

## Effect of Employee Participation on Organizational Performance with Organizational Commitment as a Moderator

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### Abstract

The purpose of this study was to find out the impact of employee participation on organizational performance and to find out the moderating effect of organizational commitment on the relationship between employee participation and organizational performance. The study population comprised of 5866 employees of three state corporations namely: Mumias Sugar Company, Kenya Power and KenGen. The study adopted descriptive survey research design. The findings of the study were that employee participation had a significant effect on organizational performance. The study further showed that affective commitment, continuance commitment and normative commitment moderated the relationship between employee participation and organizational performance

Key words- *Employee participation, employee performance and organizational commitment*

### 1.0. Introduction

The 21<sup>st</sup> century business environment is fast paced and dynamic. Organizations are under pressure due to stiff competition. As such organizations must come up with strategies that will give them a competitive edge. Employee participation in decision making is one such strategy. Employee participation comes in many forms and varies from organization to organization.

Studies have reported that employee participation has a positive impact on organizational performance [1] [2] [3]. However, some studies have reported different findings. [4] surmise that the cost of implementing participatory management systems may far exceed the actual return and therefore employee participation has very little impact on organizational performance.

### 2.0. Objectives

The objectives of the study were: to establish the effect of employee participation on organizational performance in listed state corporations in the Nairobi stock exchange and to find out the moderating effect of organizational commitment on the relationship between employee participation and organizational performance.

### 3.0. Literature review

Employee participation and involvement

Employee involvement can be defined as the direct participation of staff to help an organization fulfill its mission and meet its objectives by applying their own ideas, expertise, and efforts towards solving problems and making decisions [5]. It is a special form of delegation in which the subordinates gain greater control and greater freedom of choice [6]. Employee participation is a process of employee involvement designed to provide employees with the opportunity to influence and where appropriate, take part in decision making on matters which affect them [7]. Participation can include representative participation, direct communication, and upward problem solving [5]. Dimensions of participation include giving employees an opportunity to achieve their goals, seeking ideas among the employees and assigning responsibilities to employees [8].

Employee involvement is based upon the recognition that the success of any organization is determined to a significant extent by the contribution of its employees. Employee involvement programs therefore seek to facilitate

the involvement (or participation) of employees in the company. The degree of involvement can either be high or low. A high degree of involvement will have all categories of employees being involved in the planning process while a low degree shows there is selectivity [6].

Forms of employee involvement can be classified as direct and indirect. Direct participation involves immediate personal involvement, while indirect participation involves some sort of employee representation [2]. Common forms of direct employee involvement include team briefings, suggestion schemes, job enrichment, job design, autonomous working groups, quality of working life programs and attitude surveys while indirect forms of participation include works councils, quality circles, board representation, involvement groups and task forces.

There are differences between employee participation and employee involvement. Literature suggests that employee participation is a pluralist/collective approach with a continuum from 'no involvement' to 'employee control' [9]. As such it may involve processes and mechanisms such as: collective bargaining, employee share schemes, works councils, worker directors and joint consultative committees. Employee involvement, in contrast, is more individualistic and unitarist. It aims to harness commitment to organizational objectives and relies on the maintenance of management control.

Renewed interest in employee participation in decision-making apparent in management and industrial relations literature is part of a number of corporate organizational changes in response to increasing competitive pressures arising in international markets during the 1990's [10]. As firms seek to 'globalize' their activities, they encounter competitive and uncertain market conditions.

The intensity of participation varies with the political environment, the managerial philosophy of the firm and the industrial relations environment in which it operates [5]. Authoritarian firms adopt downward communications while other firms will place a higher emphasis on direct participation involving two-way communication flows. Two-way communication is aimed at harnessing the expertise of their employees. There are firms that choose to emphasize representative participation as a means of providing a collective voice to their workers. The goal here is to counteract or stall union influence, or even from a genuine belief in

industrial democracy. Some others may institute an elaborate system of participation in order to achieve better decision-making and improved corporate flexibility [11].

### **Relational perspective on employee participation and organizational performance**

There are a number of ways through which participation is likely to impact on organizational performance. Participation may result in better decisions. Participation permits a variety of different views to be aired and people are more likely to implement decisions they have made themselves. Participation may improve communication and cooperation; employees communicate with each other instead of requiring all communications to flow through management, hence saving management time [5].

Participation also comes in handy through sharing information. Sharing of information may have a dual effect. It sends a message to the employees that the company trusts them and aids in making informed decisions because employees have access to critical information. Communicating performance data on a routine basis throughout the year helps employees to improve and develop [12]. Information sharing fosters organizational relationship among employees [13].

