

Impact of Employee Participation on Decision Making In Nigerian Banking Sector

Dr. Cross Ogohi Daniel

Department Of Public Administration/ Banking and Finance

Nile University Of Nigeria, Abuja

Corresponding Author: Dr. Cross Ogohi Daniel

Abstract: *This study has examined the impact of employee's participation on decision making in Nigerian banking sector and the research objectives of the study were: to find out how Employee participation in decision making has a significant impact on organisational performance and to ascertain the level of workers participation in decision making of the organizations. The research design was descriptive in nature. To guide the study, objectives of the study, research hypotheses were designed. An in-depth review of related literature was carried out. Primary data method was used for the study and the instrument used was a questionnaire survey designed using the Likert scale questionnaire format and administered to 102 respondents. Findings in the study showed that employee's participation in decision making impacts on the performance of organisations in Nigeria. The results of the study indicate a statistically significant relationship between employee involvement in decision making and organisational performance. The findings also reveal the involvement of participating organisations in employee involvement in decision making. The implications of this study include the need for banking sector to demonstrate high level of commitment to employee involvement in decision making for performance enhancement.*

Date of Submission: 04-02-2019

Date of acceptance:22-02-2019

I. Introduction

Decision-making in organizations has been the domain of top management but without the participation of those on the lower treads of the ranking of management, yet they are the very ones expected to see to the implementation of these decisions (McGregor 1960).

Marchington (2001) saw employee participation as a feature of soft rather than hard Human Resource Management, (HRM). In organisation with a hard orientation, Marchington (2001) considers that the 'numbers-driven', cost-cutting mindset reduces participation to a one-way communication channel. This contrasts with organizations that are true believers in employees as their 'greatest asset' where there is a strategic pledge to sharing information and views and achieving a workplace culture that meets business needs. (Bennett, 2010) describes employee participation as a form of employee voice initiative which may be seen differently by Human Resource (HR) experts and unions.

Employee participation is considered a key element in the successful implementation of new management strategies and plays an important role in determining the degree of good organizational citizenship behavior (Harber and Marriot, 1991). This in turn, increases the commitment of the employee as well as their motivation. Furthermore, Higgins (1982) argues that participation is a mental and emotional replication that will lead to the fulfillment of individual and organizational goals, especially if supported by the organization's climate. For instance, (Appelbaum et al., 2000) argue that the opportunity to participate in decision making helps to create trust between workers and supervisors and to produce intrinsic rewards.

Employee participation in decision making has become a significant topic in human resource management (HRM), and is regarded as one of the chief ingredients of employee voice, which many management scholars have observed to be a growing management concept. Several studies have shown that allowing employees to participate in decision making leads to increase in motivation, job performance, and organizational growth (Kim et al, 2010; Bhuiyan, 2010; and Brown 1982).

Decision making is shared at all levels of management. It is observed that decision making in Japanese organisation are focused on defining questions or issues rather than on finding solutions. Thus all levels of the organization are involved in this process.

The banking sector in Nigeria has been a focal subsector; but little is probably known about the influence of its employee participation in decision making on organisation' performance. The particular attention in banking emanates from the conviction that the sector is a potential instrument of modernization, a creator of jobs, and a generator of positive spill-over effects (Tybout, 2000). Moreover, the growth in banking

sector output has been a key element in the successful transformation of most economies that have seen sustained rises in their per capita income (Soderbom and Teal, 2002).

Focus should therefore be on banking and those factors that may foster its growth. Thus, the justification for this study is on banking organization in Nigeria. A modern forward-looking business does not keep its employees in the dark about vital decisions affecting them. It trusts them and involves them in decision making at all levels. "Command and control" is no longer an adequate model. A more open and collaborative framework will exploit the talents of all employees (Hewitt, 2002).

