Impact of Participative Management on Employee Job Satisfaction and Performance in Pakistan

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Abstract

Participative management has been a growing area of investigation and debate by management practitioners and scholars over decades (Wagner III, 1994). Today in a hypercompetitive world, organizations consider it as a means to achieve responsiveness and competitive advantage (Guthrie, 2001).

This paper aims to resolve the question that whether participative approach to management pay off in terms of employee job satisfaction and performance.

Single questionnaire was used to collect data from sample size of 300 employees from 05 private banks of Islamabad/Rawalpindi. Simple Regression and correlation was calculated for exploring the causal
association among variables where, employee performance and job satisfaction were dependent variable and participative management was independent variable.

The findings reveal positive relationship among participative management, employee job satisfaction and performance. Findings also do verify the existence of a highly strong connection among these variables.

The study has limitations which hold suggestions for future research including generalisability, one-shot study issue, and survey-only used for data collection. However, the study will benefit the organizations, employees and future researchers.

Key words: Participative management, job satisfaction, performance.

Introduction

Researchers have argued that today’s organizations operate in hypercompetitive markets characterized by continuous technological change, shortened product life-cycles, and competitors who compete in aggressive ways (D’Aveni, 1998). Taking this argument a step further, some authors (e.g., David et al., 1995; Patria, 2001) specifically argue that participative management is one way in which organizations can achieve the responsiveness needed in a hypercompetitive world.

Initially, it appears that participative management may lead to high employee job satisfaction and it does seem eminently logical that a happy employee is a “better” employee which may perform well in the organization. However, thousands of studies have been carried out seeking to establish a positive and unmistakable correlation between participative management, employee job satisfaction and performance with nothing conclusive being proven. The unfortunate consequence of this lack of a clear cause and effect relationship, as Dogan (2009) notes, is that “when management discovers there is no guarantee of a one-to-one correlation between participative management, employee job satisfaction and performance interest usually wanes.” The present research basically aims at resolving the question that "Does the participative approach to management pay off in terms of employee job satisfaction and performance?" Research results in this area would clarify the relationship.

Literature Review

Before examining the theoretical impact of participative management on employee job satisfaction and performance, a brief review of the extensive literature relating participation in decision making to satisfaction and performance is in order. Participative management has been a growing area of enquiry and debate ever since the seminal work by Lewin and his colleagues. Participative management has been called the "third managerial revolution" (Alutto & Acito, 1974). Scholars have noted that it has become a major social, political and economic issue throughout the world, in a variety of organizational environments (Vroom, 1960). Reportedly there has been a growing movement towards more "participative" management.

In today’s intensely competitive global environment, there is a strong demand for workforce participation in organizational decision making to enhance individual performance enabling the
achievement of higher productivity of an organization. One aspect of workforce participation is job satisfaction. Job satisfaction in general is defined as how many employees like or dislike their work and the extent to which their expectations concerning work have been fulfilled (Dogan, 2009).

There is confusion over the exact definition of performance. However it is considered as an important criterion for organizational outcomes and success. The most commonly recognized theories of job performance are given by John P. Campbell and colleagues. According to psychological perspective, Campbell and colleagues described job performance as an individual level variable. Job performance is most commonly referred as whether a person performs their job well (http://en.wikipedia.org).

By helping organizations to actively develop and utilize their human resources, participative management should enable organizations to produce high-quality products/services, increase the quality of the decision, smoothen the process of organizational change, enhance the administrative control (McCaffry et al., 1995), increase the speed of work operations and innovation, and improve employee performance, motivation, and attitudes, less absenteeism, less turnover, better decision making, better problem solving, and less management overhead, in short, greater organizational effectiveness (Scott-Ladd & Marshall, 2004).

Empirical research indicates that successful participative management style efforts can substantially impact organizational financial productivity (Riordan et al., 2005). The arguments against this approach are that because the use of these practices increases the uniqueness and value of employees, it will also increase the costs associated with the loss of these employees. In keeping with these arguments, Bechtold (1997) proposed that in high-involvement workplaces, the “organizational centrality” of each individual employee is increased. Since high-involvement firms place greater skill requirements on employees, maximum performance will demand greater levels of tenure and experience (McCaffry et al., 1995).