According to [14], participative workers supervise themselves, thus reducing the need for managers and so cutting overhead labor costs. Participation teaches workers new skills and helps train and identify leaders. Participation enhances people's sense of power and dignity, thus reducing the need to show power through fighting management and restricting production.

According to [15], there are three models by which participative techniques work. The cognitive model proposes that participation affects job productivity as a product of increased job knowledge. The affective model has it that that participation will fulfill employees' higher order needs which will impact on job productivity. The contingency model predicts different outcomes for participative techniques depending on the situation [15].

Studies conducted in different areas have documented their findings on the relationship between employee participation and organizational performance. In a Macedonian study, findings indicated that the effective use of employee involvement is positively related to perceived organizational performance [16].

In a Nigerian study by [1], results indicated a statistically significant relationship between employee involvement in decision making and firms' performance as well as a significant difference between the performance of firms whose employee involvement in decision making are deep and the performance of firms whose employee involvement in decision making are shallow. In another Nigerian study in selected SME's, results showed that, overall, employee participation in decision making had significant positive impact on organizational performance [2]. In a South African study, [3] found that employee participation has a positive impact on the Faculty's effectiveness, efficiency and productivity.

In a Kenyan study, it was found that employee involvement enhances job performance as deduced from the regression analysis of the relationship among the test variables which employee involvement accounted for 73.4% of the variations in job performance [17]. It was concluded that there is a strong, positive and significant relationship between employee involvement and job performance.

### Organizational commitment

In a study conducted in Pakistan and U.S.A., [18] concluded that investment in employee participation in an organization showed high employees' commitment, productivity and organizational performance. A study by [19] found that employee participation in decision making significantly influences university academic staffs' organizational commitment in Kenya.

Based on the literature reviewed, the following hypotheses were formulated:

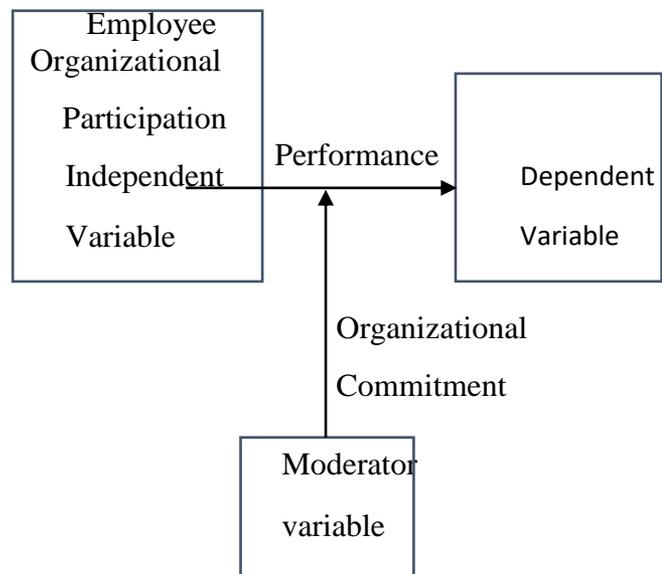
- H0<sub>1</sub>: There is no significant influence of employee participation on organizational performance in listed state corporations in the Nairobi stock exchange.
- H0<sub>2</sub>: There is no moderating effect of organizational commitment on the relationship between employee participation and organizational performance in listed state corporations in the Nairobi stock exchange.
- H0<sub>2a</sub>: There is no moderating effect of affective commitment on the relationship between employee participation and organizational

performance in listed state corporations in the Nairobi stock exchange.

H0<sub>2b</sub>: There is no moderating effect of continuance commitment on the relationship between employee participation and organizational performance in listed state corporations in the Nairobi stock exchange.

H0<sub>2c</sub>: There is no moderating effect of normative commitment on the relationship between employee participation and organizational performance in listed state corporations in the Nairobi stock exchange.

### Conceptual framework



### 4.0. Research methodology

Descriptive survey research design was adopted in this study. The study population comprised of 5866 employees of three state corporations namely: Kengen, Kenya Power and Mumias Sugar. The study sample was 361 respondents. The sample selected from Kengen was 126 employees, 122 from Kenya Power and 113 from Mumias Sugar Company. Simple random and stratified sampling techniques were used.

### 5.0. Data analysis and presentation

Data was analyzed using descriptive statistics namely frequency distributions, means, modes, percentages and standard deviations. Data was presented in form of tables, figures, bar graphs and charts.

To test the hypotheses, F-test was used. Multiple regression was applied in order to analyze the effect of employee participation on organizational performance as moderated by organization commitment. The following model was adopted:

$$Y = \beta_0 + \beta_1 X_1 + \beta_{iz} X_i Z + \varepsilon$$

where:

Y = Organizational performance

X<sub>1</sub> = Employee participation

Z = Organizational commitment

β<sub>0</sub> is a constant which denotes organizational performance that is independent of employee participation and organizational commitment.