II. Statement Of The Problem

The major problem for employee participation in decision making is resistance to change by management. Managers create an organizational culture that reflects their own philosophies and styles of management and reinforce their strategies and control. Employee participation in decision making poses threat to the more autocratic manager. Many managers tend to resist participation because it is contrary to their habit-formed ways of thinking and behaving. In addition, failure to respond to employee commendations is an example that reduces employee participation in decision making. If management does not acknowledge employees endorsements, employees rapidly conclude that management has no interest in their ideas.

Many researchers have taken a more universal approach to studying employees' participation in decision making, arguing that participative decision making requires a certain context over and beyond a set of programs or techniques. Without the redesign of work, employee participation efforts can even have a negative effect. Participative approach such as delegation gave mixed results, especially in public organizations. In contrast, participative decision making that gives employees the opportunity to make substantive changes in their work is a tool for large-scale organizational change.

In the light of the above, this study therefore is set to determine the impact of employee's participation in decision making and its influence on Nigerian banking sector.

III. Objectives Of The Study

The purpose of the study was to identify the impact of employee participation on decision making in Nigerian banking sector. Moreover, the specific objectives are;

- i. To find out how Employee participation in decision making has a significant impact on organisational performance
- ii. To ascertain the level of workers participation in decision making of the organizations.

IV. Research Hypotheses

The researcher formulates the following hypotheses based on the objectives and problems of this research work

- H₁: Employee participation in decision making has a significant impact on organizational performance
H₂: There are significant levels of workers participation in decision making of the organizations.

V. Literature Review

5.1 Conceptual Framework on Employees Participation

The concept of employee participation emphasizes the need for cooperation between employer and employee, and for employees to share in the decision making processes of management (Bendix, 2001). Employee participation entails the participation of the employee in as many facets of his/her work life as possible; this may occur either directly or indirectly through, which are the representatives of the employees (Bendix, 2001).

Employee participation can either be direct or indirect. In direct participation employees are involved in the activity or process. In the case of indirect participation, their involvement occurs through TU(s), which are the employees' representatives (Bendix, 2001).

In the same vein Kester (2007) states that indirect participation is a situation where employees share in some or all decisions that are made in the workplace via their representatives. The following are some of the reasons for employee participation: Firstly, making employees to participate in the decision making of an undertaking is an acknowledgement of the vital role that employees play in an organisation, and is also recognition of their economic rights (Venter et al., 2009).

Secondly, engaging the employees in decision making is an extension of the principles of democracy in the workplace, where employees can exercise greater influence over decisions that affect their lives at work (Davis & Lansbury, 1992). Lastly, engaging employees in decision making will help to reduce turnover, absenteeism, the number of grievances, and will result in a more cooperative relationship between management and labour (Massarik&Tannenbaum, 1999).

Employee participation in decision making, sometimes referred to as participative decision-making (PDM) is concerned with shared decision making in the work situation (Mitchell, 1973). Locke and Schweiger (2007) define it as 'joint decision making' between managers and subordinates.

A high degree of participation (deep employee participation in decision making) means that all categories of employees are involved in the planning process. Conversely, a low degree of participation (shallow employee participation in decision making) indicates a fairly exclusive planning process (Barringer&Bleudorn, 1999) which involves the top management only. A deep employee participation in decision making allows the influence of the frontline employees in the planning process. This means that employee participation in the planning process surrounding the potential innovations may facilitate opportunity recognition throughout the organisation.

5.2 Different Levels of Employee Participation

Levels of participation refer to the extent, which employees or their representatives influence decision making in an enterprise. This can range from employees simply being informed about management decisions through two-way communication, and up to a stage where employees have joint or full control over decision making in an enterprise (Du Toit et al, 2010). A distinction is usually drawn between three levels of participation within an organisation (Nel et al., 2005).

i. Low-level participation

At this level of participation, management makes an effort to improve communication and attitudes, but still views employees as relatively passive (Du Toit et al, 2010). Here participation of employees is usually via staff bodies.

ii. Mid-level participation

This takes place when an employee participates in the decision making processes of the plant or establishment, concerning, for example, the way in which the company's rules, regulations, and disciplinary procedures should be applied and executed (Nel et al., 2005). According to Du Toit et al, (2010), at this level management seeks to actively involve the employees in productivity and cost management.

iii. Top-level participation

At this level management views the employees as partners in the enterprise and rewards efforts through gain sharing or profit sharing schemes (Du Toit et al, 2010). Here, top management and the representatives of employees decide on issues of strategic importance for the organisation as a whole (Nel et al., 2005).

