**Lecture – 26**
**OD Interventions through Human Resource Functions**

In today's session we are going to look at OD interventions and human resource function. In a nutshell what we are going to discuss is how different activities in the HR function can be designed and implemented as OD intervention.

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## Definition of OD Interventions

An intervention is a set of sequenced and planned actions or events intended to help the organization increase its effectiveness. Interventions purposely disrupt the status quo.

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I would like you to go back to the definition of OD intervention which we discussed in the previous sessions.

So, OD intervention is a set of sequenced and planned actions or events intended to help the organization increase its effectiveness. Interventions purposely disrupt the status quo.

If you want to bring about a change and to develop individual teams or organization, we can use HR function as OD intervention. Before we talk about and discuss about the HR functions as OD intervention in detail can you recall some of the HR functions?

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So, you may recall that HR functions include recruitment and selection, performance management, talent management and development, managing diversity at workplace, compensation management etcetera. So, these are the HR functions.

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So, how HR function can work as OD intervention? Recruitment strategy and process is one of the strongest determinants of organization culture.
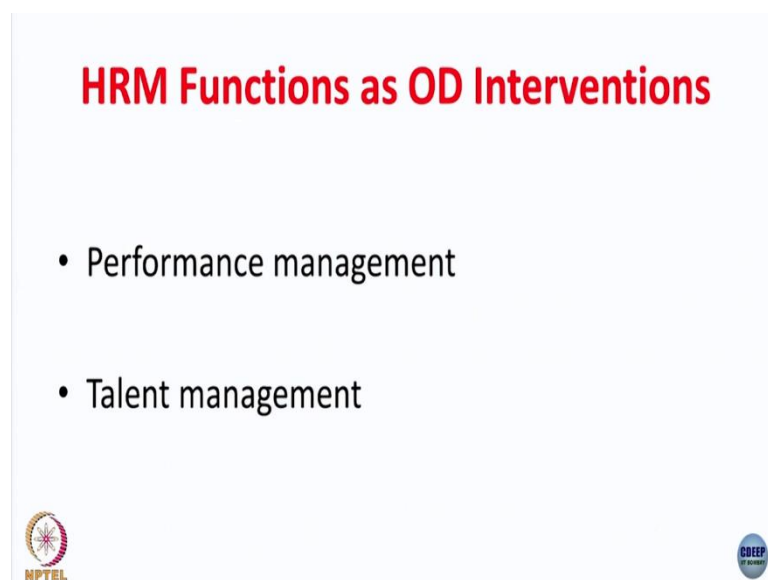
So, in this way recruitment if done consciously can be used as an intervention to develop a certain type of organization culture. Performance management directs the employee behavior and development towards strategically important goals. So, we can design the HR function in a way which directs the employee's behavior towards strategically relevant goals of the organizations.

Similarly, diversity and wellness are key for innovation and employee engagement. So, we can introduce diversity and wellness interventions with specific objective of innovation of certain type or enhancing employee engagement.

Reward and recognition are very important aspects of work life, they have the potential to direct the employee's behavior towards valued goals. So, if we are aware about the most valuable goal, we wish our people and employees to pursue, we can design the financial and non-financial rewards in a way which motivates people and instigates people to demonstrate that type of behavior.

So, in this way we can see that most of the HR activities can be used as OD intervention if we consciously design and introduce those after proper diagnosis. With sufficient rigor and thinking we can implement some of the HR functions as OD intervention.

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In this session we are going to look at two broad categories of the HR function which can be used as OD interventions: performance management and talent management. If you

recall our conversation about performance management, it is an umbrella term, it includes training and development, coaching and mentoring and performance appraisal.

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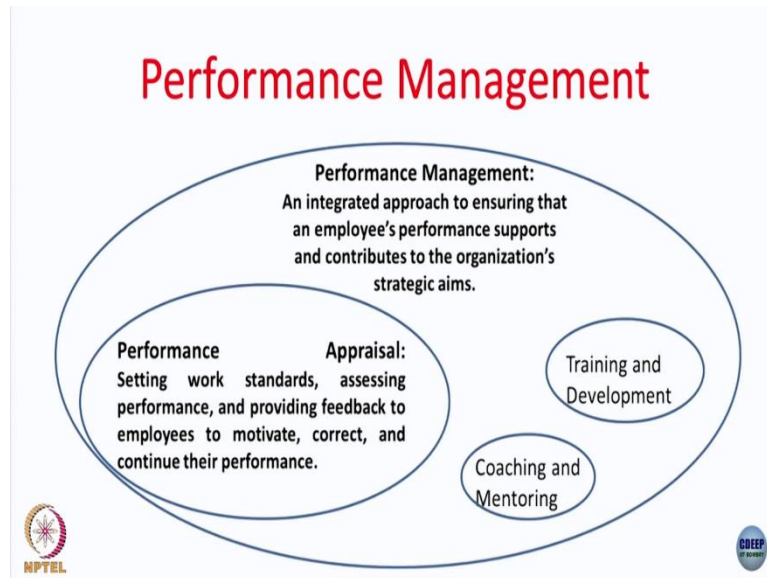


