THE IMPACT OF EMPLOYEE INVOLVEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE

¹*Heena Sharma,²Dr. C. Venkateswaran

ABSTRACT--It has been largely believed that the individuals are the foremost resource of any organization and the fundamental element for attaining exceptional performance. Studies directed to examine the organizationallevel influence of the Employee Involvement (EI) initiatives has become common in the contemporary phenomenon. The literature incorporates the researches directed on investigating the performance impact of individual Employee Involvement practices, such as participative-decision making, training, performance-based rewards, and information sharing practices, as well as the research directed to investigate the impact of systems of Involvement initiatives on the establishment outcomes. Researchers from diverse domains have proposed varied empirical and theoretical frameworks for establishing the association among the EI practices and the organizational outcomes. While the review of every one of these frameworks is outside the scope of this research, the earlier literature broadly unites on the significance of Employee Involvement practices in ascertainment of organizational and employee outcomes. Based on this fundamental, our study focussed on determining the relationship of EI in problem-solving and decision-making with the organizational performance. The study utilized structural equation modelling to examine the impact of EI on performance. The results of our study are not supportive of the assertion that synergies or complementarities between the EI practices would be related positively with the performance of an organization, contrary to the hypothesis formulated in the study. The study also highlighted some key limitations and observations which deserve attention.

Keywords--Employee Involvement, Information, Organizational Performance, Participative decision making, Rewards.

I. INTRODUCTION

Effective establishments are considered as fundamental for any organized society's well-being. The societies which produce highly effective establishments are able to provide greatest living standards to their citizens. Hence, it is prime to the society's vitality that its establishments persistently seek for improved means of managing and organizing work.

Regrettably, the issue of what composes the finest way to the management and organization of work has no simple solution. The solution varies as per the specific goods and services offered by the establishment and relies on the type of society where the establishment is functioning. Despite that, a considerable body of facts indicate

¹* Research Scholar at Maharishi Markandeshwar Institute of Management, Maharishi Markandeshwar (Deemed to be University), Mullana, Ambala- 133207 (Haryana), Phone: +919996556151, sharmaheena7191@gmail.com.

² Associate Professor and Academic Co-ordinator at Maharishi Markandeshwar Institute of Management, Maharishi Markandeshwar (Deemed to be University), Mullana, Ambala (Haryana).

that the establishments would be able to achieve a competitive advantage by the way of embracing a style of managing the employees that ensures their involvement in establishment's business operations because it is a widely recognized fact that the people are the foremost resource of an establishment as well the foundation for attaining exceptional performance (Pfeffer, 1995).

Establishments are growingly recognizing that for successfully competing in the current global market having numerous economic, societal and technological realities and pressures, they should have more emphasis on enhancing the speed, adaptability and innovation in the operations and less on the benefits obtained from economies of scale, patents, capital access and technology. The human resource of an establishment plays a substantial role in the enhancement of innovation, speed and adaptability in operations. The workforce, which is devoted and competent, can serve as a valuable, non-imitable and scarce organizational resource which could significantly contribute in the suitable strategy implementation (Lado, 1994).

As a result, numerous establishments have altered their practices of managing and have dedicated substantial resources towards the mechanisms of Employee Involvement (EI) and total quality management.

Involvement of the employees in problem-solving and decision-making is basically undertaken because of the establishment's need to promote cross-functional bonds and capitalizing on the employee's complete potential (Mullins, 1993). This study is undertaken with the purpose of determining the relationship of EI in problem-solving and decision-making with the organizational performance.

II. CONCEPTUAL FRAMEWORK AND HYPOTHESES

Employee Involvement

For supporting the EI as an approach of management, only one theory or source does not exist. This concept originated with the early work of research based on the democratic leadership being practiced in the organizations. This early research work encompasses the literature on organizational design, job design, organizational change, and pay systems. In 1930s, the research effort on democratic leadership had begun that laid stress on the implications of EI in taking decisions (Lawler, 1994). This research effort indicated that under specific circumstances, employees have more commitment towards decisions taken and that their involvement can lead to better decisions.

The research efforts regarding self-managing work teams, individual job enrichment as well as sociotech work systems, establishes a vital portion of historical thinking which has been integrated to evolve approaches of management emphasizing EI (Lawler, 1994).

