

## IMPACT OF THE HRM PRACTICES AND ORGANISATION CULTURE ON MANAGERIAL EFFECTIVENESS IN PUBLIC SECTOR ORGANISATIONS IN INDIA

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### ABSTRACT

This study is in the light of the liberal global Indian economy that has led to a competitive environment. In a changing scenario of the global business environment with a highly competitive market economy, the HRM practices and organisation culture will provide an edge to an organisation. This study is an attempt to understand the effect of the HRM practices and organization culture on managerial effectiveness in public sector organisations in India. This study revealed that the HRM practices and organisational culture are strong predictors of the managerial effectiveness of the public sector organisations surveyed.

**KEYWORDS:** Human Resource Management, Organisation Culture, Managerial Effectiveness

### INTRODUCTION

Indian organisations are moving from the primarily planned economic system to the market oriented one. Particularly developing and transitional economies country like India also frequently are in an unpredictable, pitiable and social situation that makes interactions with their environment very few peculiar and often frustrating. Yet the developing economy countries are bound to be increasingly important because of their potential market as the raw material sources of production and as the strategic regional centres for the expansion in other areas. Even so, multinational enterprises entering into the Indian market pose new challenges to the functioning of Indian organisations and their implications on the various internal HR functions are quite intricate.

This study was conducted at a time, when Indian organisations are facing a very different competitive scenario as compared to the past and also different from the developed and transitional economies. Although even among the BRIC countries, the World Bank (2001) has placed India along with Brazil, Russia and China, and Indian organisations are no lower placed than any of the BRIC nations. Indian organisations are working better than most of the developing economies and are working in an environment that has undergone a series of important structural changes, including the liberalization of markets and the growing use of the information and communication technologies. Teece (1998) noted that the organisations are facing competition from the MNC in the new liberal and global economy in domestic markets. The competition was in terms of reduced costs, improved quality products with a better service. These environment constraints place a higher pressure on managers. More often than not these concerns were looming large on the horizons of Indian organisations.

Drucker (1967) says that effectiveness is the foundation of success whereas efficiency is the minimum condition for survival after success. Effectiveness is doing the right things. The question of effectiveness is concerned with „performance “which means the “execution of an act”. The manager is expected to get the right things done and it is simply saying that he/she is expected to be effective (Drucker 1967). Today, the knowledge workers are the central reality of an organisation. The majority of people, who have been schooled to use the knowledge theory and concept rather than the physical force or manual skill, work in an organisation and are effective in only so far as they can make a contribution to the organisation. Managerial Effectiveness can no longer be neglected.

There has been a growing interest in the degree to which human resource systems contribute to the effectiveness of organisation. Pfeffer (1994, 1998) argued that the success in competitive markets depends less on the advantages associated with the economies of scale technology, patents, and access to capital and more on innovation, speed and adaptability. He further argued that these sources of competitive advantages are largely derived from human resources of the organisation.

This study is an attempt to show the impact of the HRM practices on managerial effectiveness when organisation culture is included as an intervening variable. There are very few research evidences when such attempt has been made to find the relationship between the HRM practices and organisation culture on managerial effectiveness of the organisation.

## **OBJECTIVES OF THE STUDY**

- To examine the impact of the HRM practices represented by planning, recruitment, selection, performance evaluation, training and development, career management and rewards and organisation culture represented by self realisation, status enhancement, and socio- economic support on managerial effectiveness in public sector organisations.

## **Sample**

The sample consisted of 119 respondents working in two organisations belonging to public sector.

Organisation A ( $N = 68$ )

Organisation B ( $N = 51$ )

At the time of the selection of the companies, all were profit-making organisations. Two were public sector organisations. The sample size consisted of executives in various positions (right from the start to the top positions). The data were collected personally by the researcher and also by mail using the non-probability incidental sampling with an assurance that the information obtained would be kept confidential. The sample size was obtained on all management levels, but most respondents were from the middle level management, with an assumption that they would possess an accurate and comprehensive perception of the HRM practices employed.

The sample includes all departments, such as production, marketing, finance, HRM etc. The sole purpose of this sampling was to get an honest picture of the HRM practices of the organisation.

## **Organisations under Study**

### **Organisation A**

A was established in 1975 and is India’s largest and the world’s sixth largest power generating company.

It discusses the framework for the human resource management in the company and the way it is linked with the company's overall corporate strategy. Practices used are relating to the recruitment, employee training and development, mentoring, comprehensive benefits and work-life balance. The organisation A has established a culture of high performance, making the company the second most efficient power generator in the world. It also explores the payoff arising from a good human resource management as seen in the organisation's performance.

