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## **ROLE OF HRM TO INCREASE ORGANISATIONAL INTEGRITY AND DEVELOPMENT**

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### **Abstract**

This study examines employee involvement in organisational affairs as an important facet of social sustainability in the Nigerian banking sector, because providing good customer service requires committed employees rather than coerced labour. Data extracted through quantitative content analysis from the financial reports of fifteen commercial banks were analysed using descriptive statistics, Z test, One-way ANOVA, correlation and regression analysis techniques. study found that employee involvement correlates positively and significantly with organisational performance; and banks differ in performance on the account of the level of employee involvement; firms with deeper level of employee involvement performed better than others with shallow level of employee involvement, thus stressing the relevance of employee involvement as an aspect of social sustainability business practices. Organisations are enjoined to involve their employees more to achieve better results; and embrace the modern philosophy of regarding employees as strategic resources that can be used to bolster core.

**Key Words:** Employee involvement, global reporting initiative, organisational performance, Nigeria, sustainability

### **Introduction**

Debate for sustainability has been on the rise in recent times, and the contention that organisations should be more involved in sustainable business practices may not be unconnected to stakeholders' agitation for organisations to give back to the society which provides enabling environment, resources and justification for their existence. Sustainability practices usually pursued by firms are economic, environmental and social (maguire, 2011; Hindley & Buys, 2012; Gri, 2013a; Gri, 2013b; KPmG, 2013a; KPmG, 2013b; Sulkowski & Waddock, 2014; Oyewo & isa, 2017). Economic sustainability is concerned with the impact of the entity on the economic conditions of its stakeholders, the flow of capital among different stakeholders, and the entity's impact on economic systems at local, national and international levels (Eccles, 2011; Gri, 2013a; Gri, 2013b; CimA, 2014c). environmental sustainability focuses on the impact of the entity on living and non-living natural systems including land, water, air and ecosystem (Gri, 2013a; Gri, 2013b; CimA, 2014c). social sustainability dimension focuses on the entity's impact on the social systems within which it operates (Gri, 2013a; Gri, 2013b; CimA, 2014c).

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Drawing from the Global reporting initiative (Gri) G4 framework for sustainability reporting, the social sustainability indicators are in four categories, including: labour practices & decent work, human rights, society, and product responsibility (Gri, 2013a; Gri, 2013b; Gri, 2013c). The labour and decent work practice, which covers aspects such as employment; labour/management relations; occupational health and safety; training and education; diversity and equal opportunity; equal remuneration for women and men; supplier assessment for labour practices; and labour practices grievance mechanisms stresses employee involvement in organisational affairs as an important facet of social sustainability. This paper therefore focused on employee involvement as an aspect of socially sustainable business practice.

It has been acknowledged in literature that employees are one of the priced resources of organisations, whatever the sector, ownership structure, establishment-motive, form or size (Pfeffer, 1998; macey & Schneider, 2008; Bassey & Tapang, 2012; Kok, Lebusa & Joubert, 2014). behoooves business owners and managers seeking

Competitiveness and relevance to be concerned with involving employees in organisational affairs to the extent they desire realising set goals through them. Employee involvement in the affairs of an organisation (hereafter, employee involvement) implies the participation of employees in the matters or business of their employers; it is the subsuming of employees in the activities of organisations. connotation suggests the existence of different levels of, and platforms for, employee involvement. in essence, it may not be unexpected that employee involvement practices would differ amongst firms (Berg, Witteloostuijn, Boone & Brempt, 2000; Lee & Yu, 2004). While some organisations may involve their employees more, others may involve them to a low extent; investigating the extent to which the level of employee involvement affects organisational performance is worth considering.

Earlier studies (for example, Jones & Kato, 2005; Kuye & Sulaimon, 2011; Khattak, iqbal & Khattak, 2013; and Sofijanovna & Zabijakin-Chatleska, 2013) have posited the existence of strong, positive connection between employee involvement and firm performance. review of literature on the subject in Nigeria (for example, Yusuf, 2008; Kuye & Sulaimon, 2011; Enofe, mgbame, Otuya & Ovie, 2013; Ofoegbu & Joseph, 2013; Ojokuku & Sajuyigbe, 2014) suggests lack of empirical studies covering a broad spectrum of sectors, as most studies were undertaken in manufacturing concerns. Kuye and Sulaimon (2011), upon investigating how employee engagement influences performance in the Nigerian manufacturing sector recommended that: future studies may need to expand to cover the service industry rather than limiting them to the manufacturing industry. , generalisation of the findings might be well justified...finally, the sample was drawn from Lagos State, Nigeria. limits the generalisations of the findings (p.12).

