

Employee Perception during Restructuring: With Reference to Public Enterprises in India

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ABSTRACT

Globalization coupled with the endeavors towards liberalization and privatization has resulted in drastic changes in the environment of the public sector enterprises which in turn has affected the manner in which these enterprises conducted their business, both internal and external. The focus on cost effectiveness and efficiency has resulted in the 'entrepreneurial manager' in the public sector, where the focus is on certain features like business acumen, creativity, proactive, task orientation, result orientation, performance orientation, quality conscious, customer-centric, etc. and the all the more important one being the introduction of business environment and principles in the functioning of the public sector enterprises.

Given such changes sweeping across the world coupled with the impact on public sector enterprises, the perception of the human resources towards such change and the corollary organizational restructuring assumes importance. As human resources are the pivot around which the entire organization, including the public sector enterprises, functions, it is but natural that the perception of the human resources – employee – towards organizational restructuring assumes importance. If the public sector enterprises have to grow, they need to have an agile and an adaptable workforce which is positive towards organizational restructuring and change management. The present research is a primary survey to understand the employee perceptions during the process of financial restructuring with regarding the changes in the investment mechanisms, financing patterns, revenue generations, cost control and other issues in selected public sector enterprises.

Keywords: *Public Enterprises, Reforms, Restructuring, Perceptions, Investment, Welfare*

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INTRODUCTION

The restructuring of PEs has come into prominence as one of the major features of structural adjustment programmes in developing economies. Since eighties developing economies are facing problems on different fronts such as external deficits in their balance of payments, domestic financial crunch and moribund industry. Structural adjustment programmes have been initiated to overcome these problems. The objective of these programmes can be briefly stated as efforts to make their economies more efficient and resilient to meet the multi dimensional crisis. The form of structural adjustments in PE restructuring is a major part of the programme because most developing economies have heavy public sector investment in diverse area. The size and diversity of PEs enhance their crucial role in the economic plans of developing economies.

Restructuring has become an integral part of their strategic management in the context of the New Economic Policy enunciated in 1991, the adoption of the National Common Minimum Programme by the United Progressive Alliance (UPA) Government at the centre. Public Enterprises (PEs) in India are an important component of the public sector and such enterprises operate at both the central and the state levels. As an instrument of public policy, these enterprises are involved in a wide spectrum of socio-economic activities and act as a countervailing force against private sector. The investments in PEs are enormous. However, these enterprises have not yet achieved the status of 'net savers'. These points lead to the need of unlocking the value in these enterprises. This is possible only through restructuring. Restructuring like change is a constant phenomenon in case of a healthy enterprise. The absence of this condition is indicates stagnation and economic and functional lethargy, which makes an enterprise fall sick.

The restructuring of SLPEs in Andhra Pradesh started with the process of restructuring and divestiture of manufacturing enterprises. As a part of the programme, the Government of Andhra Pradesh privatized Allwyn Nissan to Mahindras in 1994, followed by Hindupur sugar unit of NSL in 1998. During 1995, the Government constituted a Working Group with Sri K. Subramanyam, IAS (Retd.) as Chairman. The Committee examined in detail working of State Level Public Enterprises and has given its recommendations in respect of thirty State Level Public Enterprises. Although the Cabinet Sub Committee constituted by the Government to examine the recommendation of the working group, finalized recommendations in respect of 26 PSEs, there was abnormal

delay in implementation of the same. In order to give requisite thrust to the programme of *Public Enterprises Reform* and privatization the State Government included SLPE Reform as one of the components of the A.P.Economic Restructuring Project funded by the World Bank.