Review of literature on the concept of EI is difficult due to the substantial amount of EI practices which have been marked as 'innovative' or 'participative' or 'flexible' or 'high performance' or high-involvement' practices (Benson & Lawler, 2003).

EI, besides the other mechanisms of participation, emphasize on the attainment of positive alteration in the behaviour and attitudes of employees via the mechanism of involving the employees in decision making related matters which were reserved for the management as a long-established practice (Leana et al., 1992). This employee inclusion has been found to be intrinsically rewarding as it supplies them with much more sense of involvement or ownership in work as well as an improved understanding of: (1) viewpoint of management on the business

operations and (2) the manner in which the work effectiveness can be maximized (Staw, 2008). Hence, EI is believed to be beneficial to both the employer and the employees.

In the research work done on EI, the most significant overall emphasis has been on positioning decisions at lowest organizational levels. This perspective persistently recommends a bottom-up approach towards the management of operations. According to Lawler (1994), work or jobs existing at lowest organizational levels are considered to be framed in the best way when the teams or individuals perform a whole and complete portion of institutional operations. Furthermore, it has been asserted that the teams or individuals must be provided the knowledge, power and information they require for functioning independently of the direction and control of management. Management's job in this approach is viewed as the one which require grooming the teams or individuals so that they can ably perform the work autonomously Lawler (1994).

Kelly & Kelly (1991) referred the EI programs to new techniques of industrial relations focussed on organization of work, reward systems, communication and decision-making. Decision-making involvement of employees has been found to be related positively in many studies with the employee attitudes like organizational commitment and job satisfaction. Theoretical rationale behind these positive associations is that the feelings of influence, independence, and esteem are stimulated by participative programs, that further lead to the strengthening of commitment and morale (Staw, 2008).

The logical development of EI practices is in the direction of a considerable organizational flattening as well as, in plenty of cases, the eradication of considerable size of staff and support tasks (Lawler, 1994). EI practices emphasizes that considerable number of tasks performed by the management is needless as it only contributes to a control and command management approach that is not required when the employees have involvement in their operations and the ability to self-manage.

Guest et al. (1993) advocated that EI initiatives incorporate five categories: financial participation, enhanced information downwards the institutional hierarchy, enhanced information upwards the institutional hierarchy, alteration in job design, and alteration in supervisory/leadership style in the direction of enhanced participation.

Lawler et al. (1992) suggested three approaches to EI namely: (1) high involvement, (2) parallel suggestion involvement, and (3) job involvement. These approaches vary in the extent up to which four basic organizational features cascade to the lowest possible organizational level. In a nutshell, these features are: (a) rewards based upon the individuals contribution and the organizational performance, (b) information regarding the organizational goals, plans, and performance, (c) knowledge needed by the employees to aid in their understanding and contribution towards institutional performance, and (d) power for problem-solving and decision-making which have an effect on institutional directions, policies and practices. Lawler et al. (1992) described the 'Parallel Suggestion Involvement' approach to be the one in which the employees are allowed to generate ideas and solve issues which may have an effect on the way of organizational functioning (for instance: Quality Circles). This approach isolates the individuals from their regular establishment and place them in a distinct new situation or structure which functions in a different way as compared to the traditional establishment. The second approach namely 'Job Involvement' approach has been referred to as the one which emphasizes on devising tasks in the manner that will stimulate improved job performance (for instance: strategies like Job enrichment and work teams). In essence, this approach substantially impacts the management and structuring of an establishment. Finally, the last approach namely 'High-involvement' also called as 'total employee involvement', 'business involvement' and

'commitment approach' has been referred to as the one which allows the individuals working at lowest level to get involved not only in the way they perform their jobs but also in the entire organization's performance. This approach moves substantially ahead in contrast to the other two approaches in cascading the knowledge, power, rewards, and information to lowest organizational hierarchy level.

When the concentration of knowledge, rewards, power, and information is at top of the organizational hierarchy, there is the prevalence of the traditional control-oriented style of management, whereas when the concentration of these features is at the downwards of organizational hierarchy, EI exists.

