

# REACHING FINISH LINE WITH INNOVATIVE SPAN OF ORGANISATIONAL CONTROL

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## Introduction

### Abstract

The central theme of control within an organization are its various ‘levers of control’ and ‘ diagnostic control systems’ as well as ‘ War of Talents’ as per McKinsey Co. findings. Value of talent has become accepted wisdom that an organization’s talent is not only an important differentiation but also a dominant precursor to competitive advantages. The information flow and effective communication is the essential requirement and should be from top echelon to bottom echelon as well. The dire substantial key variables of the organization are business strategy and critical performance variables. These all spans describe range of resources, influence and support for evaluating performance measures and achievements of managers.

In the present study, two case studies of IBM and other typology of institutional performance drivers have been analyzed for ‘High Performance Work System (HPWS)’. The case study boils down to primarily ‘compensation’ traits i.e. incentives or bonus strategies Regression analysis and Balanced Scorecard (BSC) has been used for analysis. The present work essentially opens up new vistas for future research.

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The modern organizations are passing through fiercely competitive battlefield business scenario. The organizations various ‘levers of control’ and ‘diagnostic control systems’ are the dominant parameters for efficient functioning of the organizations. The value of talent, information flow and effective communications are the pivotal ingredients of an organization. The key variables of the organization are Business Strategy and its critical performance variables. The main domain has two control levers: ‘belief systems’ and ‘boundary systems’. Analysis of critical performance variables imparts managers the much needed information of the levels among them the ‘aligning span of attention’ influences much more about attaining the successful implementation strategy.

The diagnostic control systems and analysis of critical performance variables are grouped into four categories of Balances Scorecard (BSC) as: financial measures, customer measures, internal business process measures, and innovation and learning measures. In ground, reality BSC translates an organization’s mission and strategy into a set of performance measures that provide a framework for a strategic measurement system of a futuristic and dynamic organization. A successful and

effective manager uses all the above dimensions for achieving the desired goals. Critical performance variables are governed again by four types of control:

- Span of Control
- Span of accountability
- Span of influence, and
- Span of support.

These all spans describe the range of resources, influence and support for evaluating performance measures and achievements of managers. These all lead to furtherance of innovation and entrepreneurship. Using these levers of control of the organizations dynamically, align the four spans as essence of designing for much needed penultimate performance. Also, the span of attention of each individual is the ultimate goal of organizations throughput and finally success.

In the present paper two case studies: one of IBM and other 'Typology of institutional performance drivers' have been discussed for analyzing 'High Performance Work System (HPWS). It has been observed that in the both case studies the main outcome boils down to compensation strategy and its manifestations i.e. incentives, bonuses, awards, perks, promotions etc. decidedly enhances the performance of the personnel immensely (Kaplan & Norton, 1996; Rampersad et al., 2005).

## **Levers of Organizational Strategic Control**

Executive writing strategies is the key to business success. The best strategy in the world is however worthless unless it can be implemented in ever changing business scenario. Simons (1995) opened that the traditional controls practiced by organizations, like monitoring and measuring the achievements of products at all levels, may work well for a small organization but it may not be suitable for larger organization, due to growing of complex turbulent competitive environments. Simons has suggested following levels of controls:

