Impact of the HRM practices and organisation culture on managerial effectiveness in public sector organisations in India

Dopad uplatnění HRM a organizační kultury na efektivnost manažerů v organizacích veřejného sektoru v Indii

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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 organisation culture on managerial effectiveness in public sector organisations in India. This study revealed that the HRM practices and organisational culture are a strong predictors of the managerial effectiveness of the public sector organisations surveyed.

Key words: human resource management; organisation culture, managerial effectiveness

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) notes 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. Along with Pfeffer (1994, 1998), Lawler (1992), Kochan and Osterman (1994) and Levine (1995) have strongly favoured a greater firm investments into the high performance or involvement human resource systems, which are the systems of human resource (HR) practices designed to enhance the employee’s skills, commitment, effectiveness and productivity.

The idea that individuals are capable of development is founded on the conviction that people are important and their involvement is necessary for an organisation to be effective. This conviction is translated into practice through the variety of programs that facilitate the individual development and lead to a better adjustment with the work environment. Thus human resources are the company’s most valuable and strategic asset. The focused involvement of the top management with institutionalising leadership down the hierarchy is a pre-requisite to attract and retain people. The patterns of work relationships at work reflect the organisation culture. The managers are encouraged to follow the role model of their seniors, to perpetuate the practices of the HRM. In the process of the organisation socialisation, they internalise the values and attitudes of their leaders. The entire process is thus institutionalised. Schein (1990) indicates that people identify with the visionary leaders –how they behave and what they expect. The enterprise vision and mission will not become a reality unless the employees are involved and integrated with the company’s goals. The HRM provides enabling the work culture of the organisation comprising of managerial values, attitudes and styles.

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.

**REVIEW OF LITERATURE**

**Human resource practices and managerial effectiveness**

Schuster (1986) matched the data on the global Human Resource Management (HRM) “progressiveness” with accounting the indexes of firm’s profit. Ichniowski (1990) concluded that the use of the progressive HRM practices were associated with both high productivity and high financial performance. Delaney et al. (1989) and after them Ichniowski (1990) did a further analysis of these data to identify the impact of the HRM practices. In contrast to the Ichniowski (1990) study, Husled (1995) had a much larger sample of firms and received a much higher response rate on his survey questionnaire. Husled had done a cross sectional research on firms’ performance, endeavouring to relate a comprehensive measure of the HR practices to the firms’ financial performance.

The Business Today – Gallup MBA Poll 1996 survey covered 653 respondents – 477 managers from different lines and support functions besides human resources, 98 human resource managers (HRMs) and 78 CEOs – from 350 companies spanning the five metros of Bombay, Delhi, Bangalore, Calcutta and Madras. The Principle Crises Areas mapped from the low scores in the area of the HRM practices by the respondents were the lack of ability to attract the best professionals, the absence of an effective appraisal system, low compensation packages vis-a-vis the industry, the absence of team spirit, the lack of a career planning.

Singh (2000) study was drawn from the organisations listed in the Business Today (BT) 500 Indian organisations representing all major domestic industries in India. The questionnaire developed by the Huselid (1995) was used for this study. It was found that the human resource people were required at the strategic formulation level and the investments in human resource have had impact on the organisational performance.

The full concept of the HRM emerged in the mid-1980s with the efforts of writers of management of
that decade, including Pascale and Athos (1981) and Peters and Waterman (1982), who produced lists of the attributes which they claimed characterised successful companies. The ‘school of excellence’ writers may have exerted some influence on the management thinking about the need of strong culture and commitment (two features of HRM) but, as Guest (1993) has commented, they were ‘right enough to be dangerously wrong’.

Nair and Yuvaraj (2000) found that the internality of the focus of control was positively and significantly related with the overall managerial effectiveness. Internally controlled managers were significantly higher in the overall managerial effectiveness as compared to the externally controlled managers.

Datta et al. (2005) include two primary perspectives; a universal approach and a contingency approach have been used to model the link between the HRM and firm effectiveness. Those using the universal approach have posed a positive relationship between ‘Best practice’ HRM and firm performance. In contrast, the contingency model has proposed the extent (or even direction) of the effect of the HRM on the firm performance will depend on the firm’s environmental conditions. This study also observed significant contingency effects, with industry characteristics influencing the degree of the high performance of the HRM practices impact on labour productivity.

**ORGANISATION CULTURE**

Peters and Waterman (1982) argued that companies with strong culture are highly successful. They argued that a superior firm performance is only be achieved if the company moves away from a pure technical, rationalistic approach toward a more adaptive and humanistic approach.

Carroll (1983), Reynolds (1986) and Hitt and Ireland (1987) questioned the approach taken by Peters and Waterman. Owing to such results, the causal link between the strong culture and performance was seriously questioned by the end of 1980s.

Marcoulides and Heck (1993) used a structural equation model. They found that all their various intraorganisational factors influence the organisational performance. Just as Denison had done it in 1990, they labelled these factors together as the organisation culture.

In this context, it should be noted that the assumed direction of the relationship between culture and performance is not unquestioned. Schein (1985), for instance, has argued that certain values and norms develop from or are strengthened through the successes of work groups within the firm. He points out, referring to the literature on group formation, that the effectiveness of actions taken by the employees shapes the employee’s value and norms, which become elements of the corporate culture. This implies that the performance of a firm influences its culture, or, in fact, that the relationship between culture and performance is recursive instead of linear. For this reason, Siehl and Martin (1990) have argued that we are in need of more longitudinal studies in which both culture and effectiveness are measured over a period of years. Denison and Mishra (1995) and many others second this, adding that this longitudinal research should be accompanied by in-depth measures of culture in order to contribute to our understanding of the relationship between culture and performance.

