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Understanding Corporate Organization Response to India's Labor Reforms: Managerial Perceptions, Strategic Adaptation, and Organizational Outcomes

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Abstract: The paper examines how corporations reacted to the Indian labour reforms and how these reforms affected managerial ideas of operational effectiveness and business performance. The labor reforms were an important institutional shift in the Indian regulatory environment, requiring organizations to change their internal operations, compliance systems, and strategic orientations. The research used an empirical method and gathered primary data from senior-level administrators and top management owners across various industries in Jaipur and the Delhi National Capital Region. Managerial perceptions of organizational reactions to labor reforms, operational efficiency, and business performance were captured through a structured questionnaire. The analysis used a method that accounted for direct and indirect associations among these constructs, with particular attention to how operational efficiency serves as a mediating factor. The results showed that organizational anticipatory reaction to labor reform had a positive effect on perceived operational efficiency and managerial judgement of business performance. The findings also implied that changes in operational efficiency are crucial for transforming regulatory responsiveness into desirable organizational performance. The research added to the literature by bridging the labor regulation and business administration approaches and emphasizing the importance of managerial interpretation and strategic adjustment in assessing the efficacy of labor reforms. The results provided useful information for managers and policymakers in the corporate sector on harmonising regulatory changes with organisational effectiveness and performance goals.

Keywords: Organisational Response; Managerial Perceptions; Operational Efficiency; Business Performance; Corporate Strategy; Regulatory Environment; Institutional Shift; Strategic Orientation.

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1. Introduction

The labor reforms were considered an important part of economic restructuring in developing economies, especially in countries like India, where labor regulation had traditionally been complex and fragmented due to a complex legal system. Before the

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recent reforms, the labor regulatory environment in India was characterized by several central and state-level acts, procedural inflexibility, and complex compliance requirements, all of which posed business risks to operational flexibility, human resource management, and regulatory determinism. In response to these apprehensions, the Government of India has embarked on a strategy to consolidate the current labor laws into four labor codes, aiming to simplify compliance, increase labor market flexibility, and improve the ease of doing business without compromising workers' rights. The labor reforms in India were undertaken to address the structural inefficiencies, regulatory fragmentation, and compliance complexity that the Indian labor law regime had imposed on the country for decades. Before the reforms, the labor structure in India had more than 40 central laws and dozens of state-based legislations covering wages, industrial relations, social security, and occupational safety. Such multiplicity of laws tended to create procedural rigidity, compliance overlaps, and uncertainty for both employers and workers, thereby affecting industrial productivity and the broader business climate. Recognizing these issues, the Government of India initiated a multifaceted reform program to rationalize and modernize labor laws.

The reform process finally resulted in the unification of the various labor laws into four labor codes: the Code on Wages, the Industrial Relations Code, the Code on Social Security, and the Occupational Safety, Health and Working Conditions Code. The main aim of such reforms was to make compliance easier, enhance labor force flexibility, improve the ease of doing business, and, at the same time, provide sufficient protection for workers. The Code on Wages, enacted in 2019, amalgamated four laws on wages, including the Minimum Wages and Payment of Wages Acts. The Code proposed an international minimum wage that applies across industries and protects every worker, including those in the unorganised sector. It was also aimed at eliminating wage discrepancies and ensuring timely wage payments by simplifying definitions and ensuring consistency. This reform was supposed to increase wage transparency and minimise the administrative burden on employers. A code on Industrial Relations, 2020, addressed matters related to trade unions, industrial disputes, and employment conditions. One of its main provisions was the introduction of fixed-term employment, allowing employers to hire workers for a fixed duration with the same statutory benefits as permanent workers. Thresholds for standing orders, layoffs, retrenchment, and closure requirements were also revised under the Code, offering companies greater operational flexibility. Simultaneously, it reinforced dispute settlement procedures and encouraged collective bargaining by well-established trade unions. The Code on Social Security, 2020, broadened the scope of social security by incorporating legislation on provident fund, employee state insurance, gratuity, and maternity benefits.

Notably, the Code has expanded social security benefits to gig workers, platform workers, and unorganized workers as employment in the Indian labor market has evolved. This was an important step towards inclusiveness, recognising non-traditional employment relationships and providing a safety net for vulnerable groups in the workforce. The Occupational Safety, Health, and Working Conditions Code, 2020, combined several laws on workplace safety, health, and welfare. The Code not only focused on the employer's role in providing safe working conditions but also established common principles and standards across all industries. It also made registration and licensing processes easier with the use of digital platforms, hence lowering compliance burdens. Working hours, leave rights, and welfare facilities provisions were intended to balance worker protection and operational effectiveness. Altogether, the labour reform in India was a paradigm shift from a disjointed, rule-regulated regulatory system to a unified, principle-based system. Although the reforms were formulated to improve efficiency, flexibility, and the formalisation of employment, their success was largely determined by how the organisation interpreted and applied them at the operational level. The labor reforms were successful, not just on a statutory basis but also in organizational responses, managerial perceptions, and strategic adaptation within firms. Labor reforms were not only a change in law but also an important institutional change with direct consequences for corporate organizations. The available literature indicates that regulatory reforms affect organizational performance not only through statutory requirements but also through managers' perceptions, understandings, and reactions to them.

Regulatory changes were interpreted as external institutional forces that demanded that organisations reengineer approaches, redesign internal operations, and shift human resource practices to ensure viability and competitiveness from a business administration perspective. This meant that the organization's responsiveness was essential to the success of labor reforms rather than the design of regulations. Perceptions of the managerial position were at the forefront of influencing organizational reactions to regulatory change. According to prior research, managers' perceptions of regulatory clarity, perceived flexibility, and expected benefits influenced the level of reform acceptance or opposition at the organisational level. Organisations were more likely to incorporate reforms into their strategic planning and business practices when they were perceived as internally consistent and aligned with business goals. On the other hand, uncertainty or perceived compliance cost very often led to ritual or token compliance, which hobbled the desired effect of regulatory change. Within the framework of labor reforms, managerial perceptions therefore became a highly important mediator between legal change and organizational action. Another key area of organizational response to labor reforms was strategic adjustment. Those organisations that proactively reorganised HR policies, compliance systems, and workforce strategies were better positioned to turn regulatory change into operational benefits. The literature on strategic human resource management states that the fit between external institutional demands and internal organisational systems leads to improved efficiency, reduced uncertainty, and sustainable performance.