5.3 Organisational Performance and Employee Participation

Gunasekaran et al (1994) define organizational performance as a combination of the efficiency and effectiveness of an organization. There is growing evidence that organisational performance rests increasingly on the involvement of workers in decision making. Scholars have argued that employee involvement contributes to organisational efficiency because it has the capacity to enhance the quality of decision making by increasing the inputs and promotes commitment to the outcomes of the decision making process in the workplace (Markey, 2006).

According to Spreitzer et al. (1997), workers who have greater choice concerning how to do their own work have been found to have high job satisfaction and consequently high performance. A significant relationship between frequency of employee's consultation and organisation commitment has also been established (Noah, 2008). While employee involvement may reside at the core of many contemporary practices and research, the extent to which organisational-level performance gains are actually achieved through decentralizing decision-making authority to lower level employee remains unclear (Richardson et al., 2002).

Latham et al. (1994) contend that there is much less research evidence for the value of employee involvement on quality decision making. Scholars have also argued that employees' involvement in decision making may primarily serve to make them feel good about their jobs and organisations but do little to increase firm's performance (Wagner, 1994).

Amos et al. (2008) define organisational performance as the ratio of outputs to inputs, where performance effectiveness and efficiency are measures of organisational performance. Effectiveness refers to achieving organisational goals, which is directly linked to levels of customer satisfaction, while efficiency refers to the cost of resources in relation to goal achievement (Amos et al., 2008).

5.4 Benefits of Employee Involvement in Decision Making

There is an assumption held by many scholars and managers that if employees are adequately informed about matters concerning them and are afforded the opportunity to make decisions relevant to their work, then there will be benefits for both the organisation and the individual (Shadur et al., 1999). Hence, the following are the benefits of employee involvement in decision making:

- i. It increases employee’s morale or job satisfaction and enhances productive efficiency.
- ii. It provides employees the opportunity to use their private information, which can lead to better decisions for the organisation.
- iii. As a result of the incorporation of the ideas and information from employees, organisational flexibility, product quality, and productivity may improve.
- iv. It contributes to greater trust and a sense of control on the part of the employees
- v. Through employee involvement, resources required to monitor employee compliance (e.g., supervision and work rules) can be minimized, hence reducing costs
- vi. When employees are given the opportunities of contributing their ideas and suggestions in decision making, increased firms’ performance may result since deep employee involvement in decision making maximizes viewpoints and a diversity of perspectives.

VI. Methodology

This research therefore covers one selected banking organisation in Abuja, First City Monument Bank(FCMB), Asokoro. Secondary data were obtained through books, journals, and internet. Empirical works of other scholars were consulted. A sample size of 102 was obtained from the population of 137 at 5% error tolerance and 95% degree of freedom using Yamane’s statistical formula $102(100\%)$ of the questionnaires distributed 90(88.2%) were returned and 12(11.8%) were not returned. The questionnaire was designed in Likert scale format. The researchers conducted a pre-test on the questionnaire to ensure the validity of the instrument. Pearson moment product co-efficient and regression analysis were used to test the hypotheses.

VII. Test Of Hypotheses

This research shall here apply the technique described in the methodology to test for the validity of the hypotheses.

