



Organizational Behavior Analysis Of PSUs in India

¹Ishit Mathur, ²Himanshu Patel

¹²Under Graduate Scholars,

School of Electrical and Electronics Engineering,

Vellore Institute of Technology, Chennai, India

Abstract: Public Sector Undertakings (PSUs) play a significant role in fostering a nation's economic development by providing services that prioritize the overall welfare and support other institutions and enterprises. Their operations differ considerably from those of private-sector businesses. However, challenges such as communication skill deficiencies, inadequate management, delayed decision-making, and political interference have impeded the functioning and integrity of these PSUs. To address these issues, a qualitative analysis of various PSUs suggests the implementation of regular audits and meetings as a means to improve communication skills among employees. Furthermore, recognizing that PSUs are government-controlled entities, minimizing political interference is crucial. Additionally, comparing the internal issues of the top four PSUs in the country has revealed that limited funds have hindered their recruitment processes and research programs, as well as their ability to establish international relations. To maintain the integrity of these PSUs, it is recommended to open doors to young and dedicated individuals who are keen to contribute to the respective organizations, based on their specific requirements. By doing so, PSUs can continue to make significant contributions to the country's economic development while adapting to their unique operational environment.

Index Terms – PSUs, Economic Development, Communication Skills, Political Interference

1. INTRODUCTION

Public Sector Undertakings (PSUs) are playing a crucial role in driving a country's economic development by providing services that prioritize overall welfare and support other institutions and enterprises. They operate in a distinctly different manner than private-sector businesses, with ownership lying in the hands of communities rather than entrepreneurs or shareholders. The funding sources and decision-making processes of public and private organizations also differ significantly, as public organizations are often subject to political pressures rather than market forces. However, managing and effecting progressive improvements in public enterprises can be challenging due to short and uncertain government terms, which can lead to greater instability, interruptions, and disagreements in decision-making compared to private enterprises. Factors such as formal regulations, multi-layered hierarchies, organizational silos, a lack of financial incentives, and split political leadership further complicate the functioning of public sector organizations. Leadership plays a vital role in the development and performance of any organization, regardless of the industry. Leaders are responsible for managing organizational transformation, building corporate culture, strategizing, and handling crises. Strategic thinking, operational delivery, and effective governance are essential requirements for any organization, necessitating the mastery of technical and behavioral skills. However, compared to the extensive research conducted on leadership in private enterprises, studies on leadership in public sector organizations have been relatively limited.

Indian PSUs have played a pivotal role in shaping economic, social, and political developments since the country's independence in 1947. They are crucial for maintaining a balanced growth across all sections of society, particularly in a rapidly growing economy like India. At the outset, the public sector was considered essential for developing self-reliance, regional balance, equal employment opportunities, and infrastructure development, as private funding was scarce. The structure of PSUs is a combination of mechanistic (bureaucratic) and organic (flat) models, with the mechanistic aspects involving centralization, high standardization, and specialization, and the organic aspects providing flexibility, high responsiveness, and less standardization. The bureaucratic structure typically features a tall hierarchy with information flowing through several levels in a structured manner. While PSU operations have traditionally followed a centralized design, there has been a shift toward decentralization since the late 1990s. PSU head offices exercise control over the company's work policies, monitor product/service production to ensure customer satisfaction, and handle legal and financial issues affecting the organization as a whole.

However, Indian PSUs have long been criticized for inefficiency, corruption, and poor service quality. Given their significant social and economic value, they require greater attention in research, particularly in a developing country like India. While research on the Indian public sector has primarily focused on banking enterprises, it is essential to adopt a comprehensive approach encompassing PSUs across industries and regions. Through in-depth qualitative analyses of responses from 42 top executives of Indian PSUs, this study aims to shed light on the challenges faced by PSUs, the necessary skills for public sector leaders, the key objectives of PSU HR departments, and the primary motivators for employees to continue working in PSUs. By doing so, we aim to present an accurate picture of the realities and managerial challenges faced by Indian public sector organizations.