ε is a random variable introduced to accommodate the effect of other factors that affect organizational performance within or outside high performance work practices, organization commitment that are not included in the model.

The model was first subjected to correlation to establish whether the variable was significant. F-test was further computed to determine the level of significance in the model. Null hypothesis was accepted or rejected based on the p-value obtained. The test was done at α = 0.05 level of significance.

## 6.0. Results and discussion

Influence of employee participation on organizational performance.

To find out the effect of employee participation and involvement on organizational performance, the model used showed that employee participation and involvement significantly influenced organizational performance on its own (r = 0.448, p-value < 0.001). Correlation results showed a positive moderate relationship (r = 0.448, p-value < 0.001). This implied that employee participation and involvement independently explain 20.0% of the variation in organizational performance (Y). The study Model to be tested was:

$$Y = \beta_0 + \beta_2 X_2 + \varepsilon.$$

Where

Y = Organizational performance

β<sub>0</sub> = Constant

X<sub>1</sub> = Employee participation

ε. = Error term

The fitted model equation for establishment of organization performance in the regression formula therefore is  $Y = 0.448X_1$ . The model equation shows that standardized organizational performance will increase by 0.448 units with one unit increase in standardized employee participation and involvement.

The results obtained showed a positive impact of employee participation and involvement on organizational performance. According to [20], participation of employees in decision making process and involving them in organization plans and goal setting has a positive impact on employees' commitment towards organizational performance. This finding that employee participation has a positive relationship with organizational performance is supported by [22] who assert that higher employee participation leads to higher employee performance and organizational commitment in general.

The hypothesis to be tested was, H<sub>01</sub>: There is no significant influence of employee participation and involvement in decision making on organizational performance.

The findings showed that there was a significant correlation of participation and involvement on organizational performance. Similarly, the F –test for this factor in the regression model was found to be significant  $F_{(1, 282)} = 70.524$ , p - value = 0.001).

Table 1: ANOVA table of employee participation on organizational performance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	30.511	1	30.511	70.524	.000 <sup>a</sup>
Residual	121.571	281	.433		
Total	152.082	282			

The hypothesis was therefore rejected since employee participation and involvement significantly influenced organizational performance positively. These results are in conformity with results reported by [14] who asserted that information sharing fosters organizational transparency which reduces turnover and forges synergistic working relationship among employees [13]. According to [22], workers who have greater choice concerning how to do their own work have

been found to have high job satisfaction and consequently high performance.

**Moderating effect of affective commitment on the relationship between training and development and organizational performance**

Table 2: Interaction between Employee participation and affective Commitment Regressed on Organizational Performance

Independent variable	Organization Performance		
	Beta	SE	B
Step 1- Independent Variable Employee participation	.492***	.064	.557
	R <sup>2</sup> =.242*** ΔR <sup>2</sup> =.242 F Change= 76.820 df=1,241		
Step 2- Moderating Variable Affective commitment	.258***	.062	.275
	R <sup>2</sup> =.299*** ΔR <sup>2</sup> =.058 F Change= .19.718 df=2,240		
Step 3 Interactions Employee participation * affective Commitment	.865**	.292	.725
	R <sup>2</sup> =.317*** ΔR <sup>2</sup> =.018 F Change= 6.158 df=3,239		

The results in Table 2 show the percent of variability in the dependent variable (organizational performance) that could be accounted for by the independent variable (interpretation of R-square). The findings reveal that the first model, employee participation interaction was significant (F (1, 241) = 76.820, p < 0.001) with R<sup>2</sup> value of 0.242 which is 24.2 per cent of variation. The moderating variable affective commitment was added to the

model in the step 2. The change in R<sup>2</sup> evaluated how much predictive power was added to the model by the addition of moderator variable (affective commitment) in second step. The percentage of variability accounted for went up from 24.2 per cent to 29.9 per cent when affective commitment was added. In the second model (affective commitment) was significant (F (2, 240) = 19.718, p < 0.001).

There was change in R<sup>2</sup> when the interaction term was obtained by multiplying the moderating variable (affective commitment) with independent variable (employee participation) in step three. The percentage of variability accounted for went up from 29.9 per cent to 31.7 per cent. The third model with interaction obtained by multiplying the moderating variable (affective commitment) with independent variable (employee participation) was significant (F (3, 239) = 6.158, P < 0.001). The results therefore show that affective commitment is a moderator on the relationship between employee participation and organizational performance. Therefore, hypothesis H0<sub>1a</sub>: Affective commitment does not moderate the relationship between employee participation and organizational performance was not supported. Therefore it was concluded that affective commitment moderates the relationship between employee participation and organizational performance.