In this sense, labor reforms have not been considered a regulatory constraint per se, but rather an avenue to provide firms with rationalities for labor practices and enhanced internal efficiency through systematic adjustment. Operational efficiency was a common mechanism known to link regulatory adjustment with organisational performance. Previous literature has proposed that regulatory convergence leads to efficiency improvements, better coordination, lower transaction costs, and better managerial decisions, thereby improving overall performance. Nevertheless, despite the growing significance of labor reforms in India, few empirical studies have identified the channels through which organizations' reactions to these reforms moderate efficiency and performance. The current literature is mainly based on legal reviews or macroeconomic analyses, without addressing the knowledge gap in the managerial and organizational aspects of labor reform implementation. This gap was addressed in the current study by adopting an interdisciplinary approach that incorporated views from labour regulation and business administration. The study also transcended a legalistic understanding of labor reforms and examined how regulatory change is translated into organizational performance, focusing on organizational reactions, managers' attitudes, and strategic adjustment. The research contributed to the literature by providing an empirical investigation of perceived operational efficiency as a mediating factor between perceived organizational responsiveness to labor reform and perceived business performance. The objective of the study was to explore the impact of the organizational response to labor reforms in India on managers' perceptions of operational efficiency and performance, and to investigate the contribution of perceived operational efficiency to the association between regulatory responsiveness and business outcomes.

2. Review of Literature

Billa et al. [9] investigate how legal frameworks and economic performance are changing using the CBR Labour Regulation Index across a global sample. Their results bust the story of traditional deregulation by showing that labour laws that favour workers are positively associated with long-term productivity. These reforms create an environment of responsiveness to workers' needs by reducing information asymmetry and ensuring stable employment relations, thereby increasing organisational output and reducing unemployment. Yang and Zhang [27] examine the effects of regulatory changes targeting workforce stability on macroeconomic growth in emerging markets. The authors maintain that labor turnover costs for both the administration and the social system are greatly mitigated when labor reforms bring clarity and Predictability. They state that a stable regulatory environment is a pillar on which firms can focus on human capital development, which, in the end, results in sustainable productivity and economic growth. Kornieieva et al. [20] discuss the methodological processes needed to enhance the concept of efficiency by implementing strategic changes to economic regulatory frameworks in the sphere of innovation. They suggest that labor efficiency is a multidimensional concept that is heavily dependent on the alignment between production potential and contemporary labor relations. The paper emphasizes that regulatory changes aimed at technological integration and improvements in labor quality are necessary to convert the internal firm's potential into quantifiable economic efficiency gains.

The paper by Cirillo et al. [28] presents empirical research on emerging markets and the role of market reforms in supporting digital transformation as a driver of labor productivity. Through their analysis, they found that when combined with digital infrastructure, flexibility will enable fast process innovation and better resource allocation in the labour market. As the paper concludes, a key contributor to contemporary productivity is digital-based reform, which helps firms adapt their operations more easily to the global economy. Abdelwahed and Doghan [1] address motivation in the context of employee output, namely, work engagement and the overall organisational context as stimuli that prompt performance. Their analysis shows that Productivity is not only a consequence of technical inputs; when institutional structures are designed to promote high levels of engagement, productivity largely improves. This confirms the observation that organisational responsiveness, or the organisation's ability to address employees' needs and interests, is a direct driver of increased productivity. The paper by Cruz [13] offers macroeconomic insights into the relationships among labour productivity, real wages, and employment levels across OECD member countries. The study notes that in certain economies, wages and productivity are decoupled, and that structural adjustment needs to reconcile labour costs and the need to maintain sustainable employment with the concept of workplace sustainability, i.e., efficiency. One of the points highlighted in the study is that successful reforms should focus on systemic drivers of productivity rather than merely on improving labour costs.

Budhiraja [11] examines the behavioral aspects of productivity, namely the effects of continuous learning and managerial coaching behaviors on employee performance. These results imply that the responsiveness to the developmental needs of the staff and managers mediates the "Efficiency" of labour. The study offers a micro-level explanation of why the route between organizational responsiveness and individual-level productivity results. Duval and Furceri [14] examine the effects of certain labour-market reforms on firm-level productivity using longitudinal data. According to their findings, reforms that increase flexibility can yield short-term efficiency gains at the firm level by enabling management to allocate resources more dynamically. Nonetheless, they also note that the success of such reforms in the long term largely depends on the "Predictability" of the legal environment. The research by Hetmanczyk [25] investigates the intersection of digital adoption and labour market flexibility. Their study indicates that digitisation plays a significant role in making labour markets more efficient, reducing matching frictions, and enabling remote work. They find that the idea of technological responsiveness has become a requirement for achieving contemporary levels of productivity, particularly in a post-pandemic economic environment.

Adascalitei and Morano [2] use a new comprehensive set of policies to track the causes and effects of labour reforms on a global scale. They discover that, although many reforms are intended to increase productivity, the actual outcomes depend on the balance between responsiveness to market signals and social protection to prevent labour unrest that would reverse efficiency gains. In their study, Amirapu and Gechter [5] assess labour regulations as a source of distortionary impact on the size distribution of firms based on compliance costs. They discover that strict labour law thresholds may create disincentives for firms to expand, thereby damaging market-wide "Efficiency." According to their work, the scale and predictability of the regulation are more efficient at stimulating the firm's growth and productivity than unforeseen sharp increases in regulatory barriers. The paper of Al-Shaiba et al. [4] offers a comparative analysis of indicators used to measure organisational (in)efficiency. They divide efficiency into technical, allocative, and scale dimensions, arguing that the truly responsive organisation should monitor all three to stay competitive. The paper provides the theoretical foundation for your model, grounded in a latent variable of efficiency, which is connected to other observable indicators.