Hence, survey conducted for this project includes major PSUs in India, namely ONGC, IOCL, BHEL, and NTPC. ONGC, being a significant player in the Indian economy, has the primary objective of ensuring oil self-sufficiency and self-reliance in India. However, despite its reputation, ONGC faces various challenges such as a lack of major discoveries in recent times, slow services, outdated equipment, and poor pipeline maintenance. The working environment for ONGC employees can be stressful, with increased working hours and no overtime compensation. Mismanagement and price hikes in oil and gas further contribute to production delays.

2.BACKGROUND

Managers in the public sector are driven by a strong desire to serve the public, in contrast to private sector businesses whose focus is on satisfying individual clients. They exhibit a lower level of materialism compared to private sector executives and are less motivated by monetary rewards. Research has consistently shown that public sector employees are more intrinsically driven, valuing job content, self-development, recognition, autonomy, engaging work, and opportunities for learning.

Due to inflexible personnel procedures and a weak link between performance and rewards, public sector employees often find it challenging to see the direct impact of their contributions on organizational success. This can result in lower levels of organizational commitment compared to the private sector. In light of these challenges, scholars have explored the skills required to lead public sector organizations. Task-oriented leadership involves activities such as planning, creativity, and problem-solving, while people-oriented leadership focuses on personnel management, motivation, and employee development. Organization-oriented leadership entails strategic planning and aligning various components of the organization.

Numerous surveys have highlighted the skills essential for public sector leaders, including communication, teamwork, problem-solving, relationship-building, conflict resolution, project management, public relations, interpersonal skills, professionalism, visioning, strategic thinking, technical expertise, change management, research skills, and the ability to provide leadership training and coaching to subordinates. Effective leadership is particularly critical in the Indian context for organizational development. Studies have found that leadership behavior in the Indian public sector significantly influences job motivation, labor relations, and employees' internal motivation. Relationships between senior and junior employees are often emotional, with supervisors nurturing and caring for the well-being of their subordinates, while subordinates demonstrate loyalty, appreciation, obedience, and respect for their leaders. Paternalism is a prevalent characteristic of Indian organizations in general, including government-owned enterprises, where power is asymmetrically distributed, and decisions are made unilaterally.

To ensure the applicability of research findings, it is crucial to revalidate validated findings from other countries in diverse work situations regularly, considering the uniqueness of the Indian cultural, political, and economic contexts. To develop a more generalizable leadership model, it is important to investigate the traits of Indian leaders that align with those discovered in Western contexts, as well as those that differ.

of five years. The time series monthly data is collected on stock prices for sample firms and relative macroeconomic variables for the period of 5 years. The data collection period is ranging from January 2010 to Dec 2014. Monthly prices of KSE -100 Index is taken from yahoo finance.

3. EXECUTION PLAN

To enhance their communication skills, employees will participate in regular meetings and activities. Effective leaders should establish strong connections with their team members and foster positive relationships with them. They should possess persuasive communication abilities to effectively convey their arguments and engage in interactive, two-way communication. Additionally, leaders must be attentive listeners and proactively seek feedback from employees. To mitigate the impact of political influence on the functioning of Public Sector Undertakings (PSUs), thorough and frequent audits should be conducted to ensure that these entities remain unaffected by external interventions.

Furthermore, given the considerable interference from government and political figures in the work of PSU leaders, it is crucial for leaders to communicate effectively with them. They should be adept at persuading the government about their ideas and vision, securing political patronage and support, and maintaining productive relationships with political stakeholders. Diplomacy is essential when collaborating with political bosses. Additionally, leaders should foster harmonious relationships with unions. They should also possess extensive knowledge and take ownership of their responsibilities. Leading by example in terms of work ethic and behavior is vital, along with demonstrating determination, dedication, and confidence in their abilities. Leaders should continuously update their knowledge and stay abreast of recent developments in their respective fields. Being receptive to criticism and open to learning is equally important.

Identification of right talent within or outside the organization and placing individuals in suitable positions was recognized as a significant skill by the participants. Leaders must possess the ability to recruit capable financial, production, and personnel managers. They should invest in developing their employees' skills and provide management training opportunities to expose them to effective people-management practices. Moreover, leaders should have an understanding of performance management practices and strive to incentivize superior performance while addressing poor performance. It is crucial for leaders to work towards implementing improved wage and incentive policies based on performance. They should be decisive and willing to make bold decisions for the benefit of their work and organizations. Encouraging decentralization of decision-making powers and empowering lower and middle-level managers to make business-related decisions emerged as a recurring theme. In uncertain environments, leaders should be prompt decision-makers.