Organizational Performance

Organizational performance (OP) is believed to be a multilateral aspect which is hard to measure and comprehend (Goodman & Pennings, 1981). The multidimensionality of OP has been linked to three sources: (1) landscape of performance determination, (2) stakeholders for whom the OP indicator is pertinent, (3) timeframe pertinent to performance measurement (Richard et al., 2009).

In the organizational context, Performance, is not just a wide concept that has been utilized interchangeably with efficiency, productivity, effectiveness as well as competitiveness, the social scientists have studied it has from a variety of disciplinary viewpoints (Cooke, 2001).

Richard et al. (2009) described OP as an incorporation of three aspects of organizational outcomes: (1) performance of product market indicated by market share, sales etc., (2) financial performance indicated by return on assets, profits, return on investment etc., and (3) return of shareholders indicated by economic value added, total shareholder return etc.

Kim (2004) referred the concept of OP as to whether an organization efficiently executes its operational and administrative functions in accordance with the mission and whether that organization indeed produce outputs and actions in accordance with its institutional mandate or mission.

According to Kim (2004), objective performance measures have been favoured traditionally for performance evaluation as they were regarded as less baised. But, when opted for these measures, the researchers usually experience difficulty in attaining accurate measures. Some widely used objective measures of OP namely, growth in sales and return on assets represents this issue in measurement.

Attaining accurate data on economic performance has been found to be problematic in privately-held firms as well as business units belonging to firms working in numerous industries. With respect to the business units of multi-industry firms, Dess & Robinson (1984) advocated two main methodological problems: (1) putting together the firms that are heterogenous in some critical aspects, (2) allocating the sales and assets of such firms between different industries represented by these firms. With respect to the privately-held firms, Dess & Robinson (1984) claimed about two major issues. Firtsly, the permission to obtain the data on OP in such firms is extremely regulated because the owners consider them as the only gatekeepers of such data hence are very much sensitive about revealing it. Secondly, even when the permission to obtain the data on OP is attained, there exists much error risk due to the different accounting procedures being followed in such firms.

When the objective data of OP is not accessible, perceptual (or subjective) performance measures are considered to be a valid alternative. Despite the fact that perceptual data may bring limitations via enhanced possibility for measurement error and monomethod bias, its not uncommon to utilize these measures. Dollinger &

Golden (1992) and many other researchers such as Dess & Robinson (1984) have claimed positive correlation among the objective and perceptual performance measures.

The conceptualization of OP may differ as per the observed time-period, the party whose opinion is being obtained such as stockholders or customers, the criteria being utilized, and so forth. Despite that, it is evident that a great deal of the establishment's behaviour is focussed at attaining an adequate performance, regardless of how it is conceptualized.

Research that integrates OP should attend to two fundamental matters: (a) choosing a conceptual framework for referring to describe OP as well as, (b) recognition of available, accurate measures for OP operationalization (Dess & Robinson, 1984).

Ford & Schellenberg (1982) have described three distinguishable frameworks that are present throughout the literature of organizational performance. The first framework is the 'System resource approach' that conceptualizes OP in respect of the ability of establishment to safeguard its valued and scarce resources. The second framework is the 'Goal approach' that conceptualizes OP in connection with accomplishing identifiable and ultimate goals. The third framework namely 'Process approach' conceptualizes OP in respect of behaviour of the participants of the establishment. Extensively, the controversy of identifying the most appropriate among the above three frameworks for examining the OP emerges from the way in which the organizations are conceived (Goodman & Pennings, 1981).

Employee Involvement and Organizational Performance

The empirical evidence regarding the influence of EI programs on the performance of the establishment has been growing. EI programs have been found to positively impact the firm's productivity and the retention of employees (Guthrie, 2001).

According to Macduffie (1995), practices of EI are expected to generate enhanced economic performance only on the fulfilling of three conditions: when the skills and knowledge possessed by the employees are the ones which the managers are lacking; when the employees have the motivation to execute these skills and knowledge by the way of discretionary actions; as well as when the organization's production or business strategy could be only attained if the employees furnish such efforts which are discretionary. Knowledgeable and skilled employees who lack the appropriate motivation are unprobable to furnish any type of discretionary efforts. Employees who are motivated but lack the required knowledge and skills may furnish such descretionary actions with not much influence on the performance. In case the EI programs produce motivated and competent employees, the system of human resource need to be unified with organization's production strategy so as to ensure that the discretionary actions are suitably directed on the road to performance enhancemment (Macduffie, 1995).