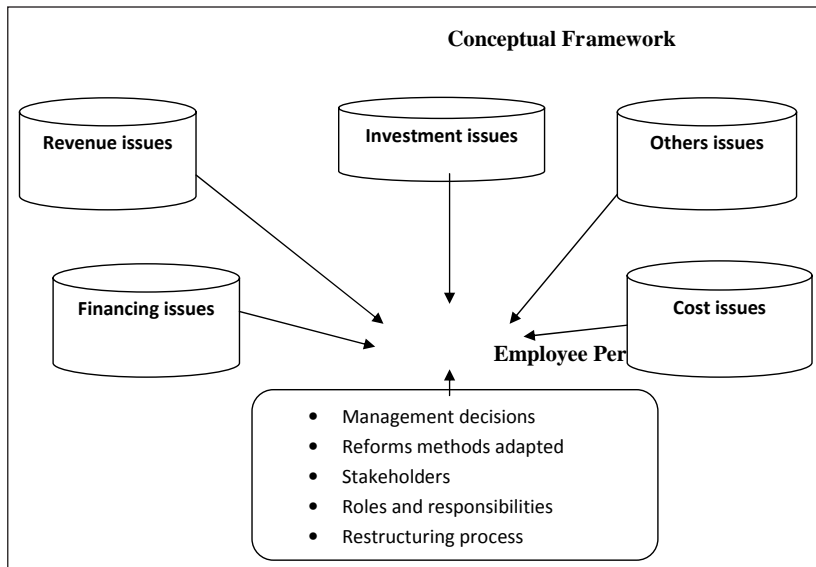
EMPLOYEE PERCEPTIONS DURING RESTRUCTURING

Reforms and restructuring are continuous processes in public sector management. To meet the global challenges, the corporate are competing with one another by comparing their performance. In this process they reorganize the business to have competitive advantage over companies. The forms of restructuring include corporate, financial, organization, human resource, technology, etc. The process of restructuring has led to tremendous pressure on the employee in terms of individual performance, skill up-gradation, workplace, work timings, remunerations, job description, organizational structure, etc. Further, it would change the structure of organizations in terms of interpersonal relations, reporting lines, group boundaries, employee and work unit status and the social identities associated with group memberships ((Paulsen et al., (2005) ; Terry & Jimmieson, (2003). The thematical analysis point out that managers experience comprise three core themes which include the objective aspect of events, opinion and perceptions, and withstanding and coping with the situation. A number of studies have identified issues that concern staff during organizational change.

During change some employee may also have trouble disengaging from the old organization, as they feel a sense of loss with having to “let go” of the old and highly-valued structures, methods and rules . Employee’ perceptions of change may be affected by the type of change being implemented. Restructuring is often perceived as leading to increased occupational stress, impacting negatively on the psychological well-being of employee.

The following conceptual model has been designed which relates the five major issues that have influenced the employee perceptions during the reforms phase. Most of the literature on evaluating the employee perception during reforms discussed issues with respect to value creation in business in the post reforms phase. The present study tries to link employee perceptions during the reforms taking the parameters such as restructuring method adapted, awareness of employee, stakeholder involvement, roles and responsibilities of the exiting employee, etc. Hambrick & Schecter (1983)

regressed that the turnaround performance measure of various businesses and identified that there is a change in return on investment. It was on noted that due to 12 different 'strategic moves', 260 businesses that had suffered decline majorly in terms of working capital management (inventories/revenues and receivables/revenues ratios). It is also observed that the employee productivity, relative market share, and modernization (plant and equipment newness) seemed to make a positive contribution to turnaround performance. Of these, employee productivity appeared to be by far the strongest predictor of turnaround performance. Taking this a main source, the conceptual model has been framed.



METHODOLOGY

The paper is a primary study. A structured questionnaire was designed and circulated among executives of selected public sector enterprise. 30 responses were collected and analyzed. The respondents include middle and senior level executives from three public sector enterprises.

OBJECTIVES

The present research is an initiative to understand the employee perceptions during the process of financial restructuring in both the selected central and state enterprises in India regarding the changes in the investment

mechanisms in selected public sector enterprises. The main objective of the paper is to evaluate the managerial perceptions in terms of the financial aspects such as investment issues, financing issues, revenue issues, cost issues and other issues during the restructuring phase.