Cotton et al., (1988) defines “participation in decision making (PDM) as an approach of sharing decision making with others to achieve organizational objectives”. There are six forms of participative decision making including participation in work decisions, consultative participation, short-term participation, informal participation, employee ownership, and representative participation. Shetzer (1993); Larry (1993); Huang, et al. (2009) discuss the two widely used theoretical models for explaining the effect of the participative style of superiors on subordinates’ work performance. These models include motivational and exchange based models.

The creation of a participative decision climate in the company is an indication of organizational maturity and a stimulating factor for obtaining quality results. This can be seen at the operational level, where the propitious representatives are increasing the productivity, the employees’ motivation and the clients’ satisfaction (Camelia, 2008). The organizations that have strong inbuilt culture in their organizations would easily adapt to the changing environment (D’Aveni, 1998).

At the heart of basic proposition that participative management enhances firm performance is the contention that employees generally have more complete knowledge and information about their work tasks and processes than do managers and are in a better position than managers to plan and schedule
work, to organize work tasks and work flow, and to otherwise identify and resolve obstacles to achieving optimal performance (Alutto & Acito1974; Singh 2009).

A second basic proposition is that participative management styles provide employees with greater intrinsic rewards from work than do traditional forms of management. These better rewards from work enhance job satisfaction and as a result increase employees’ motivation to attain new production goals (Singh 2009). In line with the research, employee participation has been emphasized in relation to job satisfaction and performance.

Measuring Participative Management and Satisfaction of Employees

Participative management has been measured in many ways. Various instruments have been developed to consider the diverse types of participative management. Scholars have measured it in terms of management considering the opinion of employees, allowing employees to make autonomous decisions regarding their work activities (Driscoll, 1978), involvement of employees in setting goals, objectives and other major decisions within their company and how much employees are allowed to take risk in the organization (Scott et al. 2003).

Several instruments have been developed to measure employee satisfaction with the job and ultimately with the organization. Satisfaction is a qualitative variable; hence to quantify this concept has gained the attention of many practitioners and researchers. To measure this variable, the factors considered include working conditions, kind of work, challenges received from job, variety of tasks (Alutto & Acito 1974; Davis, 2004), importance of the job within the organization, opportunity given to use skills and abilities, sense of accomplishment, recognition of work performed (Kim 2002; Scott et al. 2003; Scott-Ladd & Marshall 2004).

To measure whether employees are performing well on their job will be a difficult task, as each employee performance measurement criteria may vary on the basis of job nature, type of organization and sector within which the organization. To quantify the performance for managerial employees would be relatively different from non-managerial employees. In general, performance is measured in terms of achievement of tasks and duties mentioned in the job description, complete tasks within the specified time period, punctual at work and identify the relevant problems and solve the problems (Riordan et al.2005; Wagner 1994).

Procedure of the Study

The main purpose of the study was to assess the extent of relationship, if any, between variables participative management, employee job satisfaction and their performance.

The hypotheses for the study were:

H1: There is a positive relationship between participative management and employee job satisfaction.
H2: There is a positive relationship between participative management and employee performance.
The study was relational for exploring association among participative management, employee job satisfaction, and employee performance. A causal study was conducted to explore the association among these variables. The study was conducted in non-contrived settings as the data was collected from different Pakistani organizations. The data was gathered just once from different private banks. Therefore, the study was cross-sectional or one-shot study.

**Participants of the Study**

The sample was selected by using convenience sampling where the data collection was done from the employees of private banks who were conveniently available to provide it. Sample included 300 employees from private banks in Islamabad/Rawalpindi. Private Banks were only selected as participative management styles are more implicated in private banks than in public banks of Pakistan. The five private banks were included in the survey.

**Instrument of the Study**

A single questionnaire (See annexure) was distributed which was adapted from Scott, Bishop & Chen (2003), and Kim (2002). The questions were carefully worded to avoid misinterpretation. Questionnaire comprised three sections. First part consisted of questions in order to analyze the participative management style used in organization. The second part of questionnaire consisted of questions in order to identify job satisfaction of the employees. The third part included assessing the job performance of employees. The instrument used to measure all the independent and dependent variables, participative management, employee job satisfaction and performance were measured on a 5-point likert scale.

