate cadre) who are not covered under the Delayering Scheme, the odds remain much the same. They do not get any added motivation from the empowerment of

the middle or junior level. However, it is the majority - those who are close to the customer, whose contribution is the most significant for Organizational performance and whose hidden talents are rarely harnessed -- who are the winners in the delayering process. They represent the lower grade personnel in each layer, represented by Plant Manager in layer 2 and Chargeman, Foreman / Engineer in layer 1. It is this group of Managers who get primarily motivated by empowerment due to delayering.

Roy Bailey, in his book on *"How to Empower people at work"* calls Managers who empower others as "Green-fingered Managers" (Roy Bailey, 1995). They know how to nurture, grow and empower other people. But to become a green-fingered Manager is not easy. Sowing the seeds of encouragement and nurturing the growth of people at work takes patience, practice and time. As Bailey emphasizes, old habits are to be replaced by new habits. Becoming a green-fingered Manager means making a personal commitment to overcome and break our bad habits of managing people. The survey reveals that such a change is yet to take place in the attitude of Senior Managers in FACT.

While the Senior Management strongly believe that decision making powers have been delegated to the lower levels thereby facilitating empowerment, the middle level managers, in contrast felt that whatever powers they had enjoyed earlier were also taken away after Delayering. An example has been sighted as the power to sanction leave for chargeman and Foreman earlier held by the APMs are now taken away and the Plant Manager in Layer 2 is the Leave sanctioning authority for all Layer 1 officers. This feeling of loss of power is apparently due to the reduction in the number of layers and elimination of one-to-one reporting. For the middle level managers who had enjoyed these powers for long, its sudden absence has created a feeling of frustration and a negative attitude towards the Delayering approach.

- **Networking and Teamwork :**

The success of the delayed system dependson the Manager's perception about how the redesigning of jobs and team-based working contribute to achievement of organizational goals while recognizing and rewarding individual performance. With in each layer, since Managers are required to perform interchangeable tasks, their motivation to achieve results through team efforts is crucial for success in their new role. It is possible that some Managers view delayering only from the expected personal gains, as an opportunity to get

the privileges of a higher position that carry higher status and salary, and not from the point of view of organizational gains. They lack the basic motivation to co-ordinate and complement the efforts of the team members and to achieve the common goals by creating an environment conducive for team working. In such situations, the restructuring of jobs and the need to work as a team, can become a cause of conflict. As observed by Suhayl Abidi, *we are now in an era where the level and effectiveness of our networking will determine the extent of our success*. This is all the more so in today's flatter organisations where productivity and efficiency demand effective collaboration with in and across functional, physical and hierarchical boundaries (Rob Cross & Andrew Parker, 2004).

75% of the Senior Management personnel were of the view that the changes in the organization structure and systems have helped to improve team work among lower levels of managerial employees. However, middle and junior management personnel who are directly affected by the change were uncertain about the positive impact on team working. While 39% of the junior management cadre expected improved team working after delayering, only 23% of the middle management personnel had given positive response. One reason for the low score is the negative attitude being held by many officers in layer 1 and layer 2, especially those belonging to the highest salary scales in each layer due to their perceived loss of power and status in the delayered system. During personal interviews, it became apparent that they are skeptical as to the success of the scheme. Jenkins has observed that the attitude of members of a team can usually be divided into three categories (David Jenkins, 1996). There will always be a minority of people who remain totally skeptical throughout. They are counterbalanced by another minority who welcome the prospect of change. The majority will hold the middle ground. This middle group is open to persuasion. Hence getting a change of attitude amongst this middle group which typically represents the middle management level in FACT has been the key to success of the Delayering effort.

Teams become Self-managed : In the delayered system, with in each layer, the one-to-one superior -subordinate relationship is replaced by teamformation and networking. Naturally, there has been reduction in the supervisory roles with in each layer and the manager's role has changed from a supervisor to a team leader/ facilitator or team member. The teams also become more self-managed. 40% of the managers felt that the one-to-one

supervision existing prior to Delayering is no more relevant in the delayed system. According to them, the process of team formation, networking and empowerment initiated as part of Delayering had made the teams self-managed and self-directed. In Layer 1, the team comprised of officers belonging to APM, Foreman and Chageman. The team members are required to handle all jobs in their plant/section including planning and scheduling the work with in the overall production plan and programme given by Plant Manager/Dy.Chief Manager. They are also required to make production - related decisions and resolve problems. Many tasks which were performed by the APM earlier are now performed as a team, utilizing the expertise of the entire team and ensuring involvement of all team members. This also facilitates the team members to learn multiple jobs and tasks and to increase their job knowledge and competence. While 40% agreed with the above view, nearly 30% disagreed and an equal percentage was not sure of the impact due to team functioning. 30% of the managers were apprehensive of any positive impact, as according to them, there has not been any appreciable culture change in FACT after the implementation of Delayering to facilitate team-based functioning. The people who support teamworking and job restructuring, especially those belonging to the younger age groups in Layer 1 and 2 counter this point saying that changes in organization culture is expected only slowly and the positive indications after Delayering is a clear pointer to the future outcomes. Though the response pattern was more or less similar among junior and senior levels of management, it was observed that the middle level managers were more inclined to give a view against the statement, clearly indicating their apprehensions on the success of team-based working after Delayering. In the personal interviews they said that the organizational arrangement of putting together officers in one layer alone will not make them perform as a team and many of the officers are yet to appreciate the new roles they are required to perform.

Multi-skilling and Organizational Flexibility : Another important objective sought to be achieved through Delayering in FACT was gaining more flexibility in the working of the organization. The need for flexibility arise from the need to be competitive in the challenging industrial environment, the need to be adaptive, to respond quickly to the change and to the new demands constantly emerging in the turbulent and highly competitive industrial scenario. The impact of new Technology, which requires changing

skill requirements and working arrangements also demands flexibility. Further, the new organization structure, due to the emergence of what Henry Mintzberg termed as 'adhocracy'- more fluid form of organization where innovation takes place and which requires a flexible approach to structure, work roles and inter relationships with in organization - requires organizational flexibility.

Atkinson (1984) has suggested that there are three kinds of flexibility.

1. Functional flexibility - which relates to the multi skilling that enables easy deployment of employees between functions and tasks.
2. Numerical flexibility - which enables easy and quick changes in the manpower levels, either by decreasing or increasing in response to demand.
3. Financial flexibility - which relates to flexible pay systems that facilitate either numerical or functional flexibility.

An organization that has flexibility in all the above three dimensions, is termed by Atkinson as a 'flexible firm' which has flexible arrangements for achieving increased organizational effectiveness. Although total flexibility as suggested by Atkinson is difficult in the Public Sector environment in which FACT is placed, multiskilling and flexibility in manpower deployment were pursued as objectives of Delayering in FACT in the limited way to enable managers in the same layer perform interchangeable roles and use a wider range of skills with in their capability.

In the post-delayering scenario, opportunity was afforded to officers to develop multiskilling, to improve their skill levels and competence to perform team related roles. Each layer comprise of officers with different salary grades, designations and skill / experience levels. But since all the Officers in a Layer are expected to perform as a team with one of the members (the Senior of the highest category to start with and others by rotation later) assuming the role of a team leader, there is a balancing of strengths and weaknesses of members in the team. This makes an average performer also to contribute his best and develop his skills as a team member and even as a team leader. This should result in improving the skill levels of people and also developing skills in related areas.

In contrast, in the pre-delayering system, an officer is assigned the responsibility of a section -in-charge only when he is promoted as Asst. Plant Manager (APM). Since the number of

vacancies at APM level is limited, many of the lower level officers do not get an opportunity to reach this level or perform the role of an APM in their career. In the case of Engineering Graduates also, with the withdrawal of time-scale promotions and with the introduction of ratios in promotion to APM levels between Graduate Engineers and Diploma holders, the long years of waiting needed to reach the APM position itself had been a cause for early career frustration. As against this, the delayed system is expected to provide an experience of early career success which is likely to create a positive influence on the performance of these engineers who are recruited as Management trainees. Many of the engineers who have a service bond obligation to serve the company for a minimum period of seven years (including two years of training period) become disillusioned as they get a feeling of being trapped in a slot from where there is no escape till a vacancy arises at the senior level. Since there is no job change, there is also no 'new' learning that takes place. This situation will undergo a change after Delaying as graduate engineers will get an opportunity to act as a section Head (in the role of APM) soon after getting confirmed as an Engineer. This helps in their personal development also by moulding them to perform higher level responsibilities by the time they meet the residency requirement for promotion as per the performance-linked career growth scheme.

From the organisation's point of view also, multiskilling and team activity had been the thrust areas and hence was emphasized in the management communications. The overall response from the survey was in favour of Multiskilling and Team working as 55% of the Managers had given a positive response while only 19% disagreed. One of the important aspects of team formation and multiskilling is the personal development of individuals as a result of the team building experience. Rank Xerox,UK has reported their experience of converting the entire customer service division of 2200 people into 205 self-managed work groups. In the new system, a Field supervisor who is Coach to a team of 11 Engineers servicing photo copying machines, has found that the collective approach has led to greater efficiency. Shaun Pantling, Rank Xerox's Director of Customer Service estimated that "*Self-managed work groups will increase the productivity of his division by 25 percent over three years*" (David Clutter buck and Susan Kernaghan, 1994). It is therefore necessary to evaluate the impact of multi-skilling and Teamworking over a reasonable span of time, say three to five years, to assess the improvement in organizational productivity.

The response from the managers support the view that the new organizational arrangement after delayering leads to multiskilling by developing the capacities of people to undertake a wider range of tasks and to exercise greater responsibility. Michael Cross (1991) has indicated that multiskilling in organizations is based on two principles. The first is competency with in the work place, ie. the ability of a single individual to assess and solve problems as they occur. The second is the full utilization of individual's capabilities. In the case of FACT also, the objectives have been two fold. By Job rotation, the manager gets an opportunity to perform interchangeable roles and by networking among teams he/she increases skill level and competence. At the same time, by combining tasks both horizontally and vertically, there has been reduction in the number of managers required for performing the supervisory roles, which enables enlargement of work and better utilization of one's capabilities. The net impact is an improvement in the team effectiveness and a general toning up of the organization after Delayering.

Information Sharing and Joint Problem Solving : One of the visible outcomes of team working is the culture of information sharing among the team members and the resulting benefits to the organization due to joint problem solving and conflict resolution. The response of the managers who participated in the post-delayering survey to the statement : *"After Delayering , there is more information sharing leading to joint problem solving, team action and conflict resolution"* has not been generally in favour, as 45% of the managers replied in the negative and only 21% gave a positive response. About one-third of the respondents was non-committal. In the senior management cadre, 55% of the Managers were not sure of the impact of Delayering and self-managed teams on joint problem solving and conflict resolution. 54% of the middle level managers disagreed with the view that there will be an atmosphere of joint problem solving and conflict resolution with team formation and team-working in each layer. One of the reasons for the above perception is that senior level managers continue to see officers in layer 1 and layer 2 as mere 'groups' after delayering rather than empowered teams. The Officers in each Layer also do not fully appreciate the need to form a coherent work group with a common purpose, because of the perceived inequity in their individual gains.. The general feeling expressed was that quite often, collective action is seen only when there is a crisis. Further at the top management level and at the senior management levels, such teams are non-existent as they continue to function as

heads of various functional areas, rather than members of the top management team. As such, the top and senior management itself was unable to present an example of effective team work. In such an environment, it is unlikely that the lower levels work as a coherent team. The results of the survey also points to this weakness in the Company's strategy of forming only the layer 1 and layer 2 officers into teams with in the Delayering frame work and excluding the senior and top management from its coverage.

John Adair (1987) in his work "*Effective Team Building*" focuses on the need for top management to work as a team first to motivate the lower level managers to perform as a coherent team. According to Adair, the need becomes greater in the fast-changing industrial environment of today, where teams at the Board level and at Senior management level are supported by teams at the operational level or in the functional areas. This can increase the company's speed of response to change, besides stimulating creativity, innovation and productivity with in the organization. The real challenge to FACT is how to make the senior management levels to think beyond their functional boundaries, to work as a coherent team and to transform the 'work groups' in layer 1 and layer 2 to 'teams' and again transform from an 'ordinary team' into a 'high performance team'.

In the above background, the response of managers to the statement "*Team formation and networking after delayering has become a cause of conflict to a certain extent*" was analysed. The general feeling expressed was in the negative. More than 50% of the Managers felt that the requirement to work as a team, performing interchangeable tasks as per work requirements would not lead to a situation of conflict, affecting work performance. On a closer examination, it is observed that this view is held mostly by the Managers who got the benefit of career growth as per delayering scheme. In the case of those who were at the highest salary grade/designation in each layer at the time of introduction of delayering, there was a feeling of loss of power and privilege due to the requirement to work as a team, and to perform interchangeable role with their juniors and even with non-managerial employees. This has reflected in the negative response from 22% of Managers who did not enjoy any immediate benefit due to delayering.

Role clarity : Yet another factor that affect performance after delayering is the role clarity the Manager has about his redesigned job. The delayed system provides for only one composite Job in each layer. However, it also provides for various salary grades and

designations as existing earlier in the pre-delayed set up. For eg: in layer 1, even though there is only one position ie. Layer 1 Job, there are three salary grades- E1, E2 and E3 - for each of the three designations of Chargeman, Foreman and Asst. Manager. The grades and designations are provided for the purpose of career growth and indicate the relative positioning of Managers in each layer. However, the job allocation within a layer is unaffected by this differentiation in salary scales and all officers in the same layer are required to perform interchangeable roles. There is no superior-subordinate or reporting relationship among officers in the same layer and the working relationship is based on team concept. But, if this distinction is not clear to officers, there will be conflict leading to poor performance. The response of Managers on role clarity showed that for 35% of the Junior level Managers, 34% of the middle level and 40% of the Senior level, there is lack of clarity about their new role as the distinction between position and designation is not clearly spelt out. According to them, the resulting role ambiguity could affect managerial performance. However, majority of the Junior Managers disagreed with this view. 40% of the middle and senior management personnel also did not agree that role clarity is lacking in the new system. It is observed that majority of the Managers who complained about role clarity are those who continue in the same job even after restructuring, without any perceptible change in role (as they are yet to be redeployed or taken out of the system to facilitate team-based working as envisaged in the delayering scheme) and consequently there is no change in the job of others who belong to the same layer. As such, these employees may not see or experience any change in their job until such time the surplus in each layer is taken out and redeployed or they superannuate in the normal course. This process might take at least two to three years.

Managerial perception about the New Performance Appraisal System

The responses of the Managers to the Statements regarding the new PA System were as below:

- **Whether the new three-tier Performance Appraisal System is more objective and transparent ?** 72% of the Managers felt that the new Performance Appraisal System introduced as part of delayering is more objective and transparent. Only 10% disagreed with this view. The layer-wise Analysis shows that 74% of the Junior Managers in Layer 1 agreed that the new system is more objective and transparent.

This was mainly due to the introduction of 'Self-Appraisal' for all categories of Managerial Personnel including the Junior Managers, whereby they also got an opportunity to make a self-evaluation of their performance contribution and to participate in the assessment process. 68% of the Layer 2 Managers who normally represent the Reporting Officers also agreed with this view. According to them, self-evaluation provides a record of individual's performance by the employee concerned and is invaluable as a basis against which the Reporting officer's assessment about the employee's performance can be compared. This will also facilitate identifying major deviations about which further performance data / clarifications could be sought so as to make the appraisal more objective and result-oriented. Of the layer 3 Managers, who represent the Controlling Officers in Chief Manager / Dy. General Manager Level, 85% were of the view that the new performance appraisal is more objective and transparent. They have reported that the 'Committee Assessment' has helped to make a comparative evaluation of various job holders from the point of view of their contribution not only to their own department, but to other service departments/Internal customers as well. Since organizational efficiency depends not only on meeting the requirements of the external customer, but also that of the various internal customers, the new approach of Controlling Officers discussing an individual Manager's performance contribution from the point of view of overall organizational objectives and arriving at a consensus vis-à-vis other Role holders has been found to be more effective in removing bias, halo-effect and inequity in performance categorization.

- **Whether the new PA System makes performance evaluation a serious and collective approach rather than individual judgement ?** The response of Managers to this statement has also been positive. 76% of the Managers surveyed no longer consider PA as an unavoidable annual ritual, but as a serious and collective approach directed towards individual and organizational development. 80% of the Junior Managers belonging to Layer 1 felt that the decision to introduce self-appraisal for all categories of managerial employees, giving feedback on performance categorization and the opportunity for appeal against performance rating are all seen as a demonstration of the Management's commitment to the objectives of the new

PA Scheme and their interest in making an objective evaluation of performance by involving the Junior Managers also in the process. The Senior Managers opined that as the evaluation reach the third tier of Committee Assessment, where the contribution of individual Managers could be questioned by other Dept Heads, it is necessary that Controlling Officers present the ratings of their Managers with adequate supporting data, to justify their rating. This requires good preparation before hand, especially getting information on the specific contribution of each manager for the assessment period. The possibility of being questioned and the need to justify with facts one's own rating has made appraisal of performance a serious issue for Controlling Officers. The high percentage of favourable response by senior managers (90%) can be attributed to this requirement. In the case of Middle level Managers also, 67% indicated a favourable response. All the categories of Managerial Employees felt that since there is a time frame within which the appraisal is to be completed, Managers have accepted this as one of their important responsibilities, failure of which could cloud their own performance evaluation by their Superior Officers.

- **Self-appraisal provides opportunity for self-evaluation and for assessing individual strengths / weaknesses :** 90% of the Managers gave a strong positive response to this statement. Officers in Layer 1 for whom self-appraisal was introduced for the first time as part of the delayering scheme, whole-heartedly welcomed the new opportunity provided to them to make a self evaluation of their accomplishments against targets set. Their Reporting Officers in Layer 2 and Reviewing Officers in Layer 3 have also indicated that the Self-appraisal would lead to performance improvement as Officers will now be forced to look back and evaluate their achievements vis-à-vis targets set. Senior Managers, during personnel interview, have reported that the new appraisal system has made Managers more result-oriented and goal-directed.
- **The system of giving feed back on performance provides an opportunity for self improvement :** The impact of feedback on job performance of executives in NALCO has been documented by Sasmita Palo through a case study. The finding is that while the traditional performance appraisal is still a major source of feedback to

executives in the company, it has failed to improve the job performance of executives to the expected level because of certain constraints(Sasmita Palo, 2001). In the New Performance Appraisal System, Feed back to Managers on performance categorization is an essential element and the response from 87% of the Managers was that it has been useful for performance improvement. Since higher performance categorization over a three year period reduces the residency requirement for promotions within a layer, all categories of Managers have considered a feed back on performance grading essential for their career planning. One aspect to be considered is the negative impact such feed back will have on the Managers when the performance categorization is not upto their expectation. However, during personal interview, Managers opined that getting a feed back even in such cases is useful, as it would facilitate putting in extra effort for future. To most of them, communicating a low rating is better than keeping the rating confidential and using it at the time of deciding promotions. A feed back on the other hand, reveals the ranking and provides an opportunity for appeal also, in case the employee genuinely feels that he is underrated or the rating has been influenced by external factors. A such, the survey revealed that there is strong opinion among Managerial Employees in favour of the Feed Back System.

- **There will be healthy competition among employees for better performance rating** : The New Performance Appraisal System with its linkage to career advancement within a layer is perceived as a tool for performance improvement and for generating healthy competition among Managers for striving for equal or better grading compared to their colleagues in their Dept. / Division. 63% of the Managers agreed that the new system has been helpful in generating competitive spirit, leading to better performance.

Managerial perception about improvement in Career Prospects & related aspects

Since one of the major objectives of Delayering was to meet the career aspiration needs of Managers without sacrificing the organisational needs, the response of Managers on the usefulness of the scheme in meeting the employee's needs was considered. There were seven statements in the post-delayering survey Questionnaire specific to the promotion and

career advancement opportunity of managers. The response of the Managers to these statements are given below:

- **Delaying has helped to reduce stagnation in Managerial cadres :** Of the Managers surveyed, 74% agreed that stagnation in Managerial Cadres has reduced after delaying. Only 15% disagreed with this view. The layer-wise response shows that 91% of the senior Managers opined that stagnation at middle and junior levels has reduced. Majority of the junior and middle level Managers who are the beneficiaries of the Scheme have also responded positively. The response percentage of 74% and 68% by the junior and middle level Managers respectively in favour of the statement had confirmed the usefulness of the scheme in meeting the employee needs, as originally envisaged. There is, thus, a clear positive indication that the career aspiration needs of managerial employees have been taken care of by delaying, to a great extent.
- **Job rotation provides for multi-skilling and improvement in managerial skill level / competence :** Job rotation reduces monotony and widens horizons. It leads to a better appreciation of others' roles and facilitates teamwork (Sujit Sen, 2001). Of the total number of Managers surveyed, 64% agreed that the opportunity for job rotation in the delayed system would facilitate improvement in Managerial skill level and flexibility in work allocation. However, a small percentage of Managers (16%) felt that job rotation may not be in the interest of the employee or the organization as it might hamper development of specialization in skills. These respondents belonged to the technical areas and those working in the design, inspection and technical service depts. They felt that in Divisions like FEDO, such specific skills development for managers is necessary. The layer-wise response shows that 70%, 64% and 62% of Senior, Middle and Junior Management level respectively agreed with the positive impact of Job Rotation. Many Managers opined that the job change associated with the job rotation itself is a factor that motivates Managers as it avoids creating a feeling of stagnation due to working long number of years in the same position. The lower percentage of favourable response from the Junior Management category and the reason for 25% of the Junior Managers indicating a 'Not Sure' response was mainly due to their lack of

confidence, when changing from a 'known' area to an 'unknown area' as part of job rotation.

In the delayed set up, individuals can function with greater autonomy / freedom : While 80% of the senior Managers agreed with this view, only about 1/3 of the middle and junior level Managers gave an opinion in favour of the statement. The Senior Management feels that in the delayed system, with decision-making authority pushed down, the lower level Managers can function with greater autonomy and freedom. But the fact that 37% of the junior level and 30% of the middle level expressed 'Not Sure' response indicate that with the little experience they have in the delayed system, it cannot be conclusively said that decentralization of decision making has taken place. Response to this statement is to be seen in conjunction with the response to 'Decision Making' under delaying, which indicates that decentralization of authority, decision making and empowerment at lower managerial levels is a grey area where Management attention is to be focused, to sustain the positive impact of delaying.

There is equity in career advancement opportunity between various disciplines / depts. : The overall response to this statement is unfavourable in as much as while 33% of the Managers agreed, 41% disagreed and 26% was 'Not Sure' of the outcome. The inequity between various disciplines in promotional avenues has been a problem in FACT especially due to the existence of Management Trainees and professionals belonging to all functional areas and technical disciplines, recruited in batches. Through the delaying scheme assures equity in career advancement within a layer, the same equity is not available in promotions from one layer to the next higher layer, as such promotions are based only on vacancies available at higher levels. For disciplines like Instrumentation Engg., where the turn over is more, career growth tends to be more even after delaying. This is also true in the case of non-technical disciplines like Personnel and Finance, where vacancies at higher levels are necessarily got filled by personnel belonging to the relevant disciplines only. The objective of delaying was also to address this issue and to bring about some level of equity atleast during the initial career of an employee, so that the grave disparity in promotional opportunity between various functional areas is avoided to

some extent. The layer-wise response also confirms this point. Hence the position is that even though there has been significant improvement from the present situation, equity in career growth opportunities is difficult to achieve in a multi-discipline, multi-unit environment like FACT.

Career Growth opportunities are more in the Delayed set up : 50% of the Managers agreed that career growth opportunities are more in the delayed set up. The senior management personnel who could view the system dispassionately as they are not the beneficiaries, felt that the new system is a boon to Managers in the middle and junior levels in view of the promotional avenues provided irrespective of the availability of vacancies within a layer. They also opined that for the 'high performers' the system provides for faster career advancement. 55% of the lower level Managers and 44% of the middle level Managers agreed with this view. For those Managers who had already reached the highest pay scales in each layer, it is true that there is nothing much to expect from delayering, except the stagnation movement. A response of 23% and 26% respectively from the Junior and Middle level Managers under 'Not Sure' has been due to this feeling of uncertainty. However what is more significant is that the negative response to this statement has been only less than 30% which clearly indicate that the general perception of improvement in career growth opportunities in the delayed set up.

Promotions will be more of merit based than seniority based: The overall response is that while 38% of Managers agreed that there will be a shift from seniority-based promotion to merit-based promotion after delayering, 29% disagreed and 33% was non-committal. It may be seen that the impact of merit-based promotion will be felt only after a period of 3 to 4 years of working with the Delayed Scheme, as only by then the impact of performance linked career advancement within a layer will be visible in layer-to-layer promotions. The reason for the large number of Managers (33%) indicating 'Not Sure' response can be attributed to this. However, since the overall negative response is only less than 30%, it can be reasonably concluded that the Managers perceive a shift to merit based promotions after delayering.

Delayering facilitates grant of Voluntary Retirement and special leave by removing employee indispensability : While 42% of the Managers surveyed

felt that with the opportunity provided for job rotation and also for 'interchangeable role' within a layer, Managers will be multiskilled thereby facilitating flexibility in work allocation and removing indispensability, 26% disagreed with this view. 32% were undecided. According to Junior and Middle level Managers, the surplus after delayering can be used as replacement for granting VRS or special leave, without any difficulty. However, Senior Managers held the view that often VRS or special leave is sought by employees in critical skill areas, whose jobs are in demand elsewhere and it will be difficult to use the surplus category personnel as replacement in such critical areas.

- **My career prospects are better in the delayed set up:** About 40% of the Managers belonging to layer 1 and layer 2 perceived better career prospects in the delayed system. About 30% was not sure about any positive impact on career advancement. 25% of the Junior Managers and 38% of the middle level Managers disagreed with this view. The higher percentage of negative response from the middle level Managers is due to the fact that delayering covers only the Junior and middle management levels and as such, their performance linked career growth is restricted to within layer 2 only. 44% of the Senior Managers did not see any scope for further career prospects as the career planning & succession planning introduced for Sr. Managers along with implementation of delayering benefitted only few and majority of them are to stagnate in the present positions for want of organisational growth. The survey indicated that 18% of the layer I managers and 16% of the layer II managers have been benefitted by promotion (change in salary scale) accompanied by designation change due to delayering. Another favourable impact is that more than 50% of the managerial personnel in layer I and layer II were hopeful that they will be benefitted in future, even though not immediately. Except for a minor % of officers in layer I and layer II (7% and 10% respectively) all others have seen a positive impact on career growth due to Delayering in FACT. As regards layer III personnel, the impact is reported as negligible as they were not covered under the Delayering Scheme. However 5% of the Sr. Managers belonging to layer III have been benefitted by higher grade / promotion extended as part of the career planning

and succession planning exercise carried out for Sr. management personnel along with the implementation of Delaying Scheme. Implementation of Delaying has been therefore able to meet the career aspirations of managerial employees especially those belonging to the middle and lower management cadres who have been stagnating for want of promotional avenues in the pre-delayed system.

Management of Change :

Given all evolutionary forces at play, change is now a constant and a company has to institutionalise the capacity to remake itself (Felix Barber, 2003). The Post-delaying survey carried out in the various Divisions of FACT has given insight into the effectiveness of the change model adopted and also the extent of employee involvement in the change process. It has also provided an indication of the extent of 'fit' between the perceived 'needs' and the impact of 'change' on satisfying those needs. The survey has sought information on various aspects of Delaying which are indicative of the effectiveness with which the change process was managed. During the survey, responses were collected from managers belonging to all the three layers - Senior, middle and Junior regarding the means used for creating awareness about Delaying and the effectiveness of the management circulars and interaction sessions with senior management personnel in each Division. Task Forces were constituted at corporate and divisional levels to carry out information sharing on the proposed system on a continuous basis. Since the Officers' Forum could influence the attitude of managers towards the change programme, the Officers' Forum was also used as a channel of communication. The pre-delaying survey has revealed that both the channels were effective in carrying the message of Delaying to the managerial community. The management efforts to create awareness through circulars and also by arranging discussion/interaction sessions at Divisional level and at corporate level have been able to reach about 50% of the total managerial category personnel affected by the change. The next important source was the information provided by the Officers' Forums and the interaction sessions they had arranged separately for their members. The Layer-wise analysis indicates that for officers in layer III i.e. those belonging to the Corporate cadre (Chief Manager & above), the major source of information was the top management. This should be naturally so, as these officers belonging to the senior management cadre, especially those at DGM & above levels were involved in the Delaying exercise right from the beginning from the

development stage through various stages of its implementation. Moreover, the corporate cadre officers are not normally the members of officers forums.

As regards - layer I and layer II, information sharing by Officers' Forums and interaction with colleagues, and superiors together contributed the major source of information on Delaying (58% for layer 1 and 52% for layer II). This is naturally expected as managers belonging to layer 1 and layer II who are members of the Officers' Forums and are directly affected by the scheme were looking to both management and their Associations to provide as much information as possible and also to clear their doubts and apprehensions about the correctness of the claims made by both parties. The response of managers to a survey during the course of the development of the Delaying Scheme (Survey II) also provides supportive evidence that the decision of the management to get the Officers' Forum involved in the change process right from the beginning has been helpful in creating a favourable response among managers about the Delaying Scheme. The survey shows that 90.3% of the respondents considered the dialogue initiated by management with the Officers' Forums helpful in getting acceptance for the Delaying Scheme and wanted the process for mutual discussions and communication to continue during the implementation phase also.

The effectiveness of managing the change effort depends on to what extent the managers who are affected by the change internalizes the change and takes responsibility for its implementation. If the change effort is viewed as top-down, the managers are likely to put the responsibility for implementation solely on the management. On the otherhand, if the change efforts are viewed as a strategy resulting from a joint diagnosis of business problems (as presented in the Beer Model), it is likely that the employees develop a shared vision of how to implement the change programme. In the pre-Delaying survey (survey I), 72.5% of the Sr. Management personnel and 60% of the representatives of the Officers' Forum had given a response indicating 'collective responsibility' for implementation. This is a favourable response from the point of view of success in the implementation efforts. It is also an indication that the planned change process will have a more than 'Medium chance of success' (Hinings Model).