SAMPLE

The sample enterprises have undergone the process of restructuring. The two central enterprises are Hindustan Flourocarbons Ltd (HFCL), HMT Bearings Ltd (HMTB) and a state enterprise i.e. Andhra Pradesh Agro Industries Ltd (APAG) have been selected as sample. The questionnaire was divided into five major heads. They include investment issues, financing issues, revenue issues, cost issues and other issues. The results suggested that overall impact of the restructuring on the employee perception is measured with the help of independent variables. These include physical performance, financial performance, manpower performance and technology issues. Moreover, the responses of the managers on criticality of the restructuring activities in the past and the future were evaluated in line with the variables. The managers rated the relevance, their influence, and company management's influence on operations, investments, financing on a likert scale of 1 to 5 , with 1 means strongly agree and 5 with disagree. The managers' responses to the financial restructuring activities revealed that improving communications and transparency with the employee would help the organization to function successfully. A simple regression has been used to find out the employee perception during the reforms phase. The study tries to measure the relationship between investment issues, financing issues, cost issues, revenue issues with that of the employee perception. The case study approach is helpful for deeper understanding of the selected sample and to generalize the information to a large sample (the sector).

LITERATURE REVIEW

There has been extensive literature with respect to the restructuring and employee perceptions. A few studies are referred below considering the focus of the paper and also to support the conceptual framework:

The study by Tejumade (2013)⁷ evaluates the gains and losses of financial restructuring in Nigeria as experienced by members of bank staff intimating the process of reforms that were initiated. As a reform

strategy the bank has undertaken the process of merger and acquisition process. The study focused on the 449 employee from three emerged groups who were selected randomly by a questionnaire. Structured interviews were also carried out through convenient sampling. It is observed that 86.8%, 64.2% and 57.5% of Union bank, Guaranty Trust Bank (GTBank) and United Bank for Africa (UBA) respondents respectively reported that their management informed them of the impending reform for between 4 months. After the reforms there has been job enlargement. The investment opportunities of the banks have also increased.

Lal's et.al (2003)⁸ paper examines employee perceptions and feelings toward the organization during downsizing. Specifically the study examined the role of fairness (procedural, interactional, and distributive), perceived organizational support, and empowerment, on organizational commitment, trust, and turnover intentions of the survivors. The study was conducted in one of the oldest and largest private sector organizations in India. Data were collected in two phases – through interviews (audio taped) conducted with 15 senior executives of the organization, and through a survey given to 379 executives. Strong support for the hypotheses confirms our contention that organizations should be concerned with the impact of downsizing on the “surviving” employee. The study concludes that managing employee attitudes is very sensitive issue during the process of organizational downsizing.

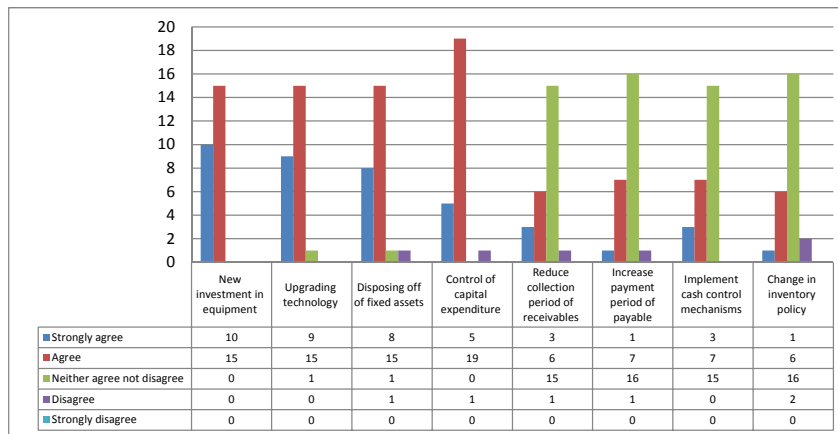
Yang (2009)⁹ examined the impact of two factors on employee attitudes and behaviors. The article proposes that the extent of results-oriented reforms and political support from elected officials-as perceived by managers-has a significant influence on managerial practice and normative commitment to the organization. Using data from a national survey of state-level human service managers and managerial perceptions of political support have a direct influence on the implementation of results-oriented reforms, organizational structure, and internal communication. They found that more extensive results-oriented reform impacts positively associated with goal clarity, communication adequacy, and flexible structures by the employee.

