

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/332071357>

# The 'Human Morale' Optimization-Case

Research · March 2019

DOI: 10.13140/RG.2.2.33420.36483

---

CITATIONS

0

---

READS

85

2 authors:



**RAMA SHANKAR YADAV**

Indian Institute of Management, Rohtak

34 PUBLICATIONS 125 CITATIONS

SEE PROFILE



**Dr. Praveen Ranjan Srivastava**

Indian Institute of Management, Rohtak

171 PUBLICATIONS 2,193 CITATIONS

SEE PROFILE

Some of the authors of this publication are also working on these related projects:



Data analytics [View project](#)



Bibliometrics [View project](#)



Indian Institute of Management Rohtak

No. IIMR-C7-01/2018

---

## **The ‘Human Morale’ Optimization Problem: The Case of MicraFinance Ltd.**

On 16 December 2016, MicraFinance Ltd. appointed Ms. Mona Ganguly as its new human resources (HR) manager. The decision on her appointment was taken by the top management of the company after the resignation of the previous HR manager, Mr. Rahul Jha.

The financial performance of MicraFinance Ltd had weakened over the last couple of years. This was reflected in the financial results of the second quarter of 2015-16. This weakening seems to have had adverse effects on employee satisfaction and created a situation of chaos among the employees, leading to a disruption of team dynamics. The major concern which arose during the crisis was dissatisfaction related to the existing performance appraisal and compensation management system. The crisis increased gradually and eventually resulted in the resignation of Mr. Jha from the position of HR manager.

Although the overall financial health of MicraFinance Ltd. appeared less of a concern to the management, the organization had failed miserably in the arena of managing people. This issue was quickly acknowledged by the top management, and resulted in a shift of focus. The organization focused on “human morale” optimization, and as a result, Mona Ganguly was hired.

---

Prepared by Professor Praveen Ranjan Srivastava, Professor Rama Shankar Yadav, Professor Anand Sharma and Mr. Prajwal Eachempati, FPM student, Indian Institute of Management Rohtak. This case has been prepared as a basis for class discussion. It is not designed to present illustrations of either correct or incorrect handling of administrative problems.

---

*(Names of the Organization and the characters in this case have been disguised for reasons of confidentiality. The case is based on an actual situation)*

## **About the Company**

MicraFinance is a web trading portal that was launched in April 2010 by Micra Ltd. Its web-based service reports the important business events of large corporations operating worldwide. The service also includes reporting and analyzing the company's own financial and related news events. It also provides the latest stock information, such as stock price charts with an embedded dashboard for major news events and corporate decisions of the firms. The site also aggregates various MicraNews articles and blogs written about the corporations, through links which are not screened properly and not secured. Micra added advertising to its website and also launched and refurbished its financial website. This new website introduced add-on features like the ability to open demat accounts, virtual bitcoin trading schemes, and so on. MicraFinance also created a new homepage design which allows users to monitor exchange rate fluctuations and keep track of sector-wide performances of various corporations around the world. The website, through its dynamic user interface, lists top market movers, gainers, and losers, and other relevant and important corporate news.

## **The Existing Employee Rating System at MicraFinance**

Till recently, MicraFinance had a very good reputation in the industry. However, its employees were facing many challenges. Most of the employees had qualms about the existing employee appraisal rating and incentive system which were in place. MicraFinance like any other dynamic organization also needed strongly committed employees. Though the company had a reserve of employees possessing such valuable skills, its rating was not commensurate with the nature of its work. The existing system was as follows (see Figure 1). (Please refer to Exhibit 1 for the interpretation of scale.)

Firstly, the rating system as depicted above was very abrupt. It stated the absolute ratings on a broad scale of 1-4, with 1 being poor and 4 being excellent. There was no provision of special recognition or differential appraisal for high merit employees who were involved in strategic trading for the company. Further, there was no award system for high-performing employees. Feedback was given by the chief portfolio analyst in proportion to the absolute profits obtained by the traders through their strategies and trading skills. This method, however, did not take into consideration the financial performance of the sector and the overall trading behavior of the stock market, that is, whether stock was at a high (bullish) or a low (bearish).

Secondly, the allocation of the employees to work groups was randomized, without consideration of individual employees' satisfaction and relative competence. Profiles like trading analyst, portfolio analyst, and so on required niche skillsets, but employees were assigned to profiles which were not in line with their skillsets. This caused high turnover and a significant loss of reputation for the company.

