

# An Assessment of Employee Empowerment on Organizational Performance, A Survey of Selected Banks in Nakuru Town

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**Abstract:** *Although Kenya's financial system is by far the largest and most developed in East Africa, its stability and growth potential is far from being realized. The industry has faced numerous challenges that have slowed its competitiveness, opportunities for growth and regional advantage. Among the areas that require urgent attention and determination is the area of involvement of employees in decision making towards organizational performance. The study adopted the descriptive survey design. The target population comprised all employees from selected banks in Nakuru town. Simple random sampling method was used to select the four banks out of twenty eight based in Nakuru town, while stratified sampling method was used to identify the sample size of 70 employees. Data was collected using self-administered questionnaires developed by the researcher. Both Descriptive (frequencies and percentages) and inferential statistics (Correlation) were used to analyze data using the statistical package for social sciences (SPSS Version 21). The findings of the study revealed that decision making by employee's influences on their organization performance. The findings of the study were expected to create new scientific knowledge and also help the banking industry to empower their workers to realize higher productivity.*

**Keywords:** Decision Making, Employees, Empowerment, Organizational Performance.

## 1. Introduction

Due to the global competition and rapid changes in market trends, organizations have to re-evaluate the use of the human resources. One way of ensuring this is through empowerment while at the same time, organizations need to identify and lessen the effects of those facets associated with high levels of employee dissatisfaction [1]. Research done in South Africa, institutions face immense pressure to excel in their performance, notwithstanding the highly unstable and competitive environment in which they operate characterized by, increased globalization, demanding stakeholders, shortages of critical skills, increased workforce diversity as well as technological innovations [2].

These factors compel public sector organizations to develop and implement strategies for improving their performance [3]. One such strategy is to have employees who are highly satisfied with their work [4]. This calls for organizations to place more emphasis on recognizing and enhancing all components of work linked to higher levels of employee job satisfaction. The subject of organizational performance within South Africa's public sector has received significant research attention from a number of scholars [5]. Questions relating to the performance of public organizations are based on the expectation that Government should supply public goods and services more effectively and efficiently [6]. Moreover, [7] hold the view that public sector organizations find it difficult to overcome the challenge of underperformance in most disciplines of their operations. As a result, they continue to receive constant criticism for poor service delivery, internal wrangles, bureaucracy, financial mismanagement, corruption and poor corporate governance. Although organizational performance dominates the strategic management literature, not to mention economics, finance, and accounting, it is not unchallenged. Performance

is one type of effectiveness indicator, with some advantages and disadvantages. Hence, we first need is to distinguish between organizational performance and the more general construct of employee effectiveness [8]

Involvement of employees in decision making is a broader construct that captures organizational performance, but with grounding in organizational theory that entertains alternate performance goals [9] Employee involvement in decision making plays a significant role in defining organizational success. It is necessary to understand as to how employees can be kept satisfied and motivated to achieve out-of-the-ordinary results. Customer satisfaction seems to be a natural corollary of employee empowerment and in turn organizational performance is upshot of this duo. There is a need to create a work environment that encourages employees to give quality response to customer needs [10]. This is the key to pull service-profit chain of business.

Employee involvement in decision making does not only enhances the productivity, but also increases the quality of work. It is necessary for a company to perceive as to what employees feel, think, desire along with discovering how the workforce devotion and commitment can be increased. The study will try to assess it will show how employee empowerment can amplify devotion, business outcomes can be improved, productivity can be enhanced, and performance can get intensified.

Central Bank of Kenya is tasked with formulating and implementation of monetary and fiscal policies. Central bank is the lender of last resort in Kenya and is the banker to all other banks. The CBK ensures the proper functioning of the Kenyan financial system, the liquidity in the county and the solvency of the Kenya shilling. The Ministry of finance is where CBK falls. To address issues that affect the Banking

industry in Kenya, banks have come together and formed a forum under the Kenya Bankers Association. The companies Act, the Central Bank of Kenya (CBK) Act and the Banking Act are the main regulators and governors of banking Industry in Kenya.