Overall, effective leadership in the public sector demands excellent communication skills, the ability to navigate political landscapes, continuous personal and professional development, talent identification, investment in employee growth, performance management expertise, and the capacity for decisive decision-making and decentralization of authority.

4. CHALLENGES

Participants' response were divided into six groups: political interference and lack of autonomy, rigid rules and HR practices, and lack of employee enthusiasm, communication skills, positive personality, decision making. The challenges are described below:

4.1 Political interference and lack of autonomy:

Public sector leaders face significant challenges due to political interference and limited autonomy. They must navigate coordination with the government and satisfy political bosses, often compromising the effectiveness of government agencies. The presence of politicians as board chairpersons without sufficient professional representation hampers decision-making. Excessive political intervention and rigid regulations restrict leaders' independence and vision for the organization. Centralized decision-making, lack of flexibility, and frequent CEO transfers undermine long-term strategy. Technocrats and professionals face resistance from bureaucrats, hindering progress. Public sector organizations prioritize government agendas over efficiency. Regular audits and minimizing political influence are necessary to address these challenges and ensure autonomy.

4.2 Rigid rules and HR practices:

Strict government laws and policies govern public sector undertakings, posing challenges in adapting HR processes. Employee training and development suffer due to limited resources and orientation. Cumbersome rules and outdated working standards impede progress. The demotivating effect of job security and fixed wages hampers performance management. Taking action against harmful employees is challenging, and labor-management issues persist in the protected environment. Finding qualified personnel remains a difficulty,

impacting the overall talent pool. Recruiting competent manpower and efficient executives is a common concern that needs attention for organizational growth.

4.3 Lack of employee motivation:

Employee unions pose a significant challenge for public sector leaders. Excessive unionism and political affiliations create pressure groups that obstruct operations. Motivating subordinates is difficult, requiring leaders to incentivize performance beyond monetary rewards. Filling the gap between available workforce and required talent is crucial. Positive employee attitudes need to be fostered through effective leadership, encouragement, and non-monetary incentives. Overcoming the influence of unions and building a motivated workforce are vital for organizational success.

4.4 Communication skills:

Effective communication with various stakeholders is essential for public sector leaders. They must establish strong connections with coworkers, persuading them and engaging in two-way communication. Actively listening and soliciting feedback during regular employee meetings are important practices. Leaders must also effectively communicate with government and political supervisors, persuading them of their ideas, gaining support, and maintaining diplomatic relations. Developing effective communication skills helps in building trust, fostering collaboration, and managing relationships with labor unions.

4.5 Positive personality:

Public sector leaders should possess positive personality traits, including honesty, trustworthiness, simplicity, commitment, self-motivation, optimism, and patience. They must exemplify integrity and lead by example, displaying competence and taking responsibility. A mission-oriented approach and faith in their abilities contribute to effective leadership in public sector organizations.

4.6 Decision-making:

Leaders in public sector organizations face the crucial task of decision-making. They must make well-considered judgments based on logic rather than political pressure. Prompt decision-making, especially in uncertain circumstances, is crucial to overcome delays. Decentralized decision-making empowers lower and middle-level managers to make business-related decisions, improving efficiency. Financial decision-making and the ability to take reasonable risks are highlighted for achieving financial independence. Competence in decision-making and the ability to balance risks are essential for public sector leaders to drive progress and success.

5. EVALUATION

Based on the characteristics mentioned above regarding the functioning of Public Sector Undertakings (PSUs), it can be observed that these organizations typically adopt a hybrid structure that combines elements of both mechanistic and organic structures. While there is centralization and a tall hierarchy, there is also a flatter mode of functioning at lower levels, providing some autonomy to marketing, research and development, and distribution agencies to cater to local demands and lifestyles.

Furthermore, PSUs utilize a network design that involves collaborations with numerous small PSU partners and distribution units, enabling their products to reach diverse sections of the population. By adopting a "go local" approach, PSUs are able to tailor their marketing strategies and product modifications to different regions, effectively connecting with a wider consumer base and establishing a stronger brand image and consumer loyalty. Additionally, strategic alliances with well-known companies have proven beneficial in terms of profitability and recognition.

