

# Participatory Management and Organizational Performance of Manufacturing Firms Rivers State

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**Abstract:** *Participatory management induces worker satisfaction, motivation and commitment to work when work environment is perceived to be supportive and encouraging; this study examined the relationship between participatory management and organizational performance of manufacturing firms in Rivers State, Nigeria. Cross sectional research design was adopted in studying fifteen (15) of these firms. We included all levels of employees to constitute our respondents constituting the population of the study. From the field survey, one hundred and eighty three (183) copies of questionnaire were retrieved and analyzed from the participants; Spearman's rank correlation coefficient statistical tool was used to determine the relationship existing between the variables while the p-value obtained were used to test hypotheses developed for the study. Findings revealed the existence of significant relationship between the dimensions of participatory management namely; decision domain, degree of participation and structure, and organizational performance. It was then concluded that practices directed at enhancing levels of participation of subordinates in the decision making process should be encouraged in the organization as this will ultimately enhance the performance of workers thus leading to positive organizational outcomes. This gave rise to our recommendations for the manufacturing firms and other business organizations operating in this era of heightened competitiveness; that they should strive to involve every organizational member in the decision making even in strategic matters as each has vital input to lend and that way a sense of belonging is built in the workers to motivate them remain productive and contribute without restraints to the attainment of organizational goals and objectives.*

**Key words:** *Decision domain, Degree of participation, Structure and Organizational Performance*

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## Introduction

In today's turbulent business environment shareholders, and stakeholders has great expectation from modern managers and leaders of business organizations on the performance status of their establishments, they want to know the performance level of the organization where they have their investment and this is as a result of the impact of competition on the operations of businesses today, incessant changes in technologies, approaches and methods of processing goods and services to meet the ever changing needs of customers and other relevant stakeholders to whom the organization is obliged to. For success therefore, every organization irrespective of size and market share strives to retain high performance levels in the business environment in order to remain competitive and survive. There is no universal definition of organizational performance.

According to Ackers, Wilkinson and Dundon (2010) defined organizational performance as the achievement of the organizational goals and objectives in relationship to its standard. Marchington (2004) defined organizational performance as the accomplishment of the organization through the contribution of the employees to the strategic goals of the organization. Organizational performance simply refers to how well a firm is doing to get the vision, mission and the goals of the firm achieved (Verboncu & Purcaru, 2009).

Richard, Devinney, Yip and Johnson (2009) explained that organizational performance involves analyzing firm's performance against its objective and goals. In other words, firm performance comprises real results or outputs compared with targeted output levels, and the analysis focuses on three main outcomes; financial performance, product market performance and shareholders return.

Verboncu and Purcaru (2009) Managers must have knowledge of the performance level of their organizations from time to time in order to know the strategy they need to put in place to accomplish desired goals of their organization, and the assessment of performance was based on work, people and organizational structure (Georgopoulos & Tannenbaum, 1957). During the 60s and 70s, organizations started exploring new methods on how to evaluate their performance and at that time performance was defined as the ability of an organization to exploit its business environment in order to have access to the limited resources available. Later in the 80s and 90s, managers began to realize that the organization can be successful if they accomplish their goals (Lusthaus & Adrien, 1998).

## **Literature Review**

### **Concept of Participatory Management**

The term participatory management is important in today's business organization and is traceable back to scholars like Douglas McGregor, Kurt Lewin, Michael Porter, Chris Argyris (Marchington, 2004). Participatory management was introduced by Hawthorne in 1930s. In his experiment and he states that, workers feel satisfied, motivated, and committed to work when they perceived their work environment to be supportive and encouraging (Crane, 1979). Participatory management is a leadership style that helps organization achieve performance, in today's unbalanced business environment (Kalami & Tonsma, 2005); in the current business environment, employees have strong desire to be involved in decision making.

For any organization to be prosperous, the managers need to see their employees as vital resources and keep the staffs satisfied, because the performance of any organization is tied to their employees. Employee participation in decision making is not a current management practice and if applied appropriately it will improve organizational performance, productivity and job satisfaction (Chandrasekar, 2011). Globalization is putting pressure on manufacturing companies to produce quality products and services and for this to be accomplished managers are now engaging competent staffs who can make sound decisions that will help to achieve higher organization performance, participatory management helps to develop cooperative and powerful work force. Employees will identify with the organization when they feel a sense of involvement. In a psychologically supportive climate, employees are made to take responsibility, and contribute to the organization performance (Crane, 1979). Participatory management is used to satisfy employees and also motivate them in order to increase organizational productivity and performance (Hopes, & Wall, 1976). Participatory management is a form of management where staffs of an organization are actively involved in firms decision making process, managers who

understand the value of human skills and intellect apply the concept in other to seek a strong relationship with his employees. Managers know that employees are the key facilitators that deals face to face/and directly with the customers and satisfy their needs. To gain competitive advantage and beat competition in today's business world such that decisions to stay ahead of global or domestic competitors are made, this form of management is adopted by many manufacturing organization.