Whilst generalisation of result was restricted to manufacturing concerns, the statement clearly identifies a gap, the under-researching of the subject in service sectors in Nigeria, including the banking sector which is a major sector providing financial services crucial to economic development, reinforcing the need to revisit the subject. Paper responds uniquely to these observed gaps in three ways. first, it focused on the banking sector, as the under researching of sustainability in Nigeria affects the financial service sector (idowu, 2014; Ajide & Aderemi, 2014; Lugard, 2014; Oyewo & Badejo, 2014; Nwobu, 2015;

Oyewo & isa, 2017). Second, there is a departure from using primary data, which has been the approach adopted by earlier studies, to using data collected from secondary source – the financial reports of firms. , the study was not restricted to any particular geo-political zone in Nigeria but extended to publicly-quoted firms having presence and operating licenses regionally, nationally and internationally.

Subject of employee involvement is of great concern in service industries – including the banking sector that is highly-competitive, where customer satisfaction is a critical success factor, because providing good customer service requires committed employees rather than coerced labour (Tyson & Levine, 1990; Cotton, 1993; Bryson & millward, 1997). ramsay, Parry, Paton and Hyman (1998, p. 3) maintained that service ‘requires employee internalisation of a management-designed culture of commitment if it is not to be based on exhausting and expensive supervision’. Banks perform financial intermediation by channeling finance from lenders to borrowers (Brigham & Houston, 2007; Akinsulire, 2009; Oyewo, 2014), and while performing this core function depend largely on their employees in the value-creation process.

objectives of the study are to: (i) appraise the level of employee involvement in organisational affairs; (ii) evaluate the extent to which organisations differ in performance on the account of the level of their employees’ involvement; and (iii) investigate the extent to which employee involvement affects organisational performance in the Nigerian banking sector.

Rest of the paper is structured as follows: Section 2 presents a discussion of literature and the development of hypotheses; followed by an explanation of the research methods deployed in Section 3. After presenting the results of statistical analyses and discussion of findings in Section 4, Section 5 recapitulates the key findings and closes with some recommendations.

## **Literature Review And Hypotheses Development**

### ***THE CASE for Employee Involvement AS a Sustainable business practice***

Some rationales have been adduced for employee involvement in organisational affairs as a sustainable business practice. Poutsma (2001) cited in summers and Hyman (2005) suggested four considerations including humanistic, power-sharing, organisational efficiency and redistribution of results rationales. Summers and Hyman (2005) re-classified these rationales under three operational rationales – economic, social and governmental. Economic rationale derives from the reasoning that employee involvement influences organisational performance because encouraging their participation has a way of positively altering their disposition towards work and management, which in turn motivates them to achieve results (BPP, 2009). Approach underpins the participative management style as against an autocratic style, which is perceived to diminish employee motivation (Boddy, 2012; mullins & Christy, 2013). Employees may also participate financially when owners offer stakes in the firm through employee-share-ownership schemes (Heller, Pusic, Strauus & Wilpert, 1998; Pendleton, 2001). Social arguments for employee involvement are that; allowing employees to get involved democratises the management process and creates equal opportunities between workers, and between workers and management, especially in domains where employees unionise. Organisations may also introduce employee involvement on social grounds to improve working

conditions (Osterman, 1994; Aboramadan & Borgonovi, 2016). Government rationale for employee involvement is wider than the economic or social arguments, because employee involvement policies are designed to benefit the wider community (Bryson, 2011).

Benefits of employee involvement are double-sided. Levine (1995), corroborated by Blasi, Conte and Kruse (1996) maintained that employee involvement in decision-making may enhance harmonious employer-employee relationship, which in turn spurs employee motivation, and greater job satisfaction in achieving goals. To the employees, employee involvement provides an avenue for having a sense of belonging to the organisation since they feel integrated into, and are parties to running the system. The organisation benefits, since it can optimally harness the skills, competence and experiences of the employees by giving them the free hand to operate (Morden, 2007; David, 2009). Other documented benefits of employee involvement are improved company performance (Cooke, 1994; BPP, 2009); improvement in employee productivity and flexibility (Jones, 1987; Bryson, 2011); reduction of operating cost because of low employee-turnover and absenteeism rates (Wilson & Peel, 1990; Kaplan, 2013).