The findings of the research survey has clearly established that managerial community in FACT has accepted the need for a change for the company to become competitive in the

liberalized industrial environment. According to them, the stagnation of employees that had reached its peak, low morale and motivation of managers and the promise of better career advancement opportunity through delayering were the main reasons for an easy acceptance of the scheme. They had also realized that in the prevailing competitive business environment, there is a need for better contribution from the managerial employees to sustain the organization's competitiveness in the long run.

Edward E Lawler III (1997) has observed that most organizations today find themselves in a "change or die" situation. *"Hierarchy is being dramatically reduced. Jobs, as we know them today are disappearing. The changes today represent a new paradigm for management thinking that is bringing an end to the command-and -control, old logic approach that has dominated organisations since large bureaucracies first emerged"*. According to Lawler, *"the movement away from the traditional organizational approach and toward a new paradigm or logic or management thinking is not now-and will not ever be- a simple and painless change. It requires a change in the behaviours of individuals as well as a shift in how organizations are designed, structured and run"*. Randy (2000) has identified five steps to make change work. These five steps characterize the approach adopted by FACT also for change management. But, whether the change process associated with Delayering in FACT has been managed effectively is a question only time can answer. Yet indications as available now through the various surveys point to the fact that there has been some change in the behaviour of individuals also as well as some shift towards a new paradigm.

Part IV

Impact of Delayering on Organizational Performance

5.4.1 The Post-delayering Scenario : The Changing Face of FACT

The restructuring and delayering of managerial cadres in FACT initiated in 1993, was completed in 1997-98. The impact of the restructuring efforts was expected to be, therefore, felt in the succeeding years of full-scale implementation of Delayering ie from 1988-89 onwards, compared to the position existing during 1997-98 or earlier. A performance

comparison of the two years immediately succeeding the year of implementation for which published data are available has therefore been made, in relation to the scenario existing during 1997-98, i.e. the year of full-scale implementation, to assess the impact of delaying on organizational performance. It presents an encouraging picture of all round improvement in the physical performance of FACT and the re-emergence of dynamism in the activities of the company.

In the Top 20 PSEs ranked by 'Business World' based on Market capitalization in 1998, FACT stood 18. In the 'Business Today' survey of India's most valuable PSEs based on Market Capitalization, FACT leaped forward from a rank of 71 in 1998-99 to a rank of 18 during 1999-2000. In terms of sales, FACT had a rank of 34 (*Business Today survey, October 2000*). According to Mr. V.N. Rai, CMD (1997 - 2000), "FACT soared into new heights in performance on the production and marketing fronts during the financial year 1999-2000" (FACT - Annual press conference, 2000). FACT achieved all time high annual record production of phosphatic fertilizers by achieving 124% capacity utilization, compared to the previous best of 117% during 1998-99. In the case of Caprolactam also, the production touched an all time high record of 101% capacity utilization during 1999-2000 compared to the previous best of 94% in 1995-96. Production of Ammonium Sulphate was also an all time high record representing 103% capacity utilization, the previous best being 92% during the year 1995-96. The production of urea at 80% capacity utilization during 1999-2000 was the third best from the inception of the plant. The Company has also achieved its highest ever sales turnover during 1999-2000. This represented 26% growth over the previous best of 1998-99. However the profitability of the company has suffered despite the above outstanding achievements in Production and Sales. The increase in the input prices of Petroleum products, inadequate sales realization from phosphatic fertilizers, and the heavy interest burden for loans availed for the 900 tpd Ammonia plant have been the major reasons for the poor financial performance inspite of the outstanding production and sales performance during the year 1999-2000 (*FACT News, April - May 2000*).

An evaluation of the physical performance of the company during the two years immediately following the Delaying exercise reveals that during the year 1998-99, FACT scaled new heights in production and marketing of fertilizers by registering an all-time production record of 7.38 lakh MT of Phosphatic fertilizers with a turnover of Rs.1014

crores. Despite creditable performances and improved capacity utilization in the closing months of the year, the financial performance of the Company was worse than the previous year in view of the low capacity utilisation of the new Ammonia Plant with high cost of ammonia affecting the profitability of Factamfos, Ammonium Sulphate and Caprolactam adversely. Though the net working results for the year 1998-99 showed a loss of Rs.48 crores, the Company earned a cash profit of Rs.14 crores.

The performance of the various divisions of the company also showed significant improvement during 1998-99, the first year after full-scale implementation. In Udyogamandal Division, Nutrient Nitrogen production was 68451 MT with capacity utilization of 90% and Nutrient P₂O₅ production was 31528 MT with capacity utilization of 106%. In Cochin Division, the production of Factamfos was an all time record since inception. The Division produced 200250 MT of Nutrient Nitrogen and 116040 MT of Nutrient P₂O₅ with capacity utilization of 81% and 114% respectively. In PD, production fell short of the previous year's achievements due to reduction of plant loads, owing to poor off-take and drop in the sales value due to the reduction in price in the domestic market owing to the reduction in the prices of Caprolactam in the international market. The Marketing Division achieved an all time record sales of Rs.1014 crores of fertilizers as compared to Rs.964 crores during the previous year. During the year, the Company achieved an all time record in the export of Caprolactam also. 10017 MT of Caprolactam was exported as against 6187 MT during the previous year.

The Performance during 1999-2000, the second year after full scale implementation of Delayering has also been encouraging. The year ending March 31, 2000 has been a landmark year for the Company. The Company not only exceeded the production targets set under the Memorandum of Understanding with the Govt. of India for the year, but also established all time best records for Factamfos, Ammonium Sulphate and Caprolactam with 124% capacity utilization for Factamfos compared to the previous best during the year 1998-99 with capacity utilization of 116%. Production of 50723 MT of Caprolactam in Petrochemical Division is an all time record with 101% capacity utilization compared to the earlier best of 47098 MT with capacity utilization of 94% for the year 1995-96. Production of 2,31,286 MT of Ammonium Sulphate is also an all time record representing 103% capacity utilization against the previous best of 92% capacity utilization for the year 1995-96.

Production of Urea at 2.65 Lakh Tonnes represent 80% capacity utilization, the 3rd best since the inception of the Plant. The production of Nitrogen and P₂O₅ also are an all-time records since the inception of the Company with 101% and 119% capacity utilization. The Company not only made a record in production but also set up all time record sales turnover of Rs.1628 Crores which represented a growth of 28% over earlier best turnover during the previous year. The sale of fertilizer stood at 13.16 lakh Tonnes compared to 12.10 lakh Tonnes in the previous year.

During the year 1999-2000, the Company gave top priority for energy conservation measures. These measures have resulted in substantial savings in energy. The most notable being:

- a) The energy consumed for every tonne of Caprolactam produced during 1999-2000 was 13.2 MKCal/MT, which is the lowest since inception of the Plant.
- b) In the new Ammonia Plant, energy consumption per MT was brought down to 9.1 MKCal during 1999-2000 from 9.8 MKCal during 1998-1999.

The company has not only established records in the area of production, energy conservation, cost reduction and sales but also established management practices and systems of governance thereby receiving the following laurels:

- o ISO 14001 Certification for all Production Divisions
- o State Pollution Control Award for the oldest Division - Udyogamandal Division
- o Safety Awards for Udyogamandal and Cochin Divisions from National Safety Council of India.
- o The Best Performing Public Sector Enterprise Award of Indian Institution of Industrial Engineering.

Annexure IV provides a performance record of FACT for the three years immediately succeeding the year of full-scale implementation of delayering, indicating improvement in Production, Consumption Ratios, Sales Turnover, Manpower Productivity and Reduction in Energy Consumption.

The above improvements in Production, Sales and Productivity are truly remarkable achievements for an organization, brought up in the Public Sector culture and had to later transform itself to the market-oriented culture of the 90s. The achievements within a short span of time are clear indications of the fact that the changes have taken root in the system and FACT is determined to go ahead and succeed, meeting the challenges of the future.

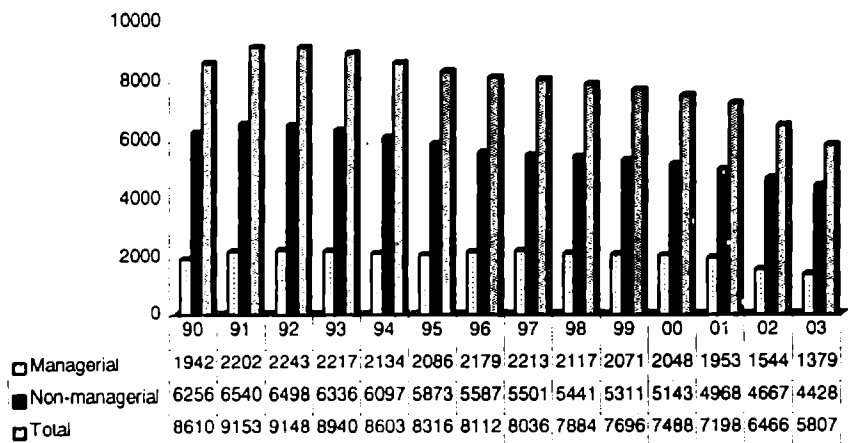
5.4.2 Reduction in Manpower

There has been significant reduction in manpower due to delayering in FACT. Compared to a total strength of 8940 employees in 1993, the manpower during 2000 was only 7488, a reduction of 1452 (16.2%). Table below provides details of the manpower reduction achieved on implementation of delayering. Compared to the total filled strength of 8036 in March 1997, the filled strength in March 2003 is only 5807, a reduction of 28%. This trend is continuing.

Sanctioned and Filled Strength Before & After Delayering

Layer	Positions	Pay Scale	March 1997		December 1997		March 2003	
			Sanction	Filled	Sanction	Filled	Sanction	Filled
	Dir.	Sche.	3	4	3	4	4	4
Corporate	GM	E8	17	12	16	11	11	5
	DGM	E7	28	36	27	39	22	20
	CM	E6	71	74	67	73	71	44
Layer II	DyCM	E5	122	103	396	389	313	288
	MGR	E4	277	275				
Layer I	AM	E3	455	413	1327	1543	973	1018
	ENGR	E2	743	562				
	JE	E1/E0	771	787				
	MT			109	0	102		
TOTAL			2507	2375	1836	2161	1394	1379
Total including non-managerial			8201	8036	7785	7908	6064	5807

Chart below provides the Manpower trend from 1990 onwards, which clearly indicates the increase in manpower upto 1992 and the reduction from 1993 onwards, due to the impact of delayering.



5.4.3 Performance indicators

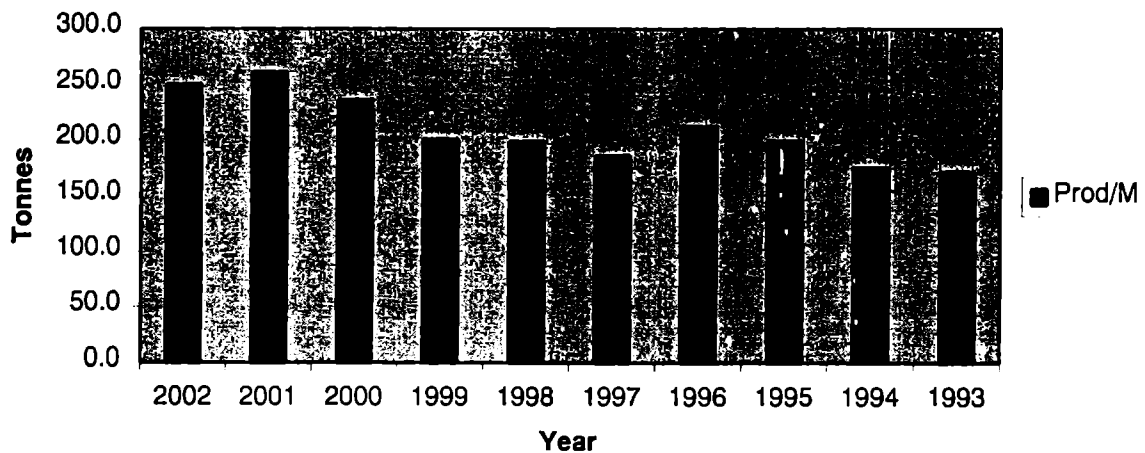
The physical performance of FACT along with productivity indicators are shown in charts, which clearly indicate that the production performance, capacity utilization, sales and productivity parameters have improved. It may be seen that the Production per man, Turnover and Value added per Man show improvement, leading one to conclude that the delayering in FACT has contributed to an overall improvement in organizational performance.

The improvement in physical performance and productivity parameters after delayering give an impression that the organizational environment has become more conducive for higher productivity and better overall performance. The Delayering exercise was initiated in FACT with the twin objectives of achieving higher organizational productivity and better career advancement opportunities for managerial employees. The trends in performance with regard to Production, productivity of resources, value addition and consumption norms indicate that overall organizational productivity has improved beyond doubt. The company has been able to achieve higher and higher levels of performance during the succeeding years of restructuring, which is also an indication of the improved motivation level of employees and better Team effectiveness. The indications are that the company is trying to further restructure its operations for performing still better and to achieve

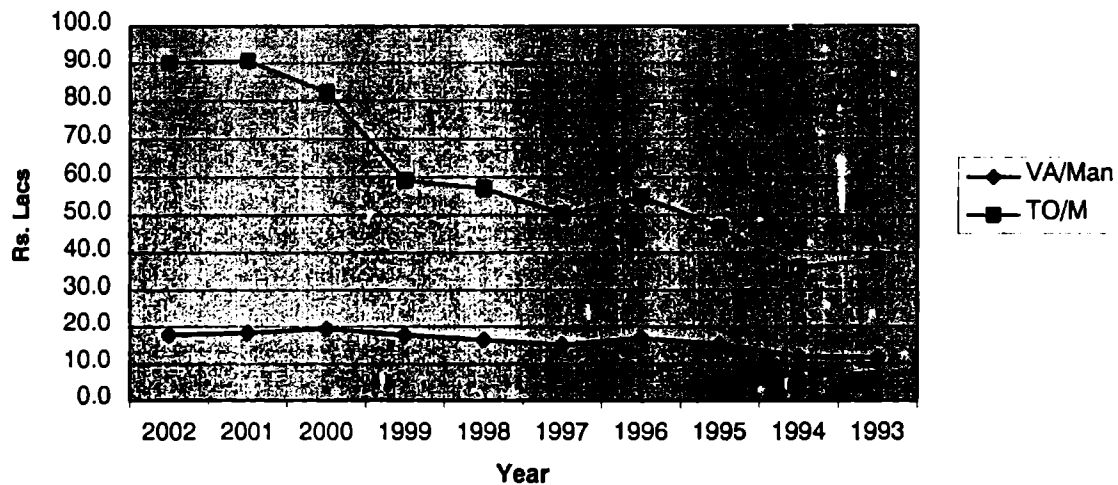
excellence, as revealed through the Director's report to the share holders of FACT for the period ending 31st March 2001.

→ YEAR	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Value added(Crores)	277	359	399	370	350	336	371	321	254	258
Turn over (Crores)	1393	1772	1682	1227	1208	1112	1195	972	770	844
Production(MT)										
N	220978	343241	326585	268701	292694	280457	312413	282717	261495	237314
P2O5	165224	167622	156903	147568	128544	131687	149444	132655	112826	143580
Total	386202	510863	483488	416269	421238	412144	461857	415372	374321	380894
Capacity Utilisation										
N %	68.1	105.8	100.7	82.8	90.2	86.4	96.3	87.1	80.6	73.1
P2O5 %	125.3	127.1	119	111.9	97.5	99.8	113.3	100.6	85.5	108.9
Manpower										
Managerial	1544	1953	2048	2071	2117	2213	2179	2086	2134	2217
Value Added/Man	17.9	18.4	19.5	17.9	16.5	15.2	17.0	15.4	11.9	11.6
Turnover/Man	90.2	90.7	82.1	59.2	57.1	50.2	54.8	46.6	36.1	38.1
Production/Man	250.1	261.6	236.1	201.0	199.0	186.2	212.0	199.1	175.4	171.8

Production per man



Turnover & Value added per man



Note :

- i. Value Added is measured as Value of Production during the year less cost of direct materials and inputs. It may be seen that though compared to the year 1997, the value added has been increasing, there is a reduction from year 2001 onwards. In 2001, though the production performance continued to increase, the reduction in realisation for the finished products consequent to the Tariff Commission Recommendations and the increase in input costs have adversely affected the Value added. During the year 2002, as a result of Govt. policy on Urea pricing, the Urea production from CD became uneconomical and had to be stopped. The decrease in production and increase in the cost of input materials as stated in the 58th Annual Report of FACT has adversely affected the Value added during the year. The sales turnover as also utilisation of Plant Capacity has also correspondingly reduced from the year 2002 onwards.
- ii. There is substantial reduction in the Manpower strength of the company compared to the position existing at the time of initiating delayering in 1993. The details are given in the Table. However, due to the reduction in Value added, Turnover and Production figures, the performance indicators have been adversely affected since 2001. Accordingly, Value Added per man, Turnover per Man and Production per Man have been less in 2002.
- iii. The company is in the process of a further restructuring to improve performance and profitability as stated in the 59th Annual Report of the Company for the year 2002-03

Chapter 6

Discussions based on the Findings and Recommendations

In this chapter, an attempt has been made to discuss the findings of the study and relate it to the existing body of knowledge on the subject. An assessment of the strategy for management of change and identification of factors that have contributed to the success of implementation of delayering have also been discussed. Based on the discussions and observations, recommendations are given for sustaining the benefits of the change programme.

The details are presented in three parts as below:

Part I – Delayering as a tool for improving organizational performance- Discussions based on the findings of the study

Part II – An assessment of the Management of Change in FACT

Part III - Recommendations for sustaining the positive impact of the change programme

Part I

Delayering as a tool for improving organizational performance

6.1.0 This Part discusses the impact of delayering on the following aspects:

- Organisation Climate & Culture
- Organisational Communication
- Decisionmaking
- Empowerment
- Teamwork
- Downsizing
- Performance Appraisal
- Middle Management obsolescence

6.1.1 Delayering and Organisation Climate & culture :

- Organisational culture represents a common perception shared by the members of an organization. According to Campbell, *culture is concerned with how employees perceive the six basic characteristics- individual, autonomy, structure, reward, consideration and conflict* (John P. Campbell, 1970). Further, *the cultural characteristics of an organization are relatively enduring over time and relatively static in their propensity to change* (Forehand, 1964). It cannot be therefore expected that delayering can bring

about any significant change in the work culture in the short term. Keith Davis points out certain values that affect work *viz. freedom, equality, security and opportunity* (Keith Davis, 1975). Freedom relates to a situation with less of organisational controls and informal work environment. Equality relates to justice in rewarding performance while security relates to the absence of a threat to job in the work environment besides adequate fulfillment of economic needs. Opportunity, on the other hand provides for meeting the career advancement needs of employees. Though all these values that affect work are present in the delayered system to some extent, as per the findings of the survey its impact on changing the work culture is seen to be minimal.

- As organisational climate depends on the extent of freedom and participation perceived by the Managers in the work environment, it is expected that the change in culture will be visible only slowly. It is also possible that the middle management group who have little desire to participate or who have not been accustomed to participating may not recognize the change as it may not be of much concern to them. In their search for excellent Companies, Thomas Peters and Robert Waterman, found that *the dominance of a coherent culture characterized these (excellent) organizations* (Thomas J. Peter, 1982) The result of the present survey, indicates that the climate or culture of FACT has not changed much after delayering. As observed by Lital, *Organisational climate and culture involve the learning and transmitting of knowledge, beliefs and patterns of behaviour over a period of time, which means that an organizational culture is fairly stable and does not change fast* (Lital, 1983). As such it is not possible to expect any positive impact in a short span of time.
- Job satisfaction is an integral component of the organizational climate and is a positive emotional state that occurs when a person's job seems to fulfill important job values, provided these values are compatible with one's needs (Andrew DuBrin, 1981). Job satisfaction can be seen as an individual's emotional reaction to the job. The results of the survey indicate that there is no conclusive evidence that job satisfaction has increased after delayering. However, the large number of responses under 'not sure' category is an indication that with focused efforts by top management in building a conducive organizational and work culture, it would be

possible to create satisfying work environment that contribute to higher performance and productivity.

6.1.2 Delayering and Organizational Communication:

- One of the greatest advantages of Delayering, its advocates point out is that information flow in organisation improves as a result of reduction in the number of hierarchical levels. Further, as information percolates through fewer junction points, communication becomes faster. Since the number of layers through which information passes through reduces, the chances of distortion in communication are reduced. Consequently, the decision making process in the organisation becomes faster and managers are able to respond faster to the environmental stimuli. The organization's readiness to respond faster to the changing environment improves, thereby benefiting the organization.
- Besides vertical integration through better upward and downward communication, Delayering also helps horizontal integration in organizations. Lateral communication channels are strengthened and there is vertical, horizontal and cross-flow of information. This helps to push the decision making level further down the organizational hierarchy thereby facilitating employee participation and involvement in decision making. The job of the lower level managers get enriched and their competence develops further as they get opportunities for performing higher level jobs which were hitherto available only when they move up in the organizational hierarchy. The dependence of the organization on a few key individuals is no longer there and there is flexibility in organizational functioning.
- Human Resource practitioners are equivocal in their view that there is a positive impact on Organizational communication and consequent improvement in quality of Decision Making. Dr. P. Srinivas, a Consultant in HRD at Bangalore points out that "*Delayering spares the communication process upheavals at each junction*". As a result, communication passes more quickly and accurately. Further, there is scope for better upward and downward communication in a limited hierarchy, compared to a tall pyramidal structure. When the number of hierarchical levels increase, a filtering of information is naturally expected in downward communication. In the case of upward communication, this filtering is much more and because of the many

hurdles, it get modified, distorted, to suit the needs of those passing the information, or even gets stopped in between. The top management is thus kept unaware of the views and needs of the lower down in the hierarchy. It is also possible that the top management decisions are misinterpreted and passed down. In both the situations, management is deprived of valuable information for taking the right decisions.

- Thomas (1990) has observed that, *"In the past decade, much attention has been focused on the competitive advantages of cost leadership and product differentiation. However, now quick response (responding to the customer faster than competitors do) has emerged as an important source of competitive advantage"*. For Managers in today's business, it is not enough to be the cost leader, or to offer a unique product or service, but to respond quickly to customer needs. Faster Decision making and quick response to the customer needs have emerged as an important competitive weapon for winning in today's business. The winning factor is provided by time (Stalk, 1988). In a Design, manufacturing and Project organization like FACT also, as observed by Meger, time-based competition becomes the highest priority to gain responsiveness and flexibility (Meger, 1990). Hence improving the pace and quality of decision making becomes important for the survival of the organization and for adapting faster to the opportunities and threats. The findings of the Research indicate that Delaying can be used as a tool for achieving this end.

6.1.3 Delaying and Decisionmaking

- One of the features of a delayed organization is that it enables more decisions to be made lower down in the management hierarchy. This serves not only to speed up the decisionmaking process but has the added benefit of reinforcing the Junior Manager's self-confidence and empowering them. By giving an opportunity to take decision themselves and also to participate in decision making, the Junior and Middle level Managers are seen as part of the management team. This reinforces the Top Management's concern and commitment for the development of their sub-ordinates. In turn, the work environment becomes fulfilling, satisfying and individual productivity increases. The decision making becomes faster and the quality of decisions also improves, as could be seen from the findings of the post-delaying survey among management personnel in FACT. They attribute the speed mainly to

the reduction in the number of hierarchical levels and the improvement in lateral communication channels that facilitates more interaction and information sharing for faster decision making.

Besides speed, the quality of decisions has also improved after delayering. According to the Senior Management personnel, more information is now available, besides involvement and participation of lower level managers in the decision making process, which contributes to taking better decisions. While the Senior Management support the view that decision making powers have been delegated to the lower levels, thereby facilitating empowerment, the Junior and Middle level Managers, who should be the beneficiaries of the decentralized decision making feel that such a change is yet to take place in the organization. According to them, the power of decision making continues to be closely held by the Senior Management group and there has not been any change in the formal delegation of powers to Junior and Middle level managers after Delayering. The Senior Managers counter this view with their experience that the Junior and Middle level Managers are shy of accepting responsibility and for offering creative alternatives for taking decisions. This continues to be an area of conflict among management levels in FACT. The middle level managers even felt that whatever powers they had earlier were taken away after Delayering. This feeling of loss of power is apparently due to the reduction in the number of layers and elimination of one-to-one reporting. For the middle level managers who had enjoyed these powers for long, its sudden absence has created a feeling of frustration and a negative attitude towards the Delayering approach which requires to be corrected for deriving full advantage of the delayering effort. Dumaine (1990) observes that *"Flat, self-managing teams will be the units of the future since empowerment and decision authority must be with the people who are closest to the product and the customers"* This requires that empowerment should be pursued as a goal by itself by the management of FACT and the required culture change should be brought about in the organization through conscious efforts.

Dr. M.S. Vardani (2000) based on an empirical study has concluded that *"with the liberalization and the consequent restructuring of organizations, most middle managers are facing the axe. Such downsizing has also increased the work of those middle managers who are*

left behind". According to Dr. Vardani, middle level managers need to adjust rapidly to the new technology, culture and demands of the competitive environment for faster decision making. Increased reliance on data based information system has replaced people networks as the means of gathering information - a development which often circumvents the middle management level. Further the insensitivity of the Senior Managers to the expectations and aspirations of middle managers could be a reason for discontent. What is concluded from the study is that the Senior Managers, instead of creating a healthy environment and culture for the middle managers to develop and grow, are usually suspicious of their competence, their skill and are reluctant to share their powers and assign responsibilities. The post-delaying survey in FACT has also been supportive of this view held by the middle management. This aspect continues to be an area of conflict in the perception of Junior & Senior levels in FACT also .

Rao (1997) has pointed out that *"there is a general feeling among executives of large organizations, especially of the Public Sector, that there is not much change in the nature of their jobs even after reaching the middle management level. The hierarchy of levels is very rigid and the delegation of powers is minimal. Even routine decisions are put up to the top management, either because proper delegation is not there or there is general tendency to shirk from responsibility and to pass on the buck"*. Rao also observes that reducing the levels of hierarchy through 'Delaying' speeds up the decision making process. However the 'Delegation' and 'empowerment' that accompanies Delaying would lead to the subordinate becoming more powerful than the boss. In the post-delaying survey conducted in FACT, this apprehension has been expressed by many middle level and senior level managers. It is this fear that acts as an impediment to the top management's reluctance to relinquish their control on even routine and seemingly unimportant decisions. The findings of the Research Study in FACT has supported the above observations of Rao. As regards the Junior and Middle Management levels of FACT, it is necessary that in addition to actively encouraging them to develop decision making skills, the top management ensure that the officers utilize their delegated powers to take decisions of programmed and semi-programmed nature, leaving only the tactical and strategic decisions to the top management.

Among the PSEs, SAIL has adopted a strategy of 'speeding up decision making' to keep a step ahead of the competition. With a view to service its customers better, SAIL

had responded by revamping its marketing set up and starting a system of reverse information flow. As SAIL Chairman M.R.R. Nair asserts; “SAIL’s decision making process has been speeded up; branch managers have been given the freedom to book orders, and if the order is large, they need only speak to the head office over the phone”. (Business World, 9-22 August, 1995). Flexibility created in the organizational structure and informal working relationships among managers has been responsible for the change that induced a culture of market-orientation and faster response to the customer’s needs in SAIL. Though delayering has contributed for such a culture of market/customer orientation in FACT, this culture change need to be further strengthened by continuous orientation and training programmes.

6.1.4 Delayering and Empowerment

“Empowerment is gaining the power to make your voice heard, to contribute to plans and decisions that affect you, to use your expertise at work to improve your performance – and through it the performance of the whole organization” The focus of an empowering organization is performance. A ‘Hamstung’ Organisation (Nancy Foy, 1994) hinders performance. Nancy Foy describes Hamstung Organisation as the opposite of Empowering organization. Hamstung organization is thwarted, impeded or inefficient. Hence the empowerment of lower level managers assumes importance in FACT in the post-delayering scenario to improve its competitiveness and customer orientation.

- One of the objectives sought to be achieved by the delayering effort in FACT was ‘Empowerment of employees leading to increased motivation’. In the Public Sector culture prevailing in FACT, there was very little opportunity for individuals to demonstrate their potential. It was hoped that the delayered structure with decision making pushed down will provide the right motivation to Managers at lower levels to excel and thereby realize their potential. The role of the Senior Management in an empowered organization changes to leading from controlling. Empowerment results in a drastic reduction in response time and decision making. Empowerment increases employee morale. However, views on empowerment are confused by lack of clarity on what power is and how we should regard it. Jeffrey Pfeffer of the Stanford Business School suggests that while power has long been a dirty word, it is actually the only way to get things done in an Organisation. He ascribes the inability

to get things done, to have ideas and decisions implemented, to the mis-allocation and misuse of power. Thomas A. Stewart, associate editor of 'Fortune' Magazine observes that the current trends of corporate America is towards using the personal power rather than exercising power based on position. According to Stewart, "*Real power comes from giving it to others who are in a better position to do things than you are. The idea behind sharing power more broadly is to move decisions as close as possible to where action can be taken. Not to spread power around, but to pinpoint it. The decisions that result are faster and clearer, so more decisions can be made and more work done*". In an empowered organization, one of the objectives should be therefore to ensure that power is never 'locked-up' in one or two parts of the organization and is able to freely flow where and when it is needed.

David Jenkins in his book "*Managing Empowerment*" (David Jenkins, 1966) therefore argues that the central question in empowerment is whether you need to change the organization or can it be done without?. According to him, there are two Schools of thought. Members of the 'Soft' School see empowering purely in terms of increasing the capacity of the individual to act. Contrary to this, the members of the 'Hard' School argue that it is rarely possible to empower people without making changes in the environment in which they work. The advocates of 'soft' school see 'Job enrichment' and changing the attitudes and perceptions of Managers as the key to empowerment. The 'hard' view insists that empowerment policy will not work unless people are freed from existing organizational constraints to achieve things that they currently cannot. This means that changing the organization and its structure is an essential prerequisite for success. In FACT, it is seen that the approach adopted was a combination of the two - enriching the job through job redesign and at the same time restructuring the hierarchy to bring about the required change in the organization. But the findings of the study do not support that 'real' empowerment has taken place in the organization.