However, the tall and centralized structure of PSUs can lead to communication issues and a lack of clear goals among employees. Motivational problems may arise due to the hierarchical setup, potentially resulting in organizational challenges such as absenteeism and high staff turnover, which can ultimately hinder operational efficiency. The significant number of labor days lost in some PSUs further emphasizes the need for a more flattened structure across various segments of the organization.

Therefore, re-evaluating and adopting a more decentralized and flattened structure within PSUs can address communication challenges, enhance goal clarity, and improve overall organizational efficiency.

6. ORGANIZATIONAL STRUCTURE OF PSUs: MOVING TOWARDS DECENTRALIZATION WITH A HYBRID APPROACH

PSUs have traditionally operated under a centralized organizational design; however, they have gradually shifted towards a more decentralized approach since the late 1990s. The head offices of PSUs hold control over the company's work policies and monitor the production of products and services to ensure customer satisfaction. With approximately 270 owned and operated manufacturing plants spread across the country, PSUs are responsible for setting up new production facilities, improving existing ones, and handling legal and financial matters that impact the organization as a whole. The operational structure of PSUs is organized into different regions across India, each further divided into geographic regions such as North, South, East, and West. By allowing decision-making at the local level, PSUs can effectively respond to changing market demands, while higher-level management focuses on long-term planning. Certain functions like finance, human resources, innovation, marketing, research, and strategy and planning are centralized within the corporate division of the company, but also occur at lower levels within each regional division. Regional executives at lower levels have the authority to adapt or modify their services based on local market conditions. The structure of PSUs represents a combination of mechanistic (bureaucratic) and organic (flat) models working together. Mechanistic aspects involve centralization, high standardization, and specialization within the workplace. On the other hand, organic aspects emphasize flexibility, responsiveness, and reduced standardization, particularly in remote areas where the organizational structure is situated. The bureaucratic structure of PSUs is characterized by a tall hierarchy, where information flows through multiple levels in a structured manner.

7. KEY FOCUS AREAS FOR HR PRACTICES IN PSUs

7.1 Staffing:

Improving staffing practices, including recruitment and selection, was identified as a crucial area of focus according to the survey. Participants emphasized the need to fill all necessary vacant positions, including those at lower levels, by implementing a consistent recruitment process. The importance of selecting competent professionals who are dedicated and productive was also highlighted. Some participants stressed the significance of identifying potential future leaders and investing in their development.

7.2 Training and Development:

The second key area identified in HR practices was training and development. It was recognized that building the capacity of existing staff members is essential for enhancing their knowledge and skills. This can be achieved through in-house training programs or strategic partnerships with external organizations. Employee orientation programs, continuous skill development at all levels, and training to enhance personality and soft skills were identified as crucial components of an effective training and development strategy.

7.3 Development of a Healthy Organizational Environment:

Creating a positive organizational culture was highlighted as another important area of focus for HR. This involves conducting regular cultural and recreational activities for employees, promoting flexibility, creativity, and a willingness to take risks. It also includes fostering teamwork, establishing a participative and friendly work environment, implementing a quick grievance redress mechanism, and cultivating a culture of trust, accountability, honesty, and integrity.

Therefore, these key focus areas in HR practices aim to address staffing challenges, enhance employee development, and create a healthy and positive work environment within PSUs.

8. MOTIVATIONAL FACTORS IN PUBLIC SECTOR EMPLOYMENT

8.1 Public Service Motivation:

A significant number of participants expressed their motivation to work for PSUs as a means to contribute to the betterment of their country and society. They viewed their roles in PSUs as an opportunity to drive growth, productivity, and efficiency, which directly impacts the overall progress of society and economic development. Their commitment to PSU advancement stemmed from their desire to create employment opportunities for fellow citizens and provide valuable services to a large population using government resources.

8.2 Job Security:

Job security emerged as a prominent motivating factor for participants in the public sector. They acknowledged that public-sector jobs offer a sense of security and stability, providing employees with freedom from the hiring and firing policies commonly found in private-sector organizations. The assurance of a stable job was seen as a key driver for their continued dedication and commitment to PSU roles.

