

THE LABOUR-MANAGEMENT RELATIONSHIP FOR ACHIEVING
ORGANIZATIONAL OBJECTIVES
AN EMPIRICAL STUDY ON STATE BANKS IN SRI LANKA



By

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Abstract

Labour-Management Relationship (LMR) is a basic human perception. Yet, for the most part, especially in the years past, relationships aspects of the human make up were viewed negatively by business entities. Such a trend in thought however, is now gradually experiencing change. Taking its place instead, is a more keen interest and awareness of LMR, as being a primary tool to be adopted in predicting organizational success. Relationship in attitudinal framework revolves around knowing and understanding one's own interests, and it also includes understanding how another's attitudinal states may influence one's own behaviour. In this light, LMR is being acclaimed as the tool through which managements gain knowledge of, as well as experience the subtle benefits of, understanding LMR of employees and managing it well.

The dynamism and competition experienced in today's business environment, makes it essential for organizations to perform at their peak. Past business eras concentrated on technical efficiency, automation and process optimization as competitive strategy. Current era yields, maximizing the potential of human resources as competitive strategy. Effective performances of the human force at work may be dependent on several factors. It is at this juncture that LMR becomes that divides between good performance and excellent performance. Organizations on the lookout for exceptional performers are faced with the reality that LMR can no longer be considered the benchmark predictor of professional success. In other words, LMR is increasingly becoming mere stepping - stones to a particular work role.

Established researchers, Armstrong, Barry and Briscoe have proclaimed that seven relational factors, i.e., extent of co-operation, extent of participation in decision making, degree of understanding mutual goals and interests, degree of collective agreements, degree of disputes, level of absenteeism and worker turnover and level of grievances of LMR that take place within organizational setting, emerge through human relationships, and any attempts made to enhance LMR within an organization are largely dependent on these factors. Their

final deduction is that the emergence of LMR through such seven factors will lead to an improvement in the employee performance (EP).

The writer of this study worked with the objective of driving empirical evidence for the existence of a relationship between these seven factors and LMR and LMR and EP. The conceptual model used by the writer modified these seven factors as the combined contribution to LMR leaving out the other factors spoken by Armstrong, Barry and Briscoe. For the purpose of this study, the effects of other contributing factors are assumed to be equal. The conceptual model lays out the inter and intra relationships between the seven factors and LMR and subsequent impact of LMR on EP.

The writer measured each variable under study, and put to test the degree of relationship existing between each set of variables with LMR, categorizing them as *favourable* factors and *unfavourable* factors. This measurement used basic information obtained by way of questionnaire responses and also through secondary data obtained from organization's annual reports and official documents.

The sample elected for this study includes non-managerial staff of all departments at state banks in Sri Lanka. Sample selection was based on the competitive and dynamic working environment. The choice of sample was a conscious effort by the writer in order to enable his research findings to contribute and add value to organization in the future.

The research findings revealed positive and moderate relationships between all sets of variables tested. Positive correlation is seen between seven factors and LMR. This implies that organizations that are made up of employees with high LMR, tend to have strong impact on their attitude at work. Also, it could be observed that workers' attitude at work feeds and enhances the LMR levels. The net result is positive spiraling effect.

Positive relationship is also seen between LMR and EP. This may be attributable to the fact that positive seven factors and LMR of non-managerial staff lead to generate employee commitment, which is translated into employee performance (EP). The writer concluded that

LMR could not be considered a constraining or controlling factor and that it actually supports to achieve organizational objectives through high performing employees.

Research findings also revealed that the employee performance (EP) of organizations was directly proportional to the level of LMR. Therefore, the relationship tested between LMR and EP has also been empirically validated. The chain of positive relationships displayed, leads to the final conclusion that LMR and EP are positively correlated.

Having researched the topic in depth, the writer proposed several strategic recommendations to the management of state banks. They were in favour of creating awareness and thereby increasing the importance of LMR through organizations and at the same time engage the assistance of managers within organizations to promote the enhancement of LMR. The writer also recommended that the use of LMR to improve overall HR functions within organization. The writer feels LMR as an ideal tool for management for achieving the organizational objectives through organizational development activities such as strengthened more receptive and flexible collaboration, improved participatory decision making, collective bargaining, employee loyalty and effective grievance handling. Finally, the writer considers LMR between employer-employee at work perspective and recommends its usage to enhance teamwork within organization.