

Impact of Recent Developments in Corporate Democracy on Organizational Effectiveness

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ABSTRACT

The present study tries to explore the impact of recent developments in corporate democracy on organizational effectiveness. Corporate democracy is important for ensuring the fairness and inclusivity, and to maintain a good relationship between the administrators, shareholders, and employees. Globally, the recent developments in corporate democracy are the protections of the rights of employees, and the opportunities are given to them for the participation in decision-making. Such developments have resulted the several impacts on organizational effectiveness that in turn enhances the competitiveness in different industries. Of most importance is the close relationship that has been cultivated between managers and their employees. With close working ties emerges creativity and innovation in a conducive working environment that facilitates the achievement of corporate goals. It is therefore of more benefit for corporate executives to be enough flexible and involve the shareholders and employees in the daily activities of an organization to achieve effectiveness and productivity.

Keywords: Co-operation, Democracy, Goals, Motivation, Rights.

1. INTRODUCTION

Corporate democracy implies a form of organizational governance in which all people rule, and not only managers and/or shareholders. The term democracy derives from the Greek word *demokratia*, assembled from *demos* (people) and *kratein* (to rule). Crucial in corporate democracy is to involve employees wholeheartedly. They need to share responsibilities throughout the organization, aligned with an appropriate incentive and reward structure for capital and labor. So, our definition of corporate democracy is a system of democratic governance that at the minimum comprise shared residual claims by each and every member of the system along with democratic decision-making rules and are embedded in a supportive organizational structure. Child (2015), proposed that corporate democracy is a type of organizational administration where there is collaboration among managers and employees. Corporate democracy aimed at ensuring that managers and owners not to take full control of the organization but also allow the employees to contribute to the decisions that are arrived at in an organization. This is a type of management that is keen to ensure that the feelings and rights of employees are considered in the formulation of policies in the firm because they play a major role in the success of the organization. The central tenant of democracy both in terms of nature and configuration of state power and structure of civil society is freedom. While democracy has usually been advocated for its political and ethical desirability, in recent times scholars have come up with the empirical research evidence to suggest shown that democracy specially when infused with liberties and justice is positively associated with phenomenal growth of the organizations. Post-nineties in Indian context too has shown that in the corporate sector, wherein employees have been provided freedom of thought and action, results in commendable growth and success with regard to market expansion and emergence as market leaders.

Greater participation of employees in strategic policy planning and decision making is rooted in the basic postulate of decentralized organizational matrix allowing it to synergize multiple tasks simultaneously.

2. THE RECENT DEVELOPMENTS IN CORPORATE DEMOCRACY

2.1 Protection of employee's rights

Benn S. et al., (2014) revealed that organizations are making employees to feel wanted and be part of the organization, their rights are taken care of and even more welfare opportunities extended to them. This includes providing them with

training opportunities and allowing them to acquire some shares in the organization to ensure that they enjoy a share of the firm's profits.

2.2 Opening channels for employees to participate in decision-making.

The recent development in corporate democracy regards increased participation of employees in decision-making. Organizations are striving to provide systems where there is close interaction between managers and employees on issues affecting the organization and strategies that can be used to improve performance. The involvement of employees especially in formulating policies of the organization is very important because they are the ones who play the role of implementation. In general corporate democracy has caused a great shift from the traditional authoritarian form of corporate management to a more inclusive form of administration where all key players in an organization are given equal opportunities be part of all in decision that are arrived at in the organization (Anderson, 2016).

3. ORGANIZATIONAL EFFECTIVENESS.

Drucker (1974) has stated that the effectiveness is the foundation of success. Therefore, organizational effectiveness is the measure of how successfully organizations accomplish their mission and goals through their core competencies. Organizations have been referred to as social entities, which comprise large and diverse group of people. Hence it is difficult to measure their effectiveness as they are large, diverse and fragmented. They perform multiple roles and generate many outcomes. The managers find it difficult to measure organizational effectiveness based on characteristics and are not subject to hard quantitative measurements. Traditionally, the organizational effectiveness was viewed in terms of the accomplishment of objectives for which organizations were created. In the present scenario top executives of some of the corporations suggest new ways to measure the effectiveness of the organizations. Organizational effectiveness is measured by using soft indicators such as "customer delight" and "employee satisfaction".

4.IMPACT OF CORPORATE DEMOCRACY ON ORGANIZATIONAL EFFECTIVENESS

4.1Encourages co-operation among employees and managers

The ability of workers to work together in an organization is one of the ingredients of success. Corporate democracy involves inviting employees to take part in looking into factors that influence some of the decisions made in the firm, where employees feel that their opinion matters they become co- operative and committed to the success of the organization (Child, 2015).

4.2Enables setting of achievable corporate goals

Cummings & Worley, (2014) highlighted that corporate democracy involves sharing of organizational goals among employees and administrators. By so doing, employees are made to feel that they own those goals rather than dictating those goals to workers and expecting them to be achieved. By sharing the organization to screen them and pick on ones that are achievable within a certain period of time.

4.3Promotes creativity and innovation in the organization

Organizations should always try to get new and better ways of doing things for better results. In order to achieve corporate success the opportunities should be given to share ideas and educate each other on how to improve and hence leading to organizational effectiveness (De Jong & Wittebloostuijn, 2014).

CONCLUSION

From the above study, it is found that corporate democracy has a positive impact on organizational effectiveness. In general, authoritarian business administrative policies practiced by many firms in the world where managers and owners take centre stage in a firm's decision making and disconnecting employees from the same has more costs than benefits. This is because such disconnected employees tend to lose motivation and hence deliver poor quality services. Utting (2015) also noted that the recent developments in corporate democracy where there is interaction between employees and managers brings about productivity, effectiveness, as well as innovativeness because of the combination of many ideas, talents and professionals. It was found in the study that a firm that applies corporate democracy, employees are more co-operative and are less likely to create an anti-social kind of behavior and hence they strive to exploit their full potential which in general enhances the organizational effectiveness and success. Meanwhile corporate democracy is still a little niche. The critical mass of successful democratic organizations is clearly insufficient to build a strong functional case in favor of corporate democracy. The present study has taken behavioral perspective only in consideration not the monetary performance.

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