### **Decision domain and Organizational Performance**

According to Somech (2002), decision domain means the areas in which managers permits employees to make decision in an organization, and the broad areas are. Taking part in setting goals, designing the job, making decision that involve solving problems, defining the issues and setting the alternative course of action, setting company policies that might involve hiring, layoffs, profit sharing or investment. Decision making is the most vital operational activities managers undertake in other to ensure organizational are effectively managed. Decision making is an indispensable aspect of management function in all organization. The key decision areas of an organization are profitability, productive, innovation, product quality, mark share, growth and stability (Ramstad, 2008). Pot (2011) state that decision making is the way by which managers respond to the opportunities and threats that are facing them, by analyzing the options and making decisions about specific organizational goals and course of action, a good decision made by managers will help to improve organization performance.

Wood (1976) decision making is a managerial function that involves the process of identifying alternatives and choosing an alternative course of action that will help managers to solve potential problems and addressing an opportunity that open up in business. Effective decision will always lead to organizational productivity, and enhance performance. Somech (2002) stated that in today turbulent business environment, they are a lot of competition between organization, due to the scarce resources in other to harness resources and gain a competitive advantage over other competitors, and survive managers are now allowing employees to take part in decision making process and come up with innovative ideas that will improve productivity and product quality.

*H<sub>01</sub>: There is no significant relationship between decision domain and organizational performance of manufacturing firms in Rivers State.*

### **Degree of Participation and Organizational Performance**

Degree of participation means the steps/ stages of employee participation in decision making and the level of control employees have over their works and organization. Somech (2002) state the degree of participation as, autocratic decision making, information sharing, consultative decision making, democratic decision making. McGraw (2001), posits that in a democratic participation, the manager or leader gives up complete ownership of the decision and, let employees make decision about the organization. The manager then shares the problems that the organization is facing with the subordinate, and together they analyze the problem and arrive at a mutually accepted solution that will help the organization achieve performance.

Marchington (2004) in an autocratic participation style, the manager makes the decision on his or her own with all the information gathered from employees. The manager takes responsibility for the final decision. This is the best style managers use to make emergency decision. In information sharing managers gather all the necessary information from their employees and

then make the decisions, the reason manufacturer managers are gathering information from employees is because employees are the one that make use of direct resources of the organization, they are also closer to the customer of the organization than most managers (Weiss *et al.*, 1998)

*H0<sub>2</sub>: Degree of participation has no significant relationship with organizational performance of manufacturing firms in Rivers State.*

### **Participatory Management Structure and Organizational Performance**

Participatory management structure means the formal and informal participation within an organization. Pot (2011) Participatory management structure can be formal or informal, in a formal structure the decision is made by top management and passed down to the lower level employees who implement decision, made from above, employees are not usually solicited for their opinions or ideas about how their organization should operate, and this form of participation has not really contributed to organizational performance because it is only the top managers that makes decision about how productivity and product quality will be achieve, in this form of participation employee at the lower level of the organization are not consulted for their opinions on how to achieve organizational performance.

According to Ramstad (2008) In an informal participatory management structure, organizations does not operate under the guidelines of a written document that spells out the rules, regulation and claim of command, in this structure of participation managers are flexible, that is they give employees the authority to share in decision making. When manager gather to plan on how to improve performance through productivity and product quality, employees at the lower level are involved in the decision making process.

*H0<sub>2</sub>: Participatory management structure has no significant relationship with organizational performance of manufacturing firms in Rivers State.*

### **Relationship between Employee Participation in Decision Making and Organizational Performance in Manufacturing Companies**

There is a significant relationship between employee participation in decision making and organizational performance, for any organization to experience improve growth and performance, employees have to be involved in the decision making process (Hyman & Thompson, 1999). Many scholars are of the opinion that employee participation in decision making contributes to organizational ability to enhance the quality of decision making by increasing the inputs and promotes commitment to the workplace (Marchington, 2004).

Employees who are given the responsibility to take decision in their organization are found to be highly satisfied with their job and will lead to organizational performance. Organizational performance can be enriched by so many factors and employee participation in decision making is one of the factors. Mafini and Pooe (2013) stated that employee involvement is mainly for firms performance, in other word organizational performance will improve when staffs ideas are accepted by management. To maximize performance, employers of labor must value and train its most important resources which is the staffs, for performance to be achieved the organization needs the abilities, initiative and co-operation of every member process because the human resources is the greatest asset of every managers that seek to accomplish performance.

Employees are joyful when they are allowed by management to make decisions and when their suggestion is implemented. This will increase the self-esteem of the staffs and enhance performance of the organization.

**Methodology**

This study adopted a cross sectional survey research design in studying fifteen (15) manufacturing firms which forms our accessible population, however our study units include the managerial employees of the firms having that our unit of analysis is organizational and such employees are to stand in proxy for the organization. The human resource department provided us the data on functional departments within the organization. Of these fifteen firms, 299 copies of questionnaire were distributed; however we retrieved and analyzed one hundred and eighty three (183) copies from managers who were our study objects. The instrument with which we elicited data from the respondents is the questionnaire and was analyzed using Spearman's Rank order coefficient of correlation statistical tool.