David E. Bowen, an Associate Professor of Management at Arizona State University and Edward E. Lawler, Director of the Centre for Effective Organisations at the University of Southern California, have compared the performance of empowered versus conventional, production line organizations. They define empowerment as

sharing with front-line employees four organizational ingredients- Information about the Organisation's performance, Rewards based on the Organisation's performance, Knowledge that enables employees to understand and contribute to organizational performance and Power to make decisions that influence organizational direction and performance (Bowen and Lawler, 1992). In a production line approach, these features tend to be concentrated in the hands of Senior Management. With an empowered approach, they tend to be moved downward to front-line employees. Bowen and Lawler have also defined three types of empowerment- Suggestion Involvement, Job Involvement, and High Involvement. While all the three levels of involvement warrant the term 'empowerment' they have observed that there is no single approach which is ideal in every industry, Company, function or situation and the ideal degree and form of empowerment is contingent upon circumstances.

- In FACT, empowerment was necessitated to enable job restructuring. Organisations like FACT which have used 'Delaying' as a strategy for performance improvement have realized that the objectives of delaying can be achieved only by empowering the workforce. Making the organization more responsive to the market place requires that the conventional pyramidal structure is delayed. To ensure that employees of various disciplines collaborate with minimal supervision, by communicating horizontally rather than vertically up and down the hierarchy, a change in the organizational culture and systems of working is to be brought about through empowerment in FACT as in other organizations that had attempted delaying.
- Michael Osbaldeston, Chief Executive of Ashridge Management College, had stated that '*empowerment has become so important in recent years due to the increasing pace of change, the turbulence of the environment, the speed of competitive response and the acceleration of customer demands*'. All these require a speed and flexibility of response which is incompatible with the old style command and control model of organisational functioning. Any successful approach to enhancing empowerment within an organization requires tackling a number of issues simultaneously - changing attitudes and behaviours at all levels of the organization, providing people

with the training and information they need to take on more responsibility and removing the organizational barriers to empowerment. The restructuring exercise carried out in FACT was aimed at tackling all these issues concurrently. Since structure must follow strategy, for empowering its Managers, FACT had adopted a delayered structure as a pre-requisite.

- Management writer Tom Peters argues that the only way to make the whole change process work is to transform every aspect of the organization simultaneously as *“Most people who undertake empowerment initiatives do not take them all the way. You have to change the concept of the job, the working environment, the structure, the hierarchy and communication channels - all simultaneously”*. However, it may be seen that in FACT, the need for altering the structure was mainly for cutting down the layers of middle management in order to reduce manpower, cut costs, speed up decision making and become more flexible and competitive. It was then realized that dismantling the time-honoured hierarchical functioning required empowering the Managers so that they make the new structure work. The findings of the study reveal that since the restructuring exercise in FACT was mainly focused on the manpower reduction and career growth aspects and the other objectives were kept mostly at the back ground, the empowerment process has suffered.
- Lorenz describes an empowering structure as one where *“Instead of series of levels which command and control the one immediately beneath them, power and information on many issues must be delegated, decentralized and diffused”* (Lorenz, 1992). Peter Drucker suggests that the span of control in an empowering structure should be well above 20. Drucker calls this as *‘spans of Empowerment’* in which the Manager’s role shifts from controller, to coach, or mentor (Drucker, 1989). Though span of control has widened in FACT immediately after delayering, the study reveals that the shift in the role change is taking place at a slow pace.
- Does delayering make empowerment possible by freeing up the structure, or does empowerment make delayering possible by enabling staff to take on higher responsibilities ? In FACT, empowerment is to be seen as a consequence of delayering rather than carrying out delayering for creating an empowered organization. The focus of FACT’s delayering exercise as already indicated was on

a cost cutting and man-power reduction. At the same time, the delayed structure has been helpful in creating an environment congenial for empowerment. But the response from managers on the extent of empowerment due to the new structure has not been conclusive to establish the inter linkage between the two. It is seen that in FACT, no specific efforts were employed for empowering lower level Managers through a step-by-step process. However, it is a fact that implementation of delayering itself had created the necessity for assuming more responsibility by Managers.

- The experience of AT & T is a case in point. Downsizing in AT & T had meant that the people who are left in the organisation, are required to take over the tasks of others. One AT & T Manager had to assume managerial responsibility for three areas that had previously been handled by three people. As a consequence, Managers had to empower their sub-ordinates by delegation of powers, job enrichment and establishing self-managed work teams. The result was that downsizing had contributed to empowerment, which helped AT & T to become more efficient and effective. The FACT experience has also been similar. The empowerment process at FACT has been a consequence of the delayering effort carried out in the Organization with the objective of achieving about 20% reduction in manpower. For those who are left behind, the restructuring and redesigning of jobs have resulted in a change in the job content and responsibility through job enlargement and job enrichment. Managers belonging to layer 1 and layer 2 after delayering are required to work as a team performing interchangeable roles, closely resembling a self-managed team. As such it was expected that the efficiency and performance of the organization will improve and also the morale of the Officers, after delayering. The Indian experience on empowering as also the findings of the FACT study have been in support of this hypothesis.
- In India, though many success stories on empowerment are not recorded, the documented cases point to the fact that organizations that have systematically tried a process of empowering employees have been successful in making their employees discharge their duties effectively, derive satisfaction from the job, besides contributing to higher levels of performance of their organizations. Examples in the

Indian context such as ICICI, Indal and Bajaj lead one to believe that empowerment has contributed significantly to make these organizations industry leaders (Avijit Ghosal, 1996).

6.1.5 Delaying and Team Work :

Organisational effectiveness is largely about making the best use of people, as in the present competitive environment, quality of Human Resources provide the competitive edge for companies. With the changes taking place in the organizational structures and the shift from 'vertical' to 'horizontal', team working has assumed greater significance, especially during periods of rapid change. It is only through good team work that an organization can effectively adapt to its changing competitive, economic or social environment. Such teams should start at the top, with each functional head assuming responsibility jointly and severally for results. The Chief Executive Officer would then perform as the leader of the top management team.

- With the decision to flatten its structure, by reducing the layers of management or supervision, the need has arisen for better team work in FACT. Managers will have to manage a larger span of control and will have to delegate more responsibility to their teams, who will be then forced to co-ordinate their own work rather than rely upon their boss to do it for them. Besides formation of teams within each functional area in each layer, there could be inter-disciplinary teams also for specific assignments, projects etc. The effectiveness of FACT after Delaying would, therefore depend on the performance effectiveness of various teams.
- Katzenbach and Smith (1993) defines a team as "*a small number of people with complementary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable*". In the words of Bernard Babington Smith (1979) a team is "*a group in which the individuals have a common aim and in which the jobs and skills of each member fit in with those of others, as in a jigsaw puzzle pieces fit together without distortion and together produce some overall pattern*". John Adair (1987) makes a clear distinction between a 'group' and a 'team'. Common task and complementary contributions are essential to the concept of a team. An effective team, according to Adair, may be defined as one that achieves its aim in the most efficient way and is then ready to take on more challenging tasks, if

so required. Teams therefore weld together the skills, experience and insights of several people and can outperform individuals acting alone or in large organizational groupings, especially when performance requires multiple skills, judgements and experiences. Another advantage is that teams can be more flexible and responsive to changing events and demands, can adjust their approach to new information and challenges with greater speed, accuracy and effectiveness than individuals whose functioning is limited by the clearly marked organizational boundaries and delegated powers. Richard Walton (1985) has commented that in the new commitment based organization it will often be teams rather than individuals who will be the organizational units accountable for performance. Peter Wickens (1987) based on an extensive study of Nissan has said that "*team work is not dependent on people working in groups but upon everyone working towards the same objectives*".

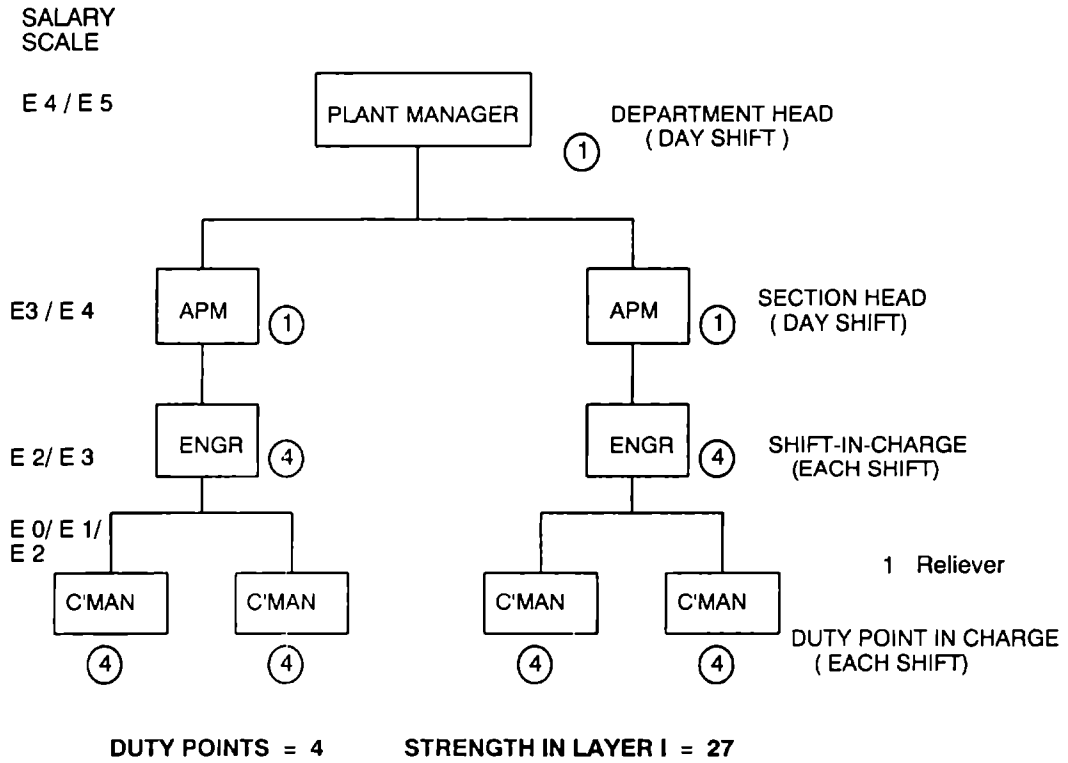
- Waterman (1988) has noted that "*team work is a tricky business; it requires people to pull together toward a set of shared goals or values. It does not mean that they always agree on the best way to get there. When they don't agree they should discuss, even argue these differences*". Conflicts are likely in teams, but conflict resolution within the team itself is what matters. Richard Pascale (1990) argues that "*successful companies can use conflict to stay ahead*". The pursuit of team work should not lead to a 'bland' climate in the organization in which nothing new or challenging happens. Pascale warns that "*it is all very well to be one big happy family, but this could be disastrous if it breeds complacency and a cozy feeling that the family spirit comes first, whatever is happening in the outside world*".
- In the post Delaying survey carried out among managers of FACT, the general feeling expressed was that teamwork has not become a cause for conflict among managers in layer 1 and layer 2. However, they felt that though there would be some issues initially that may result in conflict, as the role adjustment process gets settled, the organization would be able to draw full advantage of the system of team working within each layer. This is further corroborated by the views expressed by the Managers on the increased opportunity they have to utilize their capabilities in the delayed system.

- One of the basic objectives to be achieved by the Delaying effort in FACT was “Total flexibility in the organization due to interchangeable roles”. This objective was sought to be achieved through a system of flattening the levels of hierarchy, grouping of posts into layers such that managers in each layer is required to perform interchangeable roles, irrespective of their salary scales or designations, through networking and also working as a team for meeting the objectives of the section/department. Besides reduction in the number of Managers, restructuring as above results in Job enlargement and job enrichment. The new system requires that the group of managers work as a team with one of them assuming the role of the leader. The crux of the Delaying effort is therefore the system of Team working with in each layer. Further, officers in each layer have to network with officers in other Departments for effective performance of their jobs. This requires more frequent horizontal and also interdisciplinary communication.

6.1.6 Delaying and Downsizing

The visible impact of Delaying in FACT was the Downsizing of the Organisation. Taking the example of Phosphate Plant of UD, the existing structure and work allocation along with the proposed structure and work allocation after Delaying is shown in Charts attached. As could be seen, there is no change in the number and salary scale of Dept. Heads required in the Day shift. They will continue to be in E₄ / E₅ grade, but after Delaying movement into the higher scale of E₅ will be linked to performance with a residency requirement varying from 4 years to 6 years. Prior to Delaying, movement was on stagnation after reaching a residency period of 6 years. In layer 1 also, regrouping of jobs has been done to restructure the duty points. In the case of Phosphate Plant, this restructuring has increased the duty points from 4 to 5 after Delaying. But the supervisory positions such as APM and Foreman / Engineer have become redundant after Delaying, with a corresponding reduction in the managerial manpower. The total number of managerial positions in layer 1 and layer 2 together has reduced to 22 from 27 after Delaying, which indicates a reduction of about 20%

**STRUCTURE AND WORK ALLOCATION PRIOR TO DELAYERING
PHOSPHATE PLANT - UDYOGAMANDAL DIVISION**



HORIZONTAL WORK DIVISION

APM	2																		
ENGR	8																		
C'MAN	17																		

How DELAYERING helps to reduce managerial manpower ?

They had also suggested that the pitfalls in the existing system should be overcome to make Performance Appraisal a tool for individual growth and for achievement of organizational goals. The Post-Delaying survey has confirmed that their expectations regarding the new Performance Appraisal System has been generally fulfilled.

- One of the major changes that was visible to the FACT managers was the introduction of 'self-appraisal' for all categories of managerial employees. Almost 90% of the Managers surveyed agreed that 'self-appraisal' provides them an opportunity for self-evaluation of their performance contribution for assessing their individual strengths and weaknesses, thus paving way for performance improvement. Survey conducted by the Institute of Personnel Management, London (Long, 1986) has indicated that around 28% of the organisations have introduced self-assessment as part of PA system. The survey has identified this as a reversal of the traditional Appraisal procedure, ie. instead of the Manager conventionally making the evaluation and then imparting the contents to the employee, the employee initiates the procedure by providing evaluative comment on how well he or she has achieved tasks and objectives during the period under review; the problem that arose, the changes and improvements required for the future. The self-appraisal, initiated by the employee has important implications for the Reporting Officer, who is now in a better position to comment and respond to the employee's self-assessment. While making his assessment, if the Manager wishes to modify the employee's self-evaluation, his comments are provided in addition to and not as a replacement of what the employee has said. Thus the disagreement if any of the Reporting Officer to the self-assessment by the Appraisee provides an opportunity for the Reviewing Officers to further probe into these areas of difference, seeking for additional information and data to substantiate the ratings of the Reporting Officer or otherwise. This is a merit of the new system as seen by FACT Officers, especially those belonging to layer 1, for whom self-appraisal was newly introduced after delayering.
- An examination of the literature suggests that where an element of self-appraisal is incorporated, the appraisal interview is likely to generate more positive discussion and provide a better climate for identifying problems, developing solutions and

helping the individuals to realize personal potential and develop career prospects (Bassett and Meyer, 1968). In FACT, 'self-appraisal' by Managers constitutes the first step in the Performance Appraisal System and this becomes one of the input information used by the Reporting Officers for making their assessment. To what extent such self-appraisals can be taken as reliable is a question to be decided by the Reporting and Reviewing Officers based on their own past experience. Herbert Meyer asked one group of staff in the General Electric Company to compare their own performance with that of others in similar jobs and found that there is a tendency among high, middle and lower level staff to overrate their performance (Meyer, 1980). This is one of the drawbacks pointed out by the Reporting officers in FACT also while evaluating the self appraisal made by their subordinates. This, however, does not diminish the value and usefulness of self-appraisal. It is felt that with adequate training in appraisal techniques and appraisee rating skills, this deficiency can be overcome.

- **Evaluation of Potential** : Although writers like Randell, Packard and Slater (1984) have advocated the separation of PA and the evaluation of the future potential of the employees, survey evidence (Long, 1986) suggests that the practice in many organizations is to combine both the processes. In the FACT Performance Appraisal system for managerial personnel, 'Assessment of Potential' is an integral part with the assessment of current performance; but its usefulness for the employees or for the management for effective HRM decisions is yet to be established. In FACT, the objective of 'Potential' assessment is limited to making a 'rating' on the promotability of the Officer - by evaluating the employee's overall potential for holding a position of higher responsibility on the basis of the Appraiser's observation of the employee's functioning in the present position. The Appraiser's comments on the career positioning and development of the Officer also forms part of the Potential assessment, besides identification of Training need area to improve performance of the employee. The focus of the assessment however, is a rating on the potential for holding a position of higher responsibility under the following choices.
 - Ready to meet requirements of higher responsibility

- Expected to develop shortly to meet the requirements of higher responsibility.
- Would not meet requirements of higher responsibility on present reckoning

Identification of the major strengths and improvement areas also forms part of the Potential assessment process. However, a perusal of the filled up appraisal formats revealed that the various columns are left blank by the Appraisers with only the rating indicated in the 'Potential' part. Here again the ratings are confined to the first two choices ie. 'Ready to meet requirements of higher responsibility' or 'Expected to develop shortly'. On personal interview with Senior Managers, it was clarified that filling up of the 'potential' part is related to the number of years the Appraisee has been in the position and if the Appraisee has already completed a residency of 3 years or more (the time required normally for becoming eligible for next promotion), the Officer is rated as 'Ready to meet' and in other cases as 'Expected to Develop'. The Appraisers (Both Reporting and Reviewing Officers) informed that this information is of significance while holding Departmental Promotion Committees(DPCs) and they do not want to stand in the career path of an employee, if he is otherwise found suitable for promotion by the DPC based on the seniority of the employee. A rating under 'would not meet requirements of higher responsibility' would come to light when the DPC considers the eligible candidates for a promotion post as and when a vacancy occurs, causing much embarrassment to the Reporting and Reviewing Officers later. They would therefore prefer to 'play safe' and leave that decision to the DPC. The Personnel Managers opined that the assessment of potential is normally taken note of by the DPC and the candidates are recommended only when they do not fall under the third category ie. "would not meet requirements". As such the assessment under 'potential' is seen to serve only as a facilitating provision for deciding on the promotability of the Officer rather than a tool for succession planning in the organisation.

- Senior Managers of FACT are also of the view that there are difficulties in asking line Managers to evaluate the future potential of their subordinates rather than their current performance. Woodruffe (1990) has documented some of these difficulties. He has observed that *"line Managers will often be idiosyncratic in their ratings and focus on those competency dimensions that they value personally. Personal likes and dislikes will*

affect assessments". Further, line Managers may often have only a limited vision of the precise nature of higher level jobs and their competency requirements. The closeness of the working relationships between the line Managers and staff also makes it difficult to sit on judgement on the potential of the staff.

- In the above context other approaches like 'assessment centres' become relevant. While the term 'assessment centre' is open to different interpretations, a commonly used definition is the '*assessment of a group of individuals by a team of judges, using a comprehensive and integrated series of techniques*' (Fletcher, 1982). Originally Assessment Centres(AC) were used primarily for selection purposes, but increasingly they are used now for the purpose of identifying training and development needs and future potential. Though this concept is not part of the Appraisal process in FACT, the FACT PA system makes use of another concept called 'Committee Assessment' to achieve the same objective. The assumption is that a committee of Senior Managers under the chairmanship of the Division Head is in a better position to analyse the effectiveness of the Officers' role in relation to the work environment, compared to the individual assessments made by the Reporting or Reviewing Officers. However, as regards current performance, there is more reliance on the ratings given by the Dept. Head, who is also a member of the Assessment Committee. The strength of the Committee Assessment is the elimination of 'Rater bias', overrating or under rating and inequity in evaluating Officers belonging to different departments / disciplines.
- **Multi-appraisal** : In the FACT Appraisal System, the problems of a single-rater approach are overcome by adopting a multi-appraisal strategy. The system provides for assessment by two Reporting Officers, wherever the Appraisee has worked in two departments during the appraisal period. Similarly, the system provides for up to four Reviewing Officers, besides a final assessment by the Committee and final review by the Division Head. The multi-appraisal ensures that 'Rater-bias' is reduced. But there is a possibility of choosing the middle path in rating so that controversies are avoided. It is felt that the Committee Assessment could correct this situation to some extent. The greatest advantage seen by the Senior Managers in the Committee Assessment is the shifting of 'ownership' of a poor rating to the

committee, as against the sole responsibility of the Reporting and Reviewing Officers. The Reporting and Reviewing Officers opined that they are now more free to express their views as there are a number of stages through which the rating gets moderated. As such the final grading and categorization of employee is attributed to the Committee of Senior Managers, and not to any individual Reporting or Reviewing Officer in particular. This takes away the fear of being associated with a poor performance grading of the Appraisee. The general feeling expressed by the Appraisers in FACT was therefore in favour of the Committee Assessment.

- Other approaches like peer appraisal, sub-ordinate appraisal, Appraisal by external parties like clients etc. are also used by many organizations to evaluate the performance of the employees. Some organizations follow a 360 Degree Appraisal, where a Manager is rated by those above, alongside and below him. Though the concept of 360 Degree Appraisal is gaining ground in India and corporates like General Electric (India), Reliance Industries, Godrej Soaps, Wipro, Thermax are all using this to know everything about their Managers, this technique is used mostly as a fact finding, self-development technique. However, the trend is that in future, it may be linked with reward systems as well. B Sudhakar (1996) has concluded that *“if 360 Degree assessment is done in a systematic manner, it will contribute to motivation of employees, reveal the different roles performed by the employees, provide scope to express individual views and opinions- recognize talents, placement requirements, training need and career planning. On the other hand wrong use of the system may demotivate or induce negative attitudes among Managers, ultimately harming both the employees and the organization”*. FACT Managers, in general when interviewed have given an unfavourable response to the concept of 360 Degree Appraisal. They expect that the revised system of Performance Appraisal, over the years, would get refined to provide an effective system for performance appraisal and employee development.

6.1.8 Delaying as a Strategy for Countering the obsolescence of Middle Managers

As per Research findings, one of the reasons for the lack of motivation among the Middle level Managers in any vertically structured Organization is the mid-career stagnation and the mid-career obsolescence. In FACT prior to delaying, a major chunk of Managers in the middle level had turned into a group of disgruntled, demotivated and dispirited executives mainly due to the acute stagnation and the policy of

promotion by seniority. Deprived of the possibility of promotions, the Managers at the 'Asst. Manager' level and at the 'Dy. Chief' level', who had already reached the highest salary grade in each Layer, had nothing much to expect from the new scheme, other than the stagnation grades extended to them as a one-time measure. This according to these managers, is not something extra as the old system also provided for a stagnation grade. As K.K Nohria, CEO, Crompton Greaves observed "*Middle Management is supposed to be a step in one's career from which one makes it to the top. But it can be a career in itself*". The acute stagnation in the same job for many years render them unable to cope with the new challenges, thereby making them obsolescent. Most of these Managers have put in a residency of more than 10 years in the same job/grade at the time of initiating delayering and the challenge before the FACT Management was how to rejuvenate the middle Management cadre and make them productive again.

- Resolving the above problem needs a change at the systemic level. Marico Industries, a major consumer non-durables maker is having a flat organizational structure comprising five reporting levels and seven compensation grades. However since moving from one level to the other by promotion involves a long wait, Marico has consciously tied growth to lateral movement between functions, ensuring one such move at intervals of three to four years.
- At Philips, the major electronics and lighting product manufacturer, the process of countering obsolescence at the middle level is through formal management development programmes. The Company starts with a diagnostic process to track middlescence (mid-career obsolescence). After defining job profiles of the key functions at the Divisional and Unit levels, Controlling Officers (Top Management Team) assess the training and development needs of each middle level Manager in terms of knowledge level, skill level and potential for holding higher level responsibilities in future, so that action plans are evolved for career planning and development.
- Crompton, the electrical products manufacturer, uses training as an enterprise-wide solution, as Manager's Careers and skills start plateauing. Each Middle Manager spends 5% of his time in the workplace on training, participating in as many as 21

training programmes which range from Total Quality Management and Business Process Reengineering to leadership and Team building.

- With the above objective of revitalizing Middle Managers, each Company employs different strategies. FACT has been no exception. As on 1.1.1996, the distribution of Managers between senior and middle levels of Management and the average age of Managers in each cadre was as below.

Cadre	Designation	No. of Managers	Average Age
Senior Management	GM	16	56 yrs
	DGM	30	55 yrs
	Chief	61	54 yrs
Middle Management	Dy. Chief	113	53 yrs
	Manager	252	48 yrs

The large number of Managers at the middle level with an average age of 50 years had affected the flexibility and dynamism of FACT in meeting the challenges of the competitive business environment. Lack of promotional avenues had also created a feeling of frustration and demotivation among these Managers. FACT has to therefore seriously consider the following strategies to combat middlescence.

- Provide training to equip the middle Manager for assuming new roles
- Create challenging assignments in order to break the monotony of stagnating in the same job.
- Offer membership of Task Forces and special purpose teams to tap their vast experience.
- Provide the role of a mentor and trainer within the Organization for new recruits and
- Offer opportunity for Job rotation and lateral movements for enriching experience and to equip for higher responsibilities.
- Provide facility for outplacement.

The extent to which Delayering is attempted in an organization depends on the nature of outcomes sought to be achieved by the change process; whether it is improvement in organizational productivity, reduction in manpower or both. The more visible impact of Delayering is a flattening of organization structure with few levels of hierarchy and reduced

number of employees. Decision making becomes faster in a delayed set up with improved communication, role clarity and empowerment at lower levels. The Organisation's readiness to respond faster to the challenges of a competitive and changing environment increases. There is a general toning up of the organization resulting in improved performance and higher employee morale. However, there is also a negative impact of Delaying due to downsizing. A flatter, leaner organization needs less number of people to manage. Consequently there is a threat of lay off, retrenchment, lateral transfers, VRS, retraining and redeployment of excess personnel. This is more so as human resources management strategies like job transfers, retraining and task re-assignments consequent to Delaying may not be often feasible in Indian Organisations in the present competitive environment where speed is the essence and the need is to reduce the unit cost of production by improvement of labour / managerial productivity. Japanese Companies that honour lifetime employment on the other hand, have always used HRM strategies like redeployment, task re-assignment etc. with ease after Delaying. In such a society where there is no threat of displacement once you are employed, Delaying or such major change processes need not necessarily evoke a negative response as life time employment is part of the organisation's commitment to its employees. But Indian Organisations struggling for survival in the present competitive environment can ill-afford this strategy atleast in the short term. The negative impact of Delaying has been therefore much more pronounced in Indian organizations than elsewhere. The example of companies like Proctor & Gamble that used Delaying as a means of cost reduction exercise had been a merciless pruning of the number of layers that add no real value to the organization and consequent reduction in manpower by implementing various employee separation schemes, including VRS (Nina Jacob, 1996).

Part II

Organizational Change and Managing the Transition

6.2.1 In the implementation phase of Delaying, the transition period is more crucial and the accomplishment of the organizational outcomes depends on the effectiveness with which the change process is managed. The Transition begins from the time the Approach

Paper on Delaying was presented to the managers for initiating discussions and ends when the implementation is carried out in all the Divisions of the Company and the new system gets institutionalized.

6.2.2 Organizational change in FACT was driven by external environmental pressures and internal triggers for change. The process of change initiated in the organization in 1993 was an attempt by the management as part of its strategic management effort for ensuring a degree of 'fit' between the organization and its operating environment. Allaire and Firsirotu (1985) have developed models of organization-environment linkage depending up on the degree of 'fit' and has identified four different scenarios of fit. In case 1, the firm's strategy is well adjusted to its present environment resulting in good performance. This scenario (situation in FACT in the beginning of 1980s) is characterized by 'Harmony and continuity'. Here the future is an evolutionary predictable version of the present, so that the firm is able to plan, prepare and change in an incremental manner. Firms coming under case 2 have a strategy which is inappropriate to the present environment resulting in poor performance (situation in FACT in the late 1980s). Though the future will be fundamentally different, it is expected that the existing strategy will hold good. This then is a case of 'Temporary misfit'. In the third scenario, the firm is well adjusted to its current environment and enjoying success, but predicts that in the future, the environment will radically change (situation in FACT in the early 1990s). To meet these challenges, the firm must change and planned organizational change and development becomes necessary. This scenario is characterized by 'Transformation or Re-orientation'. The last scenario - case 4 represents a situation where there is misalignment in the current environment and in future also (situation in FACT in the late 1990s). Here there is a need for 'Revitalization' or 'Turnaround'. Of the above, the situation in FACT prior to Delaying is characterized by case 3. However, as discussions on restructuring the organization progressed, with passage of time, the scenario changed to a crisis situation characterized by case 4.

6.2.3 Triggers of change

The Ashridge Management Research Group survey carried out in 1989, had investigated the 'Triggers' that stimulated organizational changes (Willey, 1989). These triggers fall into two main groups and occur,

- When 'bad news' from the environment in terms of declining profitability or loss of market share finally percolates the organizational consciousness.
- When an assessment of potential threats and opportunities results in proactive action.

In FACT also, the external triggers were mostly the increased competition and resulting loss in market share, underutilization of staff, and threats foreseen. However, Internal factors like employee demands, top management changes etc also contributed to change in FACT. It is seen that major change initiatives in FACT have always been associated with the arrival of a new Chief Executive. The Delaying effort was no exception. Kotter and Hesketh (1992) have pointed out how major cultural change with in large organizations is often created by the appointment of CEOs who are either outsiders or unconventional insiders. They could diagnose the organizational deficiencies more clearly and to take decisive action in the form of either breaking accepted norms and systems or radically downsizing and Delaying the organization. In the case of FACT also, the influence of new CEOs (The Finance Director, Mr. P P Vora who was acting as CMD during 1993 and later the home-grown CMD, Mr. Abraham Thomas) were mainly responsible for initiating the major change process called 'Delaying'. The past history of the organization also indicates that the remarkable turn around that took place in FACT during 1983-89 had happened with the change in the leadership of the Company. Mr. N.B. Chandran, the new CMD who was appointed in April 1983, had taken charge of FACT with an accumulated loss of nearly Rs. 72 crores. "By 1987 December, FACT presented an unusual story of a turn around in Public enterprises, from a totally written off position, to emerge as a vibrant organization with a very positive image not only in the immediate environment, but also in the country" (J. Philip, 1990). The Ashridge Survey (Wille, 1989) points to the various types of changes and has found that the most common organizational changes were those involving organizational structures or cultures followed by various market - focused or people issues. The changes initiated in FACT under 'Delaying' also covered all areas under Structure, systems and Culture. The impact of the external environmental factors and the internal

triggers of change had led to the organizational changes affecting the structure and culture of FACT. These factors also influenced various issues concerning human resources, thereby making changes in the systems also imperative.

