

Manufacturing Strategy
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Module - 7
Lecture - 34
HR Theories for Operation Strategy

Welcome friends. In our last session, we discussed that human resource is a very important factor, rather it is one of the most critical factor which requires special mention in achieving the world class manufacturing objectives. We discussed the concept of total employee involvement. And we discussed particularly, the role of Japanese organizations. That how Japanese organizations are able to use employee for the development of the whole organization, to discuss about the departmental level issues.

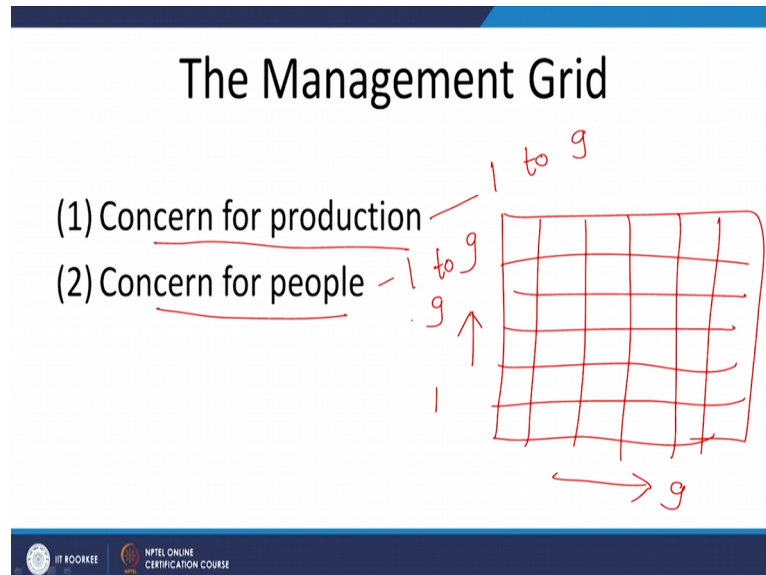
And then, how to improve at the individual level also. So, this way, we could understand that there is a comprehensive requirement of employee involvement for the organization's benefit. And finally we also discussed that in the current environment, we need to have a strategic human resource management which can provide us the competitiveness for achieving the manufacturing objective.

And for that purpose, in this particular session, we will be focusing on some of the important human resource management theories which can be applicable for operations management. Because, there are large amount of research which is happening in human resource management area. And the most practical thing which can be used about those researches is the production and operation management field.

So, we may not be able to discuss large amount of theories or any particular theory in detail, because that will be the domain of human resource management classes. But here, we will only like to touch those important things which are relevant from the theoretical point of view for operations management. So, the first important theory which is very popular for the operations manager; that is the management grid theory.

And in this management grid theory, we have 2 important dimensions on the basis of which you can understand the manager's role or the management about the operations field. And these 2 dimensions are:

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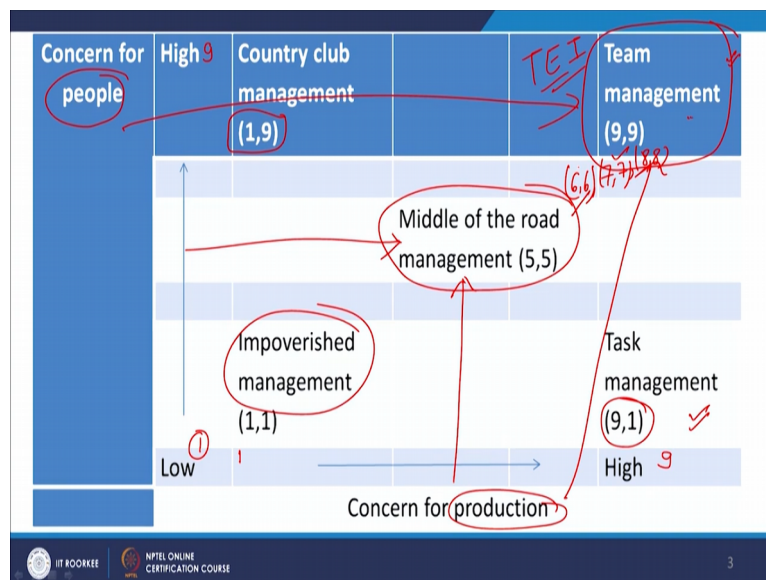
1 is whether your manager is concerned for the production or your manager is concerned for people. So, these are the 2 dimensions. And like this, you will have a matrix where you have these 2 dimensions. Now, based on these 2 dimensions, you can assign scores from 1 to 9 on both these dimensions. And with this, this diagram will become a 9 by 9 kind of thing. You have from 1 to 9 here and 1 to 9 on this side.

And then, you can grade your managers, whether they are concerned for production and they are concerned for people. Now, it is very interesting, before I go further that prima facie; it looks that these 2 are mutually exclusive dimensions. Either you can be concerned for production or you can be concerned for people. When you are concerned for production, you are talking in terms of mass manufacturing era which we discussed in our previous session.

So, in that time, you are more obsessed with your ideas of efficiency, you are not very much concerned about the employees. So, your focus is on how to have more productivity, how to have more efficiency of your work place. When you are concerned with the employees, so you think about training, you think about their safety, you think about their welfare, you think about various type of other incentives which you can provide to your employees.

So, your focus is more about the well-being of your employees. So, as I said, on the first instance, it looks that these are 2 exclusive dimensions. But, now you see that these are not 2 exclusive dimensions. These are very well connected. And I just have some of the important points on this management grid. Now, you see, on the x-axis, we have concern for production.

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And on y-axis, we have concern for people. And here, we have low to high. So, it is 1; and high means 9. When I am talking of concern for people, low means 1 and high means 9. So, that is how these skills are varying from 1 to 9 on x-axis and 1 to 9 on y-axis. So, some of the important terminologies which are available, like there can be a manager which is ideally should not be there.

But if you see around you, you can certainly find some of the managers where they are neither concerned about production nor for people. So, they are impoverished management. So, they are totally carefree, they are nothing to do with the organization, they are nothing to do with their employees. So, that type of people are available. So, you can see on your own. I will not like to give example of this type of people in this class.

Then, there are people who are more concerned about the production. And they are obsessed about the productivity, they are obsessed about the efficiency. And they are not much concerned about the people. So, they are the people normally you will find in mass manufacturing organizations. And they are known as task managers. Because they are highly concerned about the production and less concerned about the people.

So, they are the task managers. And therefore, their score is 9, 1; 9 on the production side and 1 on the people side. So, their score is this 9, 1. Then you can have another extreme. These are those people who focus too much on their employees. They are very very careful about their employees. And they are taking the cost of this employee welfare, there are possessiveness about their employees on the production.

So therefore, the score here is 1, 9. They are least careful about the production, output, efficiency; and they are more concerned about their employees. So, they are known as country club managers. So, they are more goody-goody for their employees. And in that case, the organization suffers and organization is not able to achieve the higher objectives. Then you have people having a balance of employee and production.

These are people who we call as middle-of-the-road managers. And you see the scores are 5, 5 for them. So, they are equally caring for production, as well as for people. So, they are following a balanced approach within the limited resources, that they take care of both the aspects. They take care of production activities and they take care of people approaches also. So, they are middle-of-the-road managers.

So, now you see, that if you start thinking of examples; so, many of the Indian PSUs, Maharatna companies, Navratna companies and particularly I would like to give examples of companies like BHEL, etcetera, NTPC, NHPC. These organizations are somewhere in this middle-of-the-road management category. So, they are having large number of employee welfare activities and at the same time they are competing with the global companies, with the global MNCs.

And then, you have some of the few organizations which are able to achieve this 9, 9 score. And they are known as team managers. These organizations have a very high degree of concern for employee and they are able to have a very high degree of concern for production. Or rather, I will say that, because they are having high degree of concern for employee, they are able to achieve this.

So, this 9, 9 is a very good example, that because you are having high concern for employees, you are following total employee involvement. Therefore, you are able to achieve high level of production. And the companies like Toyota, companies like General Motors, companies like

Walmart, companies like Apple are examples of this type of approach, where they are having concern for employees.

And they are achieving high degree of production, efficiency, high degree of productivity, high degree of product satisfaction also. So, all these things are required for team management or 9, 9 which is giving you best of the both dimensions. You are a very good employee organization and you also have good care for your product efficiency. And as I just said that production efficiency becomes possible only when you have high degree of care for your employees.

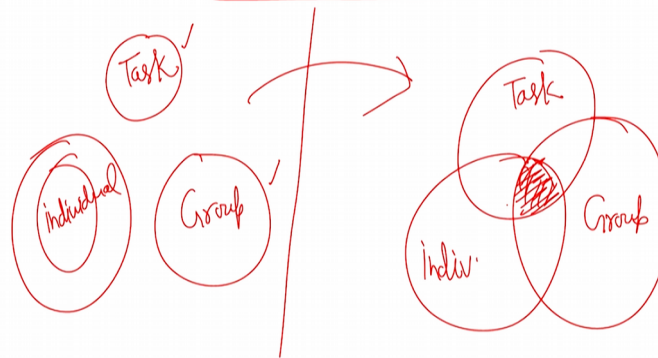
So, whatever degree of care, the point is that, whatever level of care; if you are giving this level of importance concern for your employees which is coming at the 5 point; so, same level of concern for production or same level of productivity you can expect. So, initially, we started this discussion that these are 2 different dimensions, these are exclusive dimensions, but later on, we can realize that whatever level of input you are giving, the same level of output you will achieve in terms of production.

So, if you are giving good concern for employees, in response, you will achieve good concern for production also. Because, who is going to take concern for the production, the employees only take concern for the production. And that is possible when as a top manager of the company, you are taking concern for the employees. So, this is a 1 very important HR theory about the production operations management that is known as management grid.

And it has 2 dimensions, people and production. And we discussed that these are 2 stages where you can have team management or middle-of-the-road management which are desirable. Similarly, you can have in between: 6, 6; 7, 7; 8, 8 kind of locations which are giving equal importance to people as well as to the production. The other theory which is relevant for our production operations managers, that is the Adair's task individual and group needs. Adair said that there are 3 types of needs, the task related needs, needs of individuals and needs of the group. So, earlier what was happening that these 3 needs were like this way.

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Combining three key needs



You have task related needs, the individual needs and the group needs. So, there were no consistency in these 3 needs. So, the top management was focusing on task related needs or the group related needs. But as an individual, the one who is responsible to do those things; I was more interested in individual level needs, because I will first like to satisfy my individual level needs.

I am not concerned about the task level and group level needs. So now, as per this theory of Adair, we need to combine these 3 key needs. Now, what we need to do? That we need to develop this type of Venn diagram where we have task related needs, individual related needs and group related needs. And then, you see, this is the common area. So, we need to think that how to increase this common area over a period of time.

And the meaning of this common area is that, we need to develop consistency between these 3 types of needs. If there is consistency between these 3 needs, this common area will certainly increase over a period of time. You will have more and more needs which can be similar type. The individual needs, group needs, task needs become in sync with each other. And then, this type of traditional system will change into this type of enlightened system.

And over a period of time, as I am saying, that we need to increase this common area. So, as top management, if I am able to develop consistency between these 3 types of needs, this common area will increase. And then, you will be able to use your human resource for your achieving the operations objective. So, that is another important thing, the second important theory which was given by Adair.

And we need to see that how we can combine these 3 key needs. And there are many good examples where; again we will go to Japanese organizations, where people are able to join an organization and they remain in that organization all through their life. And because they are able to submerge their individual need for their group need and task need. So, there is no separate individual need.

All the needs, if my organization is progressing, so I will also progress. So, with that idea, I am thinking my progress is different and organization's progress is different; that was the traditional view. But now in the enlightened view, the idea is that, if organization is progressing, I am also progressing. If I am progressing, organization is also progressing. So, we have this type of approach that employer and employee, both are sailing in the same boat.

And with that idea, we can combine all these 3 types of key needs. Then, another important thing from the theoretical point of view is to understand some important motivation theories with respect to manufacturing. Now, one of the important theory which is applicable in manufacturing, for motivation, is the McGregor's very popular theory, X and Y.

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Motivation theories

- McGregor's theory X and theory Y

Mass Manufacturing:- West : Theory X
Japanese (Theory Y)

Now, if I go from the era of mass manufacturing. And the era of mass manufacturing largely started from West. Now, what happened in that? We considered that most of the employees; the assumption which Western people took in this mass manufacturing era; that most of the employees are lazy, they do not want to work. Therefore, we need to have a close supervision. And we need to narrow down their scope of work.

We need to standardize their activities. We need to ask them to do repetitive things, because they are lazy, they hate work. So, with this idea, most of the Western companies believed on theory X, that employees are not willing to work. They are lazy, they are just spending their times. And they do not want to work for the success of the organization. They hate work. So, with, when this idea was there, how can you involve employees for your strategic success?

So, in most of the Western studies, the importance were given more on systems and less on employees. And therefore, the idea of Japanese success which is mostly based on the employee involvement is a complete shift in mentality from the Western world. And in the Japanese system, we have the concept of theory Y, where we thought that employees are inherently looking for work.

They are creative people, they want to work. And very interestingly, there was 1 study which was aired by BBC. And in that study, it was found by one of the researcher that most of the American employees, after their work, after their 8 hours of shift in the factory, when they are free at their home, they are mostly involved in creative activities. They spend their time in creative activities.

In maintaining their assets of the house, they are doing gardening, they are doing painting, they are doing photography. So, various types of creative things, they are doing. So, in fact, the assumption of theory X for employees of Western manufacturing organizations was under question, because of the kind of researches which came later on. So nowadays, it is very important that when I am taking the strategic advantage of my employees, I need to see that my employees can also be creative, my employees will also like to give suggestions for the improvement of the organization.

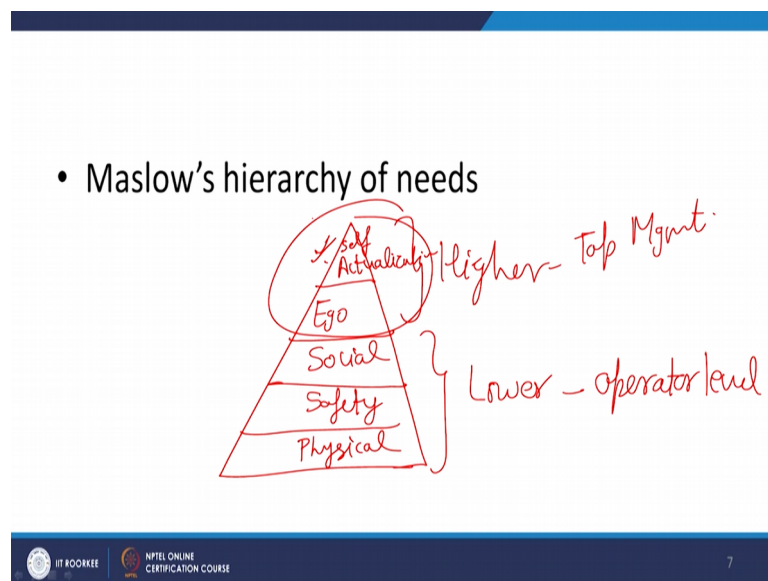
But if I am influenced, if I am prejudiced by theory X, in that case, I will not be able to do so. So, I need to be without any kind of biasness. I need to see that whether my employees are theory X or type X or type Y. And if my employees are type Y type of, then certainly I need to give them more space, I need to give them freedom, I need to give some kind of enabling environment where they can give their potential to the organization.

If I am not able to do so, I will be missing the large amount of human resource. I will be underutilizing my human resource. So, without any biasness, I need to check whether

employees are type X or type Y. And if my employees are type X, I need to assign them on repetitive tasks, I need to have close supervision, I need to have narrow work for them. And if my employees are type Y, I can give them wider scope of work, I need not to have a close supervision for those employees, I need to involve those employees in new product development where more creativity is required.

So, that is 1 important thing about manufacturing from this McGregor's theory of X and Y. The other important theory which we all know, very popular theory is Maslow's need hierarchy theory.

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Now, Maslow's need hierarchy theory we know, where we have different levels of need. And Maslow divided this whole idea of need in 5 levels. So, 3 level of needs are actually the lower level needs. And these are higher levels needs. Now, the lower level needs are mostly related with the, if I am talking in terms of my manufacturing organization; so, these lower level needs are mostly related at the operator level.

I work for the day, I earn wages and I earn these wages to have bread. So, that is the idea of lower levels needs. But, higher level leads, we expect from the top management of the organization. Now, top management of the organization is not looking for some daily wages, not looking for some remuneration. But the idea of top management is to achieve the status of world class manufacturing.

So, you need to have some higher level ambitions. And therefore, if higher level ambitions are not there, you cannot take organization to that world class manufacturing status. So, higher level ambitions are only possible when you have these higher level needs. And that is the important thing from the top management's point of view. That you are fulfilling your ego needs, you are fulfilling your self-actualization needs.

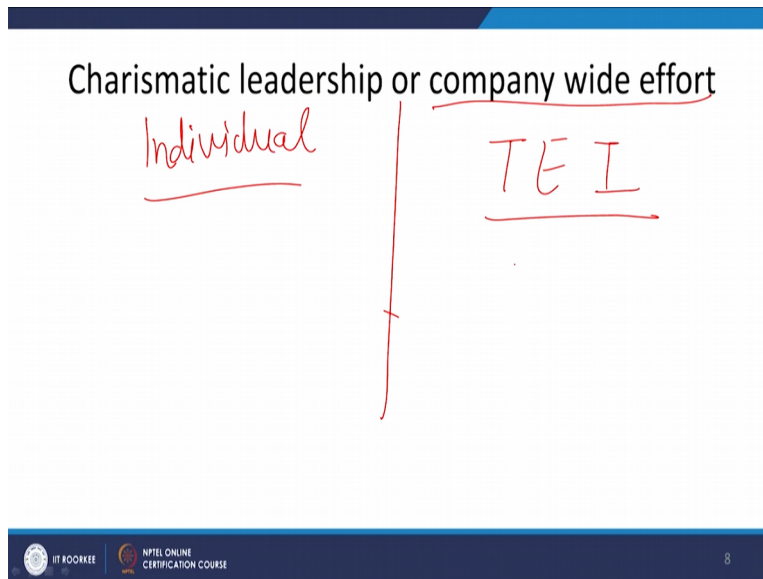
So, you see that, for most of the world class manufacturing organizations, whether you talk of Toyota on 1 side or you talk of Motorola, GE, Dell on the other side or Apple for that matter. You will see that their top level or the highest level of the employees are working for fulfilling the self-actualization needs. It is a motivation which is driving them to achieve the highest level of manufacturing performance.

Nobody is pressing them, but they are creating their own benchmark, because of which they feel that they will be able to achieve some of the better satisfaction in their lives. On the other hand, the operators, the lower level employees in the organization, they are working to fulfil their daily needs of basic physical needs, then the need of safety are there, then the needs of social related activities where you want some kind of recognition.

So, these are the lower or operator level needs. And then, as we say that, for top management, it is important that they should work for their fulfilment of these ego and self-actualization need. So, Maslow's theory is also very important for human resource managers and how this theory can be applicable to field of operations and production management. Then, the another important question with respect to HR theory is that, whether the karismatik leadership is important or the company-wide effort is more important.

Now, when we talk of some of the good examples, like if I talk of Apple. The name of Steve Jobs immediately comes in my mind. When I talk of Chrysler, the name of Lee Iacocca or Eaton comes to my mind. So, when I talk of Maruti in India, the name of R. C. Bhargava comes to my mind. So, these are the heroes who we believe are the reasons of success for these organization. So, that is 1 idea of discussion.

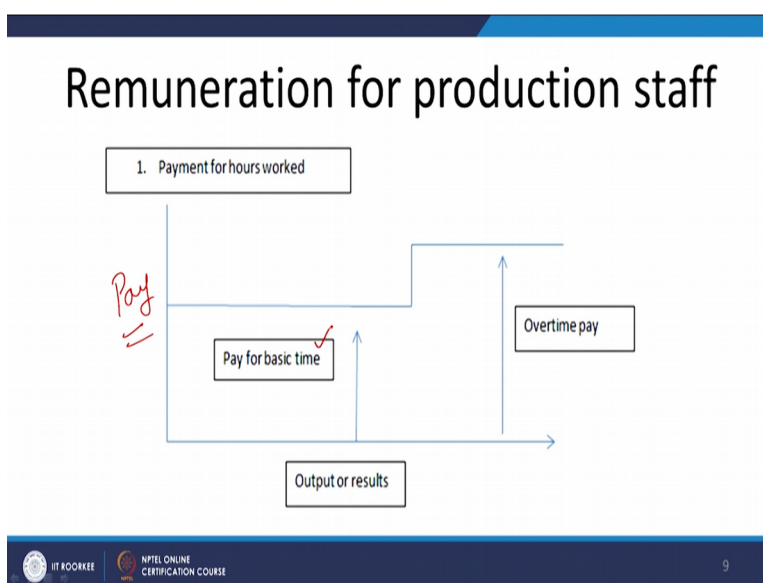
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The other idea of discussion is that, this was possible because of company wide effort, because of total employee involvement. So, individuals are important or total employee involvement is involvement. So, when you go into the deeper discussion, you will realize that total employee involvement is more sustainable than individual heroes. So, individual heroes can motivate your team, they can act as catalyst, but ultimately, we want to have company wide effort.

We want to have total employee involvement. Then only, you can achieve the higher level of manufacturing performance. So, that is another important issue that, should individuals be promoted or should we have effort for improving the total employee involvement.

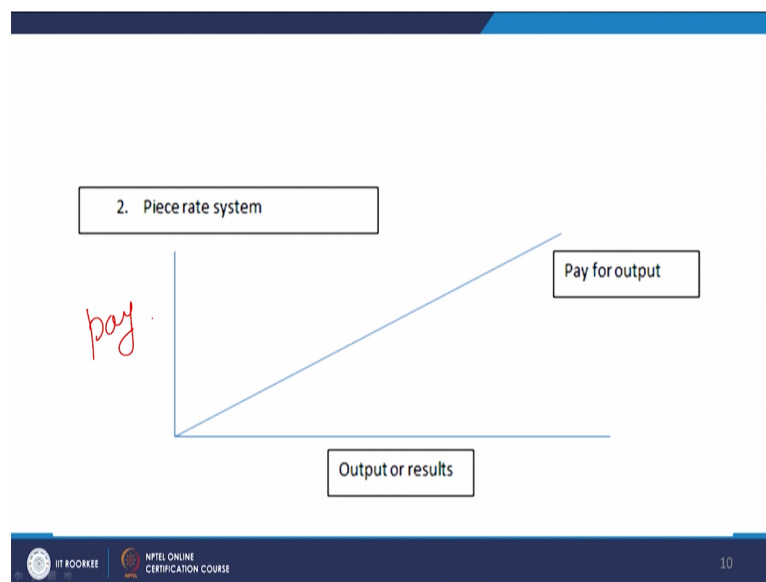
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Then, another important issue which is very important for employee involvement. So, how are we remunerating? Because, at the lower level, your salary, your wages are very important input for the motivation. And there are some traditional ways through which you are giving your employees remuneration, etcetera. Now, one of the traditional way of remunerating your employees, particularly production staff I am talking, is that, you are having a constant work, a constant pay for the basic time.

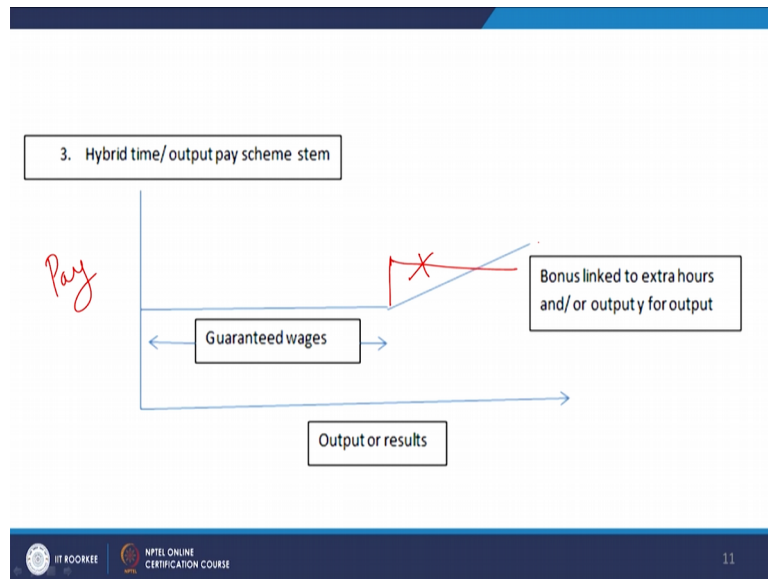
This is that pay level. So, for this much time, you are paying a basic salary to your employees. And if your employee works for overtime on a particular day or some of the time in the week or month; so, he will be paid with this much amount. So, this is the basic time pay and this is the overtime pay. So, this is 1 very simple state system, easy to understand. And it is applicable in many cases in India also.

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The second system is this piece rate system, which was propounded by F. W. Taylor. So, in this piece rate system, you are not having any fix wages. Rather, according to your output, how much you are producing, on the basis of that, you will be paid. So, your pay is dependent on the output you are producing. So, output multiplied by number of, or the amount per piece, you get the pay. So, that is also a way of remunerating your employees. The third important is when you are combining both these things, the hourly wages and the piece rate system.

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So here, in this hybrid model you are paying this basic rate for your some time, for your state hours of work; so, that is the guaranteed wages. And once you are doing overtime, beyond your basic time of work, then it is based on piece rate system. So, you have taken; so, instead of having a system like this which is not applicable here, you are following a piece rate system for your overtime.

So, these are 3 systems for your traditional way of remunerating. But, in these 3 systems of remunerating, we are only considering the output, that how many products, how many units you have made in a particular time; either in your routine time or in your overtime. But, we are not at all considering the quality of output, what type of output you are making. So, this traditional system which is only driven by the quantity but not the quality is not possible in our enlightened system of manufacturing, in our strategic system of manufacturing.

Here, we need to have, we need to consider the system of remuneration which is taking into account all the aspects of the organization. So, that output which you are creating, what is the quality of that output? If you include that aspect also in your remuneration system, then it can provide you strategic advantage. Then, you can use this remunerating system also for your strategic purpose.

Otherwise, it happens many a time in our cases that employees are coming and like in this first case, when employees are coming and they have a pay for basic time and which is not at all related with the output also. So, they are coming and whether they are producing anything

or not producing anything, simply sitting on their chair; even then, they are going to get this basic time. So, on 1 side, this provides some kind of security to your employees.

If employee is not well, if he or she is not able to perform up to their normal efficiency; even during that time, he is ensured to get that basic pay. But, on the other side, it is also possible that employee deliberately does not do anything. So, that is the drawback of this traditional system. In this piece rate system, it is quite possible that because your payment is directly proportional to the output; so, in order to have more pay you will be producing more and more output without bothering the quality of that output.

So, that may seriously affect the cost of quality for your organization. And in this case, again, for your guaranteed wages, it is quite possible that you do not work anything. And you only work when you see that, now the guaranteed wages time is over and my time for extra time, my time for extra payment starts; and at that time, you start work for your bonus. And here also, because it is proportional to the output, not related to the quality, you will be making more and more products without thinking of the quality of those products.

So, all these 3 types of payment systems are having some kind of lacunas. So therefore, we emphasize on company-wide policies for remuneration. It cannot be a compartment system of remuneration. Rather, we need to consider the all functional activities. And based on the productivity of your entire organization, the remuneration of your production operation people should be decided. It is not in isolation of other departments.

So, with this, we understand that how HR or human resource management is contributing very effectively in achieving the objectives. We discussed some theories of human resource, the management grade and how we can combine the different types of needs and how the motivational theories can help managers to motivate their entire team for achieving the manufacturing objectives. So, with this, we come to end of this session. Thank you very much.