Cazes [12] dwells on the quality of the working environment as a factor of economic health. They claim that labour market efficiency is closely linked to workers' welfare and the quality of work. Their results indicate that the reforms that disregard the two properties, namely Quality and Clarity of the working environment, might experience a reduction in long-term productivity because of reduced motivation of workers and increased turnover. Betcherman [7] surveys the purpose of labor market institutions in the 21st-century development challenges. He maintains that the old labour reforms need to be revised to be more responsive to the gig economy and automation. The paper postulates that flexibility is no longer about hiring and firing; rather, it is about how the workforce responds to sudden technological changes, which now drive productivity. Griffith and Macartney [17] discuss how employment protection legislation can affect the innovation strategies of multinational enterprises. They discover that in incremental innovation, high protection may impair the so-called "Flexibility." However, it may stimulate the so-called "efficiency" by giving employees the confidence to propose long-term enhancements. This brings out an elusive road where responsiveness to job security can lead to certain forms of Productivity.

Ahsan and Pagés [3] offer a subtle examination of the Indian manufacturing industry and argue that not all employment policies have the same impact on the economy. Their study distinguishes between employment protection costs and dispute-resolution costs and found that although both can impose high costs, the high cost of resolving industrial disputes considerably reduces "Efficiency" and output. This implies that a responsive legal system should prioritize measures that streamline dispute processes to enhance firms' productivity. Nataraj [22] explores the effects of trade liberalisation on the productivity of the formal and informal manufacturing sectors in India. The results of the study show that reducing import tariffs on final goods led to a substantial increase in "Productivity", especially among small and low-productivity firms. This brings out the point that market-opening reforms compel an Efficiency response by firms, which, in your model, is a directional change in the outside that results in improvement in the inside. Topalova and Khandelwal [26] examine how trade reforms and firm productivity in India are interrelated, as lower input tariffs significantly enhanced industry productivity. They point out that the availability of higher-quality imported inputs enabled the firms to do more with less, running operations more efficiently. This is a good external rationale for the construct of Productivity in your SEM.

Using plant-level data from India, Dougherty et al. [16] demonstrate that the higher a state's firm productivity, the more flexible its labour market is. According to them, employment protection legislation causes rigidity, making it impossible for firms to attain the best possible efficiency. Their own work validates the negative correlation commonly conjectured between low regulation and low responsiveness in operations. Bloom and Reenen [10] provide an international perspective on the reasons behind the prevalence of varying management practises and, hence, productivity. They discover that when product-market competition is high and labor markets are flexible, efficiency becomes a by-product, enabling the best-managed firms to grow. This would support the responsiveness aspect of your model, which implies that management's ability to respond to market signals is a major driver of performance. Deakin and Sarkar [15] have a long-term perspective on labour laws across various countries, including India, based on quantitative coding of Lexi metrics. Their results indicate that labour laws can sustain productivity in the long run, contrary to the rigidity hypothesis, as they may offer long-term stability in the capital-labour relationship. This provides a crucial counterargument to the course of action between "Responsiveness" (through regulation) and “Productivity”.

Hasan et al. [18] discuss the effects of labor regulations on the interaction between trade reforms and labor-demand elasticities. They discovered that a more responsive labor market emerged in the post-trade liberalization period in states with less rigid labor laws. This validates the fact that your model has an indicator, which is flexibility, which is necessary to convert economic reforms into gains in efficiency. Kochhar et al. [19] examine the distinctive development pattern in India, where growth is driven by skills-intensive services rather than labour-intensive activities. To some extent, they blame this on the stringent labour laws, which have impeded "Efficiency" in the production industry. Their contribution underscores the need for the so-called

Predictable and Clear reforms, which will restore the economy to a more efficient use of labour. Besley and Burgess [6] conducted pioneering research on state-level modifications to the Industrial Disputes Act in India. They have concluded that the pro-worker amendments reduced investment, employment, and "Productivity" in registered manufacturing. It is the main reference employed in the literature to claim that inadequate labour laws on the issue of "Flexibility" are actively interfering with the "Efficiency" in a direct manner.

A theoretical framework for the role of employment protection in internationalisation, specialisation, and "Innovation" is provided by Saint-Paul [24]. He claims that tight labor markets can compel economies to specialize in secure, mature sectors rather than in high-growth, innovative ones. This relates the concept of "Responsiveness" to the nature of "Productivity" that a country can attain. Bhalotra [8] investigates the puzzle of jobless growth in the Indian manufacturing sector in the eighties. She implies that the more one worked hard and became more efficient, the more one could produce without necessarily increasing the number of employees. This study points out that the concept of Productivity is complicated in the absence of labour reforms or their stagnation. Comparing labor market rigidities in Europe and North America, Nickell [23] concludes that some regulations (such as high benefit replacement rates) cause unemployment, whereas others (such as spending on labor markets) can help make the labor market more efficient. This implies that responsiveness can be highly productive in policy formulation, particularly for proactive labour market schemes. The initial theoretical foundation for the effects of job security provisions (such as severance payments) as a tax on hiring and firing is provided by Lazear [21]. He says these provisions reduce firms' efficiency because they cannot adjust their workforce to the optimal level. It is the seminal paper of the Flexibility and Efficiency paths of labour economics. Resting on the above literature research, the following hypotheses were proposed:

- **H1:** Organisational responses to labour reforms had a significant influence on managerial perceptions of operational efficiency.
- **H2:** Organisational responses to labour reforms had a significant influence on perceived business performance.
- **H3:** Managerial perceptions of operational efficiency had a significant influence on perceived business performance.

