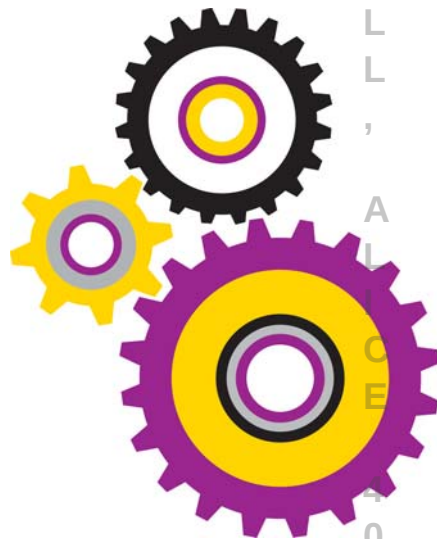


**Systems
~n~
Practice**



Unit

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Managing Performance



A Modern View of Management

The definition of management varies among textbooks and, at times, editions of those texts. The most modern view of management describes it as the proper utilization of resources to accomplish organizational goals. In essence, the manager's primary challenge is to effectively allocate available resources to maximize the probability of attaining organizational goals in the most efficient manner possible.

Let's look at each of these elements separately.

"Proper" refers to **effectiveness** and **efficiency**. As previously discussed, to be effective, a manager must "get the job done" but to be efficient, the goal must be achieved with the minimum consumption of organizational resources including time.

"Resources" encompasses three basic classifications:

- **Money** (capital)
- **Information technology**
- **Humans**

"Utilization" refers to the **allocation** and use of resources. In a world of scarcity, the way in which resources are distributed and consumed becomes a central issue for managers. In economics terms, the supply of resources is finite and the demand for resources is infinite. Pricing establishes demand at attainable levels.

Examples of Resources include money, buildings, machinery, computers, information technology, and humans among others. From a manager's point of view, most resources (excluding HR) offer limited manipulation opportunity. For most resources, the question is that of an allocation nature; who gets what and how much? Consider IT for example: technology generally includes equipment and systems to process data

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into information. The output of technology is finite; any machine has a specific capacity. A machine is similarly limited to produce what it is programmed to produce. A machine may be adjusted to produce higher output if it is not calibrated correctly. Modifications to the machine may increase its overall output as a result of improvements in technology, but the decision is largely limited to calling a technician or purchasing a higher capacity replacement.

Resources

Money

Information
Technology

Humans

Figure 7.1



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Managing Performance



Unlike the manager's limited ability to manipulate most resources, the human element offers a vastly superior potential for improved output. A human being is a complex combination of attributes, many not controllable in the context of the organization. The managers within the organization can significantly influence the productivity of the employees through their behavior and based upon their analysis of the system and structure of the organization. Since the human element is the most 'manageable' of all resources, the primary goal of managers is to maximize the level of performance.

Performance

There is a simple yet profound formula for performance. **Performance is the result of three elements: capability, motivation, and the support system (Figure 7.2).**

'**Capability**' is the "can do" element of performance. The manager must distinguish between capability and ability since capability of employees does not necessarily equal their ability. A capable employee is one who possesses the aptitudes and talents to perform the required tasks. The employee may not be able to do so without appropriate development and training. A capable employee may perform at a substantially lower level than possible if the aptitudes and talents are not transformed into ability through appropriate training and development.