Table 3: Interaction Effect between Employee participation and Continuance Commitment Regressed on Organizational Performance

Independent variable	Organization Performance		
	Beta	SE	B
Step 1- Independent Variable Employee participation	.496***	.063	.565
	R <sup>2</sup> =.246*** ΔR <sup>2</sup> =.246 F Change= 79.554 df=1,244		
Step 2- Moderating Variable Continuance commitment	.228***	.070	.295
	R <sup>2</sup> =.297*** ΔR <sup>2</sup> =.051 F Change= 17.604 df=2, 243		
Step 3 Interactions			

Employee participation *	.441**	.268	.358
Continuance Commitment			
	R <sup>2</sup> =.302*** ΔR <sup>2</sup> =.005 F Change= 1.781 df=3,242		

The results in Table 3 show the percent of variability in the dependent variable (organizational performance) that could be accounted for by the independent variable (interpretation of R-square). The findings reveal that the first model, employee participation interaction was significant (F (1, 244) = 79.554, p < 0.001) with R<sup>2</sup> value of 0.246 which is 24.6 per cent of variation. The moderating variable (continuance commitment) was added to the model in the step 2. The change in R<sup>2</sup> evaluated how much predictive power was added to the model by the addition of moderator variable (continuance commitment) in second step. The percentage of variability accounted for went up from 24.6 per cent to 29.7 per cent when continuance commitment was added. In the second model (continuance commitment) was significant (F (3, 243) = 17.604, p < 0.001).

There was change in R<sup>2</sup> when the interaction term was obtained by multiplying the moderating variable (continuance commitment) with independent variable (employee participation) in step three. The percentage of variability accounted for went up from 29.7 per cent to 30.2 per cent. The third model with interaction obtained by multiplying the moderating variable (continuance commitment) with independent variable (employee participation) was significant (F (3, 242) = 1.781, P < 0.001). The results therefore show that continuance commitment is a moderator on the relationship between (employee participation) and organizational performance. Therefore, hypothesis H0<sub>1b</sub>: continuance commitment does not moderate the relationship between employee participation and organizational performance was not supported. It was therefore concluded that continuance commitment moderates the relationship between employee participation and organizational performance. The association between (employee participation) and organizational performance is contingent on the level continuance commitment.

Table 4: Interaction Effects between Employee participation and Normative Commitment Regressed on Organizational Performance

Independent variable	Organization Performance		
	Beta	SE	B
Step 1- Independent Variable Employee participation	.496***	.063	.566
	R <sup>2</sup> =.246*** ΔR <sup>2</sup> =.246 F Change= 80.769 df=1,248		
Step 2- Moderating Variable normative commitment	-.034***	.025	-.051
	R <sup>2</sup> =.247*** ΔR <sup>2</sup> =.001 F Change= .361 df=2, 247		
Step 3 Interactions Employee participation * Normative Commitment	-.973**	.267	-.745
	R <sup>2</sup> =.270*** ΔR <sup>2</sup> =.023 F Change= 7.789 df=3, 246		

The results in Table 4 show the percent of variability in the dependent variable (organizational performance) that could be accounted for by the independent variable (interpretation of R-square). The findings reveal that the first model, employee participation interaction was significant (F (1, 248) = 80.769, p < 0.001) with R<sup>2</sup> value of 0.246 which is 24.6 per cent of variation. The moderating variable (normative commitment) was added to the model in the step 2. The change in R<sup>2</sup> evaluated how much predictive power was added to the model by the addition of moderator variable (normative commitment) in second step. The percentage of variability accounted for went up from 24.6 per cent to 24.7 per cent when normative commitment

was added. In the second model (normative commitment) was significant ( $F(2, 247) = 0.361, p < 0.001$ ).

There was change in  $R^2$  when the interaction term was obtained by multiplying the moderating variable (normative commitment) with independent variable (employee participation) in step three. The percentage of variability accounted for went up from 24.7 per cent to 27.0 per cent. The third model with interaction obtained by multiplying the moderating variable (normative commitment) with independent variable (employee participation) was significant ( $F(3, 246) = 7.789, P < 0.001$ ). The results therefore show that normative commitment is a moderator of the relationship between (employee participation) and organizational performance. Therefore, hypothesis  $H_{01c}$ : normative commitment does not moderate the relationship between was not supported. Therefore it was concluded that normative commitment moderates the relationship between employee participation and organizational performance.

### 7.0. Conclusions

Results showed there is a significant influence of employee participation and involvement on organizational performance. Results further revealed that affective commitment, continuance commitment and normative commitment moderated the relationship between employee participation and organizational performance.

### 8.0. Recommendations

Management should encourage employees to give meaningful suggestions and participate more in decision making as this enhances organizational performance. Measures should be put in place to increase employee participation and organizational commitment.

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