So, performance appraisal is about setting work standard, assessing performance, providing feedback to employees to motivate them, to correct them and persuade them to continue their performance. Training and development is again an aspect of performance management, coaching and mentoring is also a developmental aspect of performance management.

So, performance management basically is an integrated approach to ensure that employees performance supports and contributes to the organization's strategic aim. Now we will look at how performance management can be used as OD intervention.

First of all, we need to look at what is the context of performance management system. The context of performance management system is business strategy, workplace technology and employee involvement.

What is the meaning of context, that any design and implementation of the performance management system is contingent upon, must be informed by and must be on the basis of the business strategy. Workplace technology means work design, individual versus group-based performance management. And employee involvement meaning to what extent the formalized or participative decision-making is practiced in the organization.

So, there are different components in the PMS which can be used as OD intervention. We will look at three components specifically within the PMS which can be used as OD intervention: goal setting, performance appraisal and reward system.

There are two off the shelf very well-established OD interventions which revolve around performance management. One of them is MBO which was popularized in the 60s and balance scorecard which became popular in early 90s. MBO is about goal setting at different levels of hierarchy with mutual consultation. With MBO the collaboration and

consultation process started while setting-up the organization objectives. Along with that MBO included counseling and support to the employees, groups and the departments to fulfill the organizational objectives.

So, in MBO basically organizational objectives are divided according to the departments, those functions or departments further divide these objectives in their sub departments or groups and the objectives at the group level or sub department level are translated at the individual level.

But in this step-by-step process of setting-up the objectives is conducted in consultation of the different stakeholders. Particularly superior and subordinate while setting-up their objectives are engaged in a consultation and if required counseling and support is provided to the people to fulfill their objectives.
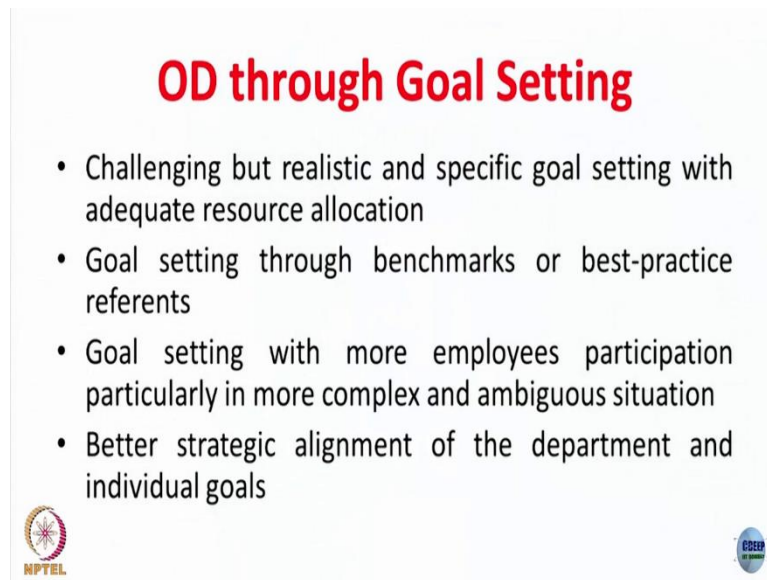
Balance scorecard involves goal setting not only about the financial aspect, but it insists to identify the operational excellence related goals, customer satisfaction related goals, learning and development goals and this gives a full picture of the organizational performance.

We all know that financial performance are the lagging indicators, they are stronger predictors of the past performance. But how organization will perform in future that is reflected in the learning and development goals and the customers satisfaction goals. How the profitability will be achieved is also linked to the operational excellence and operational efficiency.

So, if we look at operational excellence, customer satisfaction and learning and development are the futuristic goals. So, they can help in predicting the performance of the organization in future. So, these indicators are called leading indicators.