INVESTMENT ISSUES

The employee perceptions in terms of new investments initiatives included the investment in upgrading the equipments and technology, controlling

the capital expenditure, increasing the payment period and change in the inventory policy. Table 1 explains the employee perceptions on effectiveness of restructuring. Majority of the employee strongly agreed that the new investment initiatives, issues relating to technology up-gradations were given priority. Issues such as disposing off the companies assets and controlling capex the employee did not find any shift during the post restructuring phase. Around 60 per cent of the total sample neither agreed nor disagreed on the issues such as change in the payment period, innovative cash control mechanisms, changes relating to inventory policy during post restructuring regime.

Table 1: Investment Issues



FINANCING ISSUES

Table 2 discusses the employee perceptions on effectiveness of restructuring on the financing issues. These issues include obtaining new loans and rescheduling old loans, reducing inter enterprise loans, reduction of subsidies, elimination of subsidies, develop relations with creditors, improved communications, introducing new financing instruments and seeking foreign institutional investments. 65 percent of employee disagreed on all the issues relating to financing in the two enterprises during post restructuring. Remaining 35 per cent neither agreed nor disagreed with changes that have impacted during the post restructuring phase.

Table 2: Financing Issues

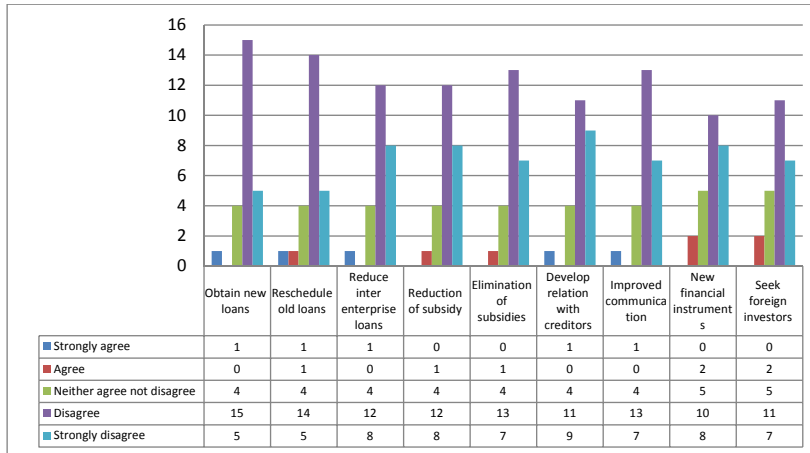


Table 3 discusses the employee perceptions on effectiveness of restructuring on the revenues of the two enterprises. These include searching new markets, increasing the exports from trading, drop in product prices and strengthening market strategies. In case of HFCL there was demand for new markets as the enterprise was trading on carbon credits. The markets were strengthened during the post restructuring phase as they were a lot of potential investors intending to invest in carbon credits. In general majority of employees disagreed on the various issues such as increasing exports and reducing the product prices.