3. Research Methodology

The study used a quantitative, explanatory research design to examine corporations' reactions to India's reforms to its labour laws and how these reforms affected perceived operational efficiency and perceived business performance. The study utilised an empirical approach because the researcher was interested in testing theoretically supported relationships using primary data collected from corporate decision-makers. The study was a cross-sectional survey that captured perceptions of managers and organisational reactions at a single point in time. It was an empirical study based on primary data collected from senior-level respondents who were directly involved in decision-making and labor law compliance within their respective organizations. The study also combined an interdisciplinary orientation and a focus on labor reforms as an institutional setting with business administration perspectives, focusing on managerial perceptions and organizational outcomes. The study population comprised corporate organisations operating in India, especially in areas with high industrial and commercial growth. The unit of analysis is an individual respondent in a prominent administrative or ownership role, including owners, administrators, directors, senior managers, and compliance heads. This group of respondents was chosen because they are directly involved in interpreting labor reforms and in introducing organizational responses. The sample comprised 172 respondents, all senior decision-makers, whether as the owners of the organisation or as senior administrators. The sample size was deemed suitable for structural and mediation analyses because it enabled reliable estimation of relationships among latent constructs while maintaining analytical rigour.

4. Industry-Wide Distribution of Respondents

The survey sample described in Table 1 comprises 172 senior-level decision-makers across seven industrial sectors, selected in equal numbers from industrial areas in Jaipur and Delhi NCR. Manufacturing and industrial production have the largest number of respondents (42 respondents, approximately 24% overall), based in Jaipur, VKI Industrial Area, Sitapara Industrial Area, and Jhotwara Industrial Zone, as well as in Delhi NCR, in IMT Manesar, Faridabad Industrial Area, and Ghaziabad Industrial Area; the respondents are owners, plant heads, and senior administrators. Textiles and apparel are next, with 28 respondents, including Jaipur Sitapara SEZ, Mansarovar Industrial Area, Sanganer Industrial Cluster, Noida Phase I and II, and Okhla in Delhi NCR. Most of them are mostly owners, HR heads, and compliance managers. The list of respondents includes 26 directors, senior managers, and heads of operations from Malviya Nagar Industrial Area and Mahindra SEZ in Jaipur, and Udyog Vihar (Gurugram), Noida IT Park, and Greater Noida in Delhi NCR.

Table 1: Industry-wide distribution of respondents

No.	Industry Sector	Jaipur – Industrial Areas	Delhi NCR – Industrial Areas	Total Respondents	Position of Respondents
1	Manufacturing and Industrial Production	VKI Industrial Area, Sitapura Industrial Area, Jhotwara Industrial Zone	IMT Manesar, Faridabad Industrial Area, Ghaziabad Industrial Area	42	Owners, Plant Heads, Senior Administrators
2	Textiles and Garments	Sitapura SEZ, Mansarovar Industrial Area, Sanganer Industrial Cluster	Noida Phase I and II, Okhla Industrial Area	28	Owners, HR Heads, Compliance Managers
3	Information Technology and IT-enabled Services	Malviya Nagar Industrial Area, Mahindra SEZ	Udyog Vihar (Gurugram), Noida IT Park, Greater Noida	26	Directors, Senior Managers, Operations Heads
4	Construction and Real Estate	Mansarovar Extension, Ajmer Road Industrial Belt	Gurugram, Faridabad, Greater Noida	24	Owners, Project Directors, Senior Administrators
5	Logistics, Warehousing, and Transportation	VKI Logistics Hub, Sitapura Logistics Park	NH-48 Logistics Corridor, Ghaziabad Warehousing Zone	20	Owners, Operations Heads, Compliance Officers
6	Retail and Trading Enterprises	MI Road Commercial Zone, Mansarovar Commercial Area	Karol Bagh, Noida Commercial Belt	18	Owners, General Managers, Senior Administrators
7	Hospitality and Service Sector	Malviya Nagar, Tonk Road, Vaishali Nagar	Gurugram Hospitality Cluster, Aerocity in Delhi	14	Owners, General Managers, Senior Executives
Total	—	—	—	172	Senior-level Decision Makers

Construction and real estate are the two locations that generate 24 respondents in Mansarovar Extension and Ajmer Road Industrial Belt, Jaipur, and in Gurugram, Faridabad, and Greater Noida, Delhi NCR, again owners, project directors, and senior administrators. Logistics, warehousing, and transportation are represented by VKI Logistics Hub and Sitapura Logistics Park, Jaipur, and the NH-48 Logistics Corridor and Ghaziabad Warehousing Zone, Delhi NCR, with 20 respondents, including owners, heads of operations, and compliance officers. Retail and trading businesses include 18 respondents from MI Road Commercial Zone and Mansarovar Commercial Area in Jaipur, and Karol Bagh and Noida Commercial Belt in Delhi NCR, who are their owners, general managers, and senior administrators. Lastly, the respondents include 14 owners, general managers, and senior executives in the hospitality and service sectors, located in Malviya Nagar, Tonk Road, and Vaishali Nagar in Jaipur, as well as in the Gurugram Hospitality Cluster and Aerocity in Delhi NCR. Comprehensively, the information represents a strategically balanced and highly accessible sample to support the investigation of leadership, compliance, or sector comparisons in these regions using senior positions.

5. Sampling Technique and Data Collection Method

The sampling method used was purposive, as the research required respondents who not only had a good understanding of labor regulations but were also directly involved in organizational compliance and strategic decision-making. The relevance, accuracy, and reliability of the responses were ensured by approaching only senior-level administrators and owners. The structured questionnaire, which was conducted on a five-point Likert scale [strongly disagree, strongly agree, etc], was used to gather primary data. The questionnaire was administered through a combination of direct corporate interactions, email surveys, and online data collection. Before the final administration, the instrument was subject to scrutiny by the experts in the relevant subject areas to ensure it was clear, content adequate, and relevant to the context. This paper has tested three major constructs: organizational response to labor reforms, perceived operational effectiveness, and perceived business performance. All constructs were operationalised using multiple items from available scales in organisational and management research, with necessary contextual alterations to capture the labour reform context in India. Statistical tools such as SPSS and SEM were used to analyse the data. The study involved descriptive statistics, correlation analysis, and testing of the structural relationships to examine the structure and the reciprocal relations between. The mediation analysis was conducted to determine the extent to which perceived operational efficiency mediates the relationship between perceived business performance and organisational responses to labour reforms.