6.2.4 Resistance to Change

As long as 'change' is viewed as an 'abnormal' disturbance to the equilibrium of organizational stability, a certain degree of resistance is natural. The actual experience of implementing the change in FACT shows that this resistance was more a continuous rather than an either/or phenomenon. Managers displayed a range of intermediate responses from the extreme case of enthusiastically embracing and welcoming change, to the outright rejection and strong disagreement to the proposed changes. As could be naturally expected, the resistance was more when managers were unable to appreciate the need for change. It was also more in cases where managers perceived comparatively less benefits due to the Delaying exercise being carried out. Officers in the uppermost grades in each layer at the time of implementation of Delaying (ie. APM in layer 1 and Dy.CM in layer 2) were the ones less benefited and hence the most vocal in expressing their dissatisfaction. The resistance to change was seen to be more when employees are unable to see the need for change (Ralph Stacey, 1993). Even if employees 'own' the need for change, they may be constrained by an inability to act appropriately because of fears of the unknown. These fears are associated with redundancy, retrenchment, redeployment, different working conditions, new skill requirements, decreased job satisfaction, higher performance standards, or simply the uncertainty of the unknown.

The pre - delaying survey carried out during awareness building stage had clearly established that the Officers perceived the Delaying and restructuring efforts initiated by the management as a step in the right direction. 94% of the respondents opined that the restructuring exercise and consequent reduction in manpower will make the organisation competitive. In the survey carried out to assess the organisation's readiness to change, almost 100% of the management representatives and 50% of the representatives of the officers' forums attributed the 'changed economic scenario' as the main reason for Delaying. The management and the representatives of the Officers' Forums were unanimous in their view that 'stagnation of the managerial employees' is the other major factor contributing for the change. 80% of the officers and representatives of the Forums

had also agreed that Delayering would help the company to diversify and grow. The indications are that the employees of FACT in general were aware of the need for change and they 'own' it to a great extent. At the same time the increased percentage of 'not sure' responses to the statements like, "My work load will increase", "There will be change in the nature of work", "I may become surplus" etc. points to the fact that the managers still hold lot of apprehensions about the Delayering Scheme and are afraid of the unknown as explained by Ralph Stacey. It is therefore necessary that the management continue with the communication process even after the implementation of Delayering. To facilitate this, it is suggested that the task forces already constituted continue to function at the corporate and divisional levels and undertake the responsibility of taking the scheme forward, sorting out issues that may arise so as to achieve the overall objectives of the Scheme.

The approach adopted in FACT was to get the majority of the employees involved in the change process - at the stages of problem diagnosis, solution identification and planned implementation, so that they 'own' the need for change, the change process its strategy and work towards making it a success. The FACT model for managing the change process has been based mostly on the 'Phase model of change' provided by Philips (1983) which was derived from McKinsey consulting practice, involving four phases. The first phase consists of creating a sense of concern throughout the organization. While senior management may be aware of the potential threats or opportunities in the environment, the same level of awareness may not be there at the lower levels. In FACT, with a work force of around 8000 employees including 2400 managers, communicating the top management perceptions throughout the organization was time consuming and practically difficult if the formal channels of vertical communications alone were adopted. Hence the approach adopted was to hold a number of interactive sessions with senior management personnel at divisional and corporate level and with members of the Officers' Forums and Trade Unions to use all channels of communication - vertical and horizontal both formal and informal, so that all employees are convinced of the need to change.

The second phase consists of ensuring commitment to change. Here the sense of concern developed in the first stage was focused and canalized towards specific actions and programmes. Circulating an 'Approach Paper' on delayering, initiating discussions with all levels of management including representatives of Officers forum and Trade Unions,

conducting a pre-delaying survey and making a pilot study at the Udyogamandal Division were all intended to provide further details about the change programme to the employees on how the delayed system will work in actual practice. It was also aimed at providing a working model to the managers for assessing the likely impact of Delaying on various organizational aspects. This was the central thrust of the second phase of the change process.

The third phase comprised of pushing major change on a number of fronts simultaneously by carrying out an organization-wide implementation in all divisions of the Company and continuing discussions with the managers and Officers' Forums also in parallel. This approach was adopted to sort out problems that surfaced during the implementation phase then and there. It was also intended to identify specific problems related to Departments / Division / Employee categories and to arrive at a solution so that the requirements of all Divisions/Departments /Functional areas/Categories of employees are taken care of. Further, by doing so, it was possible to get the support and co-operation of all categories of managerial employees for the successful implementation of the Delaying programme.

The final phase of the change process was the reinforcement of the new sets of learned behaviour and the new organizational culture . Since change is an on-going process, this phase was intended to providing the necessary impetus for further change in the Company so that the organization responds dynamically to the changing environment.

6.2.5 The Levers of Change

Leavitt (1964) has identified four levers of change- People, technology, tasks and organization. The focus of change efforts can be on people - by reducing staff, redeployment of staff or retraining staff. It could be through introduction of new technology or work methods, and also by combining tasks, eliminating tasks through job analysis and job redesign. In the organizational area, managers can make changes in organizational structures, systems and procedures. In the case of Delaying in FACT, the intervention was basically in the organizational area. However, changes in any one area is linked to all the other three areas. Thus, first order changes in any one area may trigger off secondary and tertiary order changes in the other areas. For example, restructuring through Delaying has changed the job content of various tasks, the reporting relationships and style of functioning of managers, affecting all the four areas.

Part III

Recommendations

6.4.1 In the above background, the following recommendations are given to enable FACT to derive maximum advantage from the delayering efforts.

- **Further awareness building efforts to continue:**

The post - Delayering survey carried out in FACT indicates that there is significant improvement in lateral communication among peer levels after delayering. The response from the Junior and Senior Management level also supports this view. However, the Middle Management level is yet to feel any positive impact on lateral communication and increased peer group interaction due to Delayering. During interviews, they had clarified that the culture of team working is yet to take root in FACT and lateral communication would improve only when managers learn to work in teams. At the same time, they agree that Delayering can facilitate team working and can in turn lead to improvement in lateral communication. According to some managers, though a minority, lateral communication, especially cross-functional communication may weaken the authority structure in the organization. This is a reflection of the fact that middle level managers still have a feeling of insecurity and loss of power after delayering which is to be corrected by further awareness building efforts. This also points to the need for strengthening the teamworking and networking with in Work Teams and Supervisory Teams. The Top management should also be organized into teams to derive the benefits from delayering.

- **Empowerment is yet to happen and requires focused efforts:**

The responses from the managers indicate that empowerment can be successful if there is top management commitment to the philosophy and the employees are prepared for 'accepting' empowerment. In the case of FACT, the management expectation was that 'empowerment' will take place as a corollary to delayering and will be welcomed by the managerial community as the structural change initiated through delayering will provide the enabling structure and climate. However, the survey reveals that, though restructuring adopted in FACT has facilitated empowering Managers at the lower levels to some extent, Delayering as implemented in FACT has not been helpful in creating a truly empowered organization.

Delaying however, has been helpful in facilitating empowerment by removing some of the barriers to it. To create an empowered organization, it is necessary to change attitudes and behaviours, and to provide people with the right skills to function in the new structure. All these would take time. The findings of the survey reveal that a flattened, delayed organization by itself will not make an empowered organization, unless empowerment of employees is taken up as a process by itself. Though the objectives of delaying in FACT as enunciated in the Approach paper circulated by Management involved both cost-cutting and empowerment, as Bernard Taylor of Henley Management College observes, these two motives for delaying can be in conflict in some organizations. If an organization has to cut costs and get rid of staff, may be it is a wrong time to introduce an empowerment initiative. The environment may not be supportive enough and people will be terrified of taking risks. As Bernard says, " A company must get the pain out of the way and then set about making a positive future for the remaining people". Now that delaying has achieved its primary objective of reduction in the number of personnel, FACT should make the delayed structure work, through empowerment of employees at all levels.

- **Training programmes need to be re-oriented:**

The survey findings indicate that structures can only be effective if people working in them have the required skills to make use of them. It was observed that very little effort has been made in building and operating empowered teams in FACT. Also there were no focused efforts for changing the behaviour of Managers through training in the new system. This has been a deficiency which has affected the effectiveness of delaying in FACT.

- **There is a need for changing the mindset of managers :**

An analysis of the response to the survey leads one to think that the organizational culture in FACT is to be more supportive for the success of empowerment. Managers who want the security of having some one tell them what to do and when to do it, resist empowerment. In the same way, senior and middle level managers with a high power need are reluctant to give up the control they had enjoyed for long. Hence attitudinal change is seen as a necessary ingredient for the success of empowerment. In FACT, the cultural conditioning has been a barrier to readily embrace empowerment. Another requirement for success of empowerment is that the employee is trained to acquire competence to take decisions whenever the need arises. The primary pre requisite for decision making is the capability to take decisions and the

knowledge needed to understand the problem / issue. All these mean that the Manager needs to be trained and equipped with the new capabilities. Decision making also means that the decisions are taken within the framework of the organisation's objectives and values. In empowered situations, decisions are taken in dynamic conditions and therefore precedents are not important. While previous experience may provide invaluable learning, they are not the basis of the present decision. In contrast, for a PSU like FACT operating under multi-level controls of the Governmental Agencies, decisions are required to be taken following established rules and procedures only. Empowerment cannot be a reality in PSUs unless the PSU managements are given autonomy to function independent of the bureaucratic controls. When even the top management of the PSU is not empowered and continues under the shackles of Government control, how much empowerment can one expect at lower management levels? This is not an issue peculiar to FACT alone, but to the whole PSEs in the Country. Empowerment is a self-regulatory mechanism of exercising organizational power. Unlike procedure-oriented and regulatory delegation, empowerment enables self-regulation. According to Talithaya, in an empowered organization, "the individual is enabled to be his own master. The only limit being that he will operate within the norms of the organization and in furtherance of the organisation's mission". Though delayering has provided an enabling structure and the required systems for empowering Managers in FACT, going by the survey findings, it would take a number of years to change the public sector culture in which FACT is presently in and to bring about changes in the mindset of Managers. Till that time true empowerment would remain only as a dream in FACT. The results of the survey are found to be supporting this view. Hence to derive maximum advantage from the delayering exercise, FACT should envision an effective method for changing the mindset of Managers through continuous training and development.

- **The organization should strive for market orientation :**

Has the structural change effected after Delayering facilitate empowerment of the front-line marketing executives of FACT? Has Delayering contributed to efficiency in the marketing operations in FACT? Has Delayering in FACT facilitated giving every employee the much needed market orientation, to survive and grow in the present competitive environment? These are questions only time can answer. One of the expected impacts of Delayering in the Marketing Division is the improvement in the speed at which customer needs are attended to. During

interviews with the Senior Managers in the Marketing division positioned at Head Office, the general view expressed was that there has been a 'shaking up' at all levels in the marketing set up. However, they do not attribute this fully to the Delaying efforts, but to the environmental pressures resulting from competition and the additional demands placed on the marketing team to satisfy and retain customers. They do not see any perceptible change in their decision making powers, as a result of Delaying. The Regional Managers opined that, in the Marketing Division, there was a system of delayed working even earlier to the introduction of Delaying in the other divisions of the Company and the new system has not brought about any major change in their functions or job content, except that their career growth prospects have improved. To many of them, the main advantage has been the additional promotional avenues, which would motivate them for better performance.

- **Decisionmaking skills of junior and middle managers to be further honed:**

By cutting on middle management ranks, it has been possible for organizations to push decision making down to lower levels of management. But whether managers in FACT consider this as an opportunity or as a burden is yet to be seen. The results of the survey has indicated that, structural change alone will have little effect on decision making styles of managers without a strongly shared organisation culture. Structures can only be effective, if people working in them have the skills to make use of them. In a flat, empowered structure, individuals are required to use different skills other than what they have been using so far. One of such new skills, managers will be called up on to use is 'Decision-Making'. It is expected that the delayed system would demand much faster decision making and that too from lower levels. And, over the years the Junior level managers will also develop the required skills to be more effective in their jobs. This may take time and is a long-term benefit FACT may derive through Delaying.

- **Trust and openness between Appraisers and Appraisees to be improved:**

Another aspect observed in FACT system is that, the self-appraisal is used for the limited purpose as an input for performance evaluation by the Reporting Officer and is not made use of in the Appraisal interview. Most of the Reviewing Officers reported that they do not want to use the information for Appraisal interview as there are a number of areas of conflict and mismatch between the assessments made by the Appraisee and the Appraiser. They also opined that they would prefer not to have the Appraisal interview, if given the choice, as such

interview sessions can have only a negative impact on the subordinate's performance and on the superior-subordinate relationship especially in the culture prevailing in FACT. Unless a high level of mutual trust and confidence characterizes Manager-employee relationships, it is unlikely that individuals will be able to participate in a positive way, without feelings of threat and hurt in an appraisal scheme that uses Appraisal interview. The Research findings indicate that the greater the extent that the Manager adopts the role of helper and shows respect for the employee as a person, the higher the degree of employee satisfaction with the appraisal process (Nemeroff and Wexley, 1979). In this background, it is felt that trust and openness between appraisers and appraisees need to be further improved for effective self-appraisal and performance evaluation to take place in FACT.

- **The feedback system to be further reviewed:**

The response from majority of the Managers to the post-delaying study was that "the system of giving feed back on performance provides an opportunity for improvement". This response was borne out of the feeling that "something is better than nothing". In FACT, the situation prior to delaying was that the Appraisees were kept at dark about their performance rating and only in 'unsatisfactory' cases, communications on performance rating was given. However, there was no facility for appeal. The environment lacked openness and trust. Appraisers were considered as adversaries rather than a coach or guide. Getting a 'communication of Adverse Remarks' on PA was the most dreaded experience as the Manager is likely to be branded as a 'poor performer' or a target for management wrath in the impending DPC. It was an indication that the future of the employee is 'written off' and either he/she has to accept the situation as it is and withdraw from the main stream or become a frustrated Manager exhibiting all militancy and anger, if one can muster the support of the Officer's Forums. Some Managers may take it as a 'licence' for non-performance in future. All these had made the change in the feed back system implemented along with delaying as a welcome step to motivate Managers. The positive feelings towards the system of feedback is seen to be borne out of the strong negative feelings the appraisees held about the old system and their perception of an improvement in the new system in comparison with the old system. However it is felt that there is a need to further refine the feedback system in FACT to make PA a tool for improving the current and future performance of the individual.

- **The system of Appraisal Interview to be re-looked into:**

The Feed back on performance is essential for improving performance. According to Ken Blanchard, co-author of the one minute Manager series and chairman of Blanchard Training and Development, "The way feed back is delivered can have tremendous impact on its receptivity" (Blanchard, 1998). Is the feed back given as per the revised PA system in FACT to the Appraisee on 'performance categorisation' adequate enough for performance improvement? Considering the present trend in organisations to have more openness in appraisal, are the appraisees satisfied with a formal communication of their final 'score' alone as against a detailed discussion on their performance, strengths and weaknesses and Training needs through a performance interview?. These are some of the questions for which satisfactory responses could not be obtained from the FACT managers. To most of them, communication of the final grading alone is necessary rather than an appraisal interview since the employee has an opportunity to appeal and can get the rating reviewed, if needed. They fear that in the appraisal interview, the approach of the superior will be always to justify his rating, and having taken such a position, the superior may not respond favourably to the appeal also. These are certain areas for further review and refinement in the PA system introduced in FACT after Delayering. The distinctive feature of the feed back in the FACT PA system is that the performance categorization as revealed through the feedback is linked to the career growth of the individual. The extent to which the appraisee accepts feed back, and is prepared to use it as a basis for changing behaviour, attitudes and actions will depend on a range of factors (Greller, 1980) including the credibility of the source of the feed back, the nature of the message being conveyed and the characteristics of the employee being appraised. Trust in the source is likely to be critical and will depend on the extent to which trust, honesty and openness characterize the organization culture. Mohrman, Resnick-west and Lawler (1989) has pointed out that when the source of feed back- usually the Appraiser - is perceived as controlling valuable outcomes such as salary increases, job security and promotions, the recipient is likely to respond favourably to feed back and to make changes based on it. As per the FACT PA system, the Appraisal interview and counselling is done by the Reviewing Officer in the presence of the Reporting Officer. This is to ensure that the Reporting Officer does not disown his assessment and is in a position to substantiate his rating if required. Along with this positive side, the negative side of the Counselling session in the presence of the Reporting Officer is the

embarrassment caused when his ratings are not agreed to by the Appraisee or when he has been asked to justify the rating when the Appraisee is present, especially in situations where the rating is below the expectation of the Appraisee. This situation may lead to a tendency for overrating. This may be the reason why the Appraisal interview as envisaged in the revised PA System is not yet implemented in practice. Senior Managers of FACT are of the opinion that, implementing post-appraisal counselling as envisaged in the new system has more disadvantages than advantages. Most of them, therefore, would like to maintain status quo with the pre-delaying system with regard to Appraisal interview, till the organisation climate is ready to accept openness and a culture change.

- **T & D Programmes to be linked to identified training needs:**

Effective systems of Performance Appraisal place emphasis on future-oriented, developmental objectives which include

- The identification of training and development needs
- A contract / agreement on an action -plan to develop the Appraisee and to improve performance
- Clarification of career paths and career opportunities available to the appraisee
- Counselling on career issues, relating to the appraisee's skills, abilities, attitudes to possible future jobs

The revised PA system introduced in FACT along with delayering assumes that the line Managers (Reporting Officers) have a major part to play in identifying the training and development needs and also in meeting those needs - through coaching, nominations for off-the-job training, special assignments, job redesign, job rotation etc. To what extent these responsibilities are seen as important by the line Managers is an area of concern in FACT. In organizations such as FACT, where there is a separate Department for Training and management development, it is possible that line Managers fail to fully appreciate or accept that they have responsibilities in this area. This problem can be solved by Senior Managers demonstrating their commitment to training and development of their sub-ordinate Managers, thus becoming a role model for sub-ordinate Managers at middle or junior levels. The issue can be further complicated by the problem of line Managers being ill-equipped for employee development. Line Managers may not know how to identify training needs or

how these needs, once identified can be met. Thus, lack of information on training opportunities, lack of skill in identifying needs and conducting Appraisals and inability to link identified need with appropriate training programmes contribute to the ineffectiveness of the T & D system in FACT.

- **Retraining for managers who are left behind is to be taken up on priority:**

The strategy adopted by FACT for retraining managers has to be in line with some of the best practices in industry for retraining their middle Managers for tomorrow's flatter hierarchies. For organizations like Ashok Leyland, BPL and ITC, it is reported that the middle level has virtually vanished as a result of flattening their hierarchies and the middle Managers who survived are redefining their roles within the Organisation. For those who are retained in the Organisation, the expectation from the top management has been increasing as they are now required to provide operational information for strategic decisionmaking by the Top team. This would require that they acquire multiple skills and perform a 'generalist' rather than a 'specialist' role. The middle Manager has to therefore unlearn and learn new things. He is to be retrained for multiple skills to meet the changing needs of the customer, both internal and external.

- **FACT should explore new strategies for expansion and diversification to ensure organizational growth:**

Though career growth opportunities provided along with Delaying the organization structure, can provide some relief to managers stagnating for want of promotional avenues, it is felt that FACT should explore new strategies of expansion and diversification to ensure organizational growth. Otherwise the reliefs now provided will be only shortlived and senior managers opined that soon the managerial community may find themselves in the same 'frustrated state of mind' they were prior to delaying.

- **Manpower planning for existing and future requirements is a must:**

The opening up of the economy and consequent need for productivity increase may lead to further shrinking of the organization in future. It may be necessary that FACT develops strategy for further manpower reduction for its long term survival. The resulting organizational contraction is going to affect employment levels. The managerial and non-managerial manpower will have to be further pruned down to compete in the continuously changing business environment. The organization structure would require further

flattening, especially at the top levels. As a consequence, there will be only fewer and fewer advancement opportunities. There may not be any additional requirement of new staff, if one goes by the number of personnel required and number physically available. But the quality of people and the skills required would be much different. To what extent the existing personnel would adapt to the changing requirement and equip themselves with the new skills and job knowledge is yet to be seen. While there will be redundancies and consequent getting rid of people through VRS, the company will find it difficult to manage with the existing personnel due to their inadequate competencies for handling the requirements of the new jobs. The situation will be further complicated by mass exodus of qualified competent personnel. All these would require a dynamic HRM strategy to steer the company forward. The present Manpower Planning in FACT is mostly about forecasting numbers. It provides an overall framework for assessing the number of people available, number required, identifying gaps and devising strategies to fill up the gaps. The analysis is more in terms of quantity than quality. FACT has to adopt a much broader outlook for Manpower Planning which will reflect the increasing concern to derive human resource plans from overall organization plans. But more than this, human resource plans and their multifarious behavioural consequences (for example: promotions, transfers, levels of morale) must feedback into organizational plans. This aspect is often overlooked in FACT.

- **A dynamic HR strategy needed to meet the emerging challenges:**

Liberalisation has opened up opportunities for competent people. For such people, career expectations are going to rise after delayering. It is possible that discontentment with career may manifest itself through high turnover or wastage. But not all discontented employees may leave FACT, as the comfort of the hygiene factors still weigh high when a decision is taken. Some are expected to continue as unsatisfied stayers. There could be some satisfied stayers also, though relatively small in number. Organisations like FACT are therefore going to face two sets of conflicting pressures – the organizational needs and the employee needs. These should be the core elements of future human resource planning in FACT. As Bramham points out “the essential requirement of organizations is to keep these two conflicting forces in a state of balance”. (Bramham, 1989)



- **Managing redundancy - Employees are to be prepared for accepting further downsizing :**

Managerial obsolescence, and redundancy would necessitate large scale VRs in FACT in the years to come. What is more important is to make the employees prepare for this eventuality. Swinburne has reported based on research studies on male managers and professionals that “the degree of warning or control which was given in relation to unemployment was an important factor in the intensity of negative feelings experienced, which in turn tended to affect the ease with which unemployment was handled” (Swinburne, 1981). Thus one obvious implication for employers is to give maximum information on the likely impact on employment so that it doesnot come as a surprise. Further, it might help the employee to gradually adjust to the situation, both mentally and financially.

- **Management to guard against loss of critical skills while implementing VRs**

While deciding on requests for Voluntary retirement from employees, the crucial point is the basis for acceptance or rejection. The present practice in FACT is to consider only ‘sparable’ employees for grant of VRS. When large scale reduction is required, it may not be possible to strictly comply with this criteria. A number of ‘good performers’ are likely to opt for VRS. At the same time, people whom the management would have wanted to opt for VRS, may continue with the company. This, however is an inevitable consequence of such large scale VRs observed in organizations like HMT, which had lost a number of good performers to its competitors. FACT is also likely to face the same situation in future.

- **Reducing Career Discontent- A strategy for employee retention is needed**

Despite the prevailing industrial climate and unfavourable organizational performance, the carrer aspirations of employees who are left behind are going to be high. External mobility is going to increase in the case of managers belonging to layer 1 and Layer 2, especially those having professional qualifications, like Degree in Engineering. CA/ICWA etc. External mobility can take place at higher levels also by deputation to other organization, selection through PESB, etc. Such external mobility at whatever level and however caused (voluntary or otherwise) depending upon the circumstances, is a good thing. It provides the opportunity for internal mobility also by ‘chain’ promotions. But the rate of turnover at Senior Levels in FACT is observed to be relatively less, thus reducing the scope for such

internal mobility. It is felt that FACT should seriously implement the job rotation plan suggested along with delayering for encouraging internal mobility. Lateral transfers should be carried out as a developmental activity also, rather than strictly as per organization requirement. Job enrichment should also be adopted wherever possible to provide a challenging job environment.

- **DPC procedures to be made more objective and transparent:**

The post-delayering scenario is likely to present two broad categories of employees - First, there are those whom the organization wished to lose for one reason or another. Second, there are those whom the organization sees as good performers and wished to retain, but who are seen as having no further advancement potential in the present organizational climate. These would comprise the biggest group of employees within the organization. Then there is a third category, the people the organization wishes to promote. Since there will be only fewer promotions available than in the past, organizations will have to be much more rigorous in their internal selection procedures. This would also require that the DPC procedures and also the revised PA System are made more objective and transparent.

- **Human Resource Function to play a crucial role in managing culture change:**

Elmer Burack (1991) argues that HRD has a crucial role to play in successfully managing strategic culture change. The Directors report to the share holders of FACT for the period ending 31st March 2000 recognizes this aspect as could be seen from the excerpts below:

“A motivated work force in a pre-requisite for the progress of any organization. The Company is now fully committed to this philosophy. Your company has instituted Awards for Excellence. The awards will be given to individuals / group of employees in recognition of the excellent work done by him/them in tackling a problem or undertaking a job. The first set of Awards were given on the independence day this year. The achievement of a group of employees in the Ammonia Plant of Cochin Division in setting right a major leak has won the award.....To meet the challenges in the years ahead, the company proposes to undertake rationalization and restructuring of manpower. We have approached National Productivity Council, Bangalore for a study and report on this aspect” (56th Annual report of FACT, August 2000) To make it respond to the changing business

needs, the personnel function of FACT would require a major review of its objectives,

- To support the achievement of business goals;
- To translate business plans into integrated human resource plans
- To be creative and assertive in the management of change and
- To provide an environment for performance excellence for its employees

It may be noted in this connection that Delaying in FACT was prompted by the requirement of maintaining unit cost the same after the wage revision. This objective has been achieved and the wage revision could be implemented in FACT. But the next wage revision also would require a similar approach of maintaining unit cost the same after wage revision. This would require further restructuring and pruning of manpower. The need has already been recognized by FACT and a restructuring study has been initiated. It is expected that the implementation of the proposals would help the organization to continue with the momentum of change already created by Delaying. The HRM in FACT has to take a pivotal role in continuing with the change process, by ensuring full involvement and commitment of all concerned.

- **The key role of leadership for ensuring success of the change programme to be ensured:**

Kotter and Heskett (1992) describes 10 cases of organizational transformation in the US, Europe and Japan, including well known cases of British Airways and ICI in Britain, GE and Xerox in America SAS in Scandinavia and Nissan in Japan. In all the above 10 cases, the transformation followed the appointment of an individual with a track record of outstanding leadership. In the case of FACT also, the organizational transformation of the 1990s and the impetus for Delaying was the initiative of the newly appointed Finance Director, who held the charge of the Chairman and Managing Director also. These efforts blossomed during the period of Mr. Abraham Thomas who took charge as CMD of FACT. Mr. Thomas, being a home-grown product could identify himself with the FACT employees, much more than any outsider 'CMD'. And could provide effective leadership for implementation of delaying in FACT. Mansour Javidam (1991) has identified the key roles such leaders play. The key role played by Sri. N.B. Chandran, CMD of FACT for bringing about the turnaround in FACT in the 1980s has been documented by Prof. J. Philip

(1990). Writing on this aspect of FACT's performance, a special article of Economic Times, dated February 2nd 1990 said: *"At the time when Chandran hopped into the Driver's seat, FACT had already been on the skid for several years – financially as well as operationally. Uneconomical operation of vintage plants, heavy interest burdens, the alleged inefficiency of the management and low employee morale were the four flat tyres hampering momentum. Which is why, when the new chairman claimed, at this maiden press conference, that FACT would turn the corner under him in two years time, it was dubbed as the biggest joke of the year. But the man proved his mettle with in a year*" (Economic Times" 2nd February 1990).

The strategy of the 80s was more of a turnaround exercise whereby the company has wiped off the entire accumulated losses and emerged as a profitable organization. The scenario of the 1990s was entirely different. FACT has been making reasonable profits and the growth trend in Production, Sales and capacity utilization continued. The need of the hour was to have a pro-active strategy to meet the emerging challenges of the future, due to the new economic policies of the Govt. and also the noticeable change in the attitude of the Govt. towards public sector. With the drying up of the budgetary support and reduction in the subsidies on fertilizers, new challenges were thrown open. What the company needed at that juncture was not just a turnaround strategy, but a total organizational transformation from the Public Sector culture to a dynamic, growth - oriented and customer focused approach. This could have been achieved not by the leader alone, but by the involvement of all employees. This was the challenge of the 1990s. The post-Delaying survey as also the company performance after the Delaying exercise, has indicated that the organization has been able to meet the challenges atleast to some extent.

As the company advanced through the 90s, the challenges became more complex. The need for efficiency improvement in all spheres of activity was crucial for the continued success of the organization. It was during this time that a new CMD took over the reigns of FACT. Mr. V.N Rai, with his vast experience in the Fertilizer Industry and with the back ground of Industrial Engineering took the lead to improve capacity utilization of the plants with a view to reduce the cost of production. This strategy had paid off. With the cultural change that had taken place in the organization due to Delaying and the favourable mindset of the employees, the efficiency improvement programmes resulted in establishing all time high records for production, sales and productivity in the various divisions of the company. It is

essential that the new leadership of the company should continue with the efforts of the earlier Leaders to sustain the positive impact of delayering.