Table 3: Revenue Issues

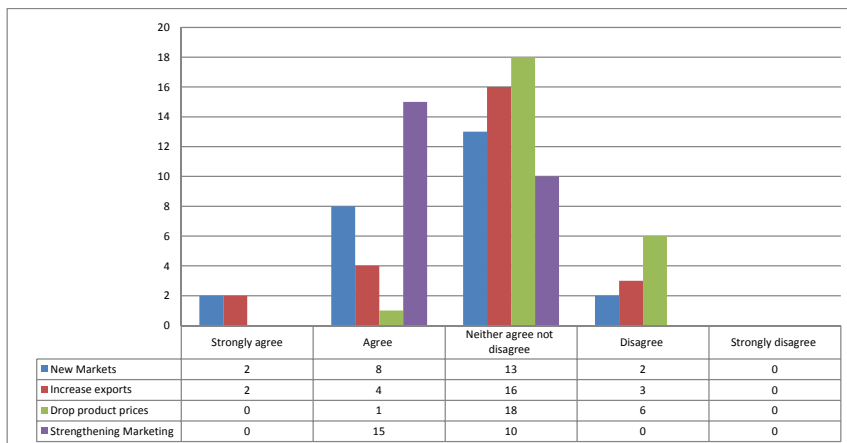


Table 4 depicts the employee perceptions on effectiveness of restructuring on the cost. HMTB implemented the downsizing mechanism by giving VRS to its employee by cutting down the employee cost. In case of the HFCL there has been an implementation of the revised pay scales and increasing in wages to the employee was recorded. As the company was also growing as per the market requirement there are opportunities to have employment. 55 per cent of the employee disagreed from both these enterprises on the issues of employment and wages where as 45 per cent agreed on the increasing opportunity of employment and revision of wages.

Table 4: Cost Issues

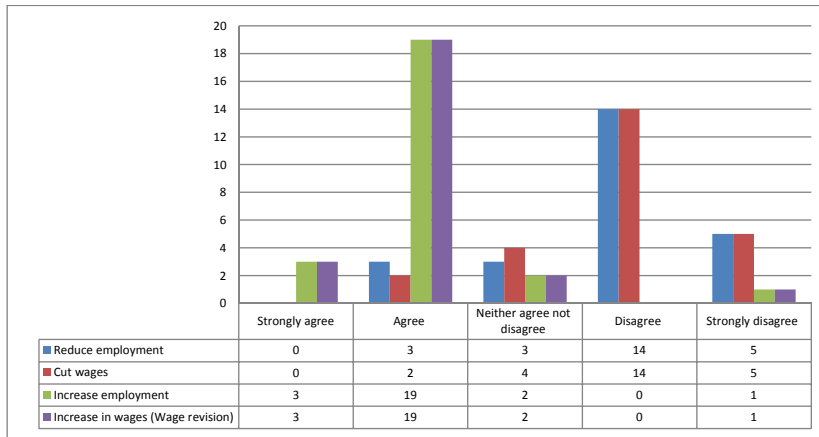


Table 5: Others Issues

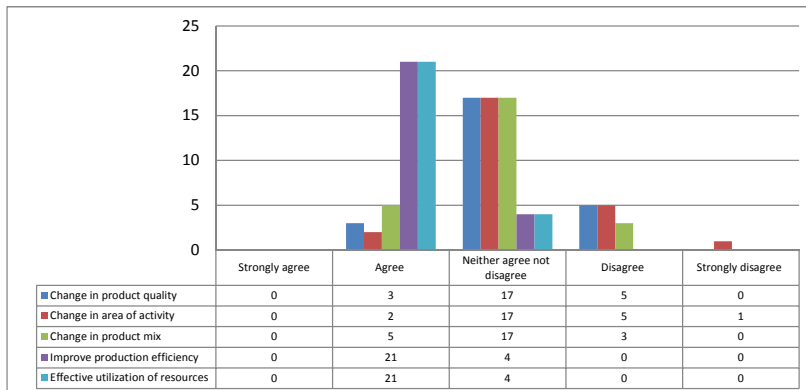
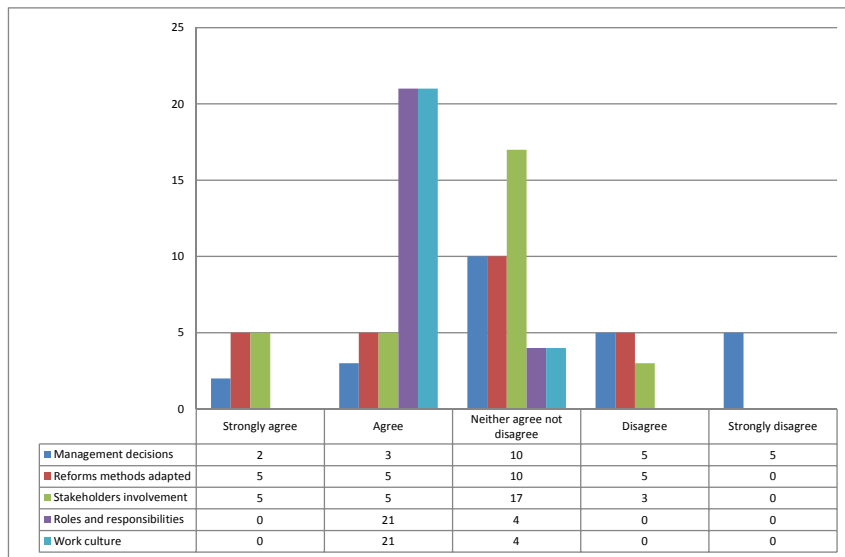