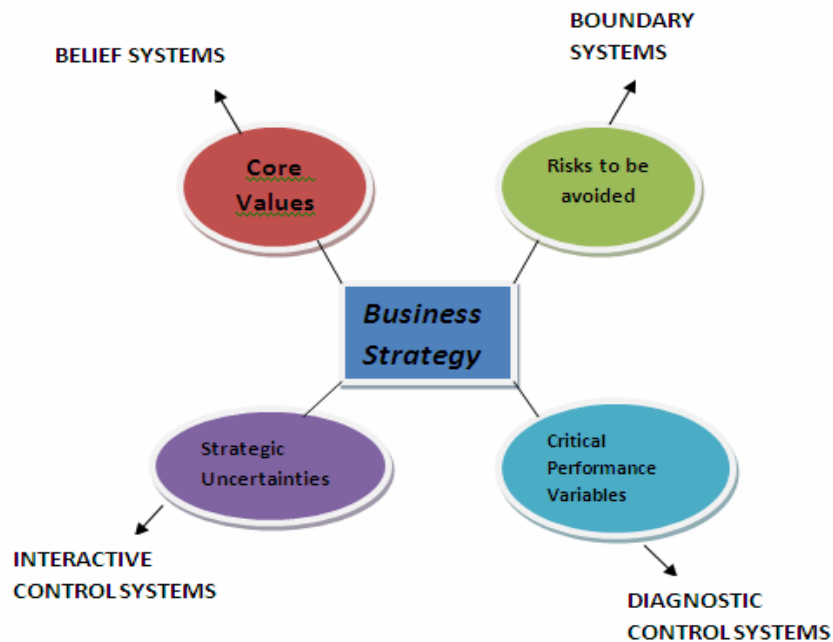
**Belief Systems:** These are used to communicate case values and to inspire communicate to the organization and frame the search for new opportunities.

**Boundary Systems:** These are used to define the limits of freedom, including acceptable risks and standards of business conducts.

**Diagnostic Systems:** These types of systems are used to coordinate & monitor intended strategies.

**Interactive Systems:** These systems are used to gather and phase information up and down the organization about strategic uncertainties and emerging opportunities to encourage learning and to facilitate new strategies.

The framework of the levers of control systems has been depicted at Fig .1. The power of this framework is unleashed as managers use the control systems concurrently. The 'levers of control' also addresses how effective managers with unlimited opportunities but limited time resources use the systems to focus scarce attention and maximize "return on management".



**Fig: 1 Controlling Business Strategy: Key Variables to be Analyzed**

1. Belief Systems, used to inspire and direct the search for new opportunities;
2. Boundary systems, used to set limits on opportunity-seeking behavior;
3. Diagnostic Control systems, used to motivate, monitor, and reward achievement of specified goals; and
4. Interactive Control systems, used to stimulate organizational learning and the emergence of new ideas and strategies.

### **Organization Design and Aligning Span of Attention**

Herein, the main focus is on the developmental principles of organizations design, wherein customers are demanding the complex products/ services, competition is intense and people are widely dispersed. “As we know organization design (OD) refers to the formal system of accountability that define key positions in an organization

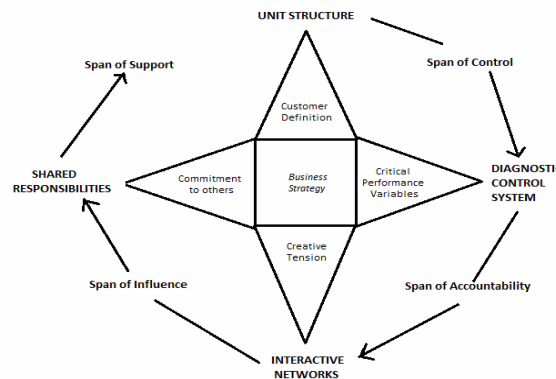
and legitimates rights to set goals, receive information, and influence the work of others (Simon, 2005).” All the old and current definitions of organizational development and also organizational design (OD) focus on (French et.al.1999)

- Planned and sustained effort to apply behavioural science for system improvement rather-“a process for improving processes.”
- Enhancing organizational effectiveness and health through planned interventions of the organization’s processes using behavioural science.
- Using and reinforcing the organization’s strategies, structures and processes of planned change-organization’s work-culture/environment for more productivity/throughput.