The new HR manager, Ms. Ganguly, was confronted with the task of improving work dynamics and boosting the morale of the disheartened employees, who were resigning one after the other over a short span of time. The HR manager was expected to use her strong analytical skills to resolve this problem". The HR manager decided to go through the existing rating system of the employees and devise a new system. This is depicted in the following sample of the dataset containing ratings for each worker of a division with quality and satisfaction as its two parameters. The ratings were assigned by floating a questionnaire amongst the portfolio managers and employees. Exhibit 2 shows these ratings on a scale of 1 to 10.

The data in Exhibit 2 contains department-wide employee ratings for all 80 employees of the company. The ratings were given by both the manager and the employees, using a scale of 0-10. The purpose of devising this revised scale was to identify the aptitude of the workers in a division to accomplish tasks in all the divisions. For instance, when Worker 1 belonging to Division 3 was evaluated on quality and satisfaction (on a scale of 1-10), he was found to demonstrate more potential for work assigned in Division 1. However, the worker seemed interested in working in a challenging role in Division 4. This prompted the new HR manager to revise the allocation of the employees based on this assessment.

Also, the ratings assigned not only included trading profits but also took into account qualitative aspects like work potential (measured by 'Quality') and work interest (measured by 'Satisfaction') to give a more holistic appraisal rating to an employee, making him feel more valued.

The new rating system brought significant improvements to the labour productivity and attrition rate of the employees. There was a substantial increase in labour productivity and a steep decline in the attrition rate, as shown in Exhibit 3.

To implement this strategy, there was a need to allocate 80 workers in MicraFinance to a job in one of the four divisions. As mentioned, the head of each division rated each employee's domain expertise on a 0 to 10 scale (10 being most capable) and each employee rated his level of satisfaction with each job assignment (on a 0 to 10 scale).

However, there was a constraint; each work group needed a minimum of 18 people and a maximum of 22. The violation of this constraint attracted a heavy penalty. Job competence was given weight twice that of employee satisfaction to concur with the new rating system of more customized allocation to workgroups and better-targeted appraisals of employees.

The key challenge confronting the new HR is the allocation of employees to work groups to maximize the level of total satisfaction. It was necessary to ensure that each division satisfied the requirement for some employees and made a financial turnaround for the company.

### **Case Questions**

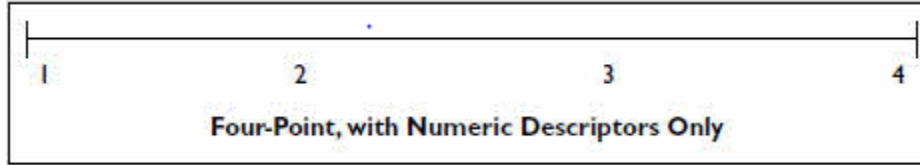
Q1. What is the best allocation to maximize employee satisfaction while also satisfying the constraints?

Q2. Which Excel Solver algorithm should be applied in this context?

Q3. What steps what would you take if you were confronted with the same situation? Where does analytics feature in the process?

## Figure and Exhibits

**Figure 1: Existing rating system-very “static.”**



**Exhibit 1: Interpretation of the existing rating system**

<b>RATING (out of 4)</b>	<b>INTERPRETATION</b>
1	Trading running into losses
2	Trading with profits below \$10000
3	Trading with profits from \$10000-\$50000
4	Trading with profits above \$50000

### Exhibit 2: Employee rating system

Division	Worker	Quality				Satisfied			
		1	2	3	4	1	2	3	4
3	1	9	8	6	8	1	2	6	7
2	2	10	0	5	6	9	6	7	4
1	3	5	8	10	5	1	7	7	3
1	4	4	0	5	2	9	1	0	3
2	5	9	10	4	5	9	8	8	3
4	6	5	2	7	3	2	8	1	5
2	7	8	3	1	2	1	8	2	2
1	8	2	2	9	2	8	3	1	6
1	9	8	7	6	3	4	3	4	1
4	10	7	0	1	8	4	1	5	4
3	11	8	1	6	6	2	0	9	3
2	12	0	7	1	2	5	2	1	1
1	13	9	0	5	4	3	0	7	8
3	14	9	2	2	7	1	1	2	10
3	15	1	3	8	4	9	8	6	8
1	16	9	6	4	5	5	7	8	8
4	17	8	0	5	0	5	7	2	4
2	18	6	7	6	3	2	4	1	6
3	19	3	4	5	4	8	7	6	6
2	20	3	9	4	4	2	2	2	3
3	21	1	6	9	1	7	1	8	4
1	22	5	1	3	7	8	9	6	7
3	23	8	7	10	2	6	2	5	9
3	24	3	6	4	4	7	2	9	2
1	25	7	1	1	0	4	9	10	9

### Exhibit 3: Labor productivity and Attrition rate

Estimates	Existing rating System	New rating system
Labour productivity	\$20/hr	\$50/hr
Attrition rate (%)	20	5