The major issues facing the banking industry include: New regulations especially with the passing of the new constitution. CBK requires financial institutions to build up their minimum core capital requirement to Kenya shillings 1 Billion by December 2012. The Terrorist attacks on the twin towers in United States of America emphasized and led to the mandating Acts like Anti-money laundering. Nations are working closing to ensure that proceeds of crime do not get into the financial systems of the world. Secondly, the Global crisis experienced affected banking industry in Kenya and more so the mobilization of deposits and trade reduction and lastly, the Interest margins declines have also affected the banking industry in Kenya.

### 1.1 Statement of the Problem

Employee involvement in decision making plays a significant role in organizational performance. Many organizations operate in a highly competitive environment. This environment is characterized by factors such as increased globalization, demanding stakeholders, shortages of critical skills, increased workforce diversity as well as technological innovations. This has necessitated organizations to develop and implement strategies for improving their performance. Employee involvement in decision making is so important in that its absence often leads to lethargy and reduced organizational commitment. It is equally desirable from management point of view for employees to behave in a way that support those strategies and values. Despite the significance of employee involvement in decision making most functional institutions have not embraced this empowerment initiative. Kenyan Banks have realized tremendous growth in the last five years and have expanded to the east African region. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. There has been increased competition from local banks as well as international banks, some of which are new players in the country. This has served the Kenyan economy well as the customers and shareholder are the ones who have benefited the most. With this stiff competition, employee involvement in decision making comes in handy to facilitate low employee turnover and increase productive.

### 1.2 Objective of the Study

To determine the effect of involvement in decision making of employees on organizational performance in the banking industry in Nakuru town

### 1.3 Research Hypotheses

**H<sub>0</sub>:**  $\mu_1 = \mu_2$ : Employees involvement in decision making has no significant effect on organizational performance in the banking industry in Nakuru town.

### 1.4 Scope of the Study

The study was restricted to banking employees of the four selected banks in Nakuru town. Two of the banks represented the private banks and the other two represented the public banks. The research was carried out between the month of May and October 2014 and utilize approximately Ksh. 62,500/=.

## 2. Literature Review

Decision making is a conscious process among one or more alternatives with the intention of moving forward some desired state of affairs. Decision maker always identify a problem or recognition of an opportunity. A problem is a deviation between the current and the desired situation- the gap between what is and what ought to be. This deviation is a symptom of more fundamental root causes that need to be corrected [8]. An opportunity is a deviation between the current expectations and the potentially better situation that was not previously expected. In other word decisions makers realize that certain situation may produce results beyond current goals and expectation.

Decision-making can be regarded as the cognitive process resulting in the selection of a belief or a course of action among several alternative possibilities. Every decision-making process produces a final choice that may or may not prompt action. Decision-making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker. Decision-making is one of the central activities of management and is a huge part of any process of implementation. Decision-making can also be regarded as a problem-solving activity terminated by a solution deemed to be satisfactory.

Employee involvement also called participative management, refer to the degree which employees influence how their work is organized and carried out (Bruno, 2005). At the lowest level participation involves asking employees for information. They do not make recommendations and might not even know what the problem is about. At a moderate level of involvement, employees are told about the problem and they provide recommendation to the decision maker. At the highest level of involvement, the entire decisions making process is handed over to employees. They identify the problem, choose the best alternative, and implement their choices.

Involving employees in decision making offers a number of potential advantages. It improves problem identification because employees are usually the first to know. In a well-managed meeting, employee involvement also creates synergy that can generate more and better solutions than when these people work alone. A third advantage of employee involvement is that people collectively tend to be better than the individuals at picking the best alternatives when they have diverse perspective and backgrounds. Along with improving decision quality, employee involvement usually strengthens employees' commitment to decision. Rather than viewing themselves as agents of someone else decision, staff members personally feel responsible or its success.