- **The Employee involvement programmes to be further strengthened:**

'Involvement' implies that both the 'problem' and the proposed 'solution' are 'owned' by the employees of the company. In the case of delayering in FACT, the employees have seen and experienced the issues and problems being faced by the company which triggered a need for change. They could thus see those issues as their own problem, and not as that of the 'management' alone. They have also felt the need for a change and could accept 'delayering' as a solution to the problem. This was one of the reasons for the success of the change effort in FACT. As Philip Sadler (1995) observes, "*the best way to ensure ownership of the problem is to make clear to the people concerned how it affects them, their jobs, their future. The best way to ensure ownership of the solution is to invite people to share in the process of developing it*". Generating ownership of the problem and solution has not been difficult in the case of delayering in FACT as it was agreed upon before the change programme itself that there will not be any compulsory redundancy as a consequence of the proposed changes. This strategy had paid off. During the four years of managing the change process, the core philosophy for implementing change was to spread ownership and involve as many people as possible, individually and in groups. The involvement of the officer's forums and the management strategy to use them as 'change agents' to propagate the philosophy of delayering and explain it to their members reinforced the confidence of the employees about the usefulness of the scheme to the organization and to themselves. Understanding the politics of organizational change and utilizing the powerful counterforce that would resist organizational change, to facilitate change has been the most potent contributing factor for the successful management of the delayering process. The management strategy of delinking the change from 'job losses' has removed the fear and anxiety associated with change, to a very large extent. This also had created an environment conducive for accepting the change, facilitating smooth implementation of the change programme.

- **A strategy to overcome the barriers to change to be evolved:**

Effectiveness in achieving the objectives of the change programme, depends on overcoming the barriers to change on a continuing basis and FACT should adopt the following approach to overcome the resistance to change in the long run.

- Persuading employees to understand the need for change by clear organizational communication, especially in the deteriorating financial position of the Company
- Giving them a feel of the external environment, the impact of the economic policy changes on FACT by presentations at corporate and divisional level, supported by dissemination of data on the current performance level of the company and the expected level to become competitive in the new emerging business scenario.
- Communicating to the employees the management's concern for ensuring 'no job loss', 'no retrenchment', 'no -compulsory VRS', and at the same time improved career advancement opportunities and higher productivity.
- Consultation with senior managers and officers' Forums at each stage, at the corporate and divisional levels to clarify doubts, remove apprehensions and to establish an environment of productive culture, based on mutual trust.

FACT needs to articulate a new vision and translate the vision into action:

In the Director's Report to the share holders of FACT, Sri. V.N Rai, the CMD of FACT has outlined a new vision for the company that guide the future strategy : *"Our vision is to empower the Indian Farmer to face the challenge thrown up by globalisation by producing and distributing agriculture inputs required by them at globally competitive rates and also to develop fertilizer technology for the country based on indigenous resources. We shall also endeavour diversification into high growth areas which are absolutely essential to ensure growth and financial leverage for the company"* - (56th Annual Report of FACT, August 2000). The purpose is to create a shared vision and a sense of mission among all employees of FACT about the ultimate goal of the company and the values for which the organization stands for.

Prahalad and Doz (1998) had studied 16 cases of strategic redirection - some successful and some failures - and concluded that the appointment of a new key executive bringing a different vision was a necessary but not sufficient condition for success. In other words, to develop a radically new mindset or paradigm is a difficult process. However, for a Chief Executive who has no ownership of FACT's existing structure or culture, it is possible to take the lead, develop a vision and seek subsequently to share it with others and to spread the ownership. When the organization has scaled new heights in performance after the delayering efforts and the employees have experienced the pleasure of success, launching a new vision by a top-down approach is likely to achieve success. However, it requires

Careful planning and preparation. The approach adopted by the new CMD of FACT to announce the Mission through the Annual Report of the Company has a sequel to the British Telecom's 1989 Annual Report which states: "*British Telecom's mission is to provide world class telecommunications and information products and services and to develop and exploit our networks at home and overseas*" Campbell (1990) advocates that the mission ideally should appeal both to the minds (strategy) and the hearts (cultural values) of the members of the organization. They point to successful companies such as Marks & Spencer, in which strong values are combined with a clear sense of strategic direction and purpose and in which people know what standards of behaviour are expected of them. To translate the new vision to action, FACT needs to create a sense of mission. This involves specifying the PURPOSE, Developing appropriate STRATEGY, specifying the behaviour standards and values that guide the organization. These four elements are to be combined to develop a strong sense of mission as demonstrated by the Ashridge Mission Model.

- **FACT should guard against the forces of relayering :**

The objectives of Delaying have been many and varied. Shaw and Schneier have identified Speed in decision making, Improved communication, Reduced Costs, Increased Responsibilities, Decrease in bureaucratic dysfunctionalities, Improved cycle time, Increase in autonomy and Greater empowerment as the major objectives of Delaying (Nina Jacob, 1996) The Delaying in FACT was also aimed at similar objectives. However, Organisations that have implemented Delaying with these objectives have observed varied outcomes. While there are success stories as recorded in the General Electric case, there are equal or more number of failure cases. Experience of various companies have shown that often Delaying had resulted in decreased morale and job satisfaction due to job insecurity. Consequently there is a decline in productivity also. In this context the observations of Holbeach, based on his extensive research on Delaying is worth mentioning: "*The decision to delay is evidently not working in many organisations with the result that some are deciding to "relayer" although not openly*". (Nina Jacob, 1996). This observation points to the fact that, to be successful, the Delaying exercise should be taken up with the full involvement of the concerned personnel and should be monitored for its impact on the employees and the organization.

Chapter 7

Developing a Heuristic Model for Managerial Motivation and Group Effectiveness

One of the objectives of the Research Project was to generalize the findings of the study to draw inferences that will facilitate developing a heuristic framework that depict the causal factors that contribute to managerial motivation and Team effectiveness in FACT and their inter relationship. In this chapter an attempt has been made to relate the findings of the study to the theory of managerial motivation and Group effectiveness.

The details are presented in five parts as below:

Part I - Implications of the findings of the FACT study to the theory of managerial motivation. Here, the established theories of motivation are examined in the context of delayering, to see whether the motivators as identified in these theories hold good in the post-delayering scenario in FACT.

Part II - Generalising the findings and developing a Heuristic model for Individual/Group effectiveness. Here, the causal factors that are identified as contributors to group effectiveness are analysed along with their inter-relationships to develop a framework that explains the improvement in organizational performance in FACT after delayering.

Part III - An analysis of how the FACT model compares with the existing body of knowledge on the subject. This part compares the findings of the study with the framework developed from previous studies on the subject with a view to support the inferences from earlier studies and also to bring out any deviations observed.

Part IV - FACT model - Cross- cultural comparisons: Here, the FACT model is compared with the Volkswagen model to bringout the commonality in approach. A cross-cultural comparison is also made.

Part V - Areas for further Research. This part opens up new areas of research as the generalized model for performance improvement and the hypotheses evolved need to be further tested in organizational settings

Part I

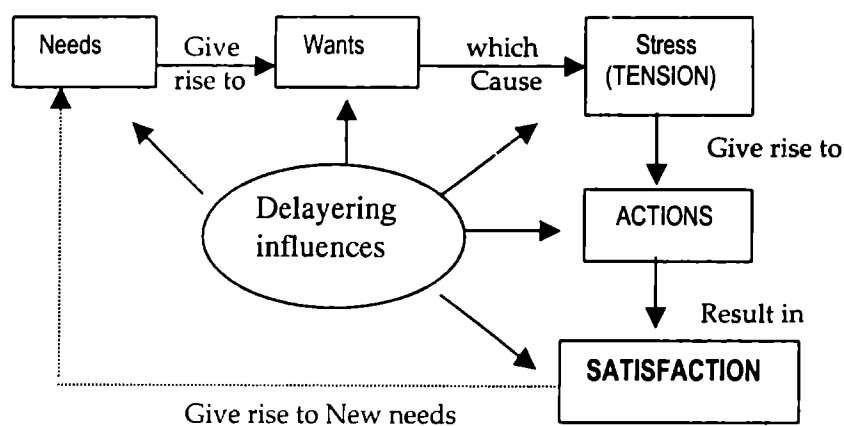
Implications of the Findings to the Theory of Managerial Motivation and Group Effectiveness

7.1.0 Motivation and Team performance in the context of Delayering

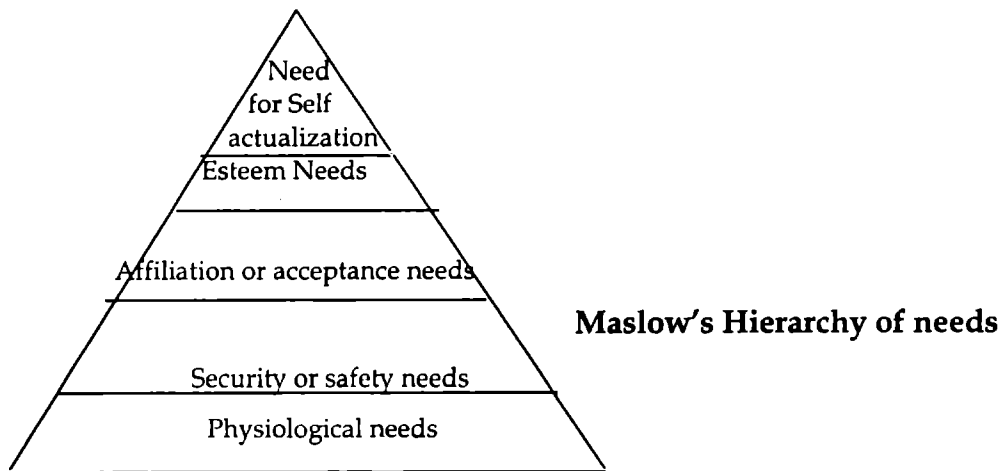
The contributing factors for motivation as perceived by the managers and the inter-relationships among these factors are examined in relation to the various models and theories of Motivation. The Maslow's Need hierarchy theory, Herzberg's Two-factor theory, Vroom's Expectancy Theory, Lawler and Porter model on Managerial motivation and Adam's Equity Theory of motivation are examined in the context of the

post-delayering survey findings with a view to explain the higher level of motivation and job satisfaction and improved performance of lower and middle level Managers after delayering. It is observed that the approach adopted in FACT for Delayering has been in line with the 'positive reinforcement on behaviour modification' theory developed by Psychologist B.F. Skinner. The restructuring and redesigning of jobs based on the principles of Job enrichment, Job enlargement and Job rotation; the Team working and Inter-changeable role concept introduced in the organization as part of Delayering; the performance-linked career advancement plan that enables setting targets and directing one's energies to achieve them and the feedback on performance have all been perceived by Managers as factors contributing to higher motivation and improved organizational performance after delayering. The findings of the Research indicate that the need-want satisfaction chain is greatly influenced by the new organizational environment created after implementation of delayering and delayering has the potential to act as a catalyst for enhancing managerial motivation.

7.1.1 Motivation can be viewed as a process involving a chain reaction where Delayering acts as a catalyst. Felt needs give rise to wants or goals sought, which cause stress (i.e. unfulfilled desires), which in turn give rise to ACTION for achieving goals, resulting in Job satisfaction. This need-want satisfaction chain is greatly influenced by the new organizational environment created after implementation of delayering in FACT as shown below :



7.1.2 The basic human needs have been explained by Psychologist, Abraham Maslow in the form of a hierarchy ascending from the lowest to the highest in the order of importance as shown (Abraham Maslow : 1954) in chart below:



Maslow has concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator. As far as managerial employees in FACT are concerned, the first two sets of needs in the hierarchy i.e. Physiological needs and security or safety needs are more or less satisfied. What is more relevant for managerial motivation in FACT is therefore the higher order needs i.e. Affiliation or Acceptance needs, Esteem needs and self-actualisation needs. Since the organizational environment and culture have a major influence on the manager's perception of these secondary needs, Delayering can influence these secondary needs and enhance managerial motivation to the extent it can influence the organizational climate and culture.

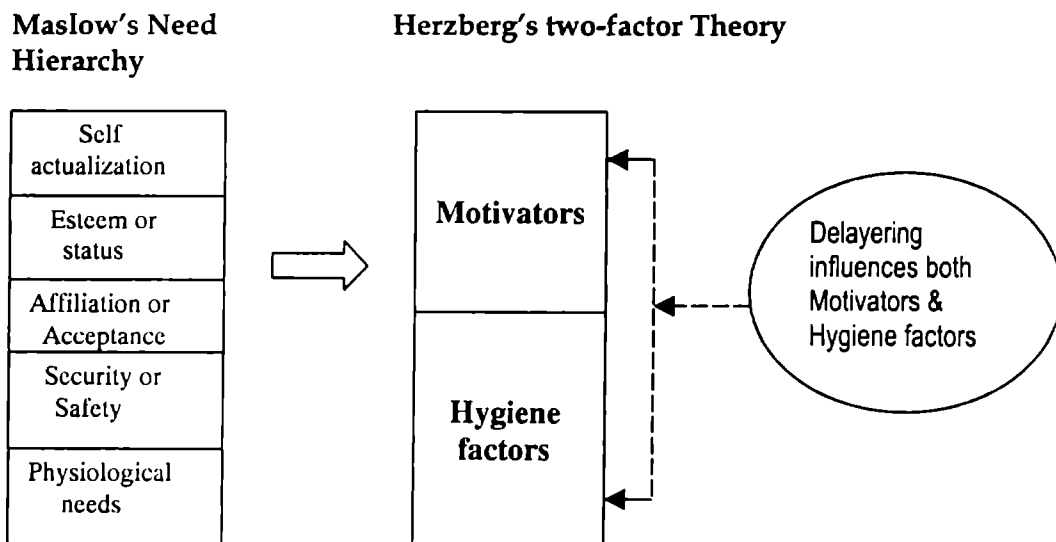
7.1.3 The response from 65% of the Managers indicates that Delayering has been helpful in improving the organizational climate and the work environment has become more conducive for performance after delayering. In the pre-delayering scenario, the Organisational climate was perceived to be more of restrictive nature, with little freedom for participation and involvement. Team working at the middle and junior levels was rare as a system of centralized control prevailed. Communication was restricted through the downward and upward channels only and lateral communication was virtually absent. Participation in decision making was not encouraged. In contrast, after Delayering, Managers have perceived the organizational climate much more conducive to work performance. This view is shared uniformly by

the Senior and Junior levels of Management, though in the case of Middle Mgt. Level, 46% did not agree that the organizational climate has improved after delayering. Further analysis of data collected during interviews with these middle level managers revealed that, to many of them the change over to the Delayed System had been painful due to their perceived loss of power and prestige within the Organisation. They performed the role of Dept. Heads in the pre-delayed system and had grown in the public sector culture that allowed little freedom and participation in decision making to their subordinates. To them, the Delayed System has naturally caused more discomfort than opportunities. Their negative response however, does not diminish the usefulness of delayering to the managerial community in general, as majority of Managers in FACT still perceive a positive impact on the Organizational Climate due to Delayering.

- 7.1.4 Research studies have shown that the performance of an Organisation is influenced by the Organisation culture, as the organisation's culture affects the way the managerial functions are carried out. *Corporate culture is the pattern of shared beliefs, attitudes, assumptions and values in an organization which may not have been articulated, but in the absence of direct instructions, shape the way people act and interact and strongly influence the ways in which things get done* (Michael Armstrong, 1994). Managers would generally prefer to work in an Organisation in which one can participate in the decision-making process, one is evaluated on performance criteria rather than on the basis of subjective factors that are unrelated to job performance, one has open communication channels in all directions and has the opportunity to exercise a great deal of self-control. The findings of the study indicate that delayering can also be used as a tool for influencing Organisation culture, thereby contributing to managerial motivation. The response of 62% of the Managers to the Post-delaying survey in FACT support this view. The category wise analysis showed that Senior and Junior Management levels could see the change more positive and pronounced compared to the middle level Managers. The reason appears to be the same as in the case of their response to organisational climate.
- 7.1.5 Though the dependency of managerial motivation on organizational climate is clear from the responses of Managers who participated in the survey, it is felt that Delayering by itself cannot influence the organizational climate unless the Senior Management team

creates an environment in which lower level Managers perform willingly and effectively. This depends to a great extent on the leadership styles. Designing an environment for performance would require goal setting, developing strategies to achieve the goals and streamlining the systems and procedures. It is also necessary that Managers are provided with the feedback knowledge for effective performance. The new performance appraisal involves goal setting and links reward to performance. The system provides for a feedback on performance contribution of each employee also. As such, it is seen that the Delayered System in FACT was designed to take care of the above aspects.

7.1.6 According to Frederick Herzberg, the factors like organisational climate and culture are 'maintenance', hygiene or job context factors (Frederick Herzberg: 1957,1959). Company Policy and administration, supervision, working conditions, interpersonal relations, salary, status, job security etc. are found by Herzberg to be only 'dissatisfiers' and not motivators.

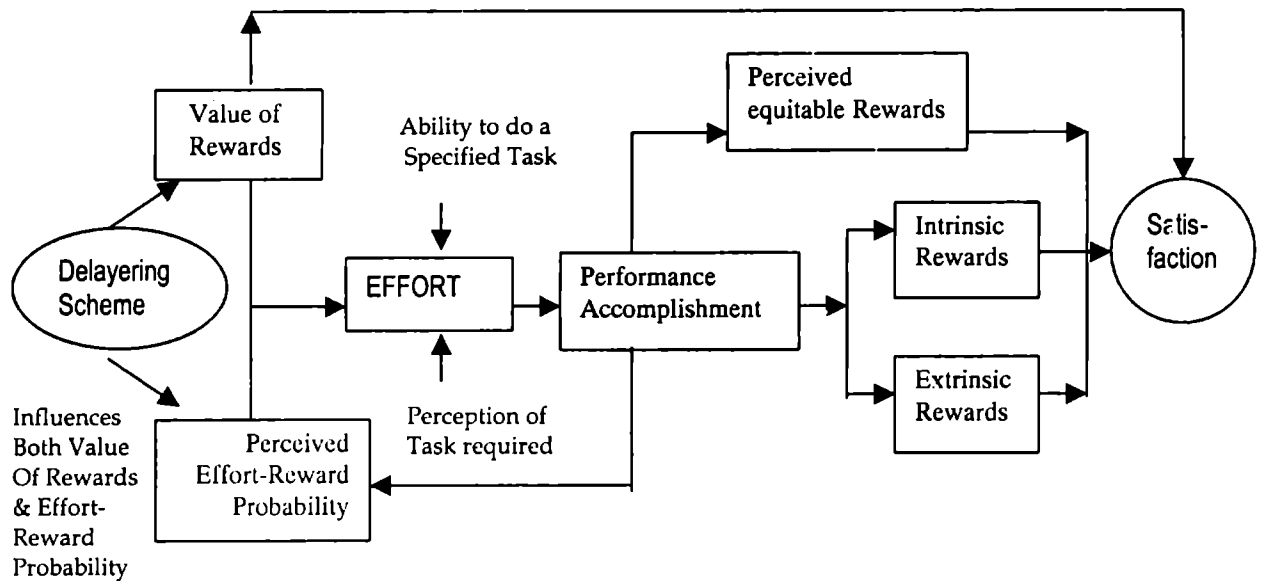


The other set of factors, called 'satisfiers' or 'motivators' that provide satisfaction are related to the Job content. They include achievement, recognition, challenging work, advancement and growth in the job and career. The Delayering approach adopted in FACT has taken care of both the Hygiene factors and motivators as shown in the model above.

7.1.7 One distinguishing feature of the Delaying Scheme implemented in FACT is that it recognizes the importance of individual needs along with organizational needs. This approach is more realistic as individuals do have personal goals different from organizational goals, and that these goals can be harmonized, rather than being divergent. Another important aspect of the Delaying System is the Performance Linked Career Advancement Scheme for Managers. The 'Expectancy Theory' of motivation by the Psychologist, Victor H. Vroom holds that people will be motivated to do things to reach a goal if they believe in the worth of that goal and if they can see that what they do will help them in achieving it (Victor H. Vroom, 1964). According to Vroom, people's motivation towards doing anything will be determined by the value they place on the outcome of their effort (whether positive or negative), multiplied by the confidence they have that their efforts will lead to achieving the goal. Vroom's theory states that : $Force = Valence * Expectancy$, where Force is the strength of a person's motivation, valence is the strength of an individual's preference for an outcome, and expectancy is the probability that a particular action will lead to a desired outcome. In the pre-delayed situation, when career growth was linked to availability of vacancies and depended more on seniority rather than performance, even if there is a positive valence, the Expectancy is either negative or zero resulting in low or no motivation. On the contrary, in the delayed system, with the performance linked career advancement scheme, there is likely to be both positive valence and positive expectancy leading to high Managerial motivation. Since the force exerted to do something will depend on both valence and expectancy, it is likely that motivation is more in the delayed set up. Further, the motive to accomplish some action might be determined by a desire to accomplish something else. For eg: Managers would put in extra efforts not merely to get a higher performance grading as per the new performance appraisal scheme, but also for a promotion or pay valence.

7.1.8 One of the factors that contribute to a positive valence and expectancy is the record of actual performance. If people can get a feed back on their performance, it would be possible to relate the effort put in and performance achieved so as to plan for better performance in future. The Porter and Lawler Model of Motivation Theory also

substantiates this point (Lyman W. Porter, 1968). This Model of motivation by Lyman .W. Porter and Edward E. Lawler III, though built basically on the Expectancy Theory of Vroom have been applied primarily to Managers and is hence more relevant to the Delaying study undertaken in FACT.



7.1.9 As this model indicates, the amount of effort (the strength of motivation and energy exerted) depends on the value of a reward plus the amount of energy a person believes is required and the probability of receiving the reward. The perceived effort and probability of actually getting a reward are in turn, also influenced by the record of actual performance. The influence of Delaying on the Porter and Lawler model is shown in Chart. Actual performance in a job is determined primarily by the effort expended. But it is also greatly influenced by the individual's ability (knowledge and skills) to do the job and by his/her perception of what the required task is. Performance in turn leads to intrinsic rewards such as, sense of accomplishment or self-actualization and extrinsic rewards such as higher pay, better working conditions and status. These rewards, moderated by the perception of equity, leads to satisfaction. Satisfaction is influenced by what the Manager sees as a fair reward for effort. Likewise, the actual value of rewards will be influenced by satisfaction. The response of managers to the post-delaying survey indicates that delaying can influence the value of rewards,

perceived Effort-Reward probability and the perceived Equity in Rewards. About 60% of the lower level Managers felt that their satisfaction level has increased after delayering. A majority of the Senior Management personnel also perceived an increase in job satisfaction. But, for majority of the Middle level Managers, the satisfaction level has not increased after delayering, and has remained the same or gone down. The reason may be that their career growth opportunities are perceived to be less compared to the Junior level Managers, after Delayering.

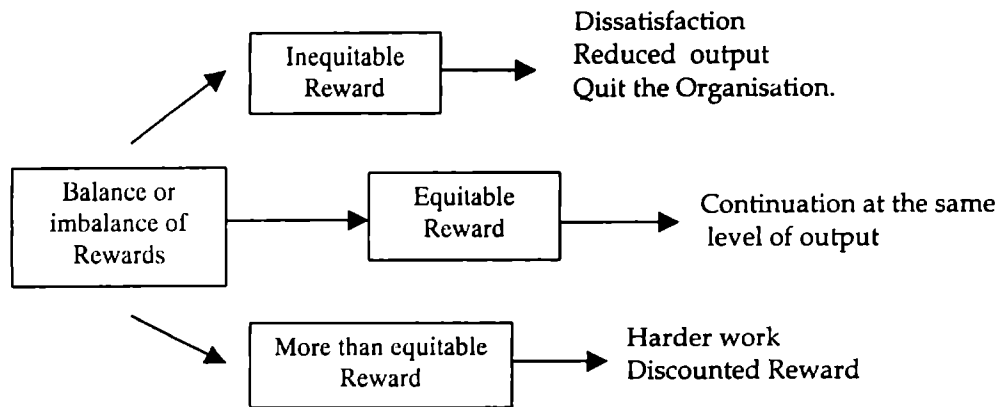
7.1.10 In FACT, it was observed that Managers value promotions to higher grades more due to the change in social status, besides the accompanying economic benefits. This is more so in view of the specific privileges attached to the various levels. For eg: Junior Managers attach more value to a promotion to the 'Asst. Manager' level as it provides them the facility for 'car allowance' besides the higher entitlement in Travelling Allowance(TA) and other benefits. In the post-delayed scenario, since the post of 'Asst. Manager' is part of Layer 1, the perceived value of rewards is seen to be much more compared to what was existing earlier. Further, in the performance linked Career Advancement Scheme, since promotions within each layer can take place irrespective of functional discipline and availability of vacancies, the perceived Effort-Reward probability is also more. This leads to higher perceived equity in Reward. As such, the amount of Effort put in by the managers tend to be more in the delayed system. Since the Delayering Scheme facilitates job enrichment, job enlargement and job rotation, the managerial skill level and the ability to perform the Managerial roles improves. There is more role clarity as the Manager's task gets clearly defined. These factors contribute to a higher level of performance accomplishment. The feedback on performance categorization itself, can be an intrinsic reward for a good performer to aim for higher levels of performance every year. This intrinsic reward drive him forward to achieve the extrinsic reward (promotion to the next higher grade with change in designation) in lesser time and contributes to higher job satisfaction. This explains the higher motivation and consequent improvement in job satisfaction level and improved performance of lower and middle level Managers in the Delayed System.

7.1.11 The Lawler and Porter model also explains the reason for the low level of satisfaction reported by the Managers who are already in the highest salary scale in each layer (Asst. Manager in Layer 1 and Dy. Chief in Layer 2) at the time of delayering. For these Officers, the value of Rewards and Perceived Effort-Reward Probability is low as their career growth opportunity has not changed significantly after delayering. For them, career growth continues to be linked to availability of vacancies and in the absence of any 'real' organizational growth, career advancement opportunity is limited. The performance-linked career growth scheme does not have much relevance in their case as promotion to the next layer is not automatic and for movement to the stagnation scale, the residency requirement is not linked to performance but is kept the same (ie. 6 years) irrespective of the performance categorization of the employee. Further, Managers who were already in the 'Asst. Manager' and 'Dy. Chief' cadre at the time of delayering have perceived 'loss' of opportunity in the delayered system compared to their Juniors. While they continue as 'Asst. Manager' or 'Dy. Chief' with 'Outstanding' or 'Very Good' performance categorization for want of vacancies at higher layers, their Juniors advance in their career as per the delayering scheme and soon catch up with them, posing a threat even to their future career advancement. Hence the perceived equitable rewards is also less for this category employees.

7.1.12 It is seen that compared to the pre-delayering scenario, the career growth opportunities for Managers in the Middle layer has, in general, improved due to the performance-linked career advancement plan by which upward movement within a layer from one salary scale to the next higher salary scale takes place irrespective of availability of vacancies. Naturally, this should have provided a higher satisfaction level to majority of Managers in the middle layer also, as in the case of junior managers. But their perceived reduction in satisfaction level after delayering compared to junior management level can be better explained by the Equity Theory of motivation (Stacy Adams J, 1963, 1965). As per this theory, an important factor in motivation is whether individuals perceive the reward structure as being fair considering the efforts put in and also in comparison with the rewards of others. The Equity Theory of J. Stacy Adams states that there should be a balance of the outcomes-inputs relationship for one person in comparison with that for another person as shown below:

$$\frac{\text{Outcomes by a Person}}{\text{Inputs by a Person}} = \frac{\text{Outcome by another person}}{\text{Inputs by another person}}$$

If Managers feel that they are in-equitably rewarded, they may be dissatisfied. The result will be a reduction in the quantity and quality of output. If the rewards are perceived to be equitable, the output level might remain the same. If, on the other hand, they think that the rewards are greater than what is considered equitable they may work harder. Some may possibly discount the reward. These situations are illustrated by the Equity Theory as shown in Chart below :



7.1.13 In the pre-delayed scenario, the only opportunity available for career advancement was through vacancy based promotions. However, these vacancies were not available uniformly to all Managers as promotions normally take place discipline wise/Departmentwise/Divisionwise. There is a perceived in-equity as managers belonging to different disciplines have different career paths. In the post-delayed environment, this inequity has been removed to some extent, by providing equal career advancement opportunities for Managers within each layer irrespective of the functional area/discipline/Division to which they belong. However, a new type of inequity is perceived by Managers belonging to the middle layer compared to those in the Junior level after implementation of Delaying. This relative inequity has given rise to the dissatisfaction expressed by a majority of the Middle level Managers. While more than 75% of the Junior Management personnel agreed that their career prospects have increased after delaying, only 62% of the Middle level Managers supported this view. This reduction in percentage can be due to their perceived inequity in promotional avenues compared with the Junior level Managers. It is also possible that the increase in

satisfaction expressed by the Junior level Managers can be due to this relative increase in promotional avenues in comparison with their Seniors. As they see more opportunities for promotion within layer 1 (upto 3 higher salary scales) compared to their seniors in layer 2 (only 2 higher salary scales), they perceive a “more than equitable reward”, that leads to higher satisfaction level and better performance within Layer 1. The seniors in contrast perceive an “inequitable reward” compared to their Juniors in the same layer. As such their satisfaction level tends to be low. This perceived inequity may also be due to the problem that middle level Managers in layer 2 over estimate their own contributions and the rewards others receive. Their feelings of loss of power and prestige in the post-delayed system may also contribute to the above perception.

7.1.14 To make a realistic assessment of the post-delayed scenario, it is therefore necessary to consider the views of the senior management personnel in layer 3 also, who are not directly benefited by the career advancement opportunities provided by the Delaying Scheme. As per the Delaying Scheme implemented in FACT, the performance-linked career advancement opportunity is available only to Managers in layer 1 and layer 2 i.e. for Junior and Middle level Managers. For Senior level Managers (Layer 3), there is no change in the existing system of promotion based on vacancies. Hence their views on the relative increase in career prospects of Junior and middle level managers may be more objective and can provide an indication of the positive or negative impact of Delaying on the Motivation level of managers as far as career growth opportunities are concerned. While 25% of the Senior Managers agreed that career prospects have increased, 44% disagreed. About one third of the senior Managers were indecisive. Similar views were expressed by the Senior Managers to the question on ‘Satisfaction’ level after delaying. During personal discussions, many of them opined that career advancement should not be viewed solely by giving higher pay scales, but by a corresponding increase in the responsibilities. What has happened in the delayed system is that in many cases, Managers continue to do the same job even after moving to a higher pay scale within a layer. This according to them, is a weakness of the delaying system as higher pay scales are not linked to higher responsibilities. While there is merit in this argument from the Senior Management’s point of view, the positive and favourable perception of Junior and Middle level Managers who are affected by the

change can not be overlooked. From the point of view of the Organisation, the Junior and Middle levels represent a major chunk of the Managerial category whose performance will have an impact on the performance and productivity of the Company. Keeping them motivated, therefore becomes a key strategy for Management to improve organizational performance. In that respect, it can be inferred that the delayering exercise carried out in FACT has been able to raise the satisfaction level of Managerial personnel, especially those belonging to the middle and junior levels.

