

## **ORGANIZATIONAL DEVELOPMENT INTERVENTION AND ITS CONSEQUENCES IN SMES: A STUDY IN MADURAI DISTRICT\***

BY

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### **ABSTRACT**

The OD interventions results in the reduction of work related problems due to the changes in work structure and content. Authors asserted the significant positive relationship between organizational development and entrepreneurial behaviour in the firms. This paper tries to check whether the organizational development intervention has a significant positive impact on entrepreneurial behaviour in the SMEs in Madurai District.

### **KEYWORDS**

OD, Interventions, Entrepreneurial Behaviour, SMEs.

### **Introduction**

The planned and structured changes in the organizational strategies and policies are essential for effective business orientation (Cummings and Worley, 2008). The organizational development is essential for the business growth (Porter, 2002). It is the transformation of behavioral science knowledge to business practices for the attainment

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of organizational effectiveness (Cummings and Worley, 2008). It is mere the organizational renewal to improve the organizational well being, culture, learning and adaptation (Egan, 2002). There are three important criteria essential for the organizational development namely integrity, systems approach and adaptability (Lester, et al., 2003). Nonaka (1994) stated that the OD is essential for the learning from mistakes in an organization. The OD intervention corrects the inefficiencies, solving problems, developing strengths and evolving areas of opportunities (Davies and Hobday, 2005). The significance of the OD interventions are realized by firms even if it is small scale because the whole organization will be resilient, adaptable and effective (Lindkvisit, 2008).

### **Consequences of OD Interventions**

The OD interventions results in the reduction of work related problems (Xavier, 2014) due to the changes in work structure and content. It also motivates the level of trust among all of its stakeholders (Gunasundari, 2013) through the motivation of suggestion schemes. There is an enrichment of human resource management and development in the organization due to the encouragement of mutual trust among the employees and between employees and employers (Stephen, 1997). The work conflict can be easily solved through the OD interventions by promoting the participatory management (Lau and Ngo, 2001). The collective accountability can be created and promoted by OD interventions to the effective implementation of collective accountability (Mulili and Wong, 2011). It also promotes the job satisfaction among the employees through the establishment of rewards and recognition system (Neuman, et al., 1998). The main consequence of OD intervention is the promotion of entrepreneurial orientation among the owner of the organization (Preller, et al., 2018).

### **Entrepreneurial Behaviour**

The entrepreneurial behaviour is the set of activities and practices implemented to avail the business opportunities (Pearce, et al., 1976). It is based on vision and focuses on innovation (Gardner and Spooner, 1994). The entrepreneurial behaviour in the organization is essential for the continuous success for a business organization (Keh, et

al., 2007). The organization should provide adequate support for innovative ideas and also provide necessary resources for it (Kuratko, et al., 2014). The entrepreneurial behaviour helps organization to reduce costs, gain resources, expand markets, and develop new products and practices more quickly (Lorenzo, et al., 2012). The organizational development of the firm results in an enrichment of its entrepreneurial behaviour (Slavec, et al., 2016).

### **Organizational development and Entrepreneurial behaviour**

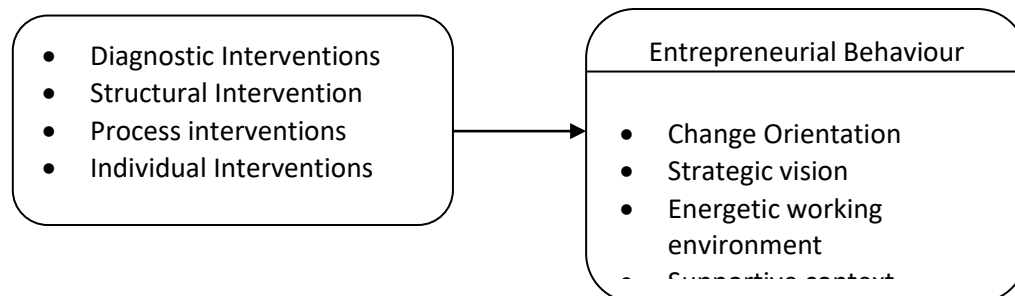
The availability of business intelligence increases the marginal decision making and competitive advantage (Pellissier and Kruger, 2011). Levine et al., (2017) asserted the significant positive relationship between organizational development and entrepreneurial behaviour in the firms. There is positive impact of organizational development on the entrepreneurial behaviour among the respondents (Agha et al., 2014). The entrepreneurs who successfully grow are those who are subjected with organizational development (Reuch, et al., 2009). The entrepreneurship is the result of OD interventions in firm (Abuzaid, 2017).