Table 2: Model info

Estimation Method	ML
Optimization Method	NLMINB
Number of observations	172
Free parameters	45
Standard errors	Standard
Scaled test	None
Converged	TRUE
Iterations	36
Model	Organisation Response to labour reforms =~Clarity+Flexibility+Realignment+Strategy
	Perceived Operational Efficiency =~OOOE1+OOOE2+OOOE3+OOOE4+OOOE5
	Perceived Business Performance =~OOBP1+OOBP2+OOBP3+OOBP4+OOBP5
	Perceived Operational Efficiency ~ Organisation Response to Labour Reforms
	Perceived Business Performance ~ Organisation Response to labour reforms +Perceived Operational Efficiency.

Table 2 provides a clear-cut specification and estimation of the structural equation model to be used in the research. The model has been estimated using the Maximum Likelihood (ML) method, with the MLMINB optimisation algorithm, a well-established approach to parameter estimation. The analysis is done on 172 observations, and the number of free parameters is 45; the standard errors are calculated in the standard method. The scaled test statistic was not used, and the model converged after 36 iterations, which validated that the solution and the number were numerically stable. The measurement component will specify three latent constructs: Organisation Response to Labour Reforms, measured using Clarity, Flexibility, Realignment, and Strategy; Perceived Operational Efficiency, measured using five indicators (OOOE1-OOOE5); and Perceived Business Performance, measured using five indicators (OOBP1-OOBP5). This structural part reveals that Organisation Response to Labour Reforms is directly related to Perceived Operational Efficiency, and that both Organisation Response to Labour Reforms and Perceived Operational Efficiency are significantly and positively related to Perceived Business Performance, which is theoretically consistent.

Table 3: Model tests

Label	X^2	Def.	p
User Model	961	74	<.001
Baseline Model	1910	91	<.001

Table 3 shows the square model fit statistics of the specified user model and the baseline model. The chi-square test based on the user model yields a chi-square statistic of 961 with 74 degrees of freedom, and the p-value is below 0.001, indicating that the covariance matrix implied by the model is not similar to the data. The model that assumes no relations between the observed variables is the baseline model, which has a chi-square value of 1910 with 91 degrees of freedom and a p-value of less than 0.001, indicating a very poor fit. The substantially smaller chi-square value for the user model than for the baseline model shows that the proposed structural model provides a significantly better fit of the data than the null model, thereby justifying its relative sufficiency despite the statistically significant chi-square value.

Table 4: Fit indices

		95% Confidence Intervals		
SRMR	**RMSEA**	**Lower**	**Upper**	**RMSEA p**
0.157	0.264	0.249	0.279	<.001

Table 4 presents the major goodness-of-fit measures used to assess the fit of the proposed model to the observed data. The Standardised Root Mean Square Residual (SRMR) of 0.157 is significantly greater than accepted values, indicating significant differences between the observed and model-implied correlations. The Root Mean Square Error of Approximation (RMSEA) = 0.264, with a 95% confidence interval of 0.249-0.279, indicates very poor overall model fit. RMSEA p-value = 0.580. The p-value below 0.001 indicates that the hypothesis of close fit has been rejected with high significance. All these fit indices indicate that the given model does not adequately specify the data structure, and it might need to be re-specified, extra paths included, or the measurement and structural relationships revisited to enhance the overall model.

Table 5: User model versus baseline model

Fit Indices	Model
Comparative Fit Index (CFI)	0.512
Tucker-Lewis Index (TLI)	0.400
Bentler-Bonett Non-normed Fit Index (NNFI)	0.400
Relative Noncentrality Index (RNI)	0.512
Bentler-Bonett Normed Fit Index (NFI)	0.497
Bollen's Relative Fit Index (RFI)	0.381
Bollen's Incremental Fit Index (IFI)	0.517
Parsimony Normed Fit Index (PNFI)	0.404

Table 5 compares the fit of the user-specified model and the baseline (NULL) model using a series of incremental and parsimony-adjusted fit indices. Both the Comparative Fit Index (CFI) and the Relative Noncentrality Index (RNI) are equal to 0.512, indicating that the user model fits the data better than the baseline model but is still well short of the generally recommended acceptable fit level of 0.90. Equally, the Tucker-Lewis Index (TLI) and Bentler-Bonett Non-Normalised Fit Index (NNFI) are both equal to 0.400, which indicates weak explanatory power and poor parsimony. The Bentler-Bonett Normed Fit Index (NFI) of 0.497 and the Bollen Relative Fit Index (RFI) of 0.381 also indicate limited improvement over the null model. Even though the Incremental Fit Index (IFI) is slightly higher (0.517), it still indicates poor fit. The Parsimony Normed Fit Index (PNFI) of 0.404 indicates that the model's fit is weak despite its increased complexity. All in all, these indices indicate that the user model offers only a slight improvement over the baseline model and still needs significant refinement to achieve an acceptable level of fit (Table 6).

Table 6: Parameter estimates

				95% Confidence Intervals				
Dep.	**Pred.**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
Perceived Operational Efficiency	Organization Response to Labor Reforms	0.526	0.113	0.305	0.748	0.478	4.67	<.001
Perceived Business Performance	Organization Response to Labor Reforms	1.025	0.174	0.684	1.367	0.647	5.89	<.001
Perceived Business Performance	Perceived Operational Efficiency	0.405	0.113	0.184	0.625	0.281	3.59	<.001

The parameter estimates indicate significant positive relationships among organizational responses to labor reforms, perceived operational efficiency, and perceived business performance. Organizational response to labor reforms has a positive and significant impact on perceived operational efficiency (Estimate = 0.526, 0.478, z = 4.67, p = .001). The confidence interval of 0.305 to 0.748 does not include 0, indicating a strong relationship. This observation implies that organisations that demonstrate proactive, efficient responses to labour reforms tend to be more efficient in their operations, as perceived by management. The findings also reveal a significant, strong direct impact of organisational responses to labour reforms on perceived business performance (Estimate = 1.025, 0.647, z = 5.89, p < .001). The standardised coefficient demonstrates a significant effect size, and the confidence interval (0.684 to 1.367) supports the consistency of this relationship. It means that the better organisations respond to labour regulatory changes, the stronger managerial perceptions of better business performance are. Moreover, being perceived to operate well has a strong positive impact on perceived business performance (Estimate = 0.405, 0.281 = 3.59, p =.001). The consistency of this association is supported by the confidence interval (0.184 to 0.625), which indicates that gains in operational efficiency do play a significant role in increasing business performance perceptions. All these findings suggest a partial mediation effect in which perceived business performance results both directly and indirectly from the organizational response to labor reforms, via perceived operational efficiency.

