

# Effect of Employees Participation in Decision Making on productivity of Organisation a Study with Reference to Manufacturing Companies

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**Abstract---** This study has examined the impact of employee participation in decision making and its effect on organizational performance. Data were generated by means of questionnaires. The sample for the study was 200. Out of the 200 questionnaires administered, 160 were responded. Responses from the outcome of the study were statistically analyzed using descriptive statistics, correlation, regression analysis, ANOVA and chi-square test. The results of the study indicate a statistically significant relationship between employee participation in decision making and firms' performance as well as reveal a significant difference between the performance of firms whose employee participation in decision making are deep and the performance of firms whose employee involvement in decision making are shallow.

**Keywords---** Employee Participation, Decision Making, Firms Performance, Participative Management.

## I. Introduction

There is an increasing demand for committed employees who need little or no supervision to carry out their jobs efficiently for the good of the organization. It has also been argued that strategic group membership and associated collective behaviours are the primary sources of durable differences in firm profitability and organization effectiveness. Organizational cultures characterized as "highly engaged" tend to strongly encourage employee participation and create a sense of ownership and responsibility. Consequently, out of this sense of ownership grows a greater commitment to the organization and an increased capacity for autonomy. Participative decision making entails building human capacity, ownership and responsibility. It is very necessary as it leads to united vision, values and purpose. Employees reduce cost through recommendations to senior executives. Based on the foregoing, employee participation means employees involved in decision making and implementation in the organizations. It is measured by how well employees have sense of ownership and responsibility towards the organization. It reflects on the level of employee commitment.

The problem of modern organizations stem from the way their employees are managed. Managers tend to focus more on the technical, to the neglect of the conceptual and human dimensions, of management for several reasons. The situation only changed with the emergence of organizational behaviour that focuses on human behaviour in organizations. Managers do not focus properly on people management issues as they manage through rules, systems and procedures. Consequently, unrealistic targets are set and the effect on the staff feelings and moral climate is often ignored. This results in increased resignations, poor customer services, unethical practices that lead to poor assets quality and loan losses, faulty recruitment and placement processes. Involvement of employees has been identified as an important dimension of corporate culture that influences its effectiveness. Despite this growth of scholarly publications on employee participation and organizational effectiveness, little empirical evidence exists in developing countries. To bridge this gap in literature, this study examines the relationship between employee participation and organizational effectiveness in the Manufacturing industry. In this paper we shall examine the relationship between employee participation and organizational effectiveness.

## II. Literature Review

Denison(2007) states that engagement refers to the level of participation by members in an organization's decision-making process. It also refers to the sense of responsibility and commitment thereby engendered.

Komal Khali Bhatti and TahirMasoodQureshi (2007)has examined that employee participation not only an important determinant of job satisfaction. It will have a positive effect on employee's job satisfaction, employee

commitment, and employee productivity. Increasing employee participation is a continuing process, which demands both attention from management side and proposal from the employee side.

Jeremy Mitonga (2012) the study highlighted that the participant's perceptions of a leader's behavioral style have a significant pressure on their perception of employee's participation. The male participants professed their leader's style appreciably more positive than their female counterpart.

KomalKhalidBhatti (2011) the study stated that savings in employee participation in an organization showed better result, high employees dedication and output, development of preferred knowledge, skills, attitudes and other behaviors result in higher job satisfaction and organizational performance.

E.O.Olorunsola and AbidodumOyebajiOlayemi, (2011) has stated that secondary school teachers enjoyed active involvement in decision making process. Involvement of teachers in decision making shows that they are well empower and they are seen as resources with knowledge and experience that are tapped.

Tzu Shian Han. et.al, (2010)emphasized that the effect of employee participation in decision making on employees positive cognition and attitudes which can lead to their knowledge sharing behaviour. Participation of employee in decision-making was a positive association with emotional ownership.

S. Subbhulakshmi, et.al (2014) the author focused that the employees participate in decision making of management through quality circle. Participation in decision making of employees can be improved with support of administration, facilitators and supervisors of quality circle.

RhodahNyasaniMakinda and JosephatKwasira (2012) have revealed that decision making by employees influences on their organization presentation. Brain storming session should be given priority during staff meetings. When coming up with decisions brain storming session input should be built-in to act as a way of motivating employees.

### **III. Research Gap**

After reviewing the descriptive and empirical research on employees' participation in the organisational performance. Thereseachers clearly identify two issues which are untouched at national and international level namely

- a) What is the important factor implying employee's participation in decision making?
  - b) Is there is any direct relationship between employee participation and organisational performance?
- Hence the literature completely focuses on these two research gap.

### **IV. Objectives of the Study**

1. It studies the factors responsible for employee participation in decision making.
2. To find the relationship between employee participation and organisational performance.

#### **4.1. Hypothesis**

There is no relationship between employee participation and organisational performance in manufacturing companies.

### **V. Research Methodology**

This study is based on primary data collected from the employees of manufacturing companies in Chennai,kanchepuram and Thiruvallur district. The researcher constitute questionnaire based on gap in the research.

#### **5.1. Questionnaire Designed**

The questionnaire consists of three parts namely personal, organisational profile of the employees, employee's participation variable and organisational performance variable. In the first half the questionnaire consists of only optional type's questions whereas second and third part consists of statement in Likert five point scale.