### ***Engendering Employee Involvement In Organisational Affairs***

Organisations typically explore different mechanisms for employee involvement by encouraging team-working and rewarding team-achievements through group incentive schemes; quality circles (a forum where employees congregate to discuss quality issues in the organisation), total quality management (getting it right the first time), gain-sharing, and information sharing (CimA, 2008; David, 2009; Boddy, 2012). Organisations could also ensure, through different formal and informal platforms, that employees are kept informed on matters concerning them. Employee development through regular training; consideration of employees' views on not only matters affecting them as employees but also on general matters pertaining to the business; and existence of a fair reward system are some other strategies of engendering greater employee involvement (CimA, 2008; Mullins & Christy, 2013; CimA, 2014a; CimA, 2014b).

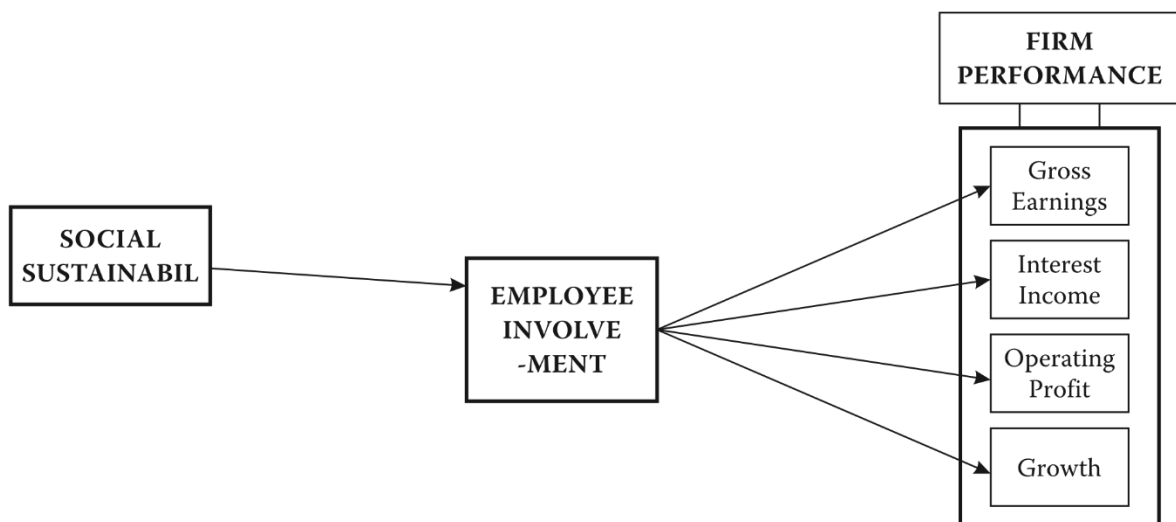
### ***Prior Studies***

Berg, Witteloostuijn, Boone and Brempt (2000) argued that empirical studies on employee involvement thrive on the theoretical underpinning that workers participation is practiced in the real world. Jones and Kato (2005) examined the direct impact of employee involvement through team or group work on business performance of firms located in central New York, United States of America. The study concluded that employee involvement will produce improved enterprise performance through diverse channels, including enhanced discretionary effort by employees. In a comparative study by Berg, Witteloostuijn, Boone and Brempt (2000) as per the impact of representative employee participation on firm performance in four neighbouring countries, Belgium, Germany, the Netherlands and the United Kingdom, it was concluded that employee participation affects performance of companies. Kuye and Sulaimon (2011) investigated the interaction between employee involvement in decision-making and firm's performance in the manufacturing sector in Nigeria. Using a combination of descriptive and inferential statistics to analyse primary data sourced from 670 firms, the study concluded that there was a statistically significant relationship between employee involvement in decision-making and firms' performance. According to findings, firms that had deep level of

employee involvement performed better than those with shallow level of employee involvement.

Khattak, iqbal and Khattak (2013) considered the relationship between employee involvement and organisation performance by analysing primary data obtained from administering 509 copies of questionnaire in Pakistani organisations. The elements of employee involvement studied were employee empowerment, team orientation and capacity development. Empirical findings were that organisational performance improved due to employees' involvement; organisations which delegated authority to employees performed better than those which did not. Sofijanovska and Zabijakin-Chatleska (2013) studied the effect of employee involvement on the performance of manufacturing concerns in the republic of