The relevance of each of the three structural paths underscores the importance of operational efficiency as a process that connects regulatory responsiveness to better organisational performance. The results of the measurement model are reported in Table 7 and indicate the relationships between each latent construct and its indicators, along with the significance of these relationships. In the case of the latent construct Organisation Response to Labour Reforms, Clarity is the reference indicator (fixed at 1.000), whereas Flexibility, Realignment, and Strategy exhibit strong and statistically significant factor loadings

(0.788, 0.903, and 0.683, respectively; p <.001), meaning that the dimensions are a reliable measure of organisational response to labour reforms. There are five indicators of Perceived Operational Efficiency, with OOOE1 as the reference variable. Other indicators (OOOE2-OOOE5) have high loadings (p < .001), and OOOE3 and OOOE5 have high standardised coefficients (0.965 and -0.771), indicating they make significant contributions to the construct. Equally, the five indicators of Perceived Business Performance represent the construct well, with OOBP1 as the reference item and OOBP2-OOBP5 loading strongly on the construct (all p < .001; 0.413-0.789) (Figure 1).

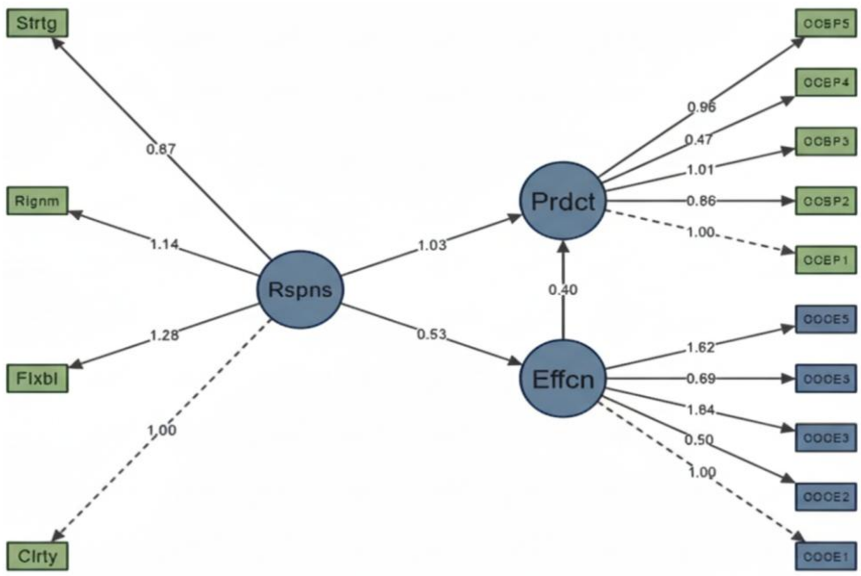

Figure 1: Path diagram

Generally, the high estimates, low standard errors, the narrow confidence intervals, and the large z-values across indicators attest to good convergent validity and indicate that the measured variables are useful measures of their corresponding latent constructs.

Table 7: Measurement model

Latent Variable				95% Confidence Intervals				
Latent	**Observed**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
Organization Response to Labor Reforms	Clarity	1.000	0.0000	1.000	1.000	0.593		
	Flexibility	1.282	0.1641	0.961	1.604	0.788	7.81	<.001
	Realignment	1.141	0.1372	0.873	1.410	0.903	8.32	<.001
	Strategy	0.869	0.1222	0.629	1.108	0.683	7.11	<.001
Perceived Operational Efficiency	OOOE1	1.000	0.0000	1.000	1.000	0.648		
	OOOE2	0.504	0.1077	0.293	0.715	0.378	4.68	<.001
	OOOE3	1.840	0.1934	1.461	2.219	0.965	9.51	<.001
	OOOE4	0.687	0.1616	0.370	1.003	0.341	4.25	<.001
	OOOE5	1.620	0.1835	1.260	1.980	0.771	8.83	<.001
Perceived Business Performance	OOBP1	1.000	0.0000	1.000	1.000	0.744		
	OOBP2	0.860	0.1069	0.650	1.069	0.650	8.05	<.001
	OOBP3	1.009	0.1161	0.782	1.237	0.701	8.69	<.001
	OOBP4	0.470	0.0927	0.289	0.652	0.413	5.07	<.001
	OOBP5	0.964	0.0989	0.770	1.158	0.789	9.75	<.001

Table 8 presents the estimated variances of the observed indicators and the latent constructs, along with their standard errors, confidence intervals, standardised estimates, z-values, and levels of significance. The variances of the observed indicators of Organisation Response to Labour Reforms, that is, Clarity, Flexibility, Realignment, and Strategy, are positive and significant (p <.001), implying a significant variability in these measures. Among them, clarity (= 0.6483) and Strategy (= 0.5331) exhibit relatively higher standardised variances, indicating greater response dispersion, whereas Realignment (= 0.1846) shows a relatively lower standardised variance.