According to [9] there are four stages or phases that should be involved in all group decision-making. First we have orientation, members meet for the first time and start to get to know each other. Second, we have conflict once group members become familiar with each other, disputes, little fights and arguments occur. Group members eventually work it out. Thirdly, is emergence, the group begins to clear up vague opinions by talking about them. Lastly, reinforcement, members finally make a decision and provide justification for it.

It is said that critical norms in a group improves the quality of decisions, while the majority of opinions (called consensus norms) do not. This is due to collaboration between one another, and when group members get used to, and familiar with, each other, they will tend to argue and create more of a dispute to agree upon one decision. This does not mean that all group members fully agree; they may not want argue further just to be liked by other group members or to fit in [10]

### 3. Theoretical Framework

Although it has been more common to investigate employees data at the individual employee level, researchers have begun to explore similar relationships at the business-unit level and the organizational level. Research conducted under the rubric of organizational climate has had success in aggregating individual employees' perceptions and investigating their relationship to both organizational-level and individual-level outcomes [11]. In addition, there are a handful of studies that have explored the relationship between aggregated employee empowerment attitudes and organizational (or unit-level) performance. Historically, the employee empowerment-performance linkage has been primarily discussed by theorists from the Socio-technical and Human Relations schools of thought.

#### 3.1 Socio-Technical Approach

Organizational performance depends on congruence between the technical and social structures of the organization [12]. It postulates that employees observe the levels of motivation and satisfaction of other employees and then model those levels. Thus if an organization older employees work hard and talk positive about their jobs and their employers, new employees will model this behaviour and be both productive and satisfied. The reverse is also true if veteran employees work slowly and complain about their jobs so will new employees. To test this theory [13] had subjects view training videos in which assembly line workers made either positive or negative comments about their jobs. After viewing the video each worker was given time to perform their duties. The study found out that each worker who had viewed their video enjoyed the task more than those subjects who viewed the negative tape.

#### 3.2 Human Relations Perspective

It posits that satisfied workers are productive workers [14]. Thus, organizational productivity and efficiency is achieved through employee job satisfaction and attention to employees' physical as well as socio emotional needs.

Human relations researchers further argue that employee job satisfaction sentiments are best achieved through maintaining a positive social organizational environment, such as by providing autonomy, participation, and mutual trust [4]. Based on this logic, employee empowerment is believed to influence the development of routine patterns of interaction within organizations. Through mutual interactions, employees develop relationships with coworkers that also prescribe behavioral expectations and influence behaviors.

#### 3.3 Expectancy Theory

It states that work effort is determined by a combination of the individual effort to performance expectancy, performance to outcome expectancy and the valences that the person feels for those outcomes. The expectancy to performance increases by improving the employees' ability and confidence to perform the job. The performance to expectancy increases by measuring performance accurately, distributing higher rewards to better performers and showing employees that rewards are performance based.

### 4. Methodology

Descriptive research survey design was used for the study. The survey method involved the selection of a sample of respondents and administering questionnaires or conducting interviews to gather information on variables of interest. The target population for the study was employees working in the four selected banks i.e Family bank, Commercial bank, National bank and Barclays Bank. Stratified random sampling was used in selecting the four banks out of twenty eight based in Nakuru town. Structured questionnaires were used to collect the needed information. The study undertook a pilot study in which Cronbach Alpha test was used to check on the reliability of research instrument. The test indicated that the questionnaire was reliable with alpha values that were 0.722 and above. Analysis of data entailed statistical measures where descriptive and chi-square tests were conducted. The hypothesis was then tested and conclusions made basing on the tested values.