8.3 Working Conditions:

Despite the challenges associated with working in PSUs, a significant majority of participants highlighted the favorable working conditions as a motivating element. They expressed that being part of the public sector gives them a sense of identity, social recognition, and satisfaction in contributing to society through government service. Some participants emphasized that working in the public sector offers career advancement opportunities, increased freedom and flexibility, and exposure to diverse sectors and experts. They appreciated the ability to handle substantial resources, such as people and funds, which provided valuable work experience. Additionally, participants expressed satisfaction with the benefits, including pension plans, structured pay, and other monetary perks, as well as the pleasant working atmosphere prevalent in PSUs.

9. SWOT ANALYSIS:

	<u>ONGC</u>	<u>IOCL</u>	<u>BHEL</u>	<u>NTPC</u>
<u>Strengths</u>	<ul style="list-style-type: none"> • Brand equities • Focus on sustainability • Strong group dealer 	<ul style="list-style-type: none"> • Strong network • Strong brand Portfolio • Good training Programmes 	<ul style="list-style-type: none"> • Support from collaborators • Huge Customer Base • Quality Products 	<ul style="list-style-type: none"> • Decades of experience in the sector shows its credibility • Backing of central Government
<u>Weaknesses</u>	<ul style="list-style-type: none"> • Competition with private players • Low investment in Research 	<ul style="list-style-type: none"> • Tough competition • Government control 	<ul style="list-style-type: none"> • Criticism • Longer Delivery Cycles • PSU status 	<ul style="list-style-type: none"> • Prices are determined by Electricity Act • Depletion of input materials
<u>Opportunities</u>	<ul style="list-style-type: none"> • Research • Increase in crude oil prices 	<ul style="list-style-type: none"> • Market expansion • Natural Gas Business 	<ul style="list-style-type: none"> • Joint venture with Siemens • Increase in defence budgets 	<ul style="list-style-type: none"> • Huge demand and supply gap • Environment friendly sources of Power
<u>Threats</u>	<ul style="list-style-type: none"> • Regulation of the government 	<ul style="list-style-type: none"> • Liability Laws • Economic Conditions 	<ul style="list-style-type: none"> • Associations in the market • Competitors 	<ul style="list-style-type: none"> • Competition with private players • Rising cost of production

Figure 1. SWOT Analysis

From Figure 1. it can be highlighted that the need for these organizations to adapt to changing market dynamics, embrace innovation, and address environmental concerns which can also largely impact working environment. With strategic planning and continuous improvement, they can leverage their strengths, overcome weaknesses, capitalize on opportunities, and mitigate threats to maintain their competitiveness and contribute to the growth and development of the energy and power sectors in India.

10. RESULT

The survey conducted among Indian public sector officials provided valuable insights into the challenges and qualities necessary for effective leadership in this sector. The findings not only corroborated existing literature but also revealed some unique aspects specific to the Indian context. One of the prominent themes that emerged from the survey was the influence of politics and the lack of autonomy faced by public sector leaders. Many participants expressed concerns about political interference and pressure, which impede their decision-making autonomy and limit their ability to implement innovative and forward-thinking HR practices. This issue not

only restricts the flexibility of public sector organizations but also has a detrimental impact on their overall culture. The need for greater independence and autonomy in decision-making processes was highlighted as a crucial aspect of effective leadership in the public sector. Another significant challenge identified in the survey was the presence of rigid rules and HR processes within public sector organizations. This bureaucratic environment can hinder agility, creativity, and adaptability. The leaders expressed a desire for more streamlined and efficient processes that allow for greater employee engagement and empowerment. Creating a work environment that fosters open communication, collaboration, and innovation emerged as a key focus area for improving the functioning of public sector organizations. Furthermore, the survey shed light on the importance of employee engagement and motivation. Participants highlighted the demotivating factors such as frequent transfers, inadequate internal and external communication, and unequal power distribution. These factors negatively impact employee morale and hinder their productivity. Effective leadership in the public sector requires addressing these issues by promoting transparent communication channels, providing opportunities for skill development and growth, and ensuring a fair and inclusive work environment. On the other hand, the survey also identified key qualities necessary for leading public sector organizations. These included strong communication skills, a positive personality, effective leader behaviors, HR skills, and sound decision-making abilities. Successful leaders in the public sector need to have a clear vision for the organization, a business-oriented mindset, and the capability to formulate and execute strategic plans. In conclusion, the survey provided valuable insights into the challenges faced by public sector leaders in India, including political interference, lack of autonomy, rigid HR processes, and employee engagement issues. It emphasized the need for more autonomous decision-making, streamlined processes, and a focus on employee motivation and engagement. By addressing these challenges and embodying the necessary leadership qualities, public sector organizations in India can strive towards achieving their goals and delivering better services to the public.