Pfeffer (2007) contended that the adoption of EI programs can lead to reduction in the administrative expenses through empowerment of employees working at lower levels of the organizational hierarchy, and hence eliminating the management levels.

Guest (1997) advocated that the flexibility and commitment produced by high involving operations result in modification of behaviour in the employees. Since high degrees of co-operation, motivation and citizenship is demonstrated by the employees, they embrace superior performing behaviours, resulting in reduction of attrition,

customer complaints, conflicts and absenteeism rates and improvement in quality and productivity estimates. Accordingly, these behaviours are presumed to influence the financial performance.

Combs et al. (2006) advocated the enhancment in the organizational performance by .20 of a standardized unit against every unit enhancement in the use of EI programs. Overall, they suggested about the two overlapping and interactive procedures through which EI programs enhance the OP: (1) EI programs improve the organization's internal social structure and hence promotes cooperation and communication between the employees (Evans & Davis, 2005); (2) EI programs provide knowledge, skills and ablities (KSAs) needed to execute the job operations as well as both opportunity and motivation for performing (Delery & Shaw, 2001). Together, both of these processes enhance job satisfaction and aid employees in taking good decisions and functioning more productively. As a result, OP is improved and employee turnover is controlled (Becker et al., 1997).

Levine (1995) advocated the adoption of EI practices for boosting the performance of firms. In the similar vein, Delaney & Huselid (1996) suggested that the work or job structures can be utilized for building the performance of firms through allowing motivated and skilled workforce to get more involved in deciding the important work aspects (which work will be performed?, how it will be done?).

A significant point in the concept of EI is that the isolated implementation of individual practices cannot produce satisfactory results, rather, applying them in a meaningful package is found to produce better results. According to Combs et al. (2006), the synergies among the EI programs produce much stronger impact on OP in contrast to the impact of individual EI programs on OP. Lawler (1986) compared this synergy with a multiplicative model in the sense that if even if a singly practice would be ignored, EI would be non-existent. In this regard, Macduffie (1995) advocated that the complementarity influences the performance in a better way because of the mutual reinforcement and interlocking impact of various practices. Hence, if an organization wants to involve its employees, it will have to concurrently provide more power, knowledge, rewards and information to its employees. Other research streams such as Cotton et al. (1988) have also supported the view that a blend of interventions must have greater impact in contrast to an individual intervention. However data limitation restrained us to build complemantarity measures between the EI practices and the organizational strategy, the dearth of empirical grounds on this subject caused us to build various crude measures demonstrating complementarity between the EI programs for the institutions included the sample of our study. Accordingly,

Hypothesis: Synergies or Complementarities between the employee involvement practices will be associated positively with the organizational performance.

III. METHODOLOGY

Participants: The population of the study comprises of the employees working in Private Sugar Mills of Haryana. Descriptive research design has been utilized in this research. The study was conducted in the timeline of June 2019 to January 2020. Sample of 150 employees was decided but out of these, only 116 responded to the study, in terms of completed questionnaire, hence the response rate was 77%. Out of 116 respondents, 95% were male, 98% were married, 80% belonged to the age group of 31-40 years, and 85% belonged to the employment category of permanent and seasonal permanent.

Questionnaire: For the purpose of collecting data on EI and OP standardised instruments of data collection were utilized. Each of this instrument have been presented to the respondents in the terms of questionnaires for expressing their options. Every questionnaire incorporated specific questions or statements which were responded on a five-point Likert scale with the anchors namely: 'strongly agree', 'agree', 'neutral', 'disagree', 'strongly disagree' in case of instrument examining EI, and 'much better', 'better', 'same', 'worse', 'much worse' in case of instrument examining OP. Close-ended and structured questionnaires were utilized to obtain the responses from the employees of various establishments.