**Data Analysis**

A brief description of the data analysis is presented here:

Table 1 Correlations between participative management & employee performance (N=300)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participative management (PM)</td>
<td>r = 0.52 p&lt;.01</td>
</tr>
<tr>
<td>Employee performance (EP)</td>
<td></td>
</tr>
</tbody>
</table>

The table 1 indicated a high correlation between participative management and employee performance.

Table 2 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.52(a)</td>
<td>.272</td>
<td>.269</td>
<td>.46058</td>
<td>1.75</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), PM
b Dependent Variable: EP

The model summary table 2 revealed a multiple correlation coefficient, $R = 0.52$. This indicates that there is moderately high correlation between participative management and employee performance. In terms of variability in observed employee performance accounted for by the fitted model, this amounts to a proportion of $R^2 = 0.272$, or 27.2%. It means that there was 27.2% of the variation in employee performance (dependent variable). This was explained by the participative management (independent variable). This shows a positive but moderately high relationship between the two variables. The adjusted $R^2$ is an improved estimation of $R^2$ in the population. Use of this adjusted measure leads to a revised estimate that 26.9% of the variability in employee performance in the population can be explained by participative management variable. According to the regression model, the mean deviation is zero (positive and negative deviations cancel each other out). In the table error value was 0.46058 which is not very high. Durbin Watson is 1.75 as indicated in table 2, that measuring the auto correlation between independent variables. It is in the acceptable range i.e. 1.5-2.5.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>23.6</td>
<td>1</td>
<td>23.6</td>
<td>111.1</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>63.2</td>
<td>298</td>
<td>0.21</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>86.8</td>
<td>299</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Predictors: (Constant), PM  
b Dependent Variable: EP

ANOVA table 3 shows that as the significance-F value is less than 0.05. So, the model fits the data properly. An F-test for the null hypothesis is that participative management does not have positive relation with employee performance. In other words, $R^2$ is zero. Here the null hypothesis is rejected ($F(1) = 111.1, p < 0.05$). So, it was concluded that participative management was related to employee performance.

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.96</td>
<td>.18</td>
</tr>
<tr>
<td>1</td>
<td>PM</td>
<td>.57</td>
</tr>
</tbody>
</table>

a Dependent Variable: EP

In coefficient table 4, the estimated regression coefficients are given under the heading “Un-standardized Coefficients, B”. These give, for each of the independent variables, the predicted change in the dependent variable when the independent variable is increased by one unit conditional on all the other variables in the model remaining constant. It is clear that the equation that models the line has a
slope of 0.57 and a y-intercept of 1.96. So, even if there is no participative management, the employee’s performance would be 1.96 units. We could say that employee performance differs by 0.57 units for every unit difference in Participative Management. The regression line for Employee performance is: Employee Performance= 0.57* Participative Management +1.96

Discussion and Recommendations

Several findings can be drawn from the study: The multiple regression result indicates that participative management had positive impact on employee job satisfaction and performance. The results were consistent with Alutto & Acito 1974; Cotton et al. 1988; Wagner 1994 and Cooke 1994.

Significant stronger correlation exists between participative management and employee performance, which indicated that there was a strong tendency to vary together. Findings of this study complement previous studies, John 1994; Patria 2001; Yohe & Hatfield 2003; Bhatti & Qureshi 2007.

However, results show moderate relationship between participative management and employee satisfaction. Participative management had less significant impact on job satisfaction than the employee performance. This finding supports Joseph & Franklin 1974; Scott et al.2003; Scott-Ladd & Marshall 2004; Scott-Ladd et al. 2006 that deduced positive moderate relationship among these variables.

Although participation in decision making positively influences employee satisfaction and performance, practitioners need to be careful to keep a balance between the needs of the employee as well as the employer. Job satisfaction is at risk in the long term if participation is viewed just as a survival strategy for managing work effort and task variety, which would ultimately affect the performance of the employees.