At the heart of the organisation A's success, there lies the commitment to build up a strong in-house technical and managerial capability through a series of need based training and development programs. The main focus of this progress has been to sharpen the technical skills and refine strategic abilities that are required to evolve appropriate responses to the organisation's needs in the competitive scenario emerging in the power sector. The human resource policy has been closely aligned to its corporate vision of becoming one of the world's best power utilities. Its HR vision was formulated with the aim of "enabling the employees to become a family of committed world class professionals thus making the company a learning organisation". Lev and Schwartz economic model has been employed for the evaluation of human assets.

### **Organisation B**

This is one of the largest public enterprises in India with project sites spread all over India and also abroad to provide prompt and effective services to customers. B has grown up to become the India's leading engineering company.

The most prized asset of the organisation B is its highly skilled and committed 42 600 employees. Every employee is given an equal opportunity to develop himself/herself and to grow in his/her career. The continuous training and retraining, career planning, a strong work culture and the participative style of management that has evolved over the years. The Human Resource Development Institute and other training institutes of the organisation help in keeping their skills updated but also in adding new skills when required. B is reducing its workforce with a human face. This gives the employees a tremendous amount of security and faith and the climate of work culture in the organisation.

### **Techniques of Data Collection**

The questionnaire consists of 103 items, which regarded: (1) HRD practices of the organisation consists of 69 items, (2) Organisation Culture consists of 21 items (3) Managerial effectiveness consists of 13 items.

### **Measure of Human Resource Management Practices**

For the purpose of measuring the Human Resource Development practices, the questionnaire developed by Judith Gorden (1986) was used. This questionnaire was developed on the basis of questions asked by Gorden. This questionnaire was standardized and its split half reliability was calculated to be 0.81.

The HRM practices questionnaire consisted of 69 items including the following variables:

### **Measure of Organisation Culture**

The questionnaire used for measuring organisation culture was developed by Super and Neivell (1986) and used by Sinha (1987) for Indian Organisations. The items in the questionnaire belonged to four super-ordinate factors, which are:

- **Self-Realisation** consisting of the values of ability utilisation, achievement, advancement, aesthetics, personal development, and peace.

- **Status Enhancement** consisting of the values of altruism, authority, physical activity, and prestige.
- **Sulphitic Values** consisting of the values of autonomy, creativity, life styles, risk taking, and variety.
- **Socio-Economic Support** consisting of the values of economics, social interaction, social relationships, working conditions, comforts, and tendency.

### Managerial Effectiveness

It was measured using a scale developed by Harris (1988).

The items were scored on 5-point scale with the response categories being:

1 – Strongly disagree

2 – Disagree

3 – undecided

4 – Agree

5 – Strongly agree

### THE MODEL

This study used the moderated or interactive relationship model to study the impact of the HRM practices on organisation culture. This model further analysed the impact of the HRM practices and organisation culture on managerial effectiveness. This model implies that the moderation or interaction could be said to exist if the returns from one practice (e.g. HRMP) varied across the other practice (e.g. organisation culture) at all levels. This means that the managerial effectiveness is jointly determined by the interaction of the predictor (e.g. HRMP) and moderator (e.g. organisation culture) variables. The presence of interaction is established if the cross product coefficient differs significantly from zero.

Specifying the above function in a linear form, we have

$$ME = \alpha + \beta HRMP + \gamma OC + \epsilon_t \quad (1)$$

Where  $\alpha$  is the intercept coefficient and  $\beta$  and  $\gamma$  are slope coefficients and  $\epsilon_t$  is the error term.

The variable human resource development practices (HRMP) has been defined and measured in terms: planning (PL), selection (SL), recruitment (RC), performance evaluation (PE), training and development (TD), career management (CM), rewards (RW) i.e.

$$HRMP = f(PL, RC, SL, PE, TD, CM, RW) \quad (2)$$

The variable organisation culture (OC) depends on the variables such as self-realisation (SR), status enhancement (SE), sulphitic values (SV), socio-economic support (SES) i.e.

$$OC = f(SR, SE, SV, SES) \quad (3)$$

Equation 1 explains that  $\beta'$  reflected that the trends of change in ME (managerial effectiveness) with changes in the HRDP at each level of OC, and  $\gamma'$  reflected the trends of change in ME with changes in OC at each level of the HRDP.

## RESULTS AND DISCUSSIONS

This study investigated the contribution of the HRM practices and organisation culture to managerial effectiveness using the stepwise regression analysis. These independent variables (HRM practices and Organisation Culture) account for more than 65% of variance in the public sector organisations, where managerial effectiveness is a dependent variable. In the largely theoretical literature and conventional wisdom among human resource professionals, there is a growing consensus that the HRM policies and practices provide a significant contribution to managerial effectiveness. This study provides broad evidence in support of these assertions (Table 1).