Most of the studies lack a clear theoretical conception of the nature of the culture-performance link, they may not, despite its presence, find a relationship between these two variables. Siehl and Martin (1990) elaborate this view and also suggest that culture may serve as a filter for the factors that influence the effectiveness of the organisation. These factors may differ between organisations; a more thorough understanding of the mechanisms at play is essential for the research on the culture-performance link. Wilderom and Van den Berg (1998) found no direct significant zero-order relationship between culture and performance. However, taking also the perceived performance and style of leadership into account, these researchers discovered that a significant relationship existed between culture and performance. This finding illustrates the importance of the development of more elaborative theories on the direction and contingencies in the relation between culture and performance. Without such theories, we may draw overly simple or even misleading conclusions.

The HR research in India and also on the international level has generally ignored the impact and influence of the HRM practices on managerial effectiveness. This study is an attempt to examine the impact of the HRM practices and organisational culture on managerial effectiveness in the public and private sector organisations. Managerial effectiveness is the key indicator of organisational performance; an attempt has been made to examine the relationship between the HRM practices and organisational culture with this outcome measure i.e. the managerial effectiveness.

**METHOD**

The presented chapter includes the information about the organisations, the organisational sites; the
sample participating in the study, the measure used and the procedure for the data collection.

OBJECTIVES OF THE PRESENT STUDY

(1) 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, sulphitic values 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)

This study was thus based on the sample of managerial people from four different organisations. 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.
- **Sulpitic 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 a 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

\[
ME = \alpha + \beta_{HRMP} + \gamma_{OC} + \epsilon_t
\]

(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.

\[
HRMP = f(PL, RC, SL, PE, TD, CM, RW)
\]

(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.

\[
OC = f(SR, SE, SV, SES)
\]

(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 DISCUSSION

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 special-
ized 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.

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 in 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 channeling their behaviour toward the organisational goals in the public sector organisations.

Career management was found to be the most significant prerequisite of managerial effectiveness in public sector organisations. It has a direct bearing on managerial effectiveness. The saying “Organisations have many jobs, but an individual has one” is as true today as it were in past. Organisations were finding themselves in the worldwide competition; most individuals are striving for achievement, recognition, growth, and a good quality of life. Unless careers are managed effectively by both individuals and organisations, neither can achieve their goals (Ledvinka 1975).

Career management also takes into consideration the individual performance evaluation, development, transfer and promotion. Career paths based on job analysis of the employee behaviour provide a documented, defensible basis for the organisational career management and a strong reference point.

**Table 1. Predicting managerial effectiveness for public sector (**$n = 119$**)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>$R^2$</th>
<th>$\Delta R^2$</th>
<th>$R^2$</th>
<th>$F$</th>
<th>$b*$</th>
<th>$\beta*$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training &amp; Development</td>
<td>0.43</td>
<td>0.00</td>
<td>0.42</td>
<td>87.84</td>
<td>0.62</td>
<td>0.47</td>
</tr>
<tr>
<td>Self Realisation</td>
<td>0.56</td>
<td>0.13</td>
<td>0.56</td>
<td>74.47</td>
<td>0.33</td>
<td>0.21</td>
</tr>
<tr>
<td>Career Management</td>
<td>0.60</td>
<td>0.04</td>
<td>0.59</td>
<td>58.63</td>
<td>0.34</td>
<td>0.29</td>
</tr>
<tr>
<td>Socio Economic Support</td>
<td>0.65</td>
<td>0.05</td>
<td>0.64</td>
<td>52.27</td>
<td>0.59</td>
<td>0.24</td>
</tr>
</tbody>
</table>

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

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

$t$-value = $(-1.73)$ $$(6.45)$$ $$(3.04)$$ $$(4.39)$$ $$(3.71)$$

$R^2 = 0.64$ $F = 52.27$ $P < 0.01$ $P < 0.01$
for the individual career planning and development activities (Ledvinka 1975; Walker 1980).

Currently, the Indian public sector organisations are facing competition in domestic and international markets. Organisations are out of the planned and protected economy to the liberal and global economy. Public sector is no more protected and it is competing with private sector in which life of many organisations cannot be predicted. At this juncture, career management is the issue of concern of every employee and especially of managers.

Socio-economic support was found to be a significant prerequisite of managerial effectiveness in public sector. Socio-economic support consists of social relationship and interaction, comfort, dependency, good working condition and economic gains. Managers were indifferent and did not care much for social interactions and relationships, whereas Indian managers held the significant value expectancies for economic gains, good working conditions and comforts (Sinha 1990). These findings supported a truism toward the mindset ingrained in the employees of public sector. The empirical research clearly shows that social support from the co-worker and supervisors encourages the employee development activity (Noe and Wilk 1993). The dynamic environment of a high performance workplace and solid relationships will provide a stable context for the continuous revaluation of both organisation and individual goals and needs.

Hofstede (1980) and Kagitcibasi (1997) viewed this embedded culture; people are viewed as entities in the collectivity who find the meaning in life largely through social relationships, by identifying with a group. The shared way of life and striving toward its shared goals results in managerial effectiveness. The emphasis is on the security, respect for tradition and maintaining a status quo in the organisation. Organisations in such culture function as extended families.

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 HR practitioners. 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 strong predictors of managerial effectiveness.

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