Although statistically significant, the average outcomes proved here may not be practically significant. Ultimately, it depends on the involvement of management practitioners and the difficulties faced by them in the organization (Wagner III, 1994).

However, it is suggested that programs designed for improvement in employee’s performance or satisfaction that result in small outcomes are likely to be executed by organizations, only if they are less costly to implement and maintain.

The future research could extend this study by considering additional variables that may be impacted by participative management (such as organization culture, employee commitment, and turnover). Also, researchers should include larger number of employees and variety of organizations to enhance variability and possibly produce stronger results. In addition to analyzing the hypotheses in the current research, other experimental data based on observation and in-depth interviews should be collected beyond the survey method. In addition, multiple studies can be done over time in the public sector to validate the present results. Further, theoretically significant moderators can be tested to validate the relationship between participative management, employee job satisfaction and performance.

Limitations of the Study

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The study has definite limitations which hold suggestions for future research. Firstly, the study was conducted in Pakistani settings and, therefore, may not be generalisable to all countries. The findings may be replicable in South Asia, but, perhaps, not in many other countries. Secondly, the investigation was limited to a single time period. There is a need for longitudinal research to possibly produce stronger relationship between the tested variables. Thirdly, survey was only conducted and other empirical data collection methods were ignored. Fourthly, the sample size was sufficient but not very large. Fifthly, convenience sampling was only used as sampling design. Then, the sampling is done in Islamabad/Rawalpindi only which may not be representative of the whole country. Lastly, the study was limited to banking sector of Pakistan.

References


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involvement with job satisfaction, employee cooperation, and intention to quit in U.S. invested


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Annexure

Survey Questionnaire

This survey presents you with a set of questions about the impact of participative management on employee’s job satisfaction and performance. By participative management, it is meant a type of management in which employees at all levels are encouraged to contribute ideas towards identifying and setting organizational-goals, problem solving, and other decisions that may directly affect them.

This questionnaire asks whether you personally agree or disagree with a set of statements about employee participation in your organization, your job satisfaction and your performance in your workplace. For each of the questions, please use the following scale and select the letter or number that best reflects your answer.

Please do not leave any question unanswered. The information you provide to us will be kept highly confidential.

PARTICIPATION IN DECISION MAKING

The below given table carries the responses in this way:

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your supervisor consider your opinion in the</td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>
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The below given table carries the responses in this way:

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>In general how much say or influence do you have on how you perform your job?</td>
<td></td>
<td></td>
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<tr>
<td>To what extent are you able to decide how to do your job?</td>
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<tr>
<td>In general, how much say or influence do you have on decisions that affect your job?</td>
<td></td>
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<td></td>
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<tr>
<td>My superiors are receptive and listen to my ideas and suggestions.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**JOB SATISFACTION**

The below given table carries the responses in this way:

<table>
<thead>
<tr>
<th>Highly Dissatisfied (HD)</th>
<th>Not Satisfied (NS)</th>
<th>Neutral (N)</th>
<th>Satisfied (S)</th>
<th>Highly Satisfied (HS)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Statement</th>
<th>HD</th>
<th>NS</th>
<th>N</th>
<th>S</th>
<th>HS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
How satisfied are you with:

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>Your job in general</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii.</td>
<td>Your working conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii.</td>
<td>The opportunity you have to use your skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>iv.</td>
<td>The importance placed on your job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v.</td>
<td>The sense of accomplishment you get from your job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi.</td>
<td>The amount of variety you experience on your job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii.</td>
<td>The kind of work you do</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>viii.</td>
<td>The challenge you receive from your job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The below given table carries the responses in this way:

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared to other places I could work here, I feel my career opportunities are excellent</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>My job provides me with a sense of accomplishment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I receive the recognition that I deserve for my work</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**EMPLOYEE PERFORMANCE**

The below given table carries the responses in this way:

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>You are dependable and present at work and are on time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>You understand assigned duties and responsibilities; establish priorities and plan work; use appropriate procedures, tools, equipment and materials for assigned work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>You complete all assignments within specified time limits; adjust to unexpected changes in work demands to meet timetables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
You project a positive work attitude; relate effectively with coworkers, supervisors, and others

You identify problems, secure relevant information and implement solutions

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