



## Review Article

# The Effects of Financial Management Practices and Their Role in Economical Development and Organizational Performance

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## ABSTRACT

This study investigates the effects of financial management practices and their role in economical development and organizational performance. Economic environment is changing rapidly and this change is characterised by such phenomena as the globalization, changing customer and investor demands, ever-increasing product-market competition. To compete successfully in this environment organizations continually need to improve their performance by reducing costs, innovating products and processes and improving quality, productivity and speed to market. The impact of talent management on organizational performance is a problem especially where only strategic staffs is treated as talents of the firm. Positive development is easier to achieve when everyone is on a common path in the organization. It is viewed in this particular study that strong organizational culture is very helpful for the new employees to adopt the organizational culture and to get the competitive advantage under the particular conditions. On the behalf of previous studies it is bring into being that employee's commitment and group efficiency plays very crucial role to adopt the value and beliefs of the organization and enhancing the performance of the organization. Organizational culture has a deep impact on the performance of employees that can cause to improve in the productivity and enhance the organizational performance.

## Introduction

Every person or employee in the organization has own different values and beliefs that he/she works with them. Whenever join any organization he/she allowed himself to internalize first with the organization's culture to know whether he come up with them or not. Culture is being investigated to impact miscellany of organizational process. Organizational culture has a deep impact on the performance of employees that can cause to improve in the productivity and enhance the organizational

performance. Change management is the effective management of a business change such that executive leaders, managers and front line employees work in concert to successfully implement the needed process, technology or organizational changes. The goal of change management is to implement these business changes quickly in an attempt to improve organizational performance through minimizing the impact on productivity, avoiding unnecessary turnover or loss of valued employees, eliminating any adverse impact on their customers and achieving the desired business

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outcomes as soon as possible. The characteristics of organizational change are mainly categorized along the following two dimensions; radical versus incremental change and reactive versus proactive change. Nadler and Tushman (1999) refer to radical changes as changes that have an impact on the whole system of the organization and fundamentally redefine what the organization is or change its basic framework, including strategy, structure, people, processes, and (in some cases) core values. Many authors (Maurer, 1996, Waddell and Sohal, 1998) stress that the reasons for the failure of many change initiatives can be found in resistance to change. Resistance is a phenomenon that affects the change process, delaying or slowing down its beginning, obstructing or hindering its implementation, and increasing its costs and generally reducing organizational performance (Ansoff, 1990). On the other hand, resistance is any conduct that tries to keep the status quo, and thus avoid change (Maurer, 1996; Rumelt, 1995). Resistance has also been considered as a source of information; being useful in learning how to develop a more successful change process therefore it's not a negative concept as it could show change managers certain aspects that are not properly considered in the change process (Waddell and Sohal, 1998). Warrilow, (2010) refers to change management strategies as the techniques adopted to effectively manage change in an environment experiencing change dynamics so as to embrace change and direct it towards positive contribution of a given organization. Before any strategy is adopted the organization must know its strength and weaknesses, their customers' needs and the nature of the environment in which they operate. A SWOT analysis can be used to benchmark an organization's performance against a range of internal and external comparators (Camp, 1999). Parallel to the understanding that human resources are vital for an organization, human resource management function is also going up in organizational hierarchy. Human resource management aims to ensure that the organization obtains and retains the skilled, committed and wellmotivated workforce it needs. This means taking steps to assess and satisfy future people needs and to enhance and develop the inherent capacities of people their contributions, potential and employability by providing learning and continuous development opportunities. It involves the operation of recruitment and selection procedures, management development and training activities linked to the needs of the business (Michael, 2008). Strategic human resource management (SHRM) represents a relatively new transformation in the field of human resource management. SHRM is concerned with the role human resource management systems play in firm performance, particularly focusing on the alignment of human resources as a means of gaining competitive advantage. Organizations are becoming aware that successful human resource policies and practices may increase performance in different areas such as productivity,