So, balance scorecard involves a combination of the leading indicators like operational excellence, customer satisfaction, learning and development and lagging indicators like financial performance. How the organization development can be done through goal setting, we can do it in several ways.

First is by setting-up challenging but realistic and specific goal with adequate resource allocation. So, this can be a comprehensive exercise where we not only set-up challenging, realistic and specific goals, but people including superior and subordinates with the help of HR department are also engaged in adequate resource allocation.

Goal setting through benchmark or best practices reference is another way of OD through goal setting. It means identifying who are the best people in our industry, in simple terms who are the other players doing their job best, the job which we are doing. Who in the market, who in the industry are doing this similar job in a more efficient and more profitable way.

In the benchmarking process we come to know the limits or the potential of organization and keeping that as a referent point, we walk backward and identify the different processes and systems, and apply creative thinking and intelligence to reach that benchmark.
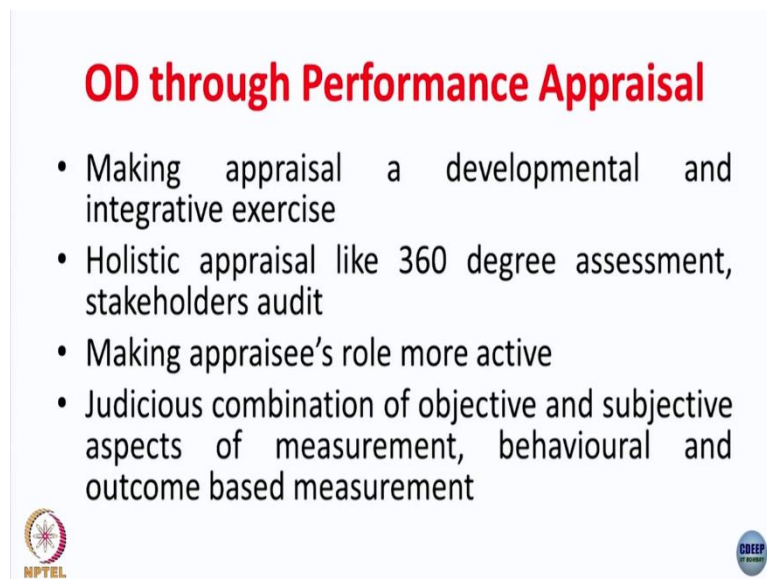
Next point is goal setting with more employee's participation. If goal setting is done in the uniform and in a hierarchical way, it may not be the best thing particularly it may not be good in the situation which are more ambiguous and which are more complex. In a complex and ambiguous situation goal setting has to be done in a participative manner wherein the appraisee and appraiser both have opportunity to discuss the possibilities of the achievement. In that process appraiser gives the perspective and the context for the

goals and objectives and appraisee makes a realistic assumption and does the planning and creative thinking to accomplish those objectives.

Another way of making goal setting as OD intervention is by better strategic alignment of the departments and individual goals. These pathways can be related to cost cutting which is called cost leadership, it can be related to innovation, the strategy which is called differentiation and it can be the niche strategy which is about serving a niche customer segment.

After clarifying the strategic direction, departments, sub departments, teams and individuals have to define their goals that is in line with what is the most important aspect of organizational performance. And when this exercise is conducted organizations achieve a kind of harmony, they achieve a similar language, they achieve shared mental models to realize their strategic objectives.

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We will look at how OD can be done through performance appraisal. So, one simple and effective way of making performance appraisal as OD intervention is making the appraisal process and making the appraisal conversations developmental and integrative in nature. What is the meaning of that? Developmental means performance appraisal discussion need to be not only focused on the past performance, but it must be focused on the future potential and future performance as well.

And secondly, it has to be integrative; that means, different aspects of the performance have to be considered and we need to have performance appraisal which includes the performance towards different stakeholders. And integrative also means performance appraisal accounts for the long-term performance goals. So, performance appraisal not subjected to recency effect, this is a simple but very profound exercise which can direct the behavior of employees towards specifically identified business objectives.

Another way of using performance appraisal as OD intervention is holistic appraisal like 360-degree assessment. In the 360-degree assessment a structured assessment is conducted by the supervisor, but not only about them supervisor of the organization, assessment is conducted with the peers and subordinates as well.