**Results and Discussion**

Table 1.1: Spearman' rank order correlation coefficient: A test of association between the variables

			<b>Correlations</b>			
			Decision.Do main	Degree.o f.part	Part.Mgt.St ruc	Org.Perf
Spearman's rho	Decision.D omain	Correlation Coefficient	1.000	.872**	.973**	.887**
		Sig. (2-tailed)	.	.000	.000	.000
		N	183	183	183	183
	Degree.of.p art	Correlation Coefficient	.872**	1.000	.970**	.698**
		Sig. (2-tailed)	.000	.	.000	.000
		N	183	183	183	183
	Part.Mgt.St ruc	Correlation Coefficient	.973**	.970**	1.000	.825**
		Sig. (2-tailed)	.000	.000	.	.000
		N	183	183	183	183
	Org.Perf	Correlation Coefficient	<b>.887**</b>	<b>.698**</b>	<b>.825**</b>	<b>1.000</b>
		Sig. (2-tailed)	.000	.000	.000	.
		N	183	183	183	183

\*\* . Correlation is significant at the 0.05 level (2-tailed).

*SPSS output, Version 20 – Field Survey, 2020*

Table 1.1 presents Spearman's rank order correlation run to ascertain the relationship between leadership support and organizational performance as reported by one hundred and eighty three (183) respondents. A strong positive correlation coefficient value was reported between variables which were statistically significant (rho = .887\*\*, p = .000 < 0.05 (alpha value) this suggests that there is significant relationship between decision domain and the criterion variable; also degree of participation and organizational performance reported significant values of correlation (rho = .698\*\*, p = .000 < 0.05); accordingly, participation management structure and the criterion variable (organizational performance) reported significant values of correlation (rho = .825\*\*, n = 183, p = .000 < 0.05).

**Decision:** The null hypotheses stated are rejected and we state that there is significant relationship between the dimensions of participatory management and organizational performance of manufacturing firms in Rivers State.

### **Discussion of Findings**

The study examined the relationship between participatory management and organizational performance of manufacturing firms in Rivers State; three (3) hypotheses were formulated as tentative answers to research questions raised and were tested to find support for the propositions, thus;

- i. The result of the tested  $H_{01}$  revealed the existence of a significant relationship between decision domain and organizational performance; ( $\rho = .872^{**}$ ,  $p = .000$ ); according to Somech (2002), decision domain means the areas in which managers permit employees to make decision in an organization, and the broad areas are; taking part in setting goals, designing the job, making decisions that involve problem solving; this in turn motivates the productivity of individual workers in the organization; hence this theoretical position supports our empirical conclusion.
- ii. The tested  $H_{02}$  revealed the existence of a significant relationship between degree of participation and organizational performance; ( $\rho = .796^{**}$ ,  $p = .000 < 0.05$ ); McGraw (2001) stated that in a democratic participation, the manager or leader gives up complete ownership of the decision and lets individual employees make decisions; when this happens the morale of the workforce is enhanced to put in more effort in being productive.
- iii. The result of the tested  $H_{03}$  showed that structure and the measures of organizational performance reported significant relationship with each other ( $\rho = .818^{**}$ ,  $p = .000 < 0.05$ ); In the opinion of Ramstad (2008), in an informal participatory management structure, organizations do not strictly operate under the guidelines of written documents that spell out rules, regulations and chains of command and because the flexibility associated with the structure, a sense of responsibility is built in each worker to play his own part actively thus resulting into increased productivity levels in the system; this assertion again supports our empirical position.

### **Conclusion**

Empirical reports from data analyzed lend the following conclusions relative to the scope of our study; Decision domain directly relates with organizational performance; the domain will explain the concentration and source of decisions and how that every other organizational member respond to the outcome of such decisions, therefore when the domain is not strictly centered on the superiors and heads, positive outcomes will undoubtedly be elicited from subordinates for organizational wide success.

Accordingly, degree of participation is significantly related with organizational performance as it concerns how the organization includes its workers in the strategic decision and planning process; where the degree of participation is high, workers are more productive because they feel they are part of the organization, but where the reverse is the case, the sense of belonging that boosts their morale into high performance levels is taken away.

Similarly, the predominant structure had significantly reported a strong influence on organizational performance; this is as a result of perceived flexibility and ease and free flow of

communication across all organizational levels thus engenders involvement and all the positive outcomes thereof.

### **Recommendations**

Based on the conclusion of this study, the following are recommended;

- i. It is risky to operate or function within this era of heightened competitiveness without your front line employees having the knowledge of the fact that they relate with your customers, for this reason, modern organizations should strive to decentralize the decision domain in their given systems.
- ii. The workforce should be given considerable degrees of participation; this will boost their morale and perception as being regarded as valuable assets in the organization so as to work with their organization attain objectives and goals of the organizations.
- iii. Business organizations should ensure flexible structures are maintained such that will not hinder free flow of information across departments and units, so that every information obtained from the environment is immediately processed and translated into outputs to yields favorable returns for the organization.

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