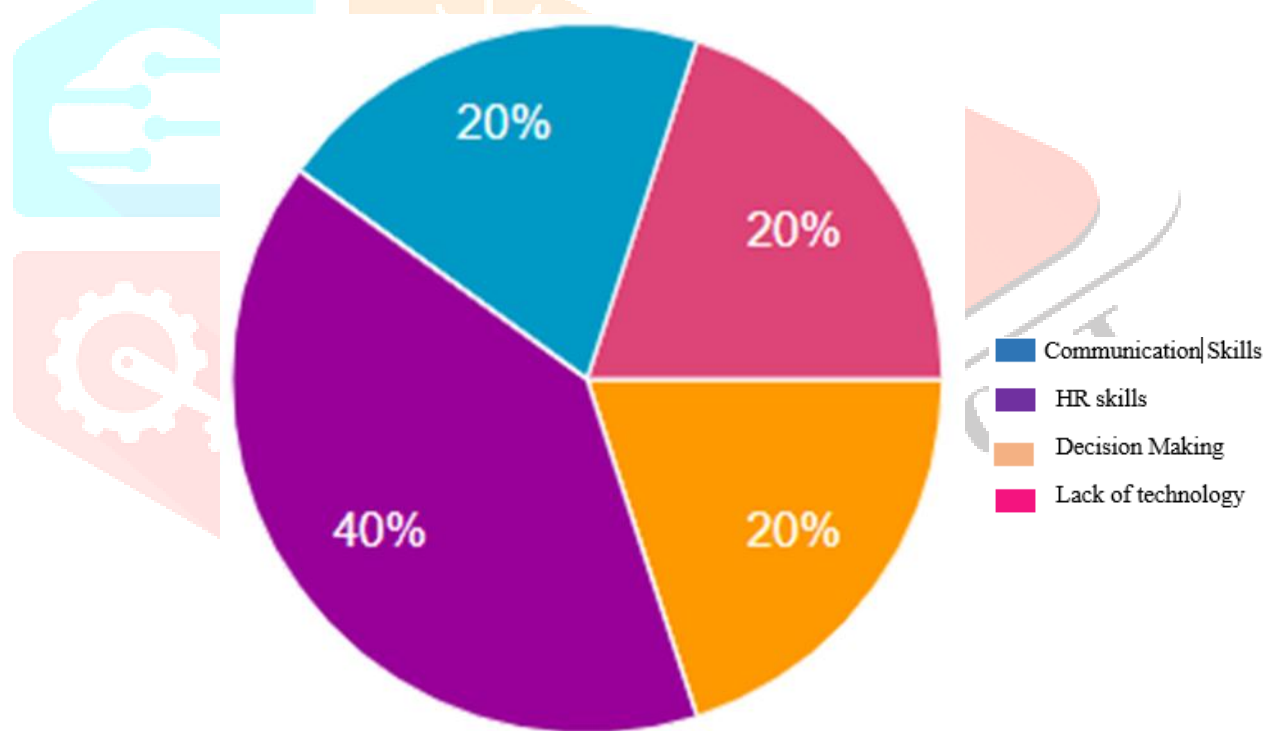


Figure 2. Analysis of Problems faced in PSUs

11. CONCLUSION

The purpose of this review is to examine the challenges faced by leaders in the public sector, the essential qualities required for effective leadership, the priorities of the HR department, and the motivations behind individuals choosing to work in the public sector. Given the significance of the public sector and the obstacles to privatization in India, we anticipate its continued prominence in the foreseeable future. To gain a comprehensive understanding, we categorized the survey responses into broader themes. The findings of this study highlight the influence of Indian cultural and political contexts in shaping the experiences of public sector executives. Additionally, we find support for several findings in the existing literature. We anticipate that the outcomes of this study will not only validate previous research but also provide valuable guidance for future research and practice in the field.

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