We get the full picture about the performance data related to the supervisor's goal, related to his interaction or her interaction with the colleagues and related to his or her interaction with the subordinates. Though, the implementation of the 360-degree assessment is a complicated and a comprehensive process.

So, a certain type of leadership readiness is required in any organization which is intending to implement the 360-degree assessment. However, it can be a very powerful exercise to direct people towards the value goals as well as to plan for their own development. People can take the responsibility about self-development based on the insights arising out of 360-degree assessment. Very similar to 360-degree assessment process is called stakeholders audit.

So, a stakeholders audit is a qualitative assessment of the employee's performance. When there is a challenge in quantifying the appraisal criteria, a qualitative assessment by different stakeholders can be a useful tool for performance assessment and that is what is done in the stakeholders audit. Another way of making performance appraisal as OD intervention is by making the appraisee's role more active.

It means, not only supervisor giving rating to the appraisee, but appraisee has an open conversation about the ratings being given and appraisee has opportunity to do the self evaluation as well.

This kind of intervention brings fairness, accountability and a sense of responsibility in both appraisee as well as appraiser. But these things cannot be implemented immediately,

it requires a certain kind of preparation. Few interventions like training and coaching people can be made ready to use, these methods of performance appraisal which in turn can become a kind of OD intervention.

Another important aspect through which the performance appraisal can be converted into a kind of OD intervention is when we make a judicious combination of objective and subjective aspects of performance, and behavioral and outcome-based performance. What is the meaning of that? Objective aspects of performance meaning those aspects of performance which can be measured in an objective way, in a numerical way.

So, subjective aspect of performance are those criteria which are difficult to be quantified, but they are impactful for the performance of the employees. So, for example, a sales data or operations data particularly the production related data on a per day or per week basis, it is an objective assessment.

Subjective assessment is customer expectation about supervisors, experience of capability of the employees towards strategic thinking, his employee's relation, the quality of relation employees have with the different stakeholders, these aspects may be difficult to be quantified.

We need to take the feedback about these aspects in a qualitative way. Behavioral and outcome-based measurement are the two different ways of performance appraisal. The behavioral performance is good when effort of the employee and the result of his work have a long-time duration. For example, R&D. R&D or teaching or artistic activities require reflection, they require more preparation. So, the effort of the employee and the outcome of these activities will have a long-time duration, may even extend beyond 1 year or 2 year.

In these kinds of situations, it is difficult to measure the employees' performance on a yearly basis just based on the output of the employees. But in this situation, we need to identify what are the functional behaviors; that means, what are the behavioral aspect which determine greatly the outcome of employees' work.
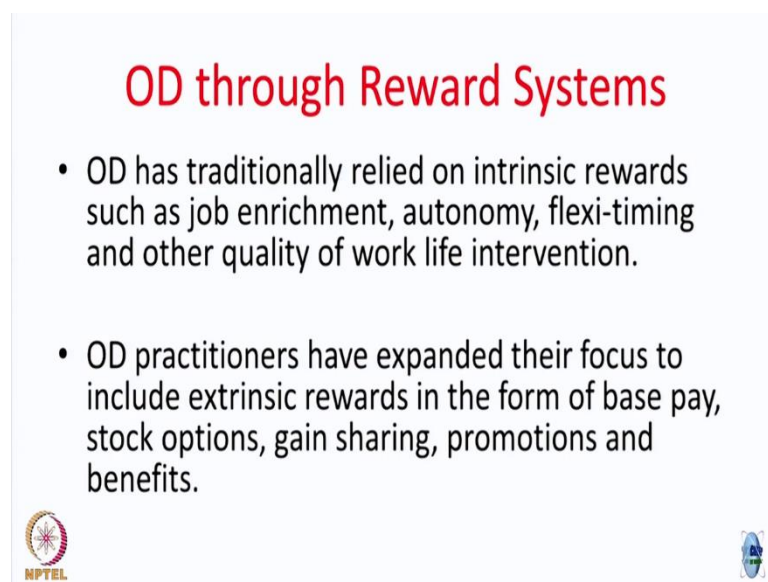
So, on an ongoing basis what we evaluate are the behaviors of the employees, but in the jobs where the effort and outcome have more immediacy, meaning the employee makes the effort and the outcome is visible in week or in month or in quarterly time period, in

those situations outcome-based measurements are more appropriate. If we keep aside the extreme jobs like that of scientist or like those of artist, most of the jobs in the organizations have both the components meaning they have objective aspect of performance and they will certainly have subjective aspect of performance.