Test of Hypothesis One

- H₀: Employee participation in decision making has no significant impact on organizational performance
 H₁: Employee participation in decision making has a significant impact on organizational performance

Table I. Descriptive Statistics

	Mean	Std. Deviation	N
Employee participation in decision making	1.7766	.51738	90
impact organizational performance	3.4727	.85386	90

Table II: Correlations

		Employee participation in decision making	impact on organizational performance
Pearson Correlation	Employee participation in decision making	1.000	.682
	impact on organizational performance	.682	1.000
Sig. (1-tailed)	Employee participation in decision making	.	.000
	impact on organizational performance	.000	.
N	Employee participation in decision making	90	90
	impact on organizational performance	90	90

Table III: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.682 ^a	.465	.463	.37899	.064

- a. Predictors: (Constant), Employee participation in decision making
 b. Dependent Variable: impact on organizational performance

Table IV: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	47.778	1	47.778	332.632	.000 ^a
	Residual	55.012	302	.144		
	Total	102.790	303			

- a. Predictors: (Constant), Employee participation in decision making
 b. Dependent Variable: impact on organizational performance

Table V: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.342	.081		14.223	.000
	Employee participation in decision making	.413	.023	.682	18.238	.000

- a. Dependent Variable: impact on organizational performance

R = 0.682
 R² = 0.465
 F = 332.632
 DW = .064

Interpretation

The regression sum of squares (47.778) is less than the residual sum of squares (55.012), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.682, indicates that there is a significant relationship between Employee participation in decision making and impact on organizational performance. R square, the coefficient of determination, shows that 46.5% of the variation in impact on organizational performance is explained by the model.

With the linear regression model, the error of estimate is high, with a value of about 0.37899. The Durbin Watson statistics of .064, which is not tends to 2 indicates there no is autocorrelation. Employee participation in decision making coefficient of 0.682 indicates a positive significance between Employee participation in decision making and impact on organizational performance, which is statistically significant (with t = 14.223). Therefore, the null hypothesis should be rejected and the alternate hypothesis accordingly accepted.

Test of Hypothesis Two

- H₀: There are no significant levels of workers participation in decision making of the organizations.
 H₁: There are significant levels of workers participation in decision making of the organizations.

Table VI: Descriptive Statistics

	Mean	Std. Deviation	N
levels of workers participation	2.8253	1.27682	90
Decision making of the organizations.	3.1613	1.37593	90

Source: SPSS version 20.00

Table VII: Correlations

		levels of workers participation	Decision making of the organizations.
levels of workers participation	Pearson Correlation	1	.716(**)
	Sig. (2-tailed)		.000
	N	90	90
Decision making of the organizations.	Pearson Correlation	.716(**)	1
	Sig. (2-tailed)	.000	
	N	90	90

**** Correlation is significant at the 0.01 level (2-tailed).**

Source: SPSS version 15.00

Table (VI) shows the descriptive statistics with a mean response of 2.8253 and std. deviation of 1.27682 for levels of workers participation and a mean response of 3.1613 and std. deviation of 1.37593 for decision making of the organizations and number of respondents (90). By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

Table (VII) is the Pearson correlation coefficient for levels of workers participation and decision making of the organizations. The correlation coefficient shows 0.716. This value indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a significant impact between levels of workers participation in decision making of the organizations ($r = .716$). The computed correlations coefficient is greater than the table value of $r = .195$ with 383 degrees of freedom ($df = n-2$) at alpha level for a two-tailed test ($r = .716, p < .05$). However, since the computed $r = .716$, is greater than the table value of $.195$ we reject the null hypothesis and conclude that there are significant levels of workers participation in decision making of the organizations. ($r = .716, P < .05$).

VIII. Discussion of Results

Hypothesis one was tested using simple linear regression to find out how Employee participation in decision making has a significant impact on organisational performance. With a computed result ($r = 0.682$; $F = 332.632$; $t = 14.223$; $p < 0.05$).The null hypothesis was rejected and alternate hypothesis was accepted resulting in the conclusion that Employee participation in decision making has a significant impact on organizational performance

Hypothesis two was tested with Pearson’s product moment correlation in order to ascertain the level of workers participation in decision making of the organizations, with a computed result ($r = 0.716$; $p < 0.05$), the null hypothesis was rejected and the alternate hypothesis was accepted resulting in the conclusion that There are significant levels of employee’s participation in decision making of the organizations.