Training and development was found to be a significant predictor of managerial effectiveness in public sector organisations. The core competence of any organisation is the individual and collective learning of all the people. In view of the importance of training and development, the US federal government lately invested hundreds of millions dollars, encouraging training partnerships between the government and private sector (Del Valle 1993). The executive training programmes were launched, in which organisations systematically attempt to develop the skills of their top managers either by bringing in outside experts to train them in-house, or by sending people to specialized programs, conducted by colleges and universities (O'Reilly 1993). Such programs make managers to be effective leaders in the rapidly changing business environment and organisational change.

**Table 1: Predicting Managerial Effectiveness for Public Sector (N = 119) Dependent Variable: Managerial Effectiveness**

	Variables	R2	ΔR2	R <sup>2</sup>	F	b*	β*
1.	Training & Development	0.43	0.00	0.42	87.84	0.62	0.47
2.	Self Realisation	0.56	0.13	0.56	74.47	0.33	0.21
3.	Career Management	0.60	0.04	0.59	58.63	0.34	0.29
4.	Socio Economic Support	0.65	0.05	0.64	52.27	0.59	0.24

$P < 0.01$ ; \*as shown in the last equation

$$ME = -6.18 + 0.62 TD + 0.33 SR + 0.35 CM + 0.59 SES$$

$$T\text{-value} = (-1.73) (6.45) (3.04) (4.39) (3.71)$$

$$\bar{R}^2 = 0.64 \quad F = 52.27 \quad P < 0.01$$

$$P < 0.01$$

Training and development can help managers by offering them the opportunities to develop their own abilities for a closer involvement in managerial affairs (Kanter 1984). Managers will need to learn how to disclose and share information, possibly through a formal consultation or communication networks. In the knowledge economy, the learning organisation alone will survive. For that it includes its abilities to learn, create, codify and utilize knowledge faster than its rival – and quicker than the environment changes. Not only will the global market reward learning handsomely, it will also severely punish the lack of learning (Athreya 1996; Kandwala 1996). In learning organisations, people continually expand their capacity to create the results they truly desire. The new and expensive patterns of thinking are nurtured and the collective aspiration is set free. People are continually learning to see the whole organisation together (Senge 1990). Executives are learning-oriented and considered to be one of the key competences for managerial effectiveness.

Managers of the public sector organisations strongly underlined the self-realisation (one of the variables of organisation culture) as one of the most significant prerequisites of managerial effectiveness. While organisations find themselves in the worldwide competition, most of the individuals are striving for achievement, ability utilisation, advancement, aesthetics, personal development, and peace of mind. The realisation or anticipation of realisation of the values has resulted in a better performance. Sinha (1990) felt that these values held the highest expectations by the managers of different organisations in India. Self-realisation encouraged people to satisfy their achievement needs in the work situation.

Such findings provide support to the idea that market economies have the inevitable consequences of rendering organisations competitive. Newman (1972) predicted that the Western work relationship is likely to appear to a great extent in Indian organisations as well. That is, employees in the organisation are likely to become achievement-oriented. That means the struggle for survival where no one can afford to ignore an opportunity to get the optimum results. As one moves higher up in the hierarchical ladder in an organisation, the individualistic orientation becomes stronger.

The managerial style of top management has the “waterfall” effect, where work values are passed from the boss to the subordinate down through the hierarchy and it creates the culture in the organisation. Self-realisation can be used to manage the motivation of employees. Managerial effectiveness can be increased by the increased self-realisation that satisfies the individuals needs while channelling their behaviour toward the organisational goals in the public sector organisations.

In the public sector organisations several issues, like salary, are determined by the government, followed by job security and soft work culture. Organisations were put to the service of the national development. As a result, the organisation’s social justice and welfare considerations had an edge over the organisational goals. In this era of liberalization, the public sector organisations shifted their goal from welfare considerations to profit maximization. The respondents in public sector organisations are working in an environment experiencing a tremendous amount of change around them, thereby realising that the socio-economic support will provide them with an amount of stability and the sense of security in the dynamic changing economic environment. Socio-economic support has an impact on managerial effectiveness.

## **CONCLUSIONS**

The present study was based on the framework that the HRM practices shape the pattern of interactions between and among the managers and employees. Further, the organisations generally organise human resource practices that are consistent with their organisation culture (Osteman 1987). This study clearly indicates that the HRM practices along with organisation culture play a significant role and affect the managerial effectiveness of the organisation.

Training and development, self-realisation, career management and socio-economic support were strong prerequisite of managerial effectiveness in the public sector organisations. The findings of this study are indeed significant for the HRpractitioners. However, these results cannot be generalized considering the size of the sample, but they show a definite direction.

Human resource management practices are a potentially powerful lever for shaping the culture of the organisation and along with the organisation culture; they are a strong predictors of managerial effectiveness.

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