quality and financial performance. The human resource management function has consistently faced a battle in justifying its position in organizations. At good times when there are enough budgets, firms easily justify expenditures on training, staffing, rewards and employee involvement systems, but when faced with financial difficulties, such HR systems get the earliest cutbacks. Many organizations face a volatile market situation. In order to create and sustain competitive advantage in this type of environment, organizations must continually improve their business performance. Increasingly, organizations are recognising the potential of their human resources as a source of sustained competitive advantage. Linked to this, more and more organisations are relying on measurement approaches, such as workforce scorecards, in order to gain insight into how the human resources in their organisation add value. The need to enhance the effectiveness of the business organization lies in the heart of the management of the firm, there are several resources to achieve this which include money men and the machine of these resources the most important is men. Over the years men working in the business organization have been accorded various values, they were once referred to as the factor of production at another time they were called the human recourse of the firm. Today more values are accorded them in the framework of the firm. They are regarded as the talent working within the firm, this brought about the idea of talent management. Talent is the primary driver of any successful company. "It's become increasingly obvious to most business owners and executive teams that, rather than being constrained by capital, companies are typically most constrained by talent. Corporations have learned that, depending on what your business strategy is and what challenges you may face, at any given time you need the right talent to execute that strategy or deal with that challenge (Gebelein, 2006).

### **Economical development and organizational performance**

Organizational development is depends on analysis and identification of the factors that conclude the effectiveness of the organization. Organizations and managers are willing to get employees commitment, which leads to improve the productivity. Management would like to introduce employee with norm, values and objectives of the organization which is importance to understand the organizational culture. It is the responsibility of the management to introduce the organizational culture to its employees that will assist the employees to get familiar with the system of organization. Management must try to always keep learning environment in the organization. Proper understanding of organizational culture should leads towards improvement of employee's performance. As per organizational development is concerned, employees performance consider as a back bone for the industry. So organization's wants to get the loyalty of their employees

towards organization. The complete knowledge and awareness of organizational culture should help to improve the ability to examine the behavior of organization which assists to manage and lead (Brooks, 2006). Pettigrew (1979) was used the term "*organizational culture*" first time in the academic literature for his study in the journal of Administrative Science Quarterly. It is necessary for the management to identify the norms and values of the organization of the employees. It should be needed that culture of the organization should be developed in a way to improve the style of employee's performance and continuous develop the quality awareness. The role of financial sector in economic growth has intrigued macroeconomists and financial economists for decades (Teymouri and Kharazmi, 2013). Numerous econometric studies such as the ones by Fernandez and Galetovic (1994) and Arellano and Demetriades (1996) have led to conflicting results on causality, with some indicating reverse causality and others resulting in insignificant parameters.

### **Impact of organizational culture on performance**

The claim that organizational culture is attached to performance is initiated on the apparent role that culture can play in causing competitive advantage. Rousseau (1990) studied to overcome some of the limitations in measuring the culture of organization. At the end the results show that there is no positive correlations between culture and employees performance. After critically reviewed the methodologies and findings of recent researches, it is assumed that there is a link between culture and performance (Lim, 1995). Theorists also argue that sustainable competitive advantage arises from the formation of organizational competencies which are both superior and difficultly imitable by competitors (Saa-Pere and Garcia-Falcon, 2002). Practitioners and academics suggested that the performance of an organization is dependent on the degree to which the values of the culture are comprehensively shared (Denison, 1990). Learning of organizations as a style of management and fresh demands in the environment is to some level up to date, which could guide us to assume that elder firms have less cultural orientation towards learning. If elder organizations made organizational learning culture, do hard work to alter their culture then it is not a very easy task, not linear or quick process. At same level, not anything better than quoting an ironic expression (Schein, 1990). According to Saffold (1998), firstly, culture can give a shape to the organizational processes which again helps to create and modify culture. Secondly, it is likely that culture's contributes to performance is significantly less undemanding than many studies involve. Denison (1984) used data from 34 American firms on cultural performance over a period of five years and scrutinized the characteristics of organizational culture and tracked the performance over time in these

firms. As per Reichers and Schneider (1990), stated that culture researchers have committed various studies to the definitions of culture, relatively few researchers have been contributed in culture and performance research. Only reason for doing this was the complexity in operational concept of the culture construct. According to Kotter and Heskett (1992), investigate the relationship between long-term organizational performance and economic performance across more than 200 organizations. More ever, being one of the most important and most conscientious research efforts on this subject, the study has arranged three vital contributions. First, relationship between culture and performance established in their research is forceful. Second, the writer gives an important combination of theoretical point of view regarding the nature & scope of culture. Third, they sketch strong associations between culture, management practices and performance.

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