Similarly, some aspects of the effort required in the job will result in more immediate outcome and some aspects of the effort in the job result into outcome you know on a long-term basis. So, a good performance appraisal needs to include a judicious mix of the objectives and subjective aspect of measurement and behavioral and the outcome-based measurements.

These decisions have to be made in the specific context wherein this kind of OD intervention is being implemented. So, there is no fixed formula what is the most appropriate ratio of the objective and subjective aspects of measurement or behavioral or outcome-based measurements. There is no fixed formula, though OD practitioners and HR managers have to study their organizational context, business strategy and technology, based on which they can make decisions about these components.

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Now, we will look at how OD can be done through reward system. OD has traditionally relied on the intrinsic reward such as job enrichment, increasing autonomy, giving flexi timing and other quality of work life related interventions. Now OD practitioners have

expanded their focus to include extrinsic reward in the form of base pay, stock options, gain sharing, promotions and benefits etcetera.

So, now we see OD practice and OD practitioners are not only considering the intrinsic reward related interventions, they are also looking at the extrinsic reward related interventions to complete the agenda of enhancing organizational effectiveness. Reward system can be used as an OD intervention by using some of these key concepts.

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For example, the basis of reward system whether we want to give reward for performance or for job accomplishment. It is very similar to what we discussed in the objective measure of performance, subjective measure of performance, behavioral aspect of performance and the outcome aspect of performance.

Another major revolution which has happened in last 7-8 years is about the performance distribution in the organization and this revolution has an important impact on how rewards can be distributed and reward system can be designed in any organization.

This revolution is very interesting, what it says? For many decades we believed that performance is normally distributed in an organization, but what is realized of late in the study of Boyle and Aquinas is that performance actually does not follow the normal distribution curve, it follows Pareto law more closely.

If organization performance follows Pareto law it simply means 20 percent of the people accomplish 80 percent of the organizational goals. So, there are few stars whose performance is at times 150 percent or 200 percent more than the average performers and they are the people who carry the burden of performance more strongly. So, naturally they need to be recognized and that these policies are implemented to some extent in Microsoft and to a great extent in Netflix.

Wherein, at the same level of hierarchy the best performers at times in certain situations are getting 200 or 250 percent, 300 percent salary of the average performers or the average employees in that particular cadre.

So, based on the job and based on the performance and looking at the optimum combination of the job based assessment and performance based assessment, reward system can be designed and that can be useful to recognize the talent, to recognize the people who are contributing more to the organization and in this way they will direct the behavior of other people in the organization as well.

Another aspect of reward system is individual versus group reward. If job has high level of interdependency and complexity, naturally that job is conducted with the help of the group, in that situation group-based reward systems are more appropriate. But if job is simple or even if it is complex and one person can be held accountable for that, then the reward system needs to emphasize more on the individual performance-based system. Another aspect is internal versus external equity.

Employees keep comparing their performance and rewards with the people in the same department, in the same organization and people in the similar profession outside of their organization. So, we need to look at how to ensure a sense of equity amongst the employees.

A lot of salary surveys are conducted which give the benchmark figures about what type of jobs are given, what kind of monetary value is in the job market, that reference must be kept in mind while designing or redesigning the reward system. Reward according to the flat or hierarchical structure.

If the organization is flatter meaning there would be lesser number of hierarchy. So, in a flat organization there would be lesser number of bands of reward system. In a hierarchical

organization there need to be more number of bands of salary and compensation in the organization.

Another aspect is financial and non financial components of the reward. Non financial components can be equally powerful in motivating the behavior of the employees; best employee of the month, most creative employee of the month, employees look forward to achieving these kinds of medals.

So, depending on the strategy, technology and organization design, a good mix of non financial and financial component of the reward has to be identified. You might be aware of the Vroom's model that can be very helpful in identifying the reward system. Vroom's model says that expectancy meaning my assumptions and understanding about to what extent my efforts will lead to the desired performance.

Instrumentality that means, whether that desired performance will result in certain specific type of rewards, and valence; it means to what extent those rewards are favored by me to what extent I am attracted to get those rewards. So, we need to look at these three components while designing a reward system.

Employees at different stages of the career will have different expectancy, instrumentality and valence that has to be factored into. These three aspects have to be translated according to the stages of the career or nature of the work or nature of the organization. And from there the insights will come about how to design or redesign the reward system which in turn can become an OD intervention.