Table 5 depicts the employee perceptions on effectiveness of restructuring on the other issues comprising change in product quality, change in area of activity, change in product mix, improved production efficiency and effective utilization of resources. 58 per cent of the employee neither agreed nor disagreed on the issues such as change in product quality, area of activity and product mix whereas 38 per cent agreed improved production efficiency and effective resource utilization.

EMPLOYEE PERCEPTION

There had been studies regarding the employee perceptions during the restructuring process. The public sector enterprises have adapted mechanisms to control the decision that have an influence on the employee perception. The employee perceptions during the restructuring process has been measured by considering management decisions, reforms methods adapted, stakeholders involvement, roles and responsibilities and work culture.

Table 6: Employee Perceptions



DATA ANALYSIS AND FINDINGS

Model Summary explains the goodness of the regression table. From the Above table the R Square is .532 and Adjusted R square value is .478 i.e. The Independent Variables *Cost, Revenue, Financing and Investments* are predict the Dependent Variable *Preference* to an extent of 50% and by removing all the errors The IV's predicted DV upto 47% . This is considered to be an accepted value. Adjusted R square value explains the variance in the model in the Table 7.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782 ^a	.532	.478	.35109

a. Predictors: (Constant), MeanC, MeanL, MeanR, MeanF

Table 8 interprets that the F significance value is less than 0.05 which implies the regression model is a good fit and the predictors i.e. the independent variables are significant enough to predict the dependent variable.

Table 8: ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.744	4	.186	1.510	.002 ^a
Residual	2.465	20	.123		
Total	3.210	24			

b. Dependent Variable: MeanD

a. Predictors: (Constant), MeanC, MeanL, MeanR, MeanF

Table 8 indicates the variable significance in terms of predicting the dependent variable in the model. The Significance of T value explains those variables whose values are below 0.1 are enough to predict the dependent variable. From the above table it is evident that Investment and Cost have a greater impact on people's preferences.

The beta value from the table 9 explains the slope of the Regression Line. We consider the standardized Beta value because it gives the information about to what extent the Independent Variables are able to predict the Dependent variable.

Table 9: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.099	.742		1.481	.054
	MeanL	.262	.187	.307	1.402	.076
	MeanF	.040	.110	.083	.360	.122
	MeanR	.152	.186	.179	.815	.124
	MeanC	.157	.163	.199	.960	.048

a. Dependent Variable: MeanD

Mixed feelings were reported by the respondents. The respondents believed that their participation in the organizational and financial restructuring exercise was very challenging. The senior executives and middle executives focused more on planning challenges and potential outcomes of the change whereas the lower level executives were not able to withstand the change. Organizational restructuring disrupts the fabric of organizational life in terms of interpersonal relationships, reporting lines, group boundaries among employee, etc. Change strategists must remember that employee perceive both the quality and amount of communication from out-group members more negatively, particularly during organizational change. There is further scope to conduct an extensive research in this area with relatively more sample as restructuring is a continuous approach through which organizations benchmark their corporate performance.

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