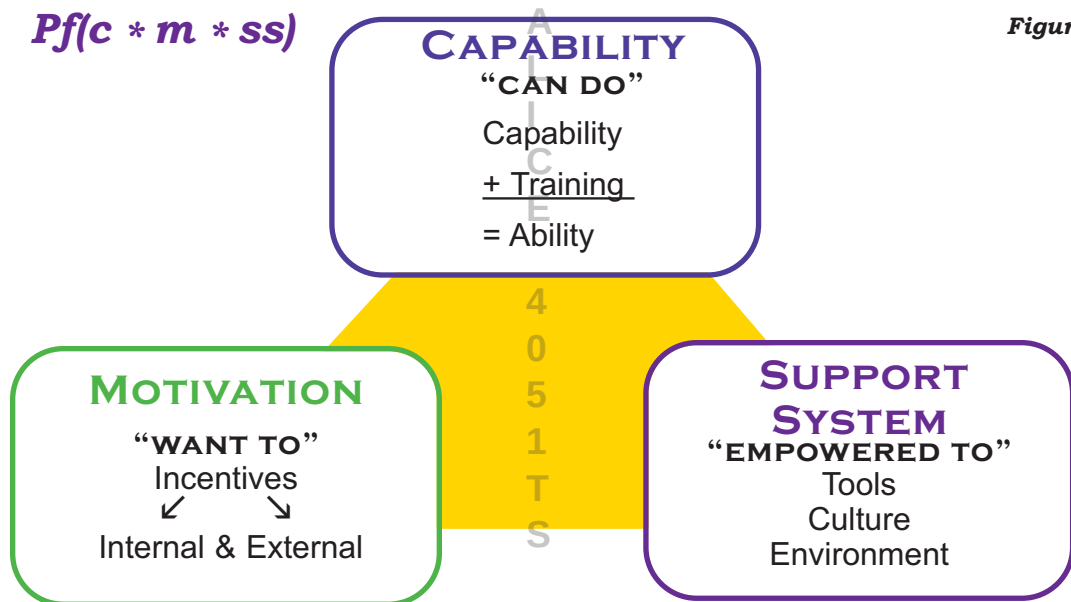


Figure 7.2

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The second element, 'motivation,' is the "want to" perform. **Motivation** is the result of several external and internal factors.

External factors include monetary and other incentives offered by the employer. Internal factors represent the inborn attributes such as high performance ethics, responsibility, commitment, and other moral values. A strong desire to succeed as an individual is the most valuable from a performance aspect. One of the most significant managerial challenges is to recruit internally motivated individuals; after all, external incentives are truly limited when compared to internal motivation.

The final element is the **support system** made available by the organization to facilitate employee performance. From a macro point of view and to varying degrees, the overall layout of the structure and the efficiency of processes within the system of the organization can either greatly enhance or significantly limit the individual performance. The specific and often intangible components such as culture, environment, empowerment, participation, and other such support mechanisms form a powerful force that significantly and directly influence individual performance. The manager's challenge here is to identify and provide the necessary support system that would enhance employee performance.