Herein, more focus is stressed on “aligning span of control (of attention) for each person and unit in an organization for ushering requisite creative changes for maximizing

output. ‘Span of attention’ may be briefly defined as the domain of activities that are within a manager’s field of view and framework.” Also, the four Cs should be analyzed before any successful organization design is done which is as given below. There are the critical performance variables. These are:-

- Customer definition
- Critical performance variables
- Creative tension
- Commitment to others



**Figure 2. Levers of Organization Design**

The levers of organizations design are a means to an end they are used to adjust four interrelated spans that collectively shape span of attention (refer Fig. 2)

- Span of control
- Span of accountability
- Span of influence
- Span of support

Aligning the spans, the supply and demand of the organizational resources must be in balance for every individual unit .To have this equality:

Supply of Resources = Demand of Resources

Or

Span of Control + Span of Support = Span of Accountability + Span of Influence

Each one of them is shown below in continuum theory modes in brief.

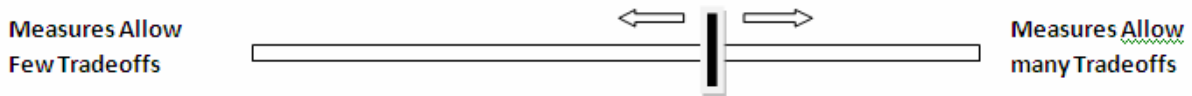
**Span of Control:** Span of control define the range of resources for which individuals are given decision rights and are held accountable for performance (Refer Fig.3)



**Fig. 3. Span of Control**

measures used to evaluate a managers achievement.

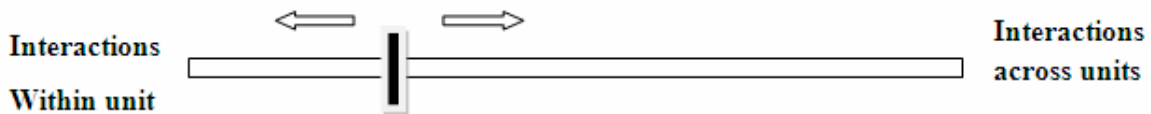
**Span of Accountability:** It is defined as the range of trade offs embedded in performance



**Fig.4. Span of Accountability**

**Span of Influence:** “This defines how wide a net an individual casts in

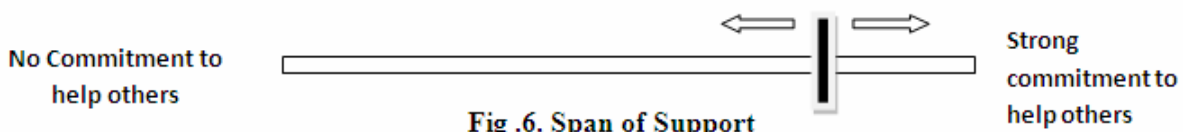
collecting data, for new information, and attempting to influence the work of others”,(Refer. Fig.5)



**Fig.5.Span of Influence**

**Span of Support:** Span of support defines the range of support that an individual can anticipate and expect from

people affiliated with other organizational units (Fig.6)



