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MANAGING PEOPLE

(Block Three)

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1. Introduction

First of all let me introduce my company and myself. My company is ÈEZ,a.s. which is the biggest electric power generator in the Czech republic responsible for about 80 % of total country generation. Besides that we own the high voltage transmission grid and have many other activities. Simply said - we are the country's first or second biggest company.

My position within our company: I'm member of Board of Directors. My responsibilities are transmission business, real- time dispatch, telecommunications and informatics.

2. Human resources management

Motto:

The efficiency of staff and their commitment to the objectives of the organisation are fostered by good human relationships at work. This demands that proper attention be given to the personnel function and employee relations. The manager needs to understand how to make the best use of the human resources of the organisation. The promotion of good human relations is an integral part of the process of management and improved organisational performance.

2.1 Personnel policies and activities

Whatever the nature of the work organisation, a manager achieves results through the performance of other people. Recognition of the needs and wants of the staff, and the nature of their grievances is a positive step in motivating them to perform well. The efficiency of staff and their willingness to bring all their skills and knowledge to improve the quality of service provided by the company are fostered by good human relationships. Some additional remarks on management and manager's role can be found in my assignments *The Management Task* and *Interpersonal Skills*.

Success in the field of human relationships stems from good personnel policy and practice and an effective personnel function.

2.1.1 Underlying philosophies

The formulation of personnel policies and implementation of personnel practices and procedures should be based on underlying philosophies of managerial behaviour and employee relationships. Such philosophies should embrace:

- recognition of people's needs and expectations at work
- respect for the individual
- justice in treatment and equitable reward systems
- stability of employment
- good working environment and conditions of service
- opportunities for personal development and career progression
- full observance of all laws and codes of conduct relating to employment.

Some authors also add another point - democratic functioning of the organisation - but there may be a strong discussion what means "democracy" inside a company. This issue is closely related with management theory - see the assignment *Management Task*.

2.1.2 Practical implementation in ÈEZ

Since I'm not a personnel manager, I may not know some details, but based on my position in the company, I have some influence on how the things are being done. ÈEZ is now in the phase of establishing a new approach to personnel policy. Our goal is to be comparable to similar companies in West-European countries, namely ÖVG in Austria.

The position of big companies like we are (over 12,000 employees) is rather tough compared to small ones. The government imposed a "wage regulation policy" on us while small companies are not subject to it. Therefore sometimes it is hard for us to compete with them on labour market since we cannot offer as attractive salaries as they can. But on the other side, in spite of this there have been already some examples of people who had left ÈEZ and moved to such small private companies, namely foreign, and now are coming back. The reason they say are missing opportunities for personal development and almost no influence of an individual on decisions which are being made outside the Czech republic. Other reason is a stability of employment and working conditions.

What do we offer to our people ?

I will describe the situation in Transmission grid division. We have two major sorts of people:

- skilled and experienced experts with long work record in ÈEZ or other affiliated company
- young graduates from Technical university

This kind of combination seems very profitable to us - combination of skills and experience with flexibility and new approaches.

As I had said before, our wages are not astronomical compared to other companies in the ÈR. We have to offer something else. And I'm proud that I had contributed to finding something how to attract good people.

We offer a self-realisation of individual. We all live in exciting and challenging time where everybody who is interested has a chance. One of our major projects is the synchronisation of our system to West-European system UCPTE. And this is exactly what gives a chance for self-realisation.

Our project requires many negotiations with UCPTE partners and many technical improvements within our system. Here is the basis of our attractivity: everyone has his part in the project and responsibility and has to do anything for supporting it. People have to negotiate with all possible institutions, e.g. financial people with representative of the World Bank, EBRD and many private banks both foreign and domestic, engineers take part in meeting with their counterparts in ÈR and abroad and work on projects about which other "normal" people only read in newspapers. **They all feel being involved and see a self-realisation in it.** This is more than sufficient compensation for lower incomes. My experience says: everybody must be involved and feel like having his role in the project. And last but not least - everybody must see the results behind and see the appreciation of the management. I have many contacts with people in other companies and very few are involved in such a project which brings so many contacts and gives such a prestigious feeling as our UCPTE project.

The outcome of this all is that we have more applications than vacancies.

Other parts of ÈEZ are doing similarly. Other projects are the desulphurisations in our power stations which require negotiating with foreign suppliers. Or our Eurobond projects and contacts with credit-rating agencies as Standard & Poor, JBRI Japan or Moody's. ÈEZ shares and bonds are traded in Munich, Vienna, Frankfurt etc. These people immediately found themselves in the world of "Big Business" and **they feel themselves important.**

Of course, there are professions in ÈEZ which are not involved in anything of this, but they are not as important as those mentioned

above.

2.1.3 Objectives of personnel policies

In overall terms, personnel policies can be seen to embrace:

- designing an effective organisation structure;
- staffing the structure with suitable people;
- defining work roles and relationships;
- securing optimum working arrangements.

The objective is to develop and maintain a level of morale and human relationships which evoke willing and cooperation of all persons in organisation in order to attain optimum operational performance. This is the total concept of the personnel function.

The range and scope of personnel activities are wide and may be considered within the framework of the following broad headings:

- manpower planning and employment
- salary and wage administration including related reward systems
- organisational design
- education, training and development
- employee relations
- employee services, welfare, health and safety.

Inherent in these activities is the need to give proper regard and attention to employment legislation and other legal requirements.

3. Performance appraisal

One way in which to review the performance and potential of staff is through a system of performance appraisal. It is important that members of the organisation know exactly what is expected of them and how the results will be measured. A formalised and systematic appraisal scheme will enable a regular assessment of the individual's performance, highlight potential and identify training and development needs. Most importantly, an effective appraisal scheme can improve the future performance of staff. The appraisal scheme can also form the basis of a review of financial rewards and planned career progression.

Performance appraisal is therefore a crucial activity of the personnel function and the management of human resources. A comprehensive appraisal system can provide a basis for key managerial decisions, such as those relating to allocation of duties and responsibilities, pay, delegation, levels of supervision, promotions, training and development needs and terminations. An effective appraisal scheme offers a number of potential benefits to both the organisation and the individual.

- It can identify an individual's strengths and weaknesses and indicate how these may best be utilised or overcome.
- It can help to reveal problems which may be restricting progress and causing inefficient work practices.
- It can develop a greater degree of consistency through regular feedback on performance and discussion about potential. This encourages better performance from staff.
- It can provide information for manpower planning, to assist succession planning, to determine suitability for promotion and for particular employment and training.
- It can improve communications by giving staff the opportunity to talk about their ideas and expectations and how well they are progressing.

3.1 Principles and ethics of performance appraisal

Some authors (G.James) suggest that performance appraisal has its roots in three well-substantiated psychological principles. People work/learn/achieve more when they are given:

- (i) adequate feedback as to how they are performing - in other words knowledge of results
- (ii) clear, attainable goals
- (iii) involvement in the setting of tasks and goals.

These principles underpinning effective performance appraisal have wider relevance than simply improvements in individual performance. They are also concerned with the development of a participative organisational culture by contributing to broader goals of creating satisfying, effective jobs, encouraging the involvement of people in the organisation and the development of people.

G.James goes on to suggest that a performance system operated in an organisational context must be based on clear ethical principles. These are particularly important to an involved culture where individual development, trust and openness are fundamental values. These principles apply both to appraiser and appraisee:

- appraise on the basis of representative, sufficient and relevant information
- make an honest appraisal
- keep written and oral appraisals consistent
- present appraisals as opinion

The design and implementation of a successful appraisal system requires attention to number of questions including following:

- Who should be appraised ?
- Who should undertake an appraisal ?
- What should be the frequency of appraisals ?
- etc ...

The appraisal system should not be perceived as something which is the prerogative of the personnel department or introduced for

its benefit. Top management should be owner of the system and be fully committed to the appraisal concept. They should also ensure full consultation with staff representatives, all managers and members of staff.

The appraisal system should not be viewed in isolation but rather in relation to the corporate objectives of the organisation and designed to suit its culture and particular requirements. A starting point of the whole process is the job analysis. This identifies the purpose and main duties and responsibilities of the job. From this description the expected outcome may be defined as well as standards of performance and basic criteria.

As the main purpose of appraisals is to help staff improve their performance, in order to maintain the credibility of the system and the goodwill, it is necessary to establish a former appeals procedure which is clearly understood by all members of staff. Appeals should be made to a manager in more senior position than appraiser or sometimes to a representative committee. The appeals procedure should include provision for staff to be assisted, if requested, by a staff representative.

3.2 Methods of appraisal

Appraisal system can be used to measure attitudes, behaviour and performance. Measurement may be a combination of:

- quantitative measures using some forms of rating scale, such as e.g. excellent - good - average - below average - unsatisfactory
- qualitative measures involving an unstructured, narrative report on specific factors and/or overall work performance
- exactly defined and criteria measurable in physical terms; evaluation is in logical terms YES - NO.

3.2.1 Behaviourally anchored rating (BARS)

The use of BARS is an attempt to provide measurement scales that are directly related to the job being appraised. A sample group of managers / supervisors are asked to identify independently several key behavioural aspects of the job in question. The responses are then collated and returned to the same group to agree examples of good, average and poor performance and to allocate a scale point for each example. Those examples which are consistently rated at the same point on the scale can then act as anchors and provide behavioural examples for each point on the scale. Appraisers can then use the BARS as guidance against which to assess the expected behaviour of each person being rated.

The disadvantage with BARS are that they can be time-consuming and costly to construct and require careful and detailed training in their correct use. They are also likely to be appropriate in larger organisations.

3.2.2 Achieving objectives

With this system, the manager agrees with members of staff set objectives at the beginning of the appraisal period. The appraisal is then based on the extent to which these stated objectives have been

then based on the extent to which these stated objectives have been achieved. This method provides for participation by staff and also allows for at least some degree of self-appraisal. This method can therefore be related to a system of Management by Objectives.

A major consideration with this method is the extent to which circumstances beyond the control of individual, such as changes in environment, make the achievement of objectives unrealistic. Objectives need to be continually reviewed and revised in accordance with changing circumstances. Comparison with achieving objectives may not, by itself, provide a detailed assessment of performance. Therefore, some appraisal schemes combine this method with the use of rating scales.

3.2.3 Performance contract

Another possible approach is based on the use of performance agreement or "contract". Members of staff create a succinct document agreed with their superior which sets out the individual's proposed contribution to the business plan of the organisation. This document provides an agenda which can be referred to during the appraisal period and modified as necessary. This agenda serves as the appraisal basis. The question then is : Has the plan been met ? This approach turns the appraisal system into a dialogue. The extent to which staff meet their contracts also gives an indication of whether the business plan is realistic.

3.3 Potential problems in appraisal

The effectiveness of any appraisal system relies heavily on the quality and reliability of assessment. Variations in consistency of reporting standards can quickly lead to a feeling of dissatisfaction and injustice.

3.3.1 Allowance for discretion

However well-designed the appraisal system it is not possible to apply a completely objective approach to every unique situation. The system should therefore allow for at least a degree of discretion and personal judgement.

3.3.2 Manager's loss of expertise

As managers advance up an organisation they may become less expert in the day-to-day operations of their department and become more dependent on the team. In such cases subordinates may be their own harshest judges and this places emphasis on the importance of self-appraisal.

3.3.3 Emphasis on past performance

The appraisal may tend to concentrate too much on feedback on past performance and especially recent past. The lapse of time between events which occurred early in the reporting period and completing the appraisal may lead to a distortion in the overall flavour of the report. Although reviewing past performance is an integral part of appraisal system, it is even more important to concentrate attention on the changes required to bring about an improvement in future performance.

3.3.4 Regular review of performance

Appraisal should not be limited to a formal, once or twice a year event, but a continuous process of monitoring, feedback and review. There should be regular contacts and communications between managers and staff and discussions of problem areas and plans for the future.

3.4 Present appraisal practice in ÈEZ

The system used presently in ÈEZ is very similar to that described in 3.2.2. In about November each year I sit down with my subordinated directors and put together their performance criteria for the coming year. After about two iterations the criteria are prepared. Usually I make them based on business plan of the company and include in them my vision of future performance of these departments. As an example: I'm quite sure that in very near future it will be absolutely necessary to have a transparency in accounts of transmission department and clear distinguishing from generation. Therefore part of the criteria for Transmission Grid Director were preparation for this "ring-fencing".

This criteria then are submitted to Personnel Director who makes them a part of annual contract with the particular director. These criteria also serve as a basis for reward calculation.

In January I have a single-topic meeting with each director and in the form of dialogue we make an appraisal. Since most of the criteria are measurable, the appraisal procedure is not too complicated. the outcome of this appraisal session is the percentage how the criteria have been met. This percentage is the value used for reward calculation.

4. Conflict

Conflict can be regarded as a reality of management and organisational behaviour. Conflict can be described as a behaviour intended to obstruct the achievement of some other person's goals. Conflict is based on incompatibility of goals and arises from opposing behaviour.

4.1 Conflict and competition

Conflict and competition do have common aspects. Both involve at least some degree of opposing behaviour and the belief that one party is attempting to deprive others of something which they value. But conflict can be seen to differ from competition.

- Conflict situations denote both incompatible goals and opposing behaviour.
- Competition may still arise when there is a greater commonality of goals and may involve only limited opposing behaviour or even some

cooperative behaviour. In competition, individuals or groups do not obstruct or interfere with each other in attempting to satisfy their goals.

In conflict situations one or both parties may be drawn or forced into the confrontation. The situation may arise spontaneously with no ground, rules and little knowledge of how far the situation could escalate. The outcomes are potentially dysfunctional for at least one of the parties.

In competition the parties are usually willing participants. Competition implies that certain ground rules apply and that there has been some prior planning by a higher authority. Competition might, at least in initial phase, be comparatively friendly. But if the situation develops into greater antagonism and behaviour intended to obstruct other persons, then a conflict situation could occur.

Conflict is a harmful side of difference. Other sides, fruitful, are argument and competition. Properly managed, however, conflict can have potentially positive outcomes. It can be an energising and vitalising force in groups and organisations.

Positive outcomes of a conflict can be:

- better ideas produced
- people forced to search for new approaches
- long-standing problems brought to a surface and resolved
- clarification of individual views
- stimulation of interest and creativity
- a chance for people to test their capacities.

Negative outcomes of a conflict can be:

- some people feel defeated and demeaned
- the distance between people increased
- a climate of mistrust and suspicion developed
- individuals and groups focused on their narrow interests
- resistance developed rather than team work
- an increase in employee turnover.

4.2 Sources of conflict and ways of solution

There are many potential sources of organisational conflict including the main as follows:

Source of conflict

- differences in perception
- limited resources
- departmentalisation and specialisation
- the nature of work activities
- role conflict

Way of solution

- clarification of goals and objectives
- resource distribution
- personnel policies and procedures
- development of group process skills
- group activities
- leadership and management

- inequitable treatment
 - violation of territory
 - environmental.
- leadership and management
 - organisational processes
 - socio-technical approach

4.2.1 My approach to conflict solving

I have two directors subordinated to me who's roles have many common points. One of them is a Head of Telecommunications, the other Head of Informatics and Data Processing. There was a conflict starting between them - see "violation of territory". My approach in this case was very simple: instead of finding a precise border between their territories (responsibilities) I tried (succesfully) to make them cooperate without looking for "what belongs to whom". This cooperation enabled us to speed up such important projects as AFMIS in ÈEZ. I feel this was a win-win-win strategy (first director - second director - myself). Why the third "win"? My position is easier - both directors know a lot of other's problems and are able to replace to some extent the other on meetings etc.

5. Working conditions

The working conditions are a part of the whole working environment - being one of important factors. This factor varies according to geographical areas, historical background of people and stage of economical development.

Czech republic is a typical transient economy, but compared to the World average, we are well above. Therefore we must use the West-European scales. From this point of view ÈR is well behind in wages and catching up with working conditions. ÈEZ is a sort of "pioneer" in introducing new benefits for its employees. Some examples of benefits exceeding the legislation requirements are:

- one additional week of vacation.
This means that employees over 33 years of age have 5 weeks of vacation.
- flexible working hours
All professions where possible have the flexible working hours. The obligatory time is 9 am till 2 pm, possible time 6 am till 6 pm. The sum weekly must be at least 40 hours.
- weekly working hours
ÈEZ set the weekly working houred to 40 instead of 42.5 required by law. The shifting people have only 36.
- Personal accounts
Each employee has his own personal account where the company saves him some money (not wage). This money may be used to contribute to vacation bill, to cover extraordinary medical treatment or to pay bills for education (if not covered by the company).
- Managers are required to undergo a special medical "inspection" once a year. The bill is paid by the company.
- Senior managers have the life insurance covered by the company

- Senior managers have the life insurance covered by the company.
- Managers on all levels have a company car for their own use.

The company takes care for healthy workplace by:

- renovating its historical building
- reducing number of persons in one office
- adopting a non-smoking policy (which is not very popular even among some senior managers).
- purchasing a new ergonomical furniture for its offices.

The thing I would like to see is a garage, swimming pool and sauna in the basement of our building.



6. Reference

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7. Addition to working conditions

After submitting the Portfolio I got back my assignment from Sheffield with request for adding some more details to contributing to healthier workplace. This is quite a difficult topic for me since the working conditions are strictly regulated by legislation and not much can be done in it. But still - I remember a problem I had to cope with recently.

In the range of my responsibility there is also a real-time dispatch of the transmission grid. We have five shifts of dispatchers who should change every 8 hours. And in the spare time they either are at home or have time for education and self-improvement. This is the main source of my problems. If any of them takes vacation or is ill or not available from any other reason, others have to work overtime. This overtime work helps to improve their wages but from point of view of healthy and safe conditions it is not desirable at all.

I had several options to cope with this situation and help them feel satisfied:

- increase their overtime pay (wished by about 30% of them);
- reduce their overtime hours by hiring another shift of dispatchers;
- merge two dispatching points into one and create another shift from existing staff.

After discussions and economical assessment the third alternative seems to be the best and after some more discussions I will officially order it be realized.

8. Performance management

The formal procedure in appraising the performance of the directors is described in 3.4. The criteria are set and appraised annually. Since I'm not an operational manager, I'm not in direct contact with day-to-day operations and I don't have to manage performance on everyday basis. But still, one year is a too long time to "let directors do what they want". Therefore I adopted another, not so formal as in 3.4, approach.

Every Tuesday we have our regular meetings where we discuss what to do in nearest future. We usually discuss the goals which we want to reach and set the directions. I intentionally don't go into details - this I leave to operational management. On our meetings we usually say WHAT to do, but don't try to investigate HOW.

One rule which I strictly adhere to is to let people get involved in things and let them know

- what goal do we have
- why did we set such a goal
- what can it bring to us.

The more people are involved in the problem, the better performance I can expect from them. The ways how to make them involved are quite easy in transmission grid. Since the grid is the element enabling cooperation with other partners, I send people to various committees and groups of experts in CENTREL, UNIPÉDE, CIGRE, WEC etc. and many others established on bilateral basis with neighbouring utilities. **In these groups people get the feeling of "being in touch" and are able to formulate the goals for future and directly influence their fulfillment.** This is a much better motivation than pay increase.

Relying on financial reward system as the only way of motivation is impossible in our today's circumstances. Our company is under a strict wage regulation (to prevent from inflation) and we cannot pay what we would like to. This means we have to motivate people by other means. Business travels abroad are a very good motivation. Other non-wage motivations used in ÈEZ are buying a car for both personal and business using of an employee and his family, higher salary differentiation - putting emphasis on a non-tariff part of the wage which is under a direct influence of the nearest boss, enabling the **best people** improve their knowledge in special courses (e.g. English courses in England) etc. On the other side, from these people we require high activity in work (not only fulfilling goals, but also participating in their setting), ability to motivate others and loyalty with the company.

The performance assessment of these people is more like in case of higher managers - we assess their results in context with the whole company, while in case of low-level employees only work accuracy, work hours and loyalty are assessed with only low dependence on company's results.

This part of corporate life has been underdeveloped for decades in this country. Now we have just started to do something with it and just launched a project focused on Human resources management. We use an assistance of one Dutch company with good experience in human resource management. First results should be available next year.