Based on these review of previous studies, the hypothesis generated for the study is:

H<sub>1</sub>: The organizational development intervention has a significant positive impact on entrepreneurial behaviour in the firm.

### **Research Model**

The conceptual model is based on the review of past studies. The model generated for the study is designed from the reviews (Jin, et al., 2017; Lok and Crawford, 2000). It is presented in the given figure.



## Conceptual Framework of the Study

The OD interventions are classified into four important interventions namely Diagnostic, Structural, Process and Individual Interventions (Fagenson et al., 2004). The diagnostic interventions covers survey feedback, sensing meetings, confrontation meeting, organization mirror, diagnostic taste free (Golembiewski, and Luo).

The structural intervention includes the organizational design, job design, reward systems, performance management systems, control and accounting systems (Lau, 1995). The process interventions consists of processing meetings, group development, inter group meeting, inter personal peace meetings, goal model, role model and inter personal model (Perliki, 1994). The individual interventions include the counseling, coaching, training and development, replacement & termination, recruitment and selection and career development (Evans, 1989).

The entrepreneurial behaviour have been measured by the change orientation (Brouthers, et al., 2015) strategic vision (Covin and Miller, 2014), energetic working environment (Frese et al., 2009) and supportive context.

## Research Methodology

The research design of the study is descriptive and diagnostic nature. The present study was conducted among the registered SMEs in DIC of Madurai. In total, there are 56899 SMEs in Madurai District. The sample size of the study is determined by the

formula of  $n = \frac{N}{Ne^2 + 1}$ . Since error of acceptance for the study is 5 per cent, the

determined sample size is 396 SMEs. The addresses of sampled SMEs have been collected from the DIC of Madurai. The questionnaire method was adopted to collect the primary data from the SMEs. The responded SMEs on questionnaire are only 139 SMEs. The collected data are processed with the help of structural equation modeling (Fornell and Larcker, 1981) and the multiple regression analysis (Hulland, 1999) and Cronbach alpha (Nunnally and Bernstein, 1978).

## Results and Discussion

As per the result of content and congruent validity, initially, the validity of variables in the concepts generated for the study is confirmed. The details of the various tests are presented in Table.1

**TABLE 1**

**Validity of Variables in the Concepts**

<i>Sl. No</i>	<i>Tests</i>	<i>Diagnostic Intervention</i>	<i>Structural Intervention</i>	<i>Process Intervention</i>	<i>Individual Intervention</i>	<i>Entrepreneurial behaviour</i>
1.	Data sufficiency	0.82	0.84	0.83	0.85	0.80
2.	Number of variables included	5	5	5	6	5
3.	Reliability results (Cronbach Alpha)	0.83	0.84	0.86	0.87	0.88
4.	Bartlett's test of Sphericity (Chi-square value)	86.89 (.0233)	78.43 (.0311)	911.08 (.000)	106.73 (.001)	79.36 (0.0296)
5.	Standardized factor loading	0.8644* 0.6803*	0.9022* 0.6144*	0.8944* 0.7244*	0.8504* 0.6886*	0.9011* 0.6549*
6.	Composite reliability	0.82	0.79	0.86	0.85	0.78
7.	Average variance Extracted (in %)	53.92	52.15	56.13	55.04	51.49

'p' value are in brackets.

\* Significant at five per cent level.