IX. Conclusions

The research concludes that the way employees’ participation in decision making is entrenched is reflective of the overall efficiency of the organisation. The degree is a major determining factor as carrying them along is not enough but allowing them participates is vital to improving performance and ensuring commitment. Therefore, how employees feel make an impact on their productivity levels. The levels of an employees’ commitment have a direct bearing on the sustainability and profitability of any business firm.

Employee participation has been found to have favourable impacts on employee attitude, commitment and productivity even also on the efficiency of the managers. Thus participative management should be seen as an inevitable tool in any organization both public and private. However before this could be done or undertaken, a thorough examination of the organization policy should be looked into and amended to affect this.

X. Recommendations

In this research, some recommendations have been made to increase the importance and benefits of employee's participation in decision making and its recognition.

- i. Managers should put more effort in encouraging their employees to come up with suggestions and useful decisions and endeavor to incorporate them into the organization's decisions and policy.
- ii. Managers should increase the frequency and level of worker participation in decision making considering the fact that they are the people carrying out the main operative work as they are in the better position to know what goes on those areas.

- iii. Every organization should endeavor to create a clear-cut understanding and notion of the concept of participative decision making to avoid confusion and clashes of interest between the employees and the managers.
- iv. More importantly is that the main objective of any scheme for participation should be specific and exact in any organization that care to enable workers recognizes the areas their suggestions and opinions are most needed.
- v. Considering the importance and benefits of participative management especially in the growth and stability of an organization, time and money investment on it should be made properly and wisely to avoid regrets.