#### **5.2. Pilot Study**

A preliminary investigation is done to check the reliability of the research instrument developed by researcher. At the initial stage the researcher collects 60 responses from six popular manufacturing companies. The reliability is obtained through Cronbach's alpha method. It is found that Cronbach alpha value is 0.897 which is above the bench mark value of 0.75; it states that the research instrument is highly reliable.

### 5.3. Data Collection

After the pilot study the researcher circulated the questionnaire in top ten manufacturing companies. The researcher circulated ten questionnaires in each manufacturing companies. After circulating 200 questionnaire the researcher obtained 160 filled in respondents hence sample size of the research is 160.

### 5.4. Sampling Selection

The researcher applied convenience sampling method to obtain the responses from the employees of the manufacturing companies.

Even though the sample is selected through convenience sampling method the data is treated for the multi-variate test to check for it valuation.

Factor analysis method and cluster analysis method revealed that the sample collected through convenience sampling method is normally distributed.

## VI. Data Analysis

After obtaining 160 responses, in order analyse them they are systematically coded and tabulated .The following research instrument are used to analyse the data:

- a) Exploratory factor analysis
- b) Confirmatory factor analysis
- c) Linear multiple regression

### 6.1. Limitations of Study

The fact that this is a study of the Manufacturing industry, limits the extent to which generalizations of any outcome of this study can be applied to all other sectors and industries.

The study can be carried out in other sectors of the economy.

## VII. Analysis & Discussion

In this section the researcher finds the pre-dominant factor of measuring the effectiveness of employee participation. Therefore 20 variable of employee participation is considered for data collection process. The application of principles for this method derived the following research when operated on single variable.

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.949
Bartlett's Test of Sphericity	Approx. Chi-Square
	df
	Sig.
	5214.944
	190
	.000

From the above table it is found that KMO and Bartlett's value are statistically significant with chi-square value. This implies all 20 variables are effectiveness of employee participation are normally distributed for data collection process. The following table reveals the number of factors derived from the 20 variables.

Extraction Method: Principal Component Analysis.

From the above table it can be ascertained that 20 variables are five pre dominant factor. These factors are namely

- Individual employee efficiency increase (IEEI)
- Organization efficiency increase (OEI)
- Organization performance (OP)
- Profitability increase (PI)
- Conductive work environment (CWE)

These are all five factor derived from 20 variables. These variable are considered as independent variable and product of organization is considered as dependent variable.

In order to find out the influence of independent variable on dependence factor a researcher run a regression analysis.

Table 2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.233	46.167	46.167	9.233	46.167	46.167
2	1.307	6.536	52.703	1.307	6.536	52.703
3	1.028	5.138	57.841	1.028	5.138	57.841
4	.872	4.361	62.202	.872	4.361	62.202
5	.794	3.969	66.171	.794	3.969	66.171
6	.720	3.599	69.770			
7	.653	3.266	73.036			
8	.611	3.055	76.091			
9	.522	2.610	78.701			
10	.503	2.516	81.217			
11	.497	2.484	83.701			
12	.468	2.339	86.040			
13	.428	2.142	88.182			
14	.412	2.061	90.242			
15	.394	1.971	92.214			
16	.366	1.829	94.043			
17	.329	1.645	95.688			
18	.306	1.529	97.218			
19	.288	1.439	98.657			
20	.269	1.343	100.000			

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.242 <sup>a</sup>	.059	.049	.533

Predictors: (Constant), IEEL, OEI, OP, PI, CWE

From the above table it is found that the R-value, R2-value and adjusted R2 value are statistically significant at 5% level therefore, it can be ascertained that is deep relationship between effectiveness of employee participation and productivity of organization. The relationship further is the following one-way analysis of variance table.

Table 4: ANOVA

Model	Sum of Squares	DF	Mean Square	F	Sig.
1 Regression	8.900	5	1.780	6.267	.000 <sup>b</sup>
Residual	142.853	503	.284		
Total	151.752	508			

a. Dependent Variable: productivity

b. Predictors: (Constant), IEEL, OEI, OP, PI, CWE

From the above table it is found that the F, P Value 6.267 are statistically significant at 5% level. This implies the employee participation in all the organization activity ensure a good productivity impact within the organization. The following co-efficient table is a most influencing factor on productivity.

Dependent Variable: productivity

From the above table it can be ascertained that the most influencing effectiveness of employee factor in organization performance and it is followed by skill and knowledge of employee and so on. This analyses consistency that the employee participation is essential and there must be motivated to participate in all organization activity for increase in product of organization. This in turn increase the profitability and other development in organization.

Table5:Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.859	.158		5.440	.000
IEEI	.008	.037	.011	.204	.838
OEI	.017	.035	.026	.487	.626
OP	.104	.038	.151	2.741	.006
PI	.032	.033	.052	.956	.339
CWE	.040	.032	.066	1.265	.207

## VIII. Findings and Conclusion

It is found from the regret statistical analysis the employee participation depends upon four important factor namely dynamic approach, need approach, management approach and futuristic goal. It is also concluded employee participation is not unique phenomenon but it is a combination of both efforts of employer and employee. It is further there is deep impact of employee participation not by productivity but also an individual efficiency of the employee, overall organisation efficiency, employee turnover, leadership style, commitment and management loyalty.

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