7.1.15 The approach adopted in FACT for Delayering has also been in line with the 'positive reinforcement on behaviour modification' theory developed by Psychologist B.F. Skinner. According to this Theory, individuals can be motivated by proper design of their work environment and praise for their performance. Punishment for poor performance produces negative results. The Team working concept introduced in the organization as part of Delayering, the performance linked career advancement plan that enables setting targets and directing one's energies to achieve them and the feed back on performance have all been perceived by Managers as factors reinforcing higher performance.

7.1.16 As regards Managers' perception about how the delayed system helps them to effectively utilize their capabilities, 72% of the Junior Managers opined that they get more opportunities to utilize their capabilities in the delayed environment. This is naturally expected as Junior level Managers in layer 1 are required to perform interchangeable tasks, working as a team, interchanging their roles as a team leader and team member as the situation warrants. The opportunity for shouldering additional responsibility, coupled with career advancement opportunity linked to performance with in a layer has increased the self esteem of Junior Managers and their contribution to organizational goals. However, in the Middle Management Cadre the general feeling was that the impact of Delayering on improving intrinsic job satisfaction is yet to be seen. In the Senior Management level, in contrast, majority believed that lower level Managers would get more opportunities for utilizing their capabilities in the delayed system.

7.1.17 A general observation based on the feed back from middle level Managers is that their need for affiliation and achievement is not satisfied to the extent they expect, compared to their Juniors in Layer 1. They are more threatened by the loss of power and control, which they used to exercise and enjoy as part of their role in the pre-delayed system. The flattening of hierarchy at the Junior and Middle levels has eliminated one-to-one reporting, encouraged lateral communication and team working. This has made controls less rigid. The team concept and self-Management within the layer have also contributed to the perceived loss of power for the middle management category personnel in layer 2. This in turn might have contributed for the relative low motivation level for these Managers compared to their junior level Officers. This aspect can be better understood from David C. McClelland's Need Theory of Motivation, where three types of basic motivating needs are identified for Managers - the need for power (n/PWR), the need for affiliation (n/AFF) and the need for Achievement (n/ACII) (David C. McClelland, 1986). All these three drives - *power, affiliation and achievement* - are of particular relevance to middle management level as Managers in this level mostly perform the role of a Section Head. While they are accountable to their bosses (Senior Mgt. Level) for performance contribution and accomplishment of goals, they are dependent on their sub-ordinates (Junior Mgt. Level) for achieving results. For them, the need for power and the need for achievement are more relevant for effective role performance than the need for affiliation. A majority of Managers in layer 2 showed high need for achievement and fairly high need for power drives, but were low in their need for affiliation. McClelland had found that while Senior Management was 'average' in achievement motivation and 'very high' in drives for power and affiliation, Managers in the upper-middle level in large Companies, rated higher than their Seniors in achievement motivation. Perhaps, as McClelland indicated, these scores are because, while the Senior Management team has already reached the top, those below are striving to advance. As regards Junior level Management in layer 1, the need for affiliation is more important for working with people and for co-ordinating the efforts of individuals working in groups.

7.1.18 Though it is generally observed that Managers in large PSUs like FACT are motivated by the higher order needs (as their primary needs are satisfied to a great extent compared to their counterparts in other neighbouring Organisations both in the Private and Public Sectors), the increase in pay and perks due to a promotion and consequent increase in financial benefits can never be overlooked as a motivator. For the lower level Managers in layer 1, one of the attractions is the car allowance that goes with the post of Asst. Manager level. In the pre-delayed system, becoming an Asst. Manager was a dream for many of the 'promotee Managers' from the worker/staff cadre as promotion to this position was based on vacancies and in many cases, these vacancies were shared by the 'promotee Managers' and 'new recruits' to Managerial cadre on a specified ratio. This has been a cause of concern and frustration for Junior level Managers who get promoted to the Managerial cadre after long years of service in the non-managerial cadre, but soon find themselves in an environment where they have to work under new recruits, who were taken as Management Trainees and whom they had trained in the operation of various plants. While there was an assured career path for the direct recruits to Managerial cadre, the promotees from non-managerial cadre were at a disadvantage. By a promotion to the Managerial cadre, they get their status needs satisfied, but the loss of overtime wages and consequent financial losses create a feeling of conflict within themselves as to the overall satisfaction derived from the new position. One of the important feature of the delayed system, is that this class-difference between promotee Managers and new recruits is overcome, by bringing them together as a team, ending the positive or negative discrimination that existed with in Junior Managerial Cadres. This class-difference has been pointed out as the major factor working against the goal-oriented efforts of the Junior Management level officers in FACT. Delaying has been able to bring together this crucial group of Managers as a team and making them work towards organizational goals.

Part II

Generalising the findings and Developing a Heuristic framework for Individual and Group effectiveness

This Part examines the impact of delayering on Team/Group effectiveness. The success of the delayered system of working depends on the Manager's perception about how the redesigning of jobs and team-based working contribute to group effectiveness and achievement of organizational goals while recognizing and rewarding individual performance. With a view to develop a framework that explains the improvement in performance effectiveness in FACT after delayering, an attempt was made to identify the contributing factors and their inter-relationship. The model thus evolved is presented here.

7.2.1 Organizational change in FACT was driven by external environmental pressures and internal triggers for change. The process of change initiated in the organization in 1993 was an attempt by the management, as part of its strategic management effort for ensuring a degree of 'fit' between the organization and its operating environment (Allaire and Firsirotu (1985). The Ashridge Management Research Group survey carried out in 1989, had investigated the 'Triggers' that stimulated organizational changes (Willey, 1989). In FACT also, the external triggers were mostly the increased competition and resulting loss in market share, underutilization of staff and threats foreseen. However, Internal factors like employee demands, top management changes etc have also contributed to organizational change in FACT.

7.2.2 The post - delayering study in FACT had revealed that there is improvement in the following aspects, after delayering:

- Improved Managerial motivation
- Better Team working and networking among officers in Layer 1, contributing to higher level of group performance, productivity and efficiency
- Decision making has become faster, there is empowerment at lower levels i.e. among managers in Layer 1, and better team working and networking at Middle management level i.e Managers in Layer 2. This has resulted in better Group

effectiveness in Layer 1(Work Groups) and Middle management team effectiveness in Layer 2 (Supervisory Group)

- Improvement in organizational performance as a result of all the above.

7.2.3 With a view to develop a framework that explains the improvement in performance effectiveness in FACT after delayering, an attempt was made to identify the contributing factors and the interrelationship among these factors. Two models have been developed - one for Individual effectiveness and the other for Group effectiveness

7.2.4 **The Approach to developing the Model :**

The following approach and logic, supported by the findings of the FACT study were adopted for developing the framework for Group/Team effectiveness in the FACT environment

- Organizational effectiveness is a result of multiplicity of outcomes that matter in organizational settings. These outcomes occur at several levels: at the individual, group, business unit and organizational levels. In a multi-divisional organization like FACT, it is a result of the combined effect of effectiveness at Individual, group and Unit levels that result in organizational effectiveness.
- For Individuals and Groups to be effective, it is necessary that they put in the required effort to achieve the goals or objectives set. This goal-directed effort then results in performance effectiveness.
- For goal-directed effort to happen, two requirements should be met. The first is that the individual or group should be motivated to put in effort and also to put in that amount of 'extra effort' for achieving higher levels of performance. The second requirement is that the goals and roles are clear and effort put in is directed towards achieving the right goal and is not wasted.
- To keep the individual motivated to put in 'extra effort', it is necessary to provide a meaningful task, adequate rewards on performance accomplishment and a feed back on how well the employee is performing. Further, the employee should have the required Job knowledge to be effective. To ensure that the effort is channelled in the right direction, there should be supervisory and organizational support also.

These multiple dimensions can be represented as a systems model to explain their impact on the individual, group and the organization, by identifying the Input, Processes, Output and Feedback elements.

7.2.5 The rationale for separate frameworks for Individual and group effectiveness

The FACT study indicates that,

- Group effectiveness is a function of the effectiveness of Individual members comprising the group. Hence to ensure group effectiveness, the factors contributing to individual effectiveness are to be first identified and adequate measures taken to enhance individual effectiveness. However, effectiveness of individual members may not by itself ensure group effectiveness. There should be certain characteristics that bind the members together and direct their energies to meet the common goal. In such a situation only, the 'whole is more than the sum of the parts'. These binding factors are what has been indicated in the earlier researches as Group norms, Cohesiveness, shared group beliefs, team mental models, group affect etc. These are certain specific group characteristics that make groups effective. These characteristics are different from the individual characteristics that make individuals effective. Like individual effectiveness contributing to group effectiveness, group effectiveness in turn can contribute to individual effectiveness also, because of the influence of these binding factors on individuals. Hence the conclusion from the FACT study is that effective organizations would require both effective individuals and effective teams, which complements each other and contributes to higher organizational effectiveness. This explains the rationale for the separate frameworks for Individual and group effectiveness.
- Fig(i) below presents the FACT framework of individual effectiveness. As could be seen, individual Performance effectiveness is achieved through processes resulting from Goal-directed effort by Individuals in the organizational setting. Goal directed effort is a function of Individual motivation, Individual characteristics and Organizational characteristics. Each of these contributing factors are influenced by other variables which are depicted in the model. These factors and variables do not provide an exhaustive listing, yet enable a reasonable understanding of the major

factors contributing to individual effectiveness and their interrelationship in the FACT setting.

The Contributing factors and their interrelationships in the FACT model of Individual effectiveness

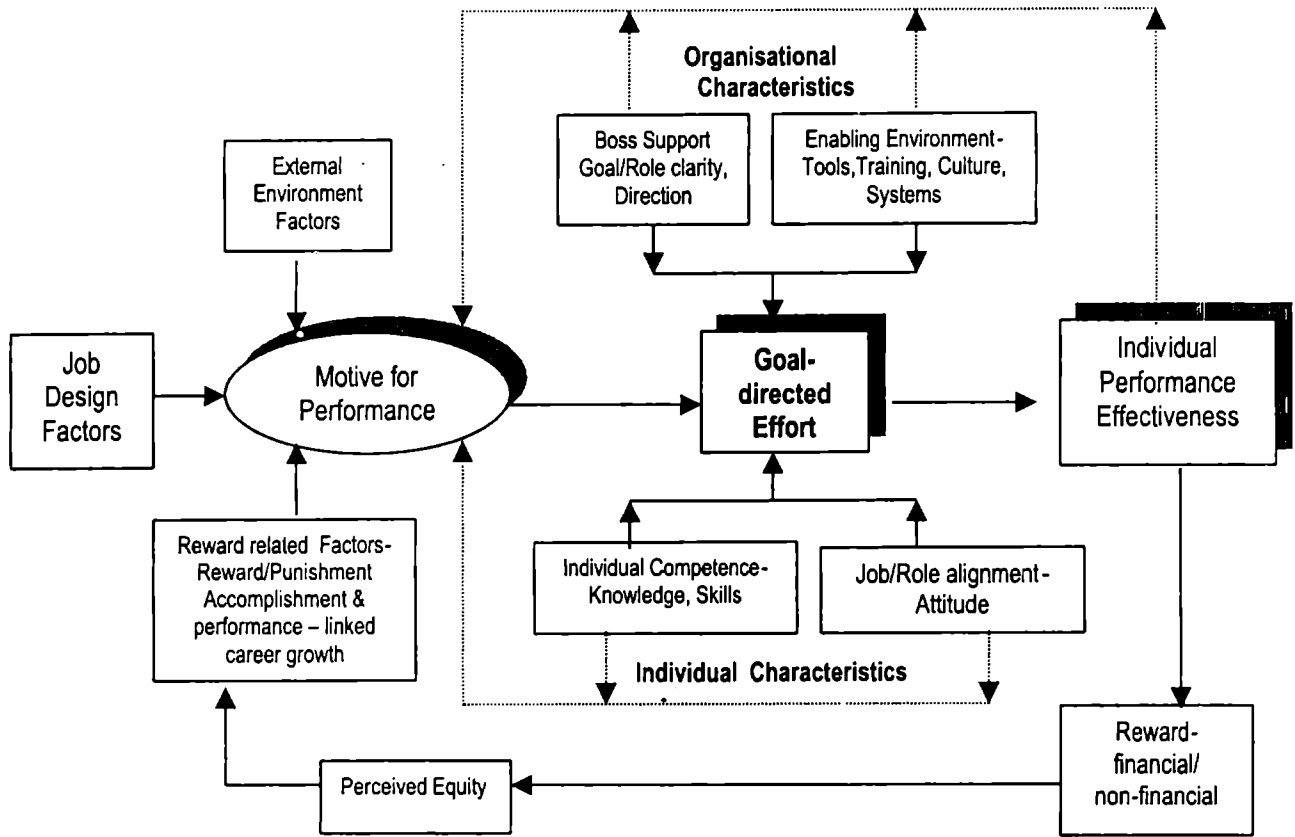


Fig.(1)

- The focus of the model is on the 'Motive for performance' that is fundamental to creating an urge in the individual for putting in effort for accomplishing a task. Motivation leads to goal-directed effort which results in performance accomplishment and individual effectiveness. For this to happen, it is necessary that the lower level managers in Layer 1 are adequately motivated for performance.

What are the INPUT factors contributing to individual performance effectiveness for officers in Layer 1 after delayering?

The input factors that influence the performance of the individual manager of FACT after implementation of delayering have been identified as **Individual motivation, Individual characteristics and Organizational characteristics**. As could be seen from the model,

Motivation for performance is directly influenced by three factors-the **Job design factors**, **External environment factors** and the **Reward related factors**.

- **The job design factors** are the job content factors that are identified by Herzberg as motivators. They result from restructuring and redesigning of jobs carried out as part of delayering, to make the jobs meaningful and worthwhile for the employees. These involve among other things, job enlargement, Job enrichment and Job rotation in Layer 1 and Layer 2. For officers in these Layers, the delayering and restructuring has resulted in regrouping of tasks and responsibilities. The impact of these on the job profile of individual manager has been, added responsibility, empowerment and an assured career path linked to performance contribution, besides an enabling environment for team working within the group and networking with other groups/managers in other functional areas. The impact on the performance of the organization has been reduction in manpower, reduction in costs, reduction in response time, organizational flexibility and improvement in productivity and effectiveness.
- **The external environment factors** are those resulting broadly from the changes in the external environment and its impact on the individual. The opening up of the Indian economy and the withdrawal of budgetary support to PSEs, withdrawal of subsidies etc had made post-liberalisation industrial environment competitive. A natural fall out of this policy had been the various measures initiated by the individual organizations to reduce manpower and to cut costs in order to survive and meet the challenges of the fast changing competitive environment. Among the employees in FACT and in other PSEs, the new economic policies initiated by the Govt of India had created a sense of insecurity due to downsizing and perceived job loss. The withdrawal of subsidies and budgetary support to PSEs have also made the future of many PSEs uncertain. Though FACT had enjoyed the status of a profit making PSE for over a decade, in the changed industrial scenario, the organization had to equip itself to meet the challenges of competition to survive and grow. This necessitated a relook at the structure, systems and culture of the organization to transform it in tune with the changing needs. Overmanning and underproductivity were plaguing FACT and there was a need to trim the workforce and managerial

strength. The survival strategies proposed by the organization such as Downsizing, outsourcing, contracting out unskilled and semi-skilled jobs were seen as a direct threat to the job security of existing personnel. Hence the impact of the external environment factors were seen more as a threat than an opportunity and this negative perception about loss of job had acted as a factor driving the employees to put in their best to retain their jobs. In other words, the fear of losing jobs and becoming obsolete had acted as a 'stick' driving them to perform at their best.

- The other important factor driving the employee for higher performance is the Performance-linked **reward system** that was introduced as part of the restructuring exercise. The rewards are mostly in terms of assured career growth that brings growth in salary and emoluments/perks and improvement in the status of the employee. Since the reward is linked to the performance contribution of the individuals, it has provided a sense of accomplishment to the individual besides serving as a motivator for higher performance. The post-delaying survey has shown that the performance-linked career advancement scheme has been able to reduce the career stagnation of managerial employees to a great extent. For managers, whose motivation level before the implementation of delaying was reported at a very low level mainly due to the acute career stagnation at the junior and middle management cadres, this newly provided opportunity had acted as a great incentive to perform. The post-delaying scenario also ensured more equity in career growth and an objective system for performance evaluation and grading of employees, which was not there in the pre-delayed scenario. It may be mentioned that during the pre-delaying surveys, these issues were highlighted as major hindering factors responsible for the low morale and motivation of managers in FACT. Hence the prospects of better career advancement opportunity and perceived equity in performance evaluation and career growth had helped to improve the motivation level of managers. The impact of the Reward related factors on the performance of the individual manager has been due to a combination of the following motivating forces:

- Improved career advancement opportunity
- Linking career advancement to performance and

- Establishing equitable standards and an objective system for evaluating performance with multi-level appraisals and a committee assessment.
- System for giving feedback on performance, post-appraisal counselling and need-based training and development programme for managers

In addition to the motivation of individual managers, the other input factors directly affecting performance are, the Individual characteristics and the organizational characteristics. Though the impact of these were found to be varying for different groups and individuals, their influence either alone or in conjunction with other factors, directly or indirectly was found to be relevant in the organizational context prevailing in FACT.

7.2.8 Impact of Individual Characteristics

- The individual characteristics are the Job knowledge, skills and attitude that are necessary for effective job performance. Possessing the right attitude and the ability to align oneself with the expected role has been identified as a major factor for success in the changed environment. Possessing the right knowledge, skills and attitude facilitate putting in the required effort in the right direction, leading to effectiveness. Though a perfect match between the job requirements and the individual characteristics is seldom achieved, wherever there is a reasonable fit as perceived by the managers, the result had been improved motivation and improved performance.
- Since the job requirement has undergone change after delayering and restructuring and individuals are required to take up additional responsibility and acquire new skills to be effective, the extent to which the employee is able to meet the requirements of the new job becomes a factor contributing to performance in the changed environment. If there is a good fit, there is performance improvement, better utilization of the employee capabilities and resulting increase in motivation. The existing competence level of the employee could be an advantage or a disadvantage, in this respect. Having the required competence for performing higher level tasks could be an advantage and hence a positive motivator for employees at lower levels, while lack of competence could be a threat. The threat could also work positively by making the employees strive for overcoming their weaknesses. It could

also lead to a situation of giving up. Those who give up may opt for the voluntary retirement route to leave the organization while those who value their jobs and would like to retain them would look for skills upgradation and training by utilizing the facilities available within the organization or outside. It was observed that the need for skills upgradation and job change had occurred for many clerical staff in FACT due to the widespread introduction of computers in the various departments and the need for the secretarial category employees to be computer literate for meeting the new job requirements. The impact of these changes was perceived to be negative if the organization did not provide the opportunity to acquire the new knowledge or skill, but in situations where there is a system for identifying the training needs and for providing the required training and developmental inputs, the impact was perceived to be positive. Further, the attitude of the employee and his approach to problems and issues can also be a factor contributing to higher motivation level and higher performance for managers. In the changed scenario, it was also necessary that the manager is able to align himself with the new or changed role he is expected to perform. This alignment or mismatch could prove to be either a supporting or hindering factor for performance.

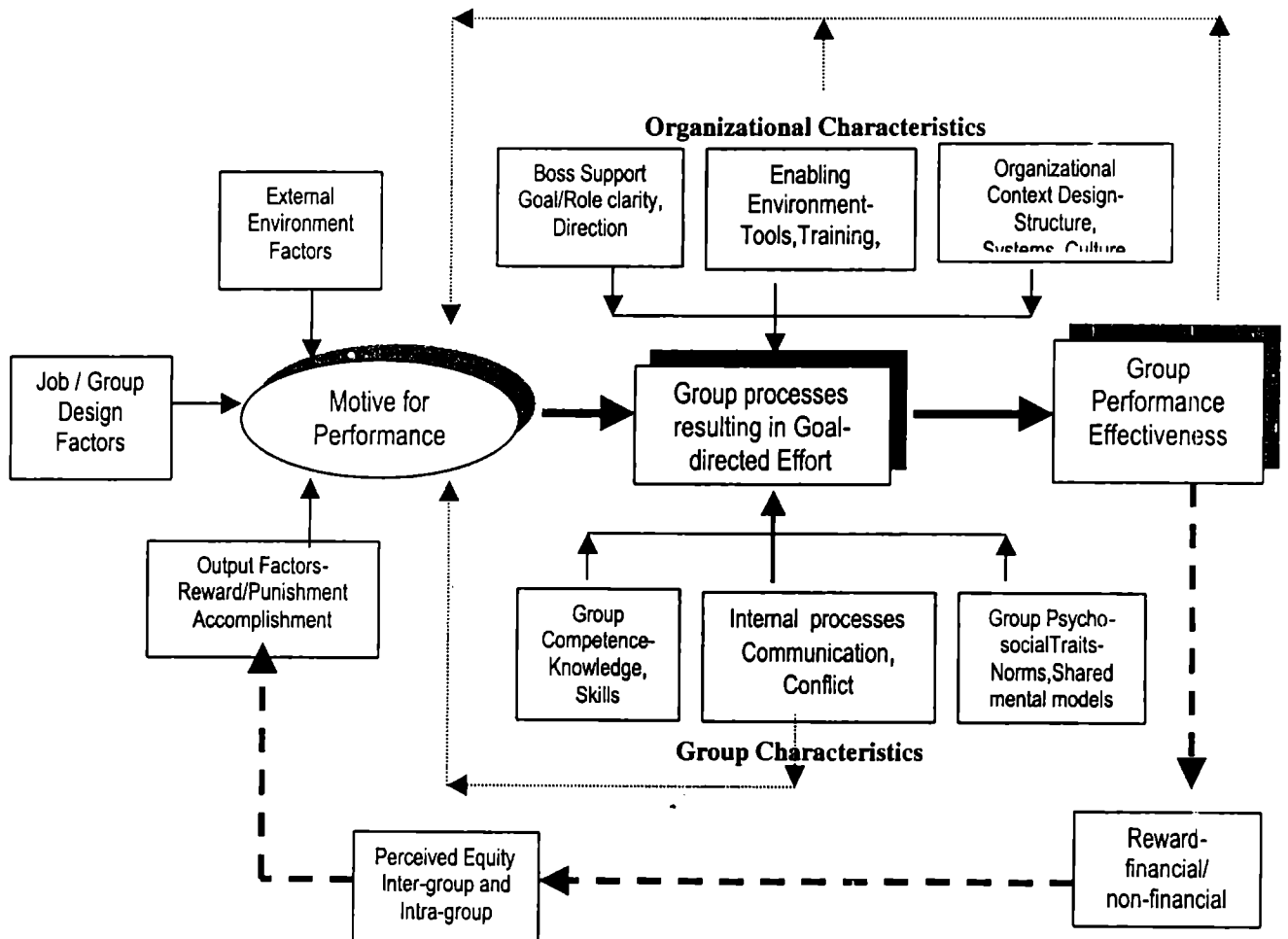
7.2.9 Impact of organizational characteristics

- The organizational characteristics have been identified as another major input factor contributing to performance effectiveness of individuals. They are also seen to influence the employees' motivation for improved performance. These are characteristics of the organization that are perceived to be supporting higher performance. The major factor is the support provided by the boss in clarifying the Divisional/Departmental goal, the role of the individual, providing the right direction, making objective assessment of performance and giving feedback, identifying training and development needs of the manager and taking appropriate action for development. The other factor is the organizational infrastructure and environment that supports or inhibits performance. An enabling organizational infrastructure for performance would mean having the right tools, facilities and Technology. The enabling environment provides the right systems, structure and a culture that recognizes and encourages performance. The post-delaying study has

shown that the above organizational characteristics have been helpful in facilitating performance effectiveness of the individual managers in FACT. The support provided by the Boss and the organization with regard to clarifying the goals to be achieved, the role of the employee in achieving these goals, creating an enabling environment by providing the tools and facilities required for accomplishing the tasks and streamlining the systems and procedures for avoiding delays, duplication of efforts etc. are all factors that are seen to affect the manager's performance.

- The feed back on performance has been indicated by managers in FACT as an essential input for identifying their strengths, to overcome weaknesses and to plan for performance improvement. In that respect, the Performance Appraisal system introduced along with delayering is seen as an important tool that has contributed to their performance effectiveness in the post-delayering scenario.

7.2.10 Heuristic Model of Group Effectiveness-



Fig(ii)

7.2.11 Let us first consider what motivates the group to perform?

- The factors that contribute to group motivation are Job Design factors, External environment factors and Reward related factors. Though these factors are the same as identified for individual motivation, they impact on the group as a whole rather than on the individual manager. The Job design factors relate to the restructuring of tasks of the individual manager within the group involving both job enrichment and job enlargement. It also deals with the criteria for performance evaluation, specifying the role of each group member in the group and their role in meeting the role expectations of group members within the team and also stakeholders external to the group. These factors can be directly manipulated by the manager for creating conditions for effective performance. For eg. as a result of the redesigning of junior level managerial jobs in FACT, the positions of Chageman, Foreman and Asst. Manager in salary grades E0, E1 and E2 which existed in three layers earlier, with demarcated authority and responsibility, have been integrated into a composite job in Layer 1 after delayering. This restructuring of jobs has resulted in combining tasks, providing flexible roles to group members and a system of performing interchangeable roles for meeting the overall objectives of the group, as the situation warrants. The new job design has provided more autonomy to individual members and eliminated supervision and one-to-one reporting in Layer 1. At the same time, there is more interdependence among members in the group as accomplishment of the group goal is possible through their joint effort only, supporting and complementing the efforts of each other.
- The external environmental factors are the characteristics of the external environment in which the organization is embedded, such as industry characteristics or turbulence, Govt. policies and activities of the competitors. The impact of these factors are primarily on the individual manager as already explained in the model for individual effectiveness. The impact could be either positive or negative. In the FACT study, the impact was found to be a drive or motivation to counter the threat of losing job or becoming obsolete in skills. However, the Layer concept has provided additional psychological support to the individual manager in as much as it could compensate and to some extent, overcome their individual weaknesses by

the complementary/additional skills possessed by other team members of the team/Layer. This was possible through the system of job rotation and the flexible nature of the individual's job. It has also facilitated working together as a team and learning from each other. This facility was not available prior to delayering. Further, in the pre-delayering scenario, individual managers working in the group had found themselves more as adversaries in an effort to claim credit for individual performance. A culture for teamworking was absent. The delayering system has facilitated reducing the impact of the threat due to external environmental factors arising from competition and change. This in turn has contributed to improved motivation for low and average performers also.

- The third set of factors influencing group motivation are the reward-related factors. Cohen and Bailey have referred to these as organizational context factors in their model. They are basically 'design factors' as they can be manipulated by the manager. In the FACT Model, these factors are shown separately as their influence on individual and group motivation was perceived differently by the managers. It is generally expected that when performing as a team, the individual motivation of a high performer may tend to be less compared to an average or low performer as there is no means by which the individual performance of a high performer can be differentiated from that of the overall group performance, except when the individual is the team leader. In the post-delayering scenario in FACT, on the contrary, the leader's role is being performed by team members on rotation, thus providing each member an opportunity to demonstrate his/her exceptional skills and competence in handling leadership and co-ordinating roles, to meet differing tasks and situations. This also enables the supervisor(Layer 2 manager) to make an independent assessment of each subordinate officer in Layer 1 as a team member and also as a team leader. While the performance assessment of officers in Layer 1 for job related factors are made with respect to the overall performance of their team in accomplishing group goals/objectives, their assessment for personality characteristics and for relational skills are made with respect to their demonstrated skills and competence in leadership and co-ordinating roles. This evaluation can be made specific to the individual. Thus it is possible to differentiate the performance

contribution and growth potential of individual members of the group/layer as per the job redesign and revised performance evaluation system implemented after delayering. This acts as a motivating factor for the individual team members as also for the group/team as a whole.

- The impact of the reward related factors in motivating the group to perform better is toned by the perception of each group member about their individual reward vis-à-vis their contribution. It is also affected by the perceived equity of one's reward compared to other members of the team. While the post delayering survey has shown that managers consider the new system of performance appraisal, feedback and performance counselling more objective compared to the earlier system, they do not consider it as something totally devoid of bias. They also do not consider that all the managers belonging to the supervisory cadre in Layer 2 have the right skills to make an objective assessment of performance of their subordinates. As such, though the new system has reduced the feeling of inequity among managers about performance appraisal and reward, there is still an element of subjectivity in the system which casts doubts on the real impact of this as a motivating factor for group effectiveness.
- Two other input factors that affect group performance as per the FACT model are the Group characteristics and the organizational characteristics. The Group Characteristics are generally those identified by Cohen and Bailey under Internal Processes, External processes and Psycho-social traits. In addition to these, the competence of the group members in terms of knowledge level, skills and the right attitude also contributes to group performance. Processes are interactions such as communication and conflict that occur among group members. Conflict arises when there is role overlap or lack of role clarity among members or when mutual trust and co-operation is lacking. These processes can be both internal to members in the group or external. In FACT model, for example, these internal processes occur in Layer 1 in one department, say Ammonia Plant as also between members of Layer 1 in other departments like Sulphuric Acid Plant, phosphoric acid plant etc. In other words both inter group and intra group processes are seen to impact on group performance. The psycho-social traits are the group norms, shared mental models

and group affect. Various research studies have shown that shared understandings, beliefs, cohesiveness and emotional tone of group members affect group performance. This is found to be so in the FACT study also.

- Organizational characteristics are those identified as Management/supervisory support, Enabling infrastructure and a conducive organizational context. Management support is required for providing the right direction, fixing goals and targets, clarifying roles and fixing criteria for performance evaluation of individuals and groups. In the FACT set up this support service is expected to be provided by the middle management Team in Layer 2. The enabling infrastructure is the provision of right tools and technology to be competitive and effective . The organizational context design characteristics are the structure, systems and culture of the organization. The delayering and restructuring exercise carried out in FACT has been aimed at streamlining systems and procedures besides delayering the organizational hierarchy. The findings of the post-delayering study has indicated that the changes in the structure and systems have affected the organizational culture also.