References

- [1]. Amos, T., Hellriegel, D., Jackson, E., Klopper, H., Louw, L., Oosthuizen, T., Slocum, J., & Staude, G. (2008) *Management 3rd South African edition* Cape Town: Oxford University Press Southern Africa.
- [2]. Appelbaum, & al, e. (2000). *Manufacturing Advantage: why High Performance Systems Pay Off*. Ithaca, NY: Cornell University Press.
- [3]. Barringer, B. R., & Bluedorn, A. C., (1999). "The Relationship between Corporate Entrepreneurship and Strategic Management," *Strategic Management Journal*, 20(50), 421- 444.
- [4]. Bendix, S. 2001. *Industrial Relations in South Africa*. 4th ed. Lansdowne: Juta.
- [5]. Bennett, H. (2010). The Effects of Organizational Change on Employee Psychological, Attachment. *Journal of Managerial Psychology*, Vol. 42(2), pp. 126-147.
- [6]. Bhatti, K. K. & Qureshi, M. T. 2007. Impact Of Employee Participation On Job Satisfaction, Employee Commitment, And Employee Productivity. *International Review of Business Research Papers*, 3(2), pp 54-68. <http://www.bizresearchpapers.com/Bhatti.pdf>.
- [7]. Bhuiyan, M.H (2010). Employee Participation in Decision Making in RMG sector of Bangladesh: Correlation with Motivation and Performance. *Journal of Business and Technology (Dhaka)* 5(2), 122-132
- [8]. Brown, M. C (1982). Administrative succession and organizational performance: The succession effect, *Administrative Science Quarterly* 27, 1-16.
- [9]. Davis, M & Lansbury, D. 1992. Employee participation: Some Australian Cases. *International Labour Review*, 131(2), pp 231-48.
- [10]. Du Toit, D., Johann, M., Theron, J., & Shane, G. 2010. *Collective Bargaining in South Africa: Past, Present and Future*. Cape Town: Juta
- [11]. Gunasekaran, A., Korukonda, A. R., & Virtanen, I., & Yli-Olli. 1994. Improving productivity and quality in manufacturing organizations. *International Journal of Production Economics*, 36, pp 169-183. <http://www.sciencedirect.com/science/article/pii/S0925527394900221>. [Accessed: 05-5-12].
- [12]. Harber, D., & Marriot, F. (1991). Employee Participation in TQC: The Effect of Job Levels on Participation and Job Satisfaction. *International Journal of Quality and Reliability Management*, Vol. 8(5), pp. 121-134.
- [13]. Hewitt, P. (2003). *High Performance Workplaces: The Role of Employee Involvement in a Modern Economy*. www.berr.gov.uk/files/file26555.pdf
- [14]. Kester, G. 2007. *Trade unions and workplace democracy in Africa: Contemporary Employment Relations Series*. London: Ashgate Publishing
- [15]. Kingir, S., & Merci, M. (2010). Factors that affect Hotel Employee Motivation the Case of Bodrun, *Serbian Journal of Management*, Vol. 5(1), pp. 59-76.
- [16]. Latham, G.P., Winters, D.C., & Locke, E.A. (1994) Cognitive and Motivational Effects of Participation: A Mediator Study. *Journal of Organizational Behaviour*, 15: 49- 64.
- [17]. Machington, M., & Cox, A. (2007). *Employee Involvement and Participation: Structures, Process and Outcomes. (A Critical text 3rd ed ed.)*. Canada: Thompson.
- [18]. Massarik, F. & Tannenbaum, R. 1999. Participation by Subordinates in the Managerial Decision Making Process. In Matteson, M. & Ivancevich, J. (eds). *Management and Organisational Behaviour Classics*. 7th ed. Harvard: McGraw-Hill
- [19]. MacGregor, D. (1960) *The Human side of Enterprises*. New York; McGraw Hill.
- [20]. Markey, R. (2006). The Internalisation of Representative of Employee Participation and It's Impact in the Asia Pacific. *Asia Pacific Journal of Human Resources*, Vol. 44(3), pp. 329- 342.
- [21]. Mitchell TR. (1973) Motivation and participation: an integration. *Academy of Management Journal*, 16: 670-679.
- [22]. Nel, P.S., Swanepoel, B.J., Kirsten, M., Erasmus, B.J., and Tsabadi, M.J. 2005. *South African Employment Relations: Theory and Practice*. 5th ed. Pretoria: Van Schaik Publishers
- [23]. Nirenberg, J. (2001). "Leadership: A practitioner's perspective on the literature", *Singapore Management Review*, 23(1):1-33.
- [24]. Richardson, M., Stewart, P., Danford, A., Tailby, S., & Upchurch, M. (2004) 'Employees' Experience of Workplace Partnership'. Pp. 210-26 in M. Stuart & M. M. Lucio (Eds.), *Partnership and Modernization in Employee Relations*. Basingstoke: Pgrave.
- [25]. Schweiger, D.M. and Locke, E.A., (2007) Participation in Decision-making: One More Look. *Research in Organizational Behaviour*, 1: 265-339.
- [26]. Shadur, M.A., Kienzle, R., & Rodwell, J.J. (1999) The Relationship between Organizational Climate and Employee Perceptions of Involvement: The Importance of support. *Group and Organization Management*, 24 (4); 479-503.
- [27]. Soderbom, M., & Teal, F. (2002). *The Performance of Nigerian Manufacturing firms: Report on the Nigerian Manufacturing Enterprise Survey 2001*. United Nations Industrial Development Organisation (UNIDO) and centre for the study of African economies, Department of Economics, University of Oxford. 1-73.
- [28]. Spreitzer, G.M. Kizilos, M., & Nason, S. (1997) A Dimensional Analysis of Empowerment in Relation to Performance, Job Satisfaction, and Job-related Strain. *Journal of Management*, 23 (5): 679-704.
- [29]. Tybout, J.R (2000) Manufacturing firms in developing countries; how well they do, and why? *Journal of Economic Literature* 38:11-44.
- [30]. Venter, R., Bendeman, H., Conradie, M., Dwortzanowski-Venter, B., Holtzhausen, M., & Levy, A., 2009. *Labour Relations in South Africa*. 3rd Edition. Cape Town: Oxford University Press.
- [31]. Wagner, J.A. (1994) Participation's Effects on Performance and Satisfaction: A Reconsideration of the Research Evidence. *Academy of Management Review*, 19: 312- 330.