**Fig.6. Span of Support**

### **Case-Study I: Typology of Institutional Performance Drivers**

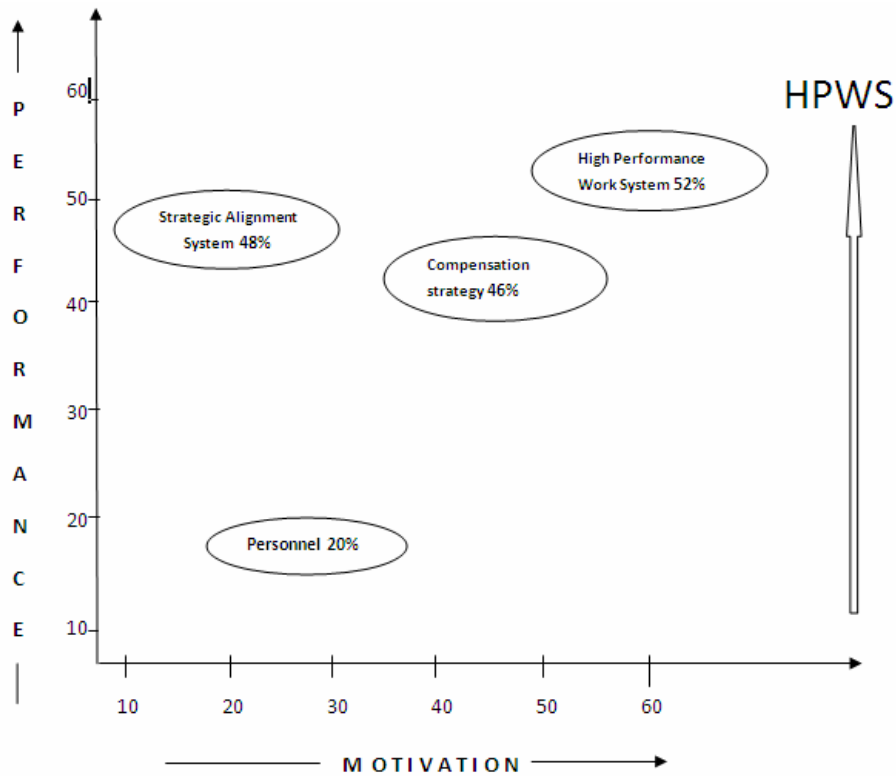
**Data collection** To conduct this study; 75 questionnaires were distributed among the employees working in educational institutes.

**Instrument Used** To conduct the study, Primary data source is used, and questionnaire as well as interviews are also used to collect the first hand information. This questionnaire is prepared with the help of literature and face-to-face interaction with the employees working in educational institutes.

Statistical technique used is Linear Regression Analysis.

The study focused on the impact of systems viz; Compensation-based strategy system, Personnel, Strategic Alignment system on performance and motivation leading to High Performance Work System.

Strategic Alignment system on performance and motivation leading to High Performance Work System.



**Figure 7. Typology of Institutional Performance Drivers.**

While analyzing the impact of motivation on performance applying Strategic Alignment system, Personnel strategy & compensation strategy it has been observed that:

1. Institutes pursuing a High Performance Work System had 52% impact of motivation on performance and where Compensation is significantly contributing.
2. Institutes using only the compensation based system had a 46% impact of motivation on performance.

3. Institutes using the Personnel system had only 20% impact on motivation and performance. Such organizations work in a traditional way and appear to make no efforts in motivating employees and improvement in performance level.

**High Performance Work Systems (HPWS)** Institutes in this group score well above average on both the Performance and motivational dimensions.

**Compensation-Based Systems** Institutes in this group score above average on the motivational dimension but below average performance aspect. We refer to this group as Compensation- Based because the only reason they score well on the motivational dimension

is this very high ratings in the compensation dimensions.

**Strategic Alignment Systems** These are an unusual set of institutes. They are slightly above average on Performance aspect, but they score among the lowest on the motivational dimension. These institutes approach strategically from top down but don't finish the job. Individuals have never made an investment in the infrastructure of a HPWS.

**Personnel Strategies** These institutes are characterized by scores that are well below average on both the Performance aspect and motivational dimension. Such institutes approach their individual systems in a very traditional way and appear to make no effort to exploit individuals as a strategic asset.

An institute pursuing a High-Performance strategy had a 52% higher market value than an institute using either the Personnel or strategic Alignment strategy. Institutes using only the compensation strategy had a 46% higher market value than similar institute's using the Personnel strategy. Pathak,(2006) has also studied and analysed HPWS norms and brought out in his research work that HR Performance drivers with proper alignment of people, deliver substantial value-creation in the organisations. There was no statistically

significant difference between the experience of institutes using the strategic alignment strategy & Personnel strategies.

**Emergent Outcome** It has been observed by this case study that performance substantially increases with dynamic planning of strategy and motivational compensation system.