As per the results, the KMO and alpha confirm the data sufficiency to explain variables and internal consistency in each concept respectively. The standardized factor loading of variables in all five concepts are greater than 0.60 which confirm the content validity. The convergent validity is confirmed by composite reliability and average variance extracted since these are greater than its standard minimum of 0.50 and 50.00 per cent respectively.

### Measurement of the Concepts (Dependent and Independent variables)

The results in dependent and independent variables are measured at five point scales. The mean, standard deviation and co-efficient of variation, t-value and 'p' value of the mean are presented in Table.2

**TABLE 2**

#### Respondents view on Concepts Included in the Study

Sl. No	Concepts	Mean	Standard deviation	Co-efficient of variation (in %)	t-value	'p' value
<b>I</b>	<b>Dependent variable</b>					
1.	Entrepreneurial behaviour	3.1708	0.5686	17.93	4.1708	0.0171
<b>II</b>	<b>Dependent variables</b>					
1.	Diagnostic intervention	2.8996	0.4011	13.86	5.4733	0.0024
2.	Structural intervention	2.9747	0.5886	19.78	4.8904	0.0126

3.	Process intervention	2.7334	0.6887	25.19	2.4241	0.0542
4.	Individual intervention	2.8708	0.3413	11.89	5.6883	0.0011

The mean score of all four OD interventions are lesser than 3.00 which indicate the lower level of implementation of OD interventions. The entrepreneurial behaviour in SMEs is only at a moderate level since its mean score is 3.1708. All mean of dependent and independent variables are significant at five or less than 5 per cent level which shows that the above said five variables mean are representing that variable to a significant extent.

### Linkage between OD Interventions and Entrepreneurial behaviour in SMEs

The implementation of OD interventions has its own impact on the entrepreneurial behaviour in SMEs. The present analysis has made an attempt to examine it with the help of multiple regression analysis. The least square method was followed to estimate the regression model. The included independent variables are the score of implementation of all four OD interventions whereas the included dependent variable is the score on entrepreneurial behaviour in SMEs. The computed results are summarized in Table.3

**TABLE 3**

### Results of Regression Analysis

<i>Sl. No.</i>	<i>Independent variables</i>	<i>Standardized co-efficient (<math>\beta</math>)</i>	<i>T-statistics</i>	<i>Significant level</i>	<i>Result of dention Watson test</i>
1.	Diagnostic intervention	0.4022	2.8916	0.0209	
2.	Structural intervention	0.3949	3.0418	0.0168	

3.	Process intervention	0.5143	6.7667	0.0017	
4.	Individual intervention	0.5676	8.0245	0.0000	4.1743
	Constant	1.2345			
	R <sup>2</sup>	0.8017			
	F-Statistics	28.2411		0.0000	

The results drawn from multiple regressions indicate that all four types of OD interventions are having a significant positive impact on entrepreneurial behaviour in SMEs since the 'p' value of the regression co-efficients are less than 0.02. Based on the value of standardized regression co-efficient, it is inferred that the entrepreneurial behaviour (dependent variable) value of 0.4022 is under the influence of Diagnostic intervention whereas in the case of structural intervention, it is only 0.3949. In the use of process interventions, the degree of influence on entrepreneurial behaviour is to the extent of 0.5143 units whereas in the case of individual intervention, it is only 0.5676 units. The changes in the implementation of all four types of OD interventions explain the changes in entrepreneurial behaviour to an extent of 80.17 per cent since its R<sup>2</sup> is 0.8017. The significant 'F' statistics justify the validity of fitted regression model.

### Concluding Remarks

The present study concluded that the implementations of all four types of OD interventions in SMEs are at a lower level. The level of entrepreneurial behaviour among the SMEs is not at an encouraging level. This might be one of the causes of industrial sickness of SMEs. But the casual relationship revealed the significant influence of implementation of all four OD interventions on the entrepreneurial behaviour at SMEs. The SMEs should understand and accept the truth which is empirically proved. If they are concentrating on the implementation of OD intervention in an effective manner, their entrepreneurial behaviour will be enriched which will result in



better organizational performance and continuous increase in market share in the market.

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