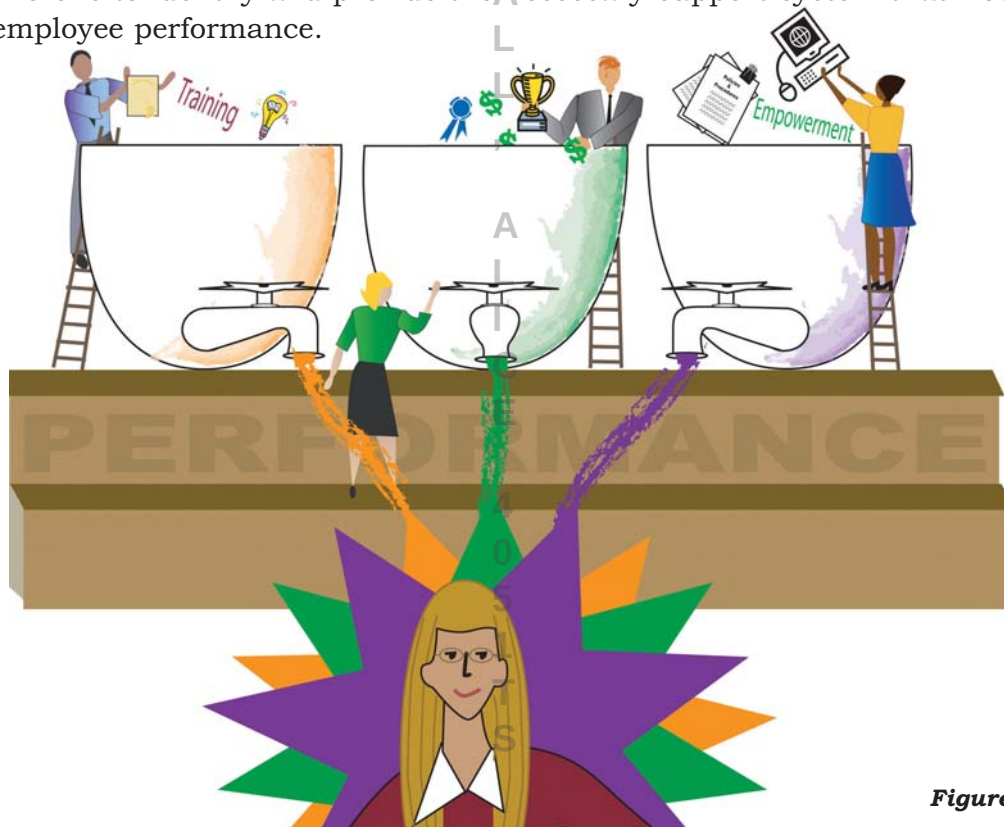


Figure 7.3

Decisions for Discussion

A Brief Case Study

Lisa relished her promotion to manager of the claims processing department of a small insurance firm. The firm recently upgraded all of its computer systems to improve the efficiency of its operations. As part of the management training process, Lisa spent several weeks at the company's headquarters. When she returned, she met with the regional supervisor who told her that productivity had dipped after the implementation of the new system, but had recovered overall. There were still a few underperforming offices-including hers. Her first assignment was to increase the productivity of her office to its previous level. In order to accomplish this, Lisa had a \$50,000 discretionary fund to use as she determined necessary.

Shortly after returning to the department, she noticed that Bridget, a relatively new employee, appeared to experience great difficulty in completing her work on time. Lisa talked to Bridget casually about the need to keep up with the workload. Bridget appeared to understand the need, but her performance did not improve. Lisa met with Bridget more formally and was very specific that the pace had to improve. Before the meeting, Lisa reviewed Bridget's personnel file and saw that Bridget previously was employed in an organization well-known for its employee appreciation program. Bridget's former employer used a variety of incentives, such as awards and gift certificates, to motivate employees. She also saw that Bridget's previous employer had rated her as a highly productive and motivated worker.

During Lisa's meeting with Bridget, she mentioned to Bridget that she thought a recognition program would be a significant improve-

ment and she planned to implement one that included awards and cash payments to the highest performers immediately. Bridget appeared to be enthusiastic about the program, but did not say anything about how it might affect her performance. Lisa announced the program to the entire department at the next staff meeting. Again, the response was positive, but did not appear to generate any specific statements of intention to improve performance. She sensed a reluctance on the part of the employees to commit themselves to specific levels of performance improvement.

After a week, Lisa reviewed Bridget's performance and saw that it had improved slightly. Overall, the department had improved as well, but again, only slightly. After a month, Lisa reviewed the productivity tracking, saw that performance, including Bridget's, had improved by a moderate amount, and scheduled a lunch to distribute the awards and praise the department for its improvement. However, the next month she found that performance remained about the same; Lisa was faced with a dilemma. Should she distribute the awards or announce that because performance remained constant, there would be no awards? She was sure that many of the employees expected the awards to be distributed regardless of whether there had been an improvement overall.

Discussion Questions:

1. What was the cause of Bridget's low productivity?
2. Would continuing the awards program improve overall productivity?
3. What other elements should Lisa have considered before implementing the incentive program?
4. How should Lisa spend the \$50,000?

Decisions for Discussion



Henry Ford 1863-1947

Henry Ford built his first automobile in 1896 while he worked as a machinist and engineer in Thomas Edison's workshop. Ford Motor Company was launched in 1903.