The above models for Individual and Group effectiveness, besides being helpful in understanding the process of organizational change and its impact on improving organizational performance in FACT, is intended to facilitate relating the findings of the FACT study to the existing body of knowledge on the subject and to draw conclusions, to make the findings relevant and meaningful for practicing managers, Academicians and to Organisations intending to undertake delayering and Restructuring as a strategy for performance improvement in future.

Part III

How the FACT framework for Individual/Group effectiveness is related to the existing body of knowledge

In this Part, an attempt has been made to compare the FACT model with the frame work of Cohen and Bailey on Group effectiveness, to examine the improvement in performance of work teams in Layer 1, Middle management teams in Layer 2 and improvement in organizational performance after implementation of delayering. The objective is to find out the extend of fit of the Cohen & Bailey model to the FACT model and its adequacy to explain the improvement in individual and group performance in FACT after delayering. This analysis has shown that though the findings of the FACT study supports the findings of the earlier studies on group/Team effectiveness, the improved Group/Team effectiveness in FACT after delayering would require a slightly modified model to explain the contributing factors, the process of change that has taken place in the organization and the complexity of the interrelationships among the contributing factors. These differences between the Cohen& Bailey framework and FACT model of Group effectiveness are also highlighted

- 7.3.1 In their article on "What makes team work?", Cohen and Bailey have reviewed the research on teams and groups in organization settings published from January 1990 to April 1996. The authors have developed a heuristic framework depicting team effectiveness as a function of task, group, and organization design factors, environmental factors, internal processes, external processes and group psychosocial traits. The review also discusses four types of teams- work, parallel, project and management and the research findings with respect to each type. Though the same model of effectiveness has been applied to all types of teams, the authors have opined that there should be different models of effectiveness for different types of teams. This they have indicated as an area of future work.
- 7.3.2 Based on the findings of the research study carried out in FACT, an attempt was made to apply the frame work of Cohen and Bailey to the performance of work teams in Layer 1 and Middle management teams in Layer 2 in FACT after implementation of delayering. The objective was to find out the extend of fit of the Cohen & Bailey model to the FACT models and its adequacy to explain the improvement in individual and group performance in FACT after delayering. This analysis has shown that though the findings of the FACT study on the impact of

Restructuring and Delaying managerial cadres supports the findings of the earlier studies (reported in Journal of Management 1997, Vol 23, No. 3, 239-290) regarding group/Team effectiveness, the improved Group/Team effectiveness in FACT after delayering would require a slightly different model to explain the contributing factors, the process of change that has taken place in the organization after delayering and the complexity of the interrelationships among the contributing factors. Though the Heuristic framework of Cohen and Bailey is broadly applicable to FACT also, it is seen that the FACT model in comparison is a modified version with some basic differences which may provide further insight into the concept of group effectiveness in Public sector organizations that are besieged by the external environmental threats and fighting for survival, by identifying additional influencing factors and establishing new relationships among these factors. The FACT framework primarily provides the reasoning for the improvement in performance of Individual managers, Layer 1 officers as a Group and the organization as a whole, after delayering and restructuring FACT, though it can have applications to organizations similarly placed.

- 7.3.3 Basically two types of teams have been selected in FACT for the purpose of this analysis - The work teams and the Middle Management Teams(MMT). Though parallel teams and Project teams as identified in earlier researches are also existing in Functional Departments like Finance, Materials, Personnel etc and in Project management, Technical services, R&D, all these types have been broadly grouped into the work teams in Layer 1 and the MMTs in Layer 2 for the purpose of this analysis as there is transferability and interchangeability among officers belonging to various categories between Divisions and to some extent between departments and functional areas in FACT.
- 7.3.4 The findings of the FACT study indicate that improvement in organizational performance after delayering and restructuring has been due to:
- Improvement in performance effectiveness of individual managers belonging to Layer 1 in each Dept/Functional area/ Division of the company as a result of restructuring / redesign of jobs and performance-based reward systems and career advancement schemes

- Improvement in Group performance effectiveness of Layer 1 Officers as a Team, with individual managers performing interchangeable roles within the Team as a result of job redesign, empowerment at the lower management cadres and the collaborative environment prevailing in the team as a result of the new system of assured performance-linked career growth for managers
- Effectiveness of the Middle Management Team- ie officers in Layer 2 who work as a Supervisory Team and provide direction, guidance and support to officers in Layer 1, due to elimination of one-to-one reporting among officers in Layer 2, Job enrichment, job enlargement and Job rotation.

7.3.5 The FACT model of Group effectiveness has lot of similarities with the Cohen and Bailey model with respect to the contributing factors for group effectiveness and also the interrelationship among the factors. However the FACT model is based more of an input-process-output-feedback approach, as against the Cohen and Bailey framework which claims to move away from the input-process- output approach.

In the FACT Model, The **INPUTS** are

- The motive for Performance
- The Group characteristics and
- The organizational Characteristics

The **PROCESS** is The Group processes that results in Goal-directed group effort

The **OUTPUT** is the Group Performance in terms of Performance outcomes, Attitudinal outcomes and Behavioural Outcomes

FEEDBACK is The Reward systems, the perceived equity and its impact on the individual and Group

7.3.7 The following differences are seen between the two models

Cohen & Bailey Model	FACT Model
Design Factors include Task Design, Group Composition and organizational context factors. Organizational context factors cover Rewards and Supervision	Design factors include mainly the Job design factors and group composition factors only. Organizational Context factors are found more to be part of organizational characteristics influencing the process.

Design factors have an indirect impact on outcomes, via group processes and psychosocial traits, as also having a direct impact on outcomes	Design factors have a direct impact on Motivation for group performance and indirect impact on outcomes via Group processes. Psychosocial traits is also having indirect impact on outcomes through Group processes
Group psychosocial traits are real group level phenomena that directly influence outcomes. They also indirectly influence the outcomes through shaping internal and external processes	Group psychosocial traits indirectly influence outcomes through Group processes. However they are not found powerful enough to directly influence the outcomes, the reason being the impact of the performance linked reward system which differentiates high performers from the average with in a group. In the pre-delayering scenario, since career growth was linked to seniority and availability of vacancies and since there was no reward for performance, the group norms tend to limit performance levels as the high performer will not gain or lose by adhering to the shared norms. In such situations, the group psychosocial traits may directly influence outcomes. The finding from the post-delayering scenario in FACT is that its influence has been only indirect, not direct. .
Group processes can become embedded in psychosocial traits such as norms, shared mental models or affective states	For reasons explained above, the FACT finding; is that psychosocial traits can become embedded in Group processes and not vice versa, if the group effectiveness models take care of performance- based individual rewards also.
Environmental factors have a direct influence on design factors	In the competitive environment in which FACT is placed, environmental factors are found to have a direct influence on the motive for performance . They also impact either directly or indirectly on the Individual/Group characteristics and organizational characteristics.
Environmental factors, design factors, Internal and External processes and group psychosocial traits predict effectiveness outcomes	Input factors such as Motivating factors, Individual/Group Characteristics and Organizational characteristics through Group processes result in effectiveness outcomes. The input factors in turn are affected by the Reward/feedback system
Effectiveness outcomes can reciprocally influence group processes, psychosocial traits that emerge and even design factors	This is true of FACT model also

Part IV

FACT Delayering model - Cross-cultural Comparisons

7.4.1 To compete in a continuously globalizing market, organisations are adopting various strategies aimed at increasing flexibility, efficiency and quality. Regardless of the production planning in use, balancing capacity and demand level is crucial (De Haan *et al.*, 2001). However, companies face various constraints when they consider such measures. National culture can hamper restructuring, e.g. in collectivistic countries, like Japan and India, lifetime employment is a social norm (Sparrow and Budhwar, 1997). Institutional arrangements, such as legal systems and labour relations can either facilitate or hamper restructuring (Kothien *et al.* 1999). However, all restructuring efforts are predominantly guided by the economic perspective and result in mass dismissals and downsizing. Kothien *et al.* (1999) criticize this one-sidedness as well as the take-for-grantedness of downsizing. The Volkswagen example illustrates that it is possible to come up with alternate routes. Instead of the simple route of mass layoffs, VW tried to redefine the problem: *how to reduce costs and increase productivity in a socially acceptable way.*

7.4.2 The restructuring process in the Indian public sector enterprise, FACT also presents a case study of socially acceptable restructuring. The need for organizational change or restructuring in FACT arose due to both external and internal factors. The combination of these factors resulted in a pressing need for drastic organizational change at FACT. Overmanning, underproductivity and outdated technology were identified as the major areas of concern. However, cultural sensitivities and FACT's PSU status rendered large scale lay offs impossible. An indigenous solution that adequately meets both the organisational requirements and employee needs was needed. The change initiative called "Delayering" was therefore implemented by FACT to address these issues and to achieve restructuring in a socially responsible way. From comparative management (Lane, 1989) we know that some organizational designs and managerial techniques are effective in some national settings whereas they are not in others. The same goes for comparative HRM (Sparrow and Budhwar, 1997) also.

7.4.3 By implementing Delayering, FACT could reduce the number of layers in the organisational hierarchy resulting in a reduction of manpower by 20%. Teams were

introduced at the middle and lower management levels, with interchangeable tasks. However, no executives were laid off, instead, normal/early retirement and voluntary turnover were used to reduce the actual workforce. In addition, internal task forces were created for undertaking special assignments on cost reduction, efficiency improvement etc. utilising the redundant executives. The latter solutions would hardly be considered by a firm that takes a pure economic perspective on downsizing.

FACT thus adopted a balanced set of measures to reach the economic goal of sustainable competitiveness in a socially acceptable way. That is why a set of accompanying measures was proposed along with the 20% reduction of the workforce. FACT also adapted its HRM policy, in particular promotion and appraisal system, to ensure the cooperation of the executives involved. As such it integrates HRM into the overall policy of the firm to improve its effectiveness.

7.4.4 Comparative HRM analyses differences in people management techniques and strategies across different cultural and national circumstances (Sparrow and Budhwar (1997). The need to avoid generalising western assumptions about HRM becomes clear when considering a country like India. It has a distinctive national culture, a western institutional inheritance but an economic, legal and political strategy aimed increasingly towards South and East Asia. Moreover, India's route to industrialization followed neither the Japanese export-led model, nor the entrepreneurial Chinese family business unit model of South East Asia, nor China's socialist model (Kuruvilla, 1996). The economy is still strongly influenced by the state-owned enterprises and by a web of nearly 250 public sector undertakings.

The aim of the liberalization policy initiated by the Govt. was to increase productivity, reduce cost and over-manning while generating employment and improving quality. This requires the development of a new work culture. The Delaying model adopted by FACT therefore aimed at not only the structure of the organisation, but its culture and human resource management systems. These systems had to be tailor-made to meet the specific requirements of FACT.

In view of this, transferring the FACT model to other companies, industries, regions or countries may be possible in some respects only. Yet its usefulness springs from the fact that it adopts alternate routes for achieving the organisational goals, without resorting to the

traditional approaches of downsizing. In this respect, the FACT model is comparable to the Volkswagen model as both these models look at various options that are available as alternatives to downsizing.

The structures and policies of a company are embedded in the specific historical development, which is not comparable to other companies or other countries. While a culture of consensus was indispensable for developing the VW model, a culture of top management involvement, commitment and employee involvement was essential for the success of FACT model. Hence to implement the FACT model in other companies, it would be necessary to change the company's culture.

In their research the authors (Sparrow and Budhwar, 1997) distinguish nine comparative HRM factors:

- *Structural empowerment* (e.g. increasing spans of control to promote delayering, flexible cross-functional teams, individual performance analysis) on which India scores low together with e.g. France, whereas Anglo Saxon countries score highest;
- *Accelerated resource development* (e.g. identification of high potential employees, establishment of multiple and parallel career paths) strongly pursued in France and Germany but not a strong factor in India and US;
- *Employee welfare emphasis* (e.g. personal family assistance, good health and flexible retirement) on which Germany and Italy score low, while US and India score high;
- *Efficiency emphasis* (e.g. communicating business directions and plans, require employees to improve) is a strong factor in Japan and France, but weak in Germany and India;
- *Long termism* (e.g. full-time employment, rewarding creativity rather productivity) is high In Japan, Germany and India, but low in Anglo Saxon countries but also in France and Italy;
- *Flexible horizontal process* (e.g. flexible work arrangements, cross functional teams and management development systems) is important in Japan and Germany, while unimportant in France and Korea and India and Anglo Saxon countries have a moderate score;
- *Negativism* (high importance on outplacement) is average in India, but high in France and Canada and low in Mexico and Japan;

- *Unrewarded autonomy or creativity* (e.g. employee flexibility and improvement is expected not rewarded) is important in Japan and France, but not in India and US and
- *corporate involvement* (e.g. organization contributes to public education) is a strong factor in India and Germany but weak in UK and Korea.

India is considered to be a “cultural island” in HRM terms as no relationship between the current Indian profile and that of other countries exists. However, comparing on the top five characteristics, India looks more like Japan than like e.g. UK with 4 out of 5 against 2 out of 5. The difference with Japan is on efficiency orientation: India scores low on this, whereas Japan scores high. Structural empowerment is unlikely to be acceptable in India because the legislative and institutional framework is generally pro-labor. However, FACT provides a case study of how co-operation of Trade Unions could be got for bringing about change.

Sparrow and Budhwar (1997) studied the content of HRM policies in various countries including India. They divide the policies into nine areas, which are used to interpret the accompanying HRM measures FACT takes to create acceptance for its delayering schemes. On three of these areas India has a high score: corporate employee responsibility (welfare), long termism, and corporate involvement in education. The first and the latter of these areas refer to social activities outside the firm. On two, India has a moderate score: flexible horizontal process and negativism. On the remaining four areas India scores low: structural empowerment, accelerated resource development, efficiency emphasis, and unrewarded autonomy or creativity. Based on the analysis it is seen that alleviation of promotion stagnation could be one of the reasons, from a worker perspective, for the restructuring process and its acceptance.

For the managerial cadres of FACT, one of the reasons for low motivation was the stagnation in the promotion process due to lack of vacancies in higher levels in the hierarchy. In the past, the government policies enabled the firm to create additional layers in the hierarchy as well as levels at each of these layers. These layers and levels facilitated a more or less ongoing process of promotions throughout the working life of the executives in the firm. Hence for every executive it would be possible to go through the entire career system as long as vacancies were available. This is in line with the long termism on which India scores high, but the negative aspects of it are clear as it creates uncertainty for the

executives and does not provide incentives. The uncertainty refers to the fact that although a manager is entitled to be promoted because of, basically, his seniority, this will not occur unless a vacancy exists and the executive is chosen from the reservoir of people waiting for promotion. One of the cultural aspects of the Indian society is its uncertainty avoidance (Gupta *et al.*, 2002). The uncertainty about whether and when of the promotion, does not provide the executives with incentives to perform better. It was in this context that FACT adapted the performance-linked career growth system to alleviate this problem. High performers would be promoted earlier than low-performers and the system was made transparent. As more managers are involved in decisions on promotions, abuse of power by individual managers is less likely. These observations indicate that Sparrow and Budhwars' (1997) observation about the correlation between the Hofstede's (1991) dimension and HRM practices needs reconsideration and inclusion of long-termism. The redeployment of surplus personnel in the task forces and the external assignments prevents the layoff of the executives involved. As such it is positive for the firm as it can maintain its reputation of a social employer. But it is also positive to some extent for the executive, as he does not get unemployed in a labour market with an abundance of unemployed. Negative for the executive is that his career is now more or less in a dead-end street. In these circumstances the firm expects him to participate in these taskforces to improve quality, maintenance etc. In other words efficiency emphasis is stressed, as these taskforces have to come up with procedures and suggestions to improve the performance of the firm as a whole. The reward these executives get is that they do not lose their job. As such this can be seen as unrewarded creativity, yet another area on which Indian HRM scores low.

The managers who become members of the teams in the lower managerial levels, envisage job rotation and job enlargement. For those from the lowest levels this will be challenging, but those from the higher levels may perceive it as demotion. Although the senior most of a team will act as a coordinator of the team and as such be more or less in charge, but he also has to perform duties in his own area that may have left behind many years ago. In a sense the teams reflect an increase of structural empowerment, but only within the framework set by the planning of those in the next higher layers and levels. This measure affects or is affected by five of the HRM policies Sparrow and Budhwar (1997) distinguish. Two of them refer to the surplus part of the measure and India has a low score on them whereas the other

three refer to the redeployment part and India has a high or medium score on them. The efficiency emphasis and the unrewarded autonomy are not common in the country and perceived as to one-sided. Nevertheless the workers and the unions, in the LTS, in this particular case, accept these elements. The labour market perspectives may be a reason, but also the other positive aspect. Surplus employees remain employed, an aspect of employees welfare, and given an important new task in the task forces implemented to improve the policies and procedures within the firm, an aspect of flexible horizontal processes, or in other cases (temporary) outplacement, an aspect of 'negativism.

As observed by Job deHaan and others, the implementation of teamwork within the hierarchical line, with no teams at higher or at lower levels is not very common in literature (Job deHaan, 2004). One finds either top management, shop floor level, project, or off line teams (Cohen and Bailey, 1997). However, FACT does introduce teams at the junior management level. The members share the tasks with the senior most of them acts as the team coordinator. For the team members, issues like job rotation, job enlargement, and job enrichment are at stake. Depending on the decision in the team they may act in different parts of their factory during their shift. So, they may rotate over those positions. In these positions they perform a variety of tasks, more than they used to have. Some of those tasks will be new to them, others might be old ones they have left behind when they were promoted to the next higher level. The new jobs may require new skills in planning and/or control. So, all in all jobs are enlarged and maybe enriched as well. However, for the old tasks to be carried out again one could refer to job impoverishment. Overall, the teamwork deals with the HRM factor of structural empowerment as distinguished by Sparrow and Budhwar (1997). However, India has the lowest and even a negative score on this factor implicating that it is unlikely that such a philosophy is acceptable in India. Despite of the original power of the highly politized unions, with 65% degree of membership, the unions are in decline since the eighties. With rationalization, attitudes towards lifetime employment are clearly changing in Indian organizations, but the environment will remain unreceptive to ideas of structural empowerment.

This measure affects or is affected by two HRM policies Sparrow and Budhwar (1997) distinguish. On one India has a medium score, flexible horizontal process, and on the other a low score, structural empowerment. The flexible horizontal process is in line with the

constructional career logic, employees gain experience in various domains of the firm. Structural empowerment contradicts various dimensions of national culture. Firstly, power distance, as employees of different levels have to work together as a team of equals to run a shift in the factory. But power distance is high in India (Hofstede, 1991) and people should obey superiors. Secondly the former superiors may reject this because of the masculine character of the national culture as they see it as demotion. Finally, the former subordinates may face the burden of uncertainty avoidance. However, the way this teamwork is implemented provides a number of precautions. Firstly the titles and the related wages are still there, so in the outside world it is not visible that the organization has been restructured. Secondly, the senior most of the team members will act as the chargeman in charge. Thirdly the system of performance appraisal may give the former subordinates more self-confidence. Finally, the subordinates have often been waiting for promotion to these jobs for many years without being able to adequately use their experience and know how.

The performance assessment and career growth measure can be analyzed taking into account the accelerated resource development policy (Sparrow and Budhwar, 1997). Before the restructuring process, promotion was largely based on seniority, which implies a high level of automatism, a lack of incentives to perform better and thus efficiency in operations, and stagnant careers and thus uncertain future perspectives. As indicated above FACT management started its delayering process in a way that fits with the constructional career logic in use, as it emphasized early retirement and later across the board cutbacks as well (of even 20%). As Evans *et al.* (1997) point out the measures with the least impact on the organization. However, this approach was not adequate as the restructuring proceeded too sluggish and the urgency of the process was not clear enough. To speed up and to demonstrate the urgency of the process, management came up with delayering. This is exactly what Evans *et al.* (1997) proposed as the measure to show the need for repositioning. So, despite the low score in India on this HRM policy it seems to be the right choice for management. But from a cultural perspective it emphasizes individualism, it reduces personal power of superiors, but it also reduces uncertainty. As indicated above also in collectivistic societies individuals do have legitimate interests of their own. Management should acknowledge that and incorporate in its HRM policies. But this should be done in an

appropriate way; a transparent procedure should describe rights and obligations of both superiors and subordinates.

The effectiveness of the FACT model for improving organisational performance and employee motivation is closely related to the strategies adopted by the organisation in managing the change programme. For PSEs in the country, the FACT model may look appropriate, but for others, full transferrability would be difficult. However, there are certain features of the FACT model that are applicable to industry in general such as the performance-linked career advancement system and the committee system of performance evaluation of employees. As regards other aspects, organisations have to adapt the FACT model to suit their specific requirements and company features.

A study of the comparative HRM practices indicate the following Challenges for HRD in FACT in the Changing Environment

- In FACT, the most important challenge for HRM function in the emerging competitive business environment is to bring about changes in the existing work norms, work attitude and work culture and to develop quality and productivity consciousness among all employees. FACT with its traditional lethargic, reactive approach to issues and problems, too much of procedure-orientation and little focus on results, is lacking in effectiveness and customer focus. It is therefore necessary that the product-orientation existing is replaced by customer-orientation.
- Another challenge to HRD function is to bring about an integration of individual goals with that of the organization. In the eagerness of managers to pursue their career goals, the organizational objectives are lost sight of and the culture prevailing is 'pleasing the boss' rather than contributing for the organizational goals.
- Another important area requiring attention in FACT is the need to prepare employees to meet the challenging demands of the new jobs, the new technology and the new processes. This needs training, retraining and continuous learning and the system for sharpening their skills through on-the job training, job rotation, job enrichment and job enlargement need to be further strengthened. These approaches would help upgrading the knowledge and skills of employees, thereby contributing to the effectiveness of the organization.

- The attitude of the management towards the needs and aspirations of the employees also requires to be changed in the changed industrial environment. The study indicate that Job involvement, job satisfaction and career growth opportunities are the kind of needs these managers want to fulfill from the work situation.
- In line with the above requirement, the implementation of the new Performance Appraisal (PA) System in FACT needs a review. It is necessary to make the managerial PA system objective and development oriented as originally envisaged. The system of evolving KRAs jointly by the Manager and his sub-ordinate is yet to be implemented in FACT. The post-appraisal counseling is also not being done. The scheme is to be made operational fully to link it to specific performance contribution and achieve organizational goals.
- The personnel function in FACT is concerned mostly with maintaining bilateral relationships between management and labour and in the process, the managers who were responsible for getting things done are forgotten. Management is perceived as the top management only ie. those belonging to the Chief Manager and above levels who represented the Dept. Heads and the middle and junior levels of management are not given due importance by the management nor they perceived themselves as part of management. This alienation of management staff from the management is visible in the organization and it is essential to have them all involved in the organizational process of achieving the Company objectives and goals.
- As regards the role played by the personnel function in the development of managers, it is observed that the functions carried out were mostly personnel establishment and IR functions. Though a separate Management Development Centre(MDC) is existing in FACT to provide training and development of managerial employees, the training imparted is not need based with the result that the investment in training is not made use of by the organization. This is a major handicap in the new business environment, where the employees need to be trained, retrained and their skills upgraded to cope with the emerging challenges. The personnel function needs to be revamped to make it play a developmental role

where the emphasis is on encouraging creativity and fostering a climate for innovation.

- Retaining competent employees and motivating outstanding performers becomes a challenge in the seniority-based promotion system existing in FACT, even after delayering. Though it is stated that promotion to managerial cadre and within managerial cadre will be based on merit-cum-seniority, in the absence of an objective system for assessing merit, seniority assumes greater importance in managerial promotions. This necessitates a radical shift in the approach so far adopted. However, such a major change is required to keep the motivation level of 'high performers' and also to establish equity in promotion decisions.
- The increased opportunity available for job change and career choice for managerial employees in the liberalized environment could be a threat to FACT unless proper systems are established to provide career growth opportunities for Officers with in the organization. A system of career planning and succession planning is important from the point of view of ensuring continuity in the organization and also to provide the right type of manpower for meeting the future organizational needs. This then becomes a challenge to the HRD function in FACT to design suitable career growth plans for the managers and systems for motivating and retaining good performers.
- In the new business environment where speed of response and faster decision making are imperative, managers cannot survive without adequate information to take the right decisions. It may be also necessary to establish multi-level, multi-channel and multi-directional communication and information sharing to make this happen. Managers have to learn to work in teams and work together for accomplishment of departmental and organizational objectives. Such a culture of team work and net working for information sharing is yet to evolve in FACT. Establishing and maintaining high performance teams would therefore be another challenge FACT has to face to make the organization respond faster to the changed business scenario.

To sum up, the main challenges for personnel dept. in FACT is to work towards creating an "HRD Spirit" within the organisation where the focus is on result-oriented and employee-centered approaches rather than procedure-oriented and employer-centred strategies. To

facilitate this, the approach and functioning of the Personnel Dept. need a radical change from the traditional role of Welfare and Industrial Relations to the new role of contributing to corporate objectives through Strategic Human Resources Management. Hence, along with the Delaying and restructuring exercise, a review of the HRD and IR strategies of the Company is also essential to create a conducive environment that will sustain the change initiative.

Part V

Areas for further research

- 7.5.1 Though different frameworks were used to explain the performance effectiveness of individuals and Groups in FACT, the determinants of effectiveness are the same and not different from the earlier studies. Perhaps, the extent of their impact could be different. The Cohen and Bailey review concludes that “ *variables that are studied and findings that are captured vary for different types of teams. For eg. Studies of project teams examine external processes while work teams have not considered external processes, because, external processes are less important for work team as compared to project team performance, given the difference between their composition and tasks*” But the FACT study indicates that external processes are important for work teams also in a competitive business environment. Perhaps, the impact of these external processes could be more on the Project Teams, considering the highly competitive nature of their tasks. This could be an area for further research.
- 7.5.2 The following are the other aspects that would require further research in the Group effectiveness framework.
- The Cohen and Bailey review indicates that the performance and attitudinal benefits from self-directed work teams are superior to those from parallel teams. The FACT study has not differentiated work teams and parallel teams and effectiveness has not been studied comparing one with the other. However, the findings from the FACT study is that the empowerment and teamworking in Layer 1 has made Layer 1 officers function like a self-directed team, thus contributing to higher performance effectiveness.

- Another finding from the review is that group cohesiveness is positively related to performance. By restructuring jobs in layer 1 as part of delaying the junior management cadre, teamworking has been made possible in layer 1. Further, with the performance-linked career advancement scheme, it was possible for the team members to move together in the career ladder which has eliminated intergroup conflict and rivalry and has improved group cohesiveness. This has resulted in the performance improvement of Layer 1 officers after delaying.
- From the earlier studies, it is seen that Autonomy is associated with higher performance for work teams, but not for project teams. Since the FACT study has not separately studied the project teams, its impact is not known. As regards work teams, however, the finding from the FACT study corroborates that empowerment and autonomy have contributed to group effectiveness.
- For implementing the change effort and for managing the transition, FACT had adopted a top-down approach with clear demonstration of top management commitment at all stages of the change programme. The strategy adopted for implementation ensured that this commitment is demonstrated throughout the implementation stage. Michael Beer and his colleagues at Harvard have observed that such top-down pragmatic approaches do not often work because they are guided by a theory of change that is fundamentally flawed (Beer, Eisenstat and Spector, 1990). This is because of the common belief that changes in attitudes lead to changes in individual behaviour, which when repeated by many people results in organizational change. The basic argument is that this theory gets the change process exactly backward. In fact, individual behaviour is powerfully shaped by the organization roles that people play. The most effective way to change behaviour, therefore, is to put people in new organizational context which imposes new roles, responsibilities and relationships on them. This would then create a situation that 'forces' new attitudes and behaviours on people. Accordingly Beer et al offer the process of 'task alignment' as a corrective and alternative to 'pragmatic change'. In the task alignment approach, the focus of change attempts is not on the individual to change his attitudes and behaviours, but on the structural and task arrangements in the work situation whereby the employees are constrained to change their

behaviours, resulting in consequent shifts in attitudes and values. As regards the Delaying process implemented in FACT, the focus was on organisational restructuring including job redesign, team formation and networking of managers within a layer, together with change in the HRM systems to facilitate a change in the behaviour of people. It is expected that, the desired behaviour would evolve, over a period of time, by the forces exerted by the new organizational context, following the Beer model.

- 7.5.3 All the above generalizations lead to further hypotheses, which opens up new areas of research. It is necessary to test these hypotheses by further research, in organizational settings to establish the validity of the findings and for its generalization.

Chapter 8

Summary and Conclusion

8.1.0 Summary

8.1.1 The Research Study on Delaying in FACT was undertaken at a time when the industrial undertakings in the country, especially the Public sector Enterprises were restructuring and re-orienting their strategies to meet the challenges of competition posed by the economic policy changes initiated by the Govt of India in the early 1990s. The Research problem chosen was an assessment of the impact of the change programme called "Delaying" implemented by FACT Ltd. as part of its strategy to beat the emerging competition. This problem was chosen considering its relevance not only to FACT, but to other PSEs also which are struggling for survival in the liberalized environment. Though a large number of organizations, both in the public and private sectors have undertaken delaying as a strategy for improving organizational effectiveness, research studies on the Delaying process covering all aspects from concept to commissioning and its impact on organisational outcomes are rare in the Indian context. The documented Indian case studies on delaying give only a broad outline of the change programme and are not helpful to understand fully the mechanics of the scheme, the process of change, strategies adopted for implementation and the impact of change on the organization and the managers affected by the change, especially with regard to the impact of delaying on Managerial motivation and Team Effectiveness. The present Research study is intended to fill this gap.

8.1.2 The objective of the Research was to make a case study of the Delaying system implemented in FACT and to analyze its impact on the organizational outcomes with specific reference to Managerial motivation and Team effectiveness. The Research Process involved undertaking a longitudinal study of the Organization covering a period of six years, to make an in-depth Case study of the Delaying scheme implemented in FACT, to analyze the perception of managers prior to, during and after implementation of delaying and to assess the impact of the

change programme on Managerial motivation, Team effectiveness and Organisational performance. The data for the research was collected through direct observation, opinion surveys and interviews. Three surveys were carried out at various stages of implementation. The sample for the survey was drawn from the managerial employees belonging to all the divisions of the company representing junior, middle and senior management cadres.

8.1.3 The findings of the study indicate that there has been improvement in all the three dimensions of organizational outcomes after delayering , viz:

- Improvement in **Organizational performance** assessed in terms of physical output and performance efficiency parameters, reduction in manpower, improvement in labor productivity and organizational flexibility
- Improvement in **motivation level**, performance efficiency and attitude of managers and improvement in job satisfaction, employee morale and Team working in middle and Junior management levels
- Improvement in **behavioral outcomes** which include improved level of satisfaction with the managerial performance evaluation systems and perceived equity in rewards.

8.1.4 The visible impact of Delayering in FACT is a reduction in the hierarchical layers from five to two in the Middle and Junior management cadres and the consequent downsizing of the organization by 20 %. The organization has bettered its production performance in the post-delayering period even with the reduced manpower, indicating thereby an improvement in Manpower Productivity. It is also seen that there is a positive impact on the various determinants of Managerial motivation and Team effectiveness due to delayering. Motivation of managerial employees and teamwork in the organization are perceived to be at a higher level after delayering. The organizational communication has improved and decision-making has become faster indicating empowerment of managers, especially at the lower levels. The organization's ability to respond faster to the changing environment has also increased. The post-delayering scenario has thus witnessed an all-round increase in production, sales and employee productivity (though profits have declined due to other reasons which are attributed to the external

- environment). The new Performance Appraisal Scheme introduced as part of Delayering has facilitated equity in performance evaluation and the career management scheme has provided enhanced career growth opportunities for managers, thus motivating them for higher performance.
- 8.1.5 A performance comparison of the two years immediately succeeding the year of implementation of Delayering with the scenario existed during 1997-98, i.e., the year of full-scale implementation of Delayering, presents an encouraging picture of all round improvement in the physical performance of FACT and the re-emergence of dynamism in the activities of the company. The profitability of the company has however, suffered due to various external reasons, some of which are beyond the control of the management and the employees. The inability of the FACT management to take up Portfolio restructuring, Financial restructuring and Technological restructuring simultaneously along with Administrative restructuring has been one of the reasons for the poor financial performance despite excellent physical performance both in quality and quantity and improvement in Managerial motivation.
- 8.1.6 The change in the fertiliser pricing policy implemented in the year 2000 has also been disadvantageous to FACT. The package for the Eight Pricing period, i.e. from 1.4.2000 to 31.3. 2003 involved changes in the policy parameters which has made old plants like existing in FACT unable to achieve the reasonable return despite operating at high efficiency levels (Uttam Gupta, 2002). Under the new policy package, the Govt. has set very high standards of performance without creating an enabling environment for the manufacturing units to reach these levels. Implementation of the new Fertiliser Policy has seriously eroded the margins and has pushed many of the fertiliser units including FACT in to the red. There is an urgent need for review of this package to enable all *efficiently* operated plants achieve the promised return and ensure continued health and growth of the industry.
- 8.1.7 In the change management programme undertaken by FACT for implementation of delayering, adequate planning was carried out to prepare a climate for smooth transition. The Top Management had clearly demonstrated its commitment to

change and has taken a direct and active role in the implementation of the Delaying Scheme. The support of the top management and their positive approach to various issues that cropped up during implementation have helped to create willingness among middle and junior management staff also to accept the change. Another factor that contributed to the success of implementation was the efforts taken by the management in building up direct, two-way communication between the management and the staff during the process of change. The approach adopted by the management to take the officers' forums and the Trade Unions into confidence had generated an atmosphere of trust and transparency. This approach had helped to make the employees 'own' the scheme and to share responsibility for its implementation. On the whole, the indications based on the survey is that the change process was carried out in a systematic manner with a clear focus on organizational objectives and for ensuring full involvement of the managerial community.

8.1.8 The research study was also intended to provide a feed back to FACT management on the effectiveness of implementation and management of change. Based on an analysis of responses and findings, the following recommendations are given for deriving maximum benefits from the delaying efforts and to sustain the positive impact of delaying:

- The management must continue the awareness building efforts
- Empowerment of managers belonging to lower level is yet to happen and therefore further efforts are needed
- Training Programmes of MDC should be re-oriented and should be linked to identified training needs
- There is a need for changing the mindset of managers
- The organisation should strive for market orientation
- Decisionmaking skills of junior and middle managers should be further honed
- Trust and openness between appraisers and appraisees to be improved
- The PA feedback system should be further reviewed
- The system of appraisal interview to be relooked into

- Retraining of managers who are left behind is to be taken up on priority
- FACT should explore new strategies for expansion and diversification to ensure organisational growth
- Manpower planning for existing and future requirements is a must
- A dynamic HR strategy is needed to meet the emerging challenges
- Employees are to be prepared for accepting further downsizing
- Management to guard against loss of critical skills while implementing VRs
- A strategy for employee retention is needed to reduce career discontent.
- DPC procedures to be made more objective and transparent
- Human Resources function to play a crucial role in managing culture change
- The key role of leadership for ensuring success of the change programme to be maintained
- The employee involvement programmes to be further strengthened
- A strategy to overcome the barriers to change must be evolved
- FACT needs to articulate a new vision and translate the vision into action
- FACT should guard against the forces of relayering

8.1.9 The findings of the Research study have also provided a feedback to the organization on the effectiveness of managing the change programme. It has helped to identify the factors that have contributed to the success of implementation and to pursue those strategies that would help to sustain the positive impact of delayering. Another important contribution of the Research study is the possible generalization of the findings based on the inferences drawn. The Research findings have implications to the theories of Managerial motivation and Group effectiveness in organizations. It has enabled developing a heuristic model for Group effectiveness that could be used for deriving hypotheses for further research.

8.1.10 The above findings substantiate that the conceptual model used as a basis for starting the Research programme is valid in the organizational environment prevailing in FACT and can be used as a broad framework to explain the improvement in Managerial motivation, Team effectiveness and Organizational performance after delayering. The conceptual model has been refined based on the

findings of the present Research, after identifying the contributing factors for performance improvement and their interrelationship. The model thus evolved, besides being helpful in understanding the process of organizational change and improvement in performance in FACT after delayering, would facilitate relating the findings of the FACT study to the existing body of knowledge on the subject and to draw conclusions. This is another major contribution of the Research.

8.1.11 The Research study was undertaken with the primary objective of making a case study of the Delayering system implemented in FACT. However there are other sub-objectives also. These sub-objectives have also been specifically addressed and presented in the various chapters as detailed below:

- **To examine the role of Delayering as a strategy for organizational restructuring in the post-liberalized environment in the Country, with specific reference to Indian Experiences and Cases**

Details of the Literature survey carried out to examine the role of delayering as a strategy for organizational restructuring in the Indian context, especially in the post-liberalized environment in the country with specific reference to Indian experiences and cases are provided in Chapters 1 and 3. Details of a German case study on socially responsible restructuring carried out at Volkswagen are also provided, in view of its relevance to the FACT model.

- **To portray accurately the Delayering Scheme implemented in FACT as a tool for organizational restructuring, bringing out the contextual factors that necessitated the scheme, its objectives, Scheme design, procedures and strategy adopted for implementation through a longitudinal survey, following the case study approach.**

An exhaustive study of the delayering system implemented in FACT and the strategy adopted for its implementation with special focus on managing the change process, covering the period 1993-98 is provided in Chapter 4.

- **To assess the perception of Managers on the impact of Delayering on Managerial motivation, Group Effectiveness and Organizational Performance**

The impact assessment has been done through a Post-delivering survey, followed by personal interview of managers. The survey covered 275 managerial employees of

FACT belonging to various Divisions of the company, representing about 12 % of the total managerial population. Details of the post-delaying survey carried out in FACT one year after full scale implementation of delaying, to assess its perceived impact on the determinants of Managerial Motivation and Team effectiveness, with specific reference to Performance appraisal system, Decision making and Empowerment, Team formation and Networking, Career Planning and Succession Planning and overall Organizational Performance are provided in Chapter 5.

- **To analyze the findings of the Survey and offer Recommendations for sustaining the positive impact of delaying in FACT**

An analysis of the findings of the Post-delaying Survey to assess the impact of delaying and restructuring managerial cadres on Managerial motivation, Team effectiveness and organizational performance along with Recommendations for sustaining the positive impact due to delaying in FACT are given in Chapter 6.

- **To develop heuristic models for Individual and Group/Team effectiveness in Organizations based on the findings of the study.**

After identifying the contributing factors and their interrelationship, a framework that explains the improvement in Organizational performance after delaying in FACT has been developed. The model thus evolved is presented in chapter 7. An attempt has been made to compare the FACT model with the framework of Cohen and Bailey on Group effectiveness. The differences between the Cohen&Bailey framework and FACT model of Group effectiveness are highlighted in the Chapter, which will be of interest to academicians and practitioners in Management. Areas for further research are also indicated.

- **To draw conclusions that enable developing appropriate strategies for successful implementation of delaying and restructuring in organizations.**

A summary of the research thesis and the conclusions based on the Research are given in this chapter.

8.1.12 When one examines the history of FACT, the management change initiatives undertaken in the past and the organizational change initiated through the Delaying process covering a period of four years from 1993 to 1997 it is evident that one reason for the

success of the change programme was the time-scale involved in the implementation of the change process. Philip Sadler (1995) has examined four types of organizational change taking the two variables - the magnitude of the change and the time scale involved. They are Incremental or evolutionary change, Transformational or radical change, Going for the "Quick Fix" and Tinkering . Sadler advocates that only a transformational change will result in changes in the total organization - in all its aspects ie. structure, systems and the culture. The approach of FACT has also been to bring about a transformational change in the organization and the performance analysis of the subsequent period of change supports the findings of the post-delayering survey that the changes were not just limited to the organization structure, or its systems or procedures, but on the organization culture as well.

8.1.0 Conclusion

8.2.1 The Delayering in FACT has affected the structure, systems and culture of the organization. It has affected a section of the managerial personnel adversely, especially those belonging to the highest salary scale in Layer 1 and Layer 2, resulting in negative consequences. Hence the long-term success of Delayering in FACT depends on the organisation's ability to lessen the pains due to this negative impact.

8.2.2 In delayed organizations, it is the middle level that often gets merged either with the lower or the immediate higher levels. This results in an identity crisis for managers belonging to these intermediary levels as to their role, task significance and specific usefulness/contribution to the organization. The elimination of the crucial role played by this group hitherto, and their perceived loss of power and prestige in the organisation can develop counterforces that tilt the balance and adversely affect the success of the Delayering effort. Detractors of Delayering opine that "*the organization loses the strategic contribution of the middle managers*" in a delayed system. Floyd and Woodbridge have observed that this sort of "*cavalier treatment of middle management*" during Delayering can have adverse consequences for the organization as a whole. (Nina Jacob, 1996). This is one aspect to be guarded against by FACT alos.

8.2.3 As in many Indian organizations, organizational change has become synonymous with job losses in FACT. When this has happened, getting people to co-operate enthusiastically with change programmes has been rather difficult. In FACT, this resistance

has been overcome to a great extent by a well-thought out strategy announced by the management prior to initiating the Delaying exercise that *there will not be any job loss due to retrenchment for existing people and manpower reduction will take place due to normal wastages like retirements, resignations, VR etc.* The success of the Delaying effort was partly due to management's ability to hold on to this promise. One of the important factors for the positive outcome has been "*consistency in communication and the importance of avoiding mixed messages*" (Philip Sadler, 1995). The reaction of FACT managers to the early stages of Delaying has been mixed. However as the change process progressed and people saw the changes slowly taking place, they became aware of the realities and started accepting the reality. This is reflected in the reaction of managers after the Trial run at the Udyogamandal Division. The success and the opportunity to see how the system works in practice during the trial-run stage, has raised feelings of optimism. This has led to individual managers taking active interest in the Delaying process and coming out with real issues they face and seeking solutions. It was during this stage that the major issues concerning the Senior Technicians in CD surfaced and the management could find a solution to the issue and forge ahead. The discussions with FOA and FOF became more frequent, realistic and result-oriented at this stage. The final stage was the Internalisation phase where the change becomes a part of life, and there is understanding and acceptance. While it can be reasonably assumed from the responses that there was good understanding among managerial personnel in FACT about Delaying and its impact, the internalization of the change process is yet to take place fully. Two factors can be attributed to this:

- The inability of management to immediately withdraw the surplus personnel from their areas and giving them new assignments, as member of task forces etc.
- The decision of the management to enhance the retirement age of all managerial employees from 58 years to 60 years, thereby delaying retirements by two years.

This has led to carrying the surplus for another two years which was not viewed by the younger managers as a step in the interest of the organization. This has also affected the morale of the lower management cadres who were aspiring for immediate promotions. Requirement of performing the same job over and over again even after getting grade changes could be frustrating, atleast for the younger managers who value job content and competence building in jobs.

8.2.4 In some cases, the organizational change threatens employee's potential earning power, for example, changes in the pattern of earnings of two groups of employees - Technicians & Senior Technicians doing the same job. While Technicians belong to the non-managerial category and earn overtime wages, Senior Technicians are not entitled for OT, being in the managerial category (sublayer). However, this disadvantage is compensated to some extent by their higher scales and other managerial perks attached to the Senior Technician's post.

8.2.5 Organisational changes consequent to Delayering involve relocation of activities as surplus people may have to be deployed to other areas. Even in this situation, the FACT policy has given due consideration to the employees' needs by first considering the employees for redeployment in other departments within the Division itself. Redeployment to other Divisions or locations was done only when other options were not available.

8.2.6 As part of Delayering when surplus deployment is done, it is possible that the conditions of employment also changes. For example, Working Hours, Work timings, Work place, Shift working etc. These aspects were also taken care of by FACT management to ensure that the resistance to change is minimized.

8.2.7 The post-delayering scenario has brought about changes in the beliefs, values and assumptions managers hold about their work, role and attitude towards the customers - both internal and external. The bureaucratic style of functioning has become irrelevant in the new competitive business environment which requires managers to 'unlearn' their traditional procedure-oriented, risk-avoidance habits.

8.2.8 As part of Delayering, jobs have been redesigned within a layer. This has happened in layer 1 and layer 2. For some managers, this means dilution of their powers; for others it required acquiring additional skills to perform the interchangeable role as required under Delayering. In the case of workers, this may also mean acquiring new skills, working with new technology and getting retrained. The response of the middle level managers to the changes have been affected by the anxiety about one's ability to master new skills (eg: the ability to lead a team and perform as a leader, the ability to do interchangeable tasks, their competence level for performing new jobs etc.), loss of esteem and self-respect when the powers enjoyed for long as Section Head/Dept. Head are taken

away and the deep feelings of insecurity as managers' sense of ownership of their jobs has been undermined.

8.2.9 The restructuring of organization and the consequent regrouping of jobs/functions and departments have resulted in redrawing of group boundaries, the breaking up of existing work groups and the formation of new ones. Managers are required to adjust and build new relationships, re-establish feelings of mutual trust and a sense of group cohesion. The result of all these would be a deterioration in performance initially as it may take time for the new teams to settle in. However, the performance would improve, once the initial period of adjustment is over.

8.2.10 All hierarchical systems of organization are status systems as well as systems for the allocation of authority and responsibility. Structural change results in changes to employees' status in the organization, when status is counted in terms of power and authority. Anxiety about status is often a major factor in resistance to change, but is difficult to resolve since it is usually unacknowledged. Managers may give any number of reasons for not going along with a set of proposed changes, but do not reveal the real reason – *loss of status* – since most of them will be reluctant to raise this issue. To some extent this feeling of 'loss of status' is compensated by retaining the higher designations in each layer. But the Managers' apprehension of "*How will it affect me?*" remains. The manager is more concerned about how the changes are going to affect his job, his work environment and the benefits he enjoys. He will be also concerned with the threats in the environment, insecurity and anxiety that goes with the feeling of loss of jobs and opportunities. These questions are at the heart of any organization change. Through continuous dialogue and involvement of the Officers' Forums and the Trade Unions, FACT has been able to reduce the pains of the change and to achieve reasonable success. In short, the impact of the change programme is viewed by managers not just by looking at the organizational outcomes, but the consequences on themselves.

8.2.11 According to Hinings (1983), a planned change is unlikely to be successful if those affected by it do not agree that a problem or need exists. The consequent resistance is also likely to be greater when those affected disagree that the proposed solution ie. the change itself, would be appropriate even if they accepted that the need existed. When those affected agree with both the need for change and the change being proposed, there is

highest chance of success. There is a medium chance of success when those affected realize the need for change, but may not be in full agreement with the change initiated. The conclusion is that *unless the change required of individuals needs to be perceived as offering positive benefits to them, it is not likely to be embraced*. In the circumstances prevailing in FACT prior to Delayering, there was clear indication that the officers community had accepted the need for change and that to most of them, Delayering offered a satisfactory solution. The pre-delayering survey had revealed that there was a need for change in the existing system due to the changed economic scenario, career stagnation of managerial employees and lack of contribution from individual employees. While the senior management fully agreed with these factors contributing to the need for change, the Officers' Forums were of the view that career stagnation of employees coupled with the changed economic scenario were the main contributing factors for Delayering. There is thus a reasonable degree of 'fit' between the 'need' and the 'change' which indicates a better chance of success of the change effort in FACT. The results of the pre-delayering survey have also given indications of the perception of managers to the Delayering scheme, to what extent they will resist and why they are likely to resist. This survey and analysis of results was necessary for reaching appropriate decisions in the next stages of allocation of responsibility and implementation. Since implementation strategies need to reflect the significance of the change for those affected and to be designed to create the conditions for acceptance, the pre-delayering survey has provided valuable information for carrying out further stages of the change programme effectively.

8.2.12 One of the important stages in the change process was the allocation of responsibility to all concerned and co-ordinating the change efforts at corporate and divisional levels through Task Forces. This has helped in building commitment to change throughout the organization and to provide motivation to achieve the desired outcomes

8.2.13 While implementing the change strategy in FACT, the differing perceptions of the various categories of managerial employees presented the biggest challenge. While the '*high performers*' and those belonging to the younger age group welcomed the change, the medium and low performers and those belonging to the older age group showed much resistance in accepting the system. Research studies have shown that with in any given population affected by a change, there will be a small number of '*innovators*' who will

welcome and embrace the change almost immediately and a similar small number of 'laggards' who will resist the change to the last and may never adopt it. In between the two extremes will lie the majority of the population who will broadly fall into two camps-those who are likely to adopt the change quite quickly and those who will take longer to get themselves convinced. (Jim Stewart, 1991). In developing and implementing a strategy for planned change, a choice needs to be therefore, made as the extent to which to involve those affected by the change. At one extreme, employees are merely told of the change and expected to adopt it. This is labeled as *information strategy* - ie. information about the change is passed on without the opportunity or expectation of a response. At the other extreme, nearly all those affected are fully involved in the identification of the need or problem and determination of the solution. This is termed as *involvement strategy*. In between are a number of possibilities which vary according to the degree of interaction between decision makers and those affected and the relative degree of influence on decisions by the two groups. Though '*high involvement*' is the most desirable strategy, it is not easy to achieve this or feasible in practice in large organizations like FACT. Besides, planned change such as manpower reduction through Delayering is not going to gain the agreement of all those affected, especially when their expectations are not fully met. However, some degree of involvement at the level of consultation or negotiation is likely to minimize the detrimental consequences of the change for those affected. The approach adopted in FACT for employee involvement was more closer to the 'high involvement' strategy depicted in the Stewart model. This has been one of the reasons for the long period of nearly six years taken to implement the system and derive the benefits.

8.2.14 The final part of the change process was the '*monitoring*' phase where the impact of Delayering was assessed. This stage involved an evaluation of whether the objectives of the planned change have been achieved. Since the Delayering exercise in FACT was started with clear cut objectives, it was possible to make an evaluation of its impact on various factors that contribute to managerial motivation and organizational performance through a post-delayering survey. The results from the survey served as a feed back for improving the system on a continuous basis and for drawing conclusions on the applicability of the model to other organizations.

8.2.15 In the change management programme undertaken in FACT, adequate planning was done to prepare the climate for a smooth transition. The Top Management has demonstrated its commitment to change and has taken a direct and active role in the implementation of the Delaying System. The support of the top management and the positive management approach to various issues that cropped up during implementation has helped to create willingness among middle and junior management staff also to accept the change. Another factor that contributed to the success of the implementation of the change process was the efforts taken by the management in building up direct, two-way communication between the management and the staff throughout the process of change. All efforts were taken to ensure that there is no communication gap and resistance to change is minimized through free flow of information about Delaying. The approach adopted by the management to take the officers' forums and the Trade Unions into confidence, had generated an atmosphere of trust and transparency. There was no 'fear' as the Officers' Forums were assured of 'no retrenchment'. Even the deployment of surplus people consequent to Delaying was left to be discussed with the Officers' Forums and Trade Unions. This approach had helped to make the employees 'own' the scheme and to share responsibility for its implementation.

8.2.16 As Sir. John Harvey - Jones (1993) writes in "Managing to Survive" *"There is unlikely to be any business or institution which will escape radical change in the nineties, and the choices before us are to manage it ourselves or have such change forced upon us"*. He adds *"It is impossible to change organizations which do not accept the danger of their present way of doing things. Organizations only change when the people in them change, and people will only change when they accept in their hearts that change must occur. Change is a 'hearts and minds' job and the engines of change are dissatisfaction with, and fear of, maintaining the status quo. It is very difficult indeed to change against the grain of the belief of your people"*. This was the greatest challenge facing the management while implementing Delaying in FACT. Though all efforts were taken to make the employees accept the change, the impact on the organization in terms of culture change and sustained organizational effectiveness can be seen only after a reasonable period of time after implementation of Delaying. The post-Delaying study carried out after the implementation of the structural and systems changes can thus be only a pointer to the actual long-term impact the change programme will have on the organization.

8.2.17 The positive impact of delayering on managerial motivation and organisational performance in the short-term raises doubts as to its sustainability in the long run. The question is : **Will the positive change sustain?** It may be seen in this connection that in the case of Delayering, FACT had followed a slow and patient approach, giving enough time at each stage to understand the system, its implication and possible impact on the organization and the individuals. The starting point for implementation was a pilot experiment in one division (UD), subsequently going in for a company-wide implementation. The approach followed is comparable with the Employee Involvement Programme (EI) initiated by the Ford Motor Company, where the pilot experiment was conducted in one location – for eg. Ford in America, which was later adopted company – wide. As observed in the Ford example, the success of the effort depends on the culture of the Company, the leadership style of the chief executive and the extent to which the ground has been prepared in advance so that a climate receptive to change already exists.

8.2.18 Since organizations exist as systems, the principal components of which are structure, processes and culture; for organizational change to be effective, it must be holistic involving all the components so that change in one aspect reinforces change in others. The ideal approach, according to Sadler (1995) is to move forward simultaneously on all fronts. However, experience of organizations has been that changing the culture is going to take much longer than altering the structure or introducing new processes. Since culture change involves a change in the organizations 'paradigm' or the common 'mindset', the most powerful weapon for sustaining such changes is a system of continuous and focused training for changing the attitudes, beliefs and behaviours rather than the conventional training programmes on imparting knowledge and skill. Such programmes of training should start at the top, cascading down through the organization to shop-floor level as done at British Airways and Rover. With this objective the existing programmes at the Management Department Centre (MDC) of FACT should be re-oriented. It is not the quantum of programmes that matters, but its focus and direction to continue with the culture change already started and to result in a total transformation. This is an area requiring immediate attention of FACT management to sustain the positive impact.

8.2.19 Another issue of concern is : **Do Managers feel insecure in the new structure and systems ?** Research evidence shows that many Managers, prefer the devil they know to the

devil they don't and to most of them, reporting structures are a source of support that limit the possibilities of failure. Avoiding mistake had become part of the management culture in PSEs and being able to pass the decisions up the line meant 'you are unlikely to make a serious mistake or held singularly responsible for mistakes when happen'. Colin Carnall (1995) emphasizes that for organization-wide change programmes, since the success in implementation involves and has impact throughout the organization, changes of the corporate culture are necessary. This is true of FACT, as being an organization with 'strong old culture' - deep rooted in the hierarchical system and centralized decision making and control - the change process can result in sustained organizational effectiveness only if accompanied by a major culture change. Deat and Kennedy (1982) conclude that bringing about sustained changes to attitudes and behaviour of employees is essential for corporate culture change, and one of the conditions justifying such an attempt is "where the industry is highly competitive and the environment is characterized by rapid and often turbulent change". The industrial environment prevailing at the time of implementation of 'Delaying in FACT' was characterized by competition and unprecedented changes, justifying a culture change for sustaining the positive impact of change on the organization.

8.2.20 Another issue that assumes importance is : Does Organizational restructuring alone contribute to Organizational Effectiveness? As already explained, effectiveness of an organization depends on various parameters and one aspect that is essential for its survival and growth is its continued profitability. The study of restructuring in FACT shows that though the intended objectives of Administrative restructuring has been fulfilled to some extent and the organization has become more flexible and adaptable to change, Managerial and labour productivity has increased, production and capacity utilization of plants have increased, impact of all these positive changes have been nullified by the dismal performance of the company in the financial front.

The delaying exercise was started during 1993-94 and completed during 1997-98. The trends are clearly visible that the organizational productivity has gone up. However, the declining profits especially after achieving a peak of Rs. 85.53 crores during 1995-96 to a loss position from 1998-99 is a matter of concern. The losses have been mainly due to the interest burden on the loan availed for the 900 tpd new Ammonia Plant (a decision forced

on the company due to environmental reasons) which increased from Rs. 15.28 crores in 1997-98 to Rs. 82.67 crores during 1998-99 and Rs. 76.46 crores during 1999-2000. The depreciation has also increased from 31.47 crores during 1997-98 to Rs. 63.42 crores during 1999-2000. Despite excellent production performance, the Company ended the financial year 2001-02 with a loss of Rs. 39.80 Crores (previous year loss- Rs. 48.26 Crores) after providing depreciation of Rs. 63.42 Crores (previous year - Rs. 62.33 Crores) and interest of Rs. 76.46 Crores (previous year - Rs. 82.67 Crores). The Cash Profit for the year is Rs. 23.62 Crores compared to Rs. 14.07 Crores for the previous year. With the commissioning of the new 900 TPD Ammonia Plant in March 1998 which had to be set up due to legal / environmental reason, the high capital related charges of the Plant had to be absorbed by the Company. No compensation was available from Government for Ammonia produced captively with high cost of petroleum products, as the ad-hoc price concession on Factamfos 20:20 is fixed based on imported Ammonia. The company has requested the Government of India for a comprehensive financial relief package consisting of write off of Government loan on the new project, waiver of unpaid interest etc. This is under consideration of the Government of India. Once the requested relief is sanctioned, the financial health of the Company will improve significantly.

An analysis of the reasons for the above setback, inspite of commendable achievements in manpower reduction, job restructuring, streamlining of systems and practices, team formation and net working at the junior and middle management levels and overall improvement in the motivation level of managerial employees point to the fact that the company could not achieve a total restructuring of the organization covering all functional areas, as originally envisaged. The Restructuring undertaken in FACT had four focus areas- Portfolio restructuring, Financial restructuring, Technological restructuring, and Administrative restructuring. At the time of initiation of the Delaying project, it was expected that restructuring in all the four areas will be taken up parallelly so that the positive impact of one complements the other. However, this has not taken place. A decision on closing down uneconomical plants in CD was taken only in 2002 and a relook on the portfolios in the context of the new business environment is yet to take place. Portfolio restructuring as originally envisaged has not been carried out with the result that the company is still holding a number of uneconomical production facilities. No efforts are seen

taken for utilizing the strengths of the organization for diversification and growth. The vast area of land, infrastructural facilities, extensive marketing network covering whole of south India are yet to be exploited to its full potential.

In the Technological restructuring area, though a detailed analysis has been carried out to identify Weak Areas and to up-date and modernize the plants and facilities, improve specific consumption ratios and reduction in energy consumption, significant progress could not be achieved in any of these areas for lack of management commitment and support from the Govt. These plans and programmes are still in paper and the undue delay has not only contributed to the declining financial performance of the company, but also making the units unviable for continued operation from the cost of production angle.

In the Financial restructuring area, the restructuring package is still under the consideration of the Govt and except a temporary relief of writing off the interest burden, no restructuring from the long term point of view has been carried out.

8.2.21 On going through the performance history of FACT in relation to the Industry, one gets a feeling that the organization has passed the 'growth' stage and has slipped into the 'decline' stage. Richard Beatty and Dave Ulrich (1991) propose a five-stage model for 're-energising' the large mature corporations facing the decline stage of the organizational life cycle. The first stage of organizational renewal process for the 'over manned' unproductive and ineffective mature corporation starts with restructuring (Delaying / downsizing). This is followed by 'Bureaucracy Bashing' aimed at getting rid of all unnecessary reports / approvals, procedures through streamlining systems. The third stage focuses on empowering the employees which facilitate implementation of continuous improvement process envisaged in stage 4. The final stage is an outgrowth of the first four stages - a fundamental change in the 'mindset' of the employees that lead to sustained growth. Hence to derive lasting 'benefits', it is necessary that FACT continue with the change process till it achieves a change in the 'mindset' of all its employees. This is more said than done, yet the greatest challenge would remain as the organisation's ability to bring about a 'strategic culture change' as observed by Beatty and Ulrich.

8.2.22 The Delaying Process in FACT had attracted the attention of academicians and practitioners alike in view of its scope, coverage, complexity and relevance to the Public Sector environment in the country. For PSUs that are planning to restructure, the findings of

the research work provides invaluable information on a possible course of action for successful implementation of Delaying. For the academicians and practitioners in management, it provides a live case study of the application of Delaying as a strategy for improving managerial motivation and enhancing organizational performance. It has contributed to the existing body of knowledge on the subject, besides providing impetus for undertaking successful change management programmes for achieving organizational transformation in the public sector environment. But to achieve lasting benefits, it is necessary that organisations continue with the change management strategy as an on-going process. Hence the following aspects will determine the continued success of delaying in FACT and the effectiveness of FACT model when applied to other organisations:

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