(*i*) Employee Involvement:

EI was measured through the instrument based on the research work of Sandrin, Trentin & Forza (2017). This instrument utilized 11 statements for operationalizing the four aspects of EI namely: power (three statements), information (two statements), rewards (three statements), knowledge (three statements). The statements representing the power aspect of EI were reverse coded, rest all the statements were coded positively.

(*ii*) Organizational Performance:

OP was measured through the instrument based on the research work of Katou & Budhwar (2006) and Delaney & Huselid (1996). Perceptual measures of performance measurement have been utilized in the study. Delaney & Huselid (1996) have demonstrated significant relationship of the perceptual measures with the hard OP measures. *Procedure:* Data was gathered from the respondents by the way of questionnaire which was emailed to the sugar mill authorities. The survey was divided into two questionnaires among which the first one measured the involvement of employees and the second one measured the performance of the organization. For the purpose of data analysis, AMOS and SPSS have been used.

IV. ANALYSIS AND RESULTS

(*i*) Employee Involvement:

After examining the content validity, the construct EI (Cronbach's alpha = 0.964) was found to have 11 statements. Confirmatory factor analysis was conducted so as to check the validity issues and the model fit indices. Since, high multicollinearity was found among the constructs 'rewards', 'knowledge', 'power', 'information' as indicated by the common variance among the constructs, hence second-order CFA has been applied in this measurement model. When checking for the model fit indices, the value of CMIN/DF for the measurement model of EI was found to be 2.531. Hence, to improve the fitness of the model we removed the third statement of the 'power' construct' (P3_r). Again, the model fit indices were examined which are shown in Table 1, and we found an improved CMIN/DF value to 1.796. Hence, the improved measurement model for EI included 10 statements.

Measure	Estimate	Threshold	Interpretation
CMIN	59.265	-	-
DF	33	-	-

Table 1: Model Fit Indices: Employee Involvement

CMIN/DF	1.796	Between 1 and 3	Excellent
CFI	0.984	>0.95	Excellent
RMSEA	0.08	<0.06	Mediocre
PCLOSE	0.061	>0.05	Excellent

From the indices of model fitness shown in Table 1, it can be inferred that CFI = 0.984 is acceptable as per Gatignon (2010) according to whom CFI > 0.95 is an excellent fit index. The value of RMSEA should be less than 0.06 (Brown, 2014), but here it is 0.08 hence, it can be inferred as a mediocre measure of fit. PCLOSE value that demonstrates the difference among the observed and expected covariance of the statements need to be >0.05 (Gatignon, 2010), and we have obtained the value of 0.06. Thus, the model has satisfactory model fit indices.

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Construct	CR	AVE	
Rewards	0.97	0.91	
Knowledge	0.97	0.92	
Power	0.95	0.91	
Information	0.96	0.93	

Table 2: Convergent Validity: Employee Involvement

The value of AVE (average variance extracted) need to be 0.5 or higher, the value of CR (composite reliability) should be more than 0.7, and CR>AVE (Hair et al.,2010). It is evident from the Table 2 that AVE > 0.5, CR > 0.7 and CR > AVE for all the four constructs. Hence, the model has excellent convergent validity.



Figure 1: Measurement Model of Employee Involvement

(*ii*) Organizational Performance:

After examining the content validity, the construct OP (Cronbach's alpha = 0.921) was found to have 12 statements. Confirmatory factor analysis was conducted so as to check the validity issues and the model fit indices. In this measurement model, zero-order CFA has been applied. When checking for the model fit indices, the value of CMIN/DF for the measurement model of OP was found to be 2.531. Hence, to improve the fitness of the model we removed some statements. The model fit indices were examined which are shown in Table 1, and we found an improved CMIN/DF value to 0.917. The improved measurement model for OP includes 5 statements examining the growth of sales revenue, profitability, market share, operating cost efficiency, and overall organizational performance.

Measure	Estimate	Threshold	Interpretation
CMIN	4.584	-	-
DF	5	-	-
CMIN/DF	0.917	Between 1 and 3	Excellent
CFI	1.00	>0.95	Excellent
RMSEA	0.00	<0.06	Excellent
PCLOSE	0.622	>0.05	Excellent

Table 3: Model Fit Indices: Organizational Performance

From the indices of model fitness shown in Table 3, it can be inferred that CFI = 1 is acceptable as per Gatignon (2010) according to whom CFI > 0.95 is an excellent fit index. The value of RMSEA = 0 which is excellent as per Brown (2014) as per whom it should be less than 0.06. Thus, the model for OP has excellent model fit indices.