Table 8: Variances and covariances

Construct				95% Confidence Intervals				
Variable 1	**Variable 2**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
Clarity	Clarity	0.4930	0.0569	0.3814	0.605	0.6483	8.66	<.001
Flexibility	Flexibility	0.2684	0.0370	0.1958	0.341	0.3791	7.25	<.001
Realignment	Realignment	0.0789	0.0186	0.0424	0.115	0.1846	4.24	<.001
Strategy	Strategy	0.2305	0.0279	0.1758	0.285	0.5331	8.26	<.001
OOOE1	OOOE1	0.4492	0.0522	0.3470	0.551	0.5807	8.61	<.001
OOOE2	OOOE2	0.4951	0.0540	0.3893	0.601	0.8575	9.17	<.001
OOOE3	OOOE3	0.0806	0.0575	-0.0322	0.193	0.0684	1.40	0.161
OOOE4	OOOE4	1.1592	0.1261	0.9120	1.406	0.8834	9.19	<.001
OOOE5	OOOE5	0.5790	0.0775	0.4270	0.731	0.4049	7.47	<.001
OOBP1	OOBP1	0.5428	0.0731	0.3996	0.686	0.4466	7.43	<.001
OOBP2	OOBP2	0.6809	0.0831	0.5181	0.844	0.5778	8.20	<.001
OOBP3	OOBP3	0.7087	0.0904	0.5316	0.886	0.5085	7.84	<.001
OOBP4	OOBP4	0.7232	0.0806	0.5652	0.881	0.8294	8.97	<.001
OOBP5	OOBP5	0.3782	0.0556	0.2692	0.487	0.3768	6.80	<.001
Organization Response to Labor Reforms	Organization Response to Labor Reforms	0.2674	0.0657	0.1387	0.396	1.0000	4.07	<.001
Perceived Operational Efficiency	Perceived Operational Efficiency	0.2502	0.0549	0.1426	0.358	0.7715	4.56	<.001
Perceived Business Performance	Perceived Business Performance	0.2215	0.0534	0.1169	0.326	0.3294	4.15	<.001

In the case of Perceived Operational Efficiency, most indicators (OOOE1, OOOE2, OOOE4, and OOOE5) show substantial variance ($p < .001$), indicating that these items are sufficient for identifying differences among respondents. Nonetheless, OOOE3 shows that the variance is not significant ($p = 0.161$), suggesting little variance and that the item may not make a significant contribution to the construct. Regarding the Perceived Business Performance case, all indicators (OOBP1-OOBP5) show statistically significant variances and moderate to high standardised values, indicating they are stable and reliable measures of the construct. The variances of the Organization Response to Labor Reforms, Perceived Operational Efficiency, and Perceived Business Performance are all significant ($p < .001$) at the latent construct level, which supports the assumption that these constructs exhibit substantial unexplained variation and are therefore meaningfully represented in the model. Generally, the findings indicate that the variance estimation for most observed and latent variables is sufficient, with the unproductive variance of OOOE3 suggesting possible improvements to the measurement model. Table 9 presents the standard measurement model estimates of the intercepts for the observed indicators and the latent constructs, along with the standard errors, confidence levels, and z-values with the corresponding levels of significance. Intercepts of the observed variables in terms of Organisation Response to Labour Reforms in terms of Clarity, Flexibility, Realignment, and Strategy are all high with the range of 3.760 to 4.131, and they are all significant at the 0.001 level.

Table 9: Intercepts

Measurement Item			95% Confidence Intervals			
Variable	**Intercept**	**SE**	**Lower**	**Upper**	**z**	**p**
Clarity	3.917	0.066	3.787	4.048	58.918	<.001
Flexibility	4.076	0.064	3.950	4.201	63.524	<.001
Realignment	4.131	0.050	4.033	4.228	82.889	<.001
Strategy	3.760	0.050	3.662	3.859	75.001	<.001
OOOE1	3.686	0.067	3.555	3.817	54.965	<.001
OOOE2	3.901	0.058	3.788	4.015	67.329	<.001
OOOE3	3.959	0.083	3.797	4.122	47.830	<.001
OOOE4	3.913	0.087	3.742	4.084	44.798	<.001
OOOE5	3.988	0.091	3.810	4.167	43.740	<.001

OOBP1	4.285	0.084	4.120	4.450	50.974	<.001
OOBP2	4.192	0.083	4.030	4.354	50.646	<.001
OOBP3	4.244	0.090	4.068	4.421	47.146	<.001
OOBP4	3.988	0.071	3.849	4.128	56.016	<.001
OOBP5	4.453	0.076	4.304	4.603	58.301	<.001
Organization Response to Labor Reforms	0.000	0.000	0.000	0.000		
Perceived Operational Efficiency	0.000	0.000	0.000	0.000		
Perceived Business Performance	0.000	0.000	0.000	0.000		

This implies that the respondents, on average, gave quite high scores to these items, indicating a relatively positive opinion of the organisation's responses to the labour reforms. Equally, the measure of Perceived Operational Efficiency (OOOE1 to OOOE5) has intercept values ranging from 3.686 to 3.988, all of which are very significant ($p < .001$). These findings indicate that, on average, the respondents rated operational efficiency at a moderately high level across all dimensions, with small confidence intervals and large z-values, indicating the accuracy and consistency of these estimates. The intercepts are relatively larger for Perceived Business Performance, with the highest value being 4.453, but OOBP5 includes more intercepts with higher mean values (3.988-4.453). All indicators of business performance are statistically significant ($p < .001$), indicating strong, consistent positive perceptions of organisational performance among respondents. The intercepts of the latent constructs Organisation Response to Labour Reforms, Perceived Operational Efficiency, and Perceived Business Performance are set to zero, which is an ordinary identification constraint in structural equation modelling that determines the scales of the latent variables. In general, the Table shows that all indicators observed have statistically significant, relatively high baseline values, suggesting that respondents overall perceive positive organisational responses, operational performance, and business performance.

6. Discussion

The main aim of the research was to investigate the influence of organizational reactions to labor reforms in India on managerial judgement of operational efficiency and business performance, and to examine how perceived operational efficiency would link responsiveness to regulation with overall organizational performance. The research results revealed that organizational reactions to labor reforms were a determining factor in how managers measured internal efficiency and business performance. This implied that regulatory change was not an independent entity but rather shaped how organisations perceived, internalised, and strategically responded to the evolving labour regulatory environment. The analysis showed that active organisational responses to labour reforms positively affected perceived operational efficiency by enabling firms to streamline operations, reduce compliance-related uncertainty, and align workforce management with regulatory requirements. This phenomenon aligns with institutional theory, which highlights that organisations that strategically adapt to regulatory pressure are more likely to stabilise their operations and enhance internal coherence. Al-Shaiba et al. [4] also reached similar conclusions, stating that managerial clarity and a systemic response to external change enhanced organisational performance and alleviated operational ambiguity. The current research applied this to the labor reforms topic and found that regulatory responsiveness initiated efficiency-based organizational change. In addition, the research revealed that the organisational reaction to the labour reforms directly affected managerial perceptions of business performance.