### 5. Findings

The respondents were asked to rate the extent to which involvement in decision making as employee empowerment attributes affected organizational performance in the banking industry on a five point index scale. The range was strongly agree (5) to strongly disagree (1). The scores of strongly agree and disagree were taken to represent a component that had an impact to a small extent (S.E) equivalent to a mean score of 0 to 2.5 on a continuous index scale; ( $0 \leq S.E \leq 2.4$ ). Scores of neutral (undecided) were taken to represent a component that had an impact of a moderate extent (M.E) equivalent to a mean score of 2.5 to 3.4 on the continuous index scale: ( $2.5 \leq M.E \leq 3.4$ ). The scores for both agree and strongly agree were taken to represent a component which had an impact to a large extent (L.E) equivalent to a mean score of 3.5 to 5 on a continuous index scale; ( $3.5 \leq L.E \leq 5.0$ ). A standard deviation of 1.5 implied a significant difference on the impact of the variable among respondents.

**Table 1:** Descriptive Statistics for Involvement in Decision Making

	Min	Max	Mean	Std. Deviation	Z Scores
There is an elaborate and clear decision making structures	1	5	2.38	1.22	1.65
I get involved when making organizational decision	1	5	3.07	1.55	1.64
Employee formulate rules and regulations that govern them	1	5	2.58	1.51	1.64
Employees who are involved in decision making perform better at their workplace	1	5	2.90	1.46	1.53
Involvement in decision making makes employees have a sense of belonging to the organization	1	5	3.77	1.31	1.68

From the respondent’s views, the study found out that there is an elaborate and clear decision making structures (mean: 2.38), I get involved when making organizational decision (mean: 3.07), employee formulate rules and regulations that govern them (mean: 2.58) as well as employees who are involved in decision making perform better at their work place (mean: 2.90) had moderate impact on the performance of banking industry. However, involvement in decision making makes employees have a sense of belonging to the organization (mean: 3.77) was the only attribute that had great impact on employee empowerment on the performance of banking industry in Kenya. The standard deviations were not widely dispersed from the means thus very significant.

On ranking the means it was deduced that although employee involvement in decision making is important, most of the respondents were fairly involved in this process as depicted by their means that were inclined towards moderate extent. The Z scores as indicated in Table 1. All indicated scores that are positive which imply that the standard deviations are 1 point above the means indicating their variations are also 1 point apart.

The study further performed a chi-square statistics to help test the hypotheses that stated that employee’s involvement in decision making has no significant effect on organizational performance in the banking industry in Nakuru town. Contingency tables were used to compare the observed and expected values and there after conclusions were made.

**Table 2:** Chi Square Values for Involvement in Decision Making by Employees

	Observed N	Expected N	Chi - Square	DF	Asymp. Sig.
Strongly Disagree	23	12			
Disagree	9	12			
Not Sure	5	12			
Agree	16	12			
Strongly agree	7	12			
Total	60		16.500 <sup>a</sup>	4	0.002
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.0					

The findings as indicated in Table 2 revealed that  $\chi^2 (4, n=60) = 16.500$ . The proportions for the observed and expected values were checked. Since the null hypotheses stated a no significant effect then it implies that the expected and observed value should be the same the observed value equals the expected value thus the null hypotheses is not true. The study rejects the thus the null hypotheses ( $H_0: \mu_1 = \mu_2$ ) was rejected and the study concludes that involvement of employees in decision making has a significant effect on organizational performance. With an increase in involvement in decision making, then the organizational performance also increases. The findings of the study resonates well with previous studies undertaken, for instance involving employees in decision making offers a number of potential advantages which includes improvement on problem identification, creation of synergy among a project team and lastly offering diverse perspectives for better alternatives[2].

**4.1 Conclusions and Recommendations**

The study concludes that decision making by employees leads to improvement on organizational performance. It is recommended that Brain storming sessions should be given priority during staff meetings at the bank. Further when coming up with decisions, brain storming sessions input should be incorporated to act as a way of motivating employees. Recognition and awards should be given to employees with viable ideas.

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