Table 4: Converge	ent Validity: Organizational Perfo	rmance

Construct	CR	AVE
Organizational Performance	0.874	0.585

The value of AVE (average variance extracted) need to be 0.5 or higher, the value of CR (composite reliability) should be more than 0.7, and CR>AVE (Hair et al.,2010). It is evident from the Table 4 that AVE > 0.5, CR > 0.7 and CR > AVE for the construct. Hence, the model has excellent convergent validity.



Figure 2: Measurement Model of Organizational Performance

(iii) Relationship between Employee Involvement and Organizational Performance

In the structural equation model representing the relationship between EI and OP, third-order CFA has been applied. Confirmatory factor analysis was conducted so as to check the validity issues and the model fit indices.

Measure	Estimate	Threshold	Interpretation
CMIN	134.816	-	-
DF	87	-	-
CMIN/DF	1.550	Between 1 and 3	Excellent
CFI	0.975	>0.95	Excellent
RMSEA	0.06	<0.06	Mediocre
PCLOSE	0.090	>0.05	Excellent

Table 5: Model Fit Indices: Relationship among Employee Involvement and Organizational Performance

From the indices of model fitness shown in Table 5, it can be inferred that CFI = 0.975 is good as the acceptable value for CFI should be more than 0.9. The value of RMSEA = 0.06 is mediocre as the value should be less than 0.1. Thus, the structural equation model for the relationship between EI and OP has satisfactory model fit indices.



Figure 3: Structural Equation Model of relationship between EI and OP

V. DISCUSSIONS AND CONCLUSIONS

The results of our study are not supportive of the assertion that synergies or complementarities between the EI practices would be related positively with the performance of an organization, contrary to the hypothesis formulated in the study. The estimate of the regression weight between EI and OP was found to be negative and insignificant as the P > 0.05. Provided that we were unable to ascertain the complementarity among the EI practices and the organizational strategies and that our measures establishing complementarity between the EI initiatives were crude, still we couldn't say that whether our findings are a consequence of poor measures demonstrating EI practices or the non-existence of its influence in the study's sample. In either of the situation, the construction of valid and reliable measures demonstrating the EI practices and the complementarity between the EI practices prevail to be a serious matter for the investigators to resolve.

Some limitations signal that our assessments need to be observed carefully. First, the financial organizational performance measures are seen as more desirable, but our study relied on perceptual performance measures. Perceptual performance measures have been frequently utilized in various studies and many researchers have established strong links between the financial and perceptual measures.

Second, the association among organizational performance and EI has been dealt with from multiple perspectives, containing industrial/organizational psychology (Vandenberg et al., 1999), human resources (Huselid, 1995), strategic management (Koch & McGrath, 1996) and labour economics (Ichniowski et al., 1996). The analysis level varies among the studies, as few studies are built on surveys at the establishment level, whereas few are built on surveys at the firm level. This raises concern regarding the suitable analysis level for investigating the links among organizational performance and EI.

Third, according to Benson & Lawler (2003), the practices of EI like flexible job design and self-managing teams, are rarely implemented to 100% of the organizational employees. This indicates that the performance gains which occur out of applying EI programs are confined and cover only a portion of the firm's entire employees. Contrarily, the OP is usually examined at firm level.

Keeping these limitations aside, our investigation implies some observations. First, the growing curiosity to examine the organizational impact of the EI initiatives can be treated as a significant progress for human resource domain. The complication in this area necessitates the unification of macro and micro level empirical and conceptual foundations from multiple disciplines, besides the leadership, strategy, and management literatures by and large. Interdisciplinary discourse between the scholars could only aid in generating research which is superior and more pertinent for the professionals.

Second, since the scholars are stressing highly on the relationship among the organizational performance and EI initiatives and examine it through diverse outlooks, there exists a vital requirement of harmony regarding the estimation of EI practices and systems.

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