This showed that regulatory reforms were not only compliance-based requirements but also tools for shaping competitiveness, growth orientation, and long-term strategic position. This result was consistent with the existing literature, which indicated that firm performance was affected by regulatory environments through managerial interpretation and strategic orientation, rather than solely by regulatory content. The research, therefore, confirmed the perception that business performance outcomes were strongly related to how organizations structured and operationalized various legal reforms within their strategic plans. Notably, the results showed that perceived operational efficiency served as a mechanism through which the organisational response to labour reforms shifted toward a more positive perception of business performance. This implied that efficiency was an internal channel linking regulatory adaptation to performance outcomes. Previous research in human resource management and organizational performance had also pointed out efficiency gains resulting from institutionalized HR and compliance practices as a contributor to improved organizational results. These findings were supported by the current study, which found that efficiency was not only an operational consequence but also a perception bridge that enhanced the linkage between regulatory responsiveness and business performance. Combined, the findings highlighted organizational reactions to labor reforms that have both direct and indirect effects on business performance, thereby enabling operational efficiency.

7. Conclusion

This was in line with previous empirical data indicating that strategic adaptation to institutional change produced stratified effects on organisational performance, including process-level benefits and performance-level advantages. The study contributed to the expanding interdisciplinary literature that connects perspectives on labor regulation and business administration to organizational outcomes. The research concluded that organisations' labour reform behaviours were vital in shaping managers' perceptions of operational efficiency and business performance. The organisations' responses to the regulatory change affected not only internal operations but also overall organisational success. Positive reactions to labor reforms have been linked to better coordination, clearer understanding of compliance, and better alignment of regulatory demands with the organization's, all of which have reinforced views on operational efficiency. The paper also found that enhancing operational efficiency was the key to transforming the regulatory responsiveness into positive perceptions of business performance. Efficiency was an internal process that helped organizations transform regulatory acclimatization into organizational gains. This meant that the results of labour reforms were not in vain, as organisations ceased to comply with procedures and incorporated the changes in regulations into their strategic and operational decision-making. Generally, the research has also shown that labour reforms did not determine organisations' outcomes perse; rather, organisations' responsiveness, adjustments, and strategic alignment within the new regulatory environment led to the outcomes. The results highlighted the role of managerial perceptions and organizational practices in making labor reforms an opportunity to achieve higher efficiency and long-term business performance.

7.1. Study Implications

The research results had significant implications for corporate management, policymakers, and organizational practice, with reference to labor reforms in India. In terms of management, the study suggested that labour reforms did not determine organisational outcomes, but rather the quality and efficiency of organisational responses to them. Managers had to think of labor reforms not just as a compliance requirement but also as a strategic tool that could enhance operational processes and overall business performance. The paper hypothesized that organizations could improve coordination, reduce uncertainty, and incorporate labor compliance into their overall strategic plans by proactively engaging with regulatory changes. The research also suggested that operational efficiency was core to transforming regulatory responsiveness into positive business results. Those organizations that incorporated labor reforms into their internal systems, human resources policies, and decision-making frameworks were better positioned to achieve efficiency gains. This emphasized the importance of companies investing in formal compliance IT systems, managerial development, and responsive HR systems that balance regulatory imperatives with organizational objectives. The results suggested that efficiency should be regarded as a strategic capability rather than a by-product of compliance.

Policymaking: The study suggested that, depending on the clarity with which labor reforms were explained and the ease with which organizations could turn them into practice, their effectiveness was highly dependent. The policymakers were urged to foster clarity, consistency, and support for implementation to ensure that the labour reforms promoted organisational adjustment rather than regulatory burden. The research proposed that positive interaction between regulators and corporate stakeholders might enhance the pragmatic effects of labour reform and facilitate the smoothness of organisational transitions. At the organizational level, the research suggested that senior leadership was very important in shaping perceptions and reactions to labor reforms. The leadership's commitment to the regulatory adjustments predetermined managers' interpretations of the reforms and their successful operationalisation. The results highlighted the need to nurture a regulatory-conscious organizational culture in which compliance, efficiency, and performance are seen as complementary rather than mutually exclusive. In general, the research suggested that labor reforms might be the engines of organizational upgrading when companies adopt a strategic, responsive approach. Regulatory responsiveness helped organisations respond to regulatory changes and maintain competitiveness in the long run, as it is coupled with operational efficiency and performance goals.

7.2. Future Scope of the Study

Several limitations and contextual boundaries established by the current research extended the scope of future research. Future research might build on this study by adopting a longitudinal design to investigate how organisational reactions to labour reforms changed over time and how long-term adjustment to the regulatory environment affected operational efficiency and business performance. This would enable researchers to record changes in managers' perceptions and strategies as organizations became familiar with the regulatory structure. Future studies may also focus on sector-specific analysis to determine whether corporate reactions to labour reforms varied across manufacturing, service, and technological sectors. The nature of comparative studies across firm sizes, ownership structures, and regions might also deepen understanding of the impact of organizational features on regulatory responsiveness and performance outcomes. It should also be noted that the views of various stakeholders, such as employees, labor unions, and policymakers, could be included in future research to provide a more comprehensive picture of the organizational and social consequences of labor reforms. There was even more space to incorporate qualitative techniques, including in-depth interviews and case studies, to augment quantitative results and provide more detailed information about how managers make decisions and adapt to changes in their strategy. The moderating roles of organizational culture, leadership orientation, and institutional support systems in shaping the relationships among labor reforms, operational efficiency, and business performance could also be examined in future research. These extensions would further enhance theoretical and practical understanding of how labor reforms are translated into tangible organizational outcomes.

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