Ford cut the costs of production by adapting the conveyer belt and assembly line to automobile production. And by featuring an inexpensive, standardized car, Ford was soon able to outdistance all his competitors to become the largest automobile producer in the world.

On January 5, 1914, Henry Ford committed the equivalent of an act of heresy for an early 20th Century capitalist: he announced that as of January 12, 1914, Ford Motor Company would virtually double the wages of its production workers. The \$5 Day, as his master-stroke would be known, infuriated the other auto manufacturers. Why would Ford, whose company was known as the producer of low cost cars for the masses and was already a leader in profitability in the industry, voluntarily pay more than any other company? Ford's answer was simple: pay more, get more.

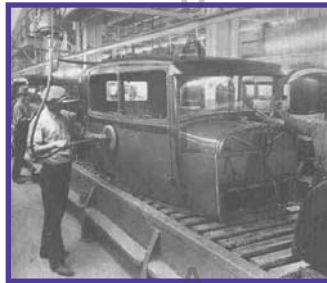
The background to the story is far more complex than the above would indicate. Ford and his leadership team saw that across the industry workers were not committed to productivity and quality. With the radical increase in pay, Ford accomplished two things simultaneously. First, he positioned himself,

personally, as the champion of the workers. This reestablished the trust between employer and employee. Second, Ford Motor Company immediately became the employer of choice for every worker in the auto industry. This ensured that Ford was able to attract the most competent and motivated workers and easily replace any worker who did not measure up to Ford's standards. Indeed, Ford was able to implement an extensive background check to assure that his workers demonstrated superior motivation and character. Turnover at Ford's Highland Park, Michigan plant fell from 53,000 per year to 2,000 within one year.

Overall, productivity at Ford increased by an average of 20 to 30 % with some departments exceeding 50%. Ford's productivity was already one of the highest in the business, having doubled in each of the previous 3 years. With the \$5 Day, productivity continued to increase, actually exceeding the capacity of the plant within 5 years. With the plant operating at 100% of production capacity, Ford was able to increase sales volume by reducing the price per vehicle. Between 1908 and 1920, the price of a Model T fell from \$850 to \$290.

Discussion Questions:

1. How would doubling wages in your company affect overall performance.
2. Would you recommend doubling the wages in your company?



**A DIAGNOSTIC TOOL TO EVALUATE
EMPLOYEE PERFORMANCE:**

- 1. MAKE THE DISTINCTION BETWEEN CAPABILITY & ABILITY**
- 2. DETERMINE THE TYPE OF MOTIVATIONAL SUPPORT THAT
WILL BE MOST EFFECTIVE**
- 3. MAKE SURE THE SYSTEM AND STRUCTURE ARE DESIGNED
TO ENHANCE PERFORMANCE**

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Knowledge is only potential power. Knowledge is critically important in that it forms a solid foundation, but it is only that; **it must be applied before its benefits can be realized.** The value of this approach lies in its practical application and the potential for the learner to better understand how things are in a live organization, thus, increasing the individual's ability to become a more effective designer of efficient organizations.

In theory, organizational components are **interconnected** where the performance of each affects and is affected by all others. Based on this concept, modern organizations should adopt a holistic approach when designing or redesigning their structure and/or work processes. **Equifinality** suggests the mind set of continuously seeking to improve the organizational performance. Finally, realizing the true nature of modern organizations as **transformational boxes** facilitates a focus on this core purpose and allows us to improve productivity and to eliminate waste.

[illegible]

Assign yourself a score for each of the considerations below, then fill out the equation at the bottom of the page.

Assess your overall motivation level to perform the specific job duties and assign yourself a score accordingly

Capability - “Can Do”

- **Knowledge of job duties**
- **Communication skills**
- **Technical skills**
- **Any other skills needed to perform your job**

Support System - “Empowered To”

- Supportive policies and guidelines
- Needed space and equipment
- Sufficient IT support
- Additional helpful tools

X

X

$$=$$

productivity indicator