### **Case II: IBM'S Approach to Mobilizing talent**

IBM is building a system considering the Texas utility Center Point Energy, which wants to create a "smart power grid" with computerized electric meters, software, and sensors that can improve service and provide personalized advice on how to conserve energy to its customers. The IBM team is scattered around the United States and India. From the survey made, it has been observed from the tabular data listed below (Table :I) that the 90-plus people on the project come from 15 locations in the United States and two locations in India, Whereas according to the IBM traditional model of work dealing with an IBM project, most of the project team is located in one site. Thus the new way of IBM's approach towards mobilizing talent is highly appreciable.

Thus, today the people are not dependent on the geographical locations to pool the talents because IT –enabled services has made it

(a) The various ‘levers of controls’ and ‘diagnostic control systems’, are dominant determinants of the efficient

<b>Locations</b>	<b>Number of People</b>	<b>Distribution of talent / Skill</b>
Austin, Texas; Yorktown Heights and Hawthorne, New York	8 researchers	Weather modeling and data analysis
Based in Houston and participants from New York, Pittsburgh, San Francisco Los Angeles, and Chicago	50 people	Project management and financial modeling
Washington, Austin, New York, and Philadelphia	8 regulatory specialists	Knowledge of local laws and public policy
New York and Miami	20 engineering managers	Knowledge of grid technology and quality oversight
Bangalore, Pune, India	6 software developers	Design of software and programming
<b>Table: I IBM’S Approach to Mobilizing talent</b>		

possible and by Management Web2.0 a person can reach from one part to any other part of the world. Accordingly, the best talent-pooling across the world can be reached. This case study thus may be reckoned as dynamic configuration of talent based on the specificity of needs. Also, today the latest innovative strategical trend is about ‘folding the future in’ for better functioning. ‘Folding the future in’, allows us to gain innovative knowledge. Strategy is therefore, not an extrapolation of the current situation but an exercise in “imagining and then ‘folding the future in’.”

**Strategic Thrust Points**

The following few focused points emerges from the present paper and the two case studies.

- functioning of any organisation.
- (b) Aligning ‘span of attention’ i.e. span of control, accountability, influence and support’ is required for dynamic developments of the organisations.
- (c) Case-study I, brings out the fact that motivational compensation system delivers high performance more efficiently.
- (d) Case-study II, suggests that mobilisation of talents can be done on-line efficiently, even synchronising geographically distant parts of the world.
- (e) The latest strategical trend, is about the ‘folding the future in’ – which is nothing but allows us to gain the

innovative knowledge and not just extrapolation of the 'current situation'.

## Conclusions

The modern organizations are passing through fiercely competitive battlefield environment. The 'Organization Design' (OD), 'Organizational levers of control' and 'diagnostic control systems' are the dominant parameters of organizations effectiveness. The strategy has to match with the 'changing scenario' and 'process of change'. The awareness of 'talent' and its value-creation has become the accepted fact. Talent acquisition and retention both are equally important. Also, 'wisdom' apart from talent is a dominant precursor to competitive advantages. The information flow and dynamic communication from top as well as bottom echelon is dire-essential.

The various levers of control of strategic organizations are:

- Belief System,
- Boundary System,
- Diagnostic System, and
- Interactive System.

Aligning 'Span of attention' is the domain of activities that are within a manager's framework and field of view. The four types of critical performance variables are:

- Span of Control
- Span of accountability
- Span of influence
- Span of support

Herein two case-studies of IBM and Typology of institutional performance drivers have been

suitably discussed/presented. It has been observed that eventually compensation-incentives/bonus strategies are HPWS dominant parameters as is evident from the studies. From the second case of IBM, it is observed, that today the geographically distant locations are no barrier as IT-enabled services, management Web 2.0 and mobilisation of talents, create a 'smart power grid', pool of resources for dynamic functioning. The present work essentially opens up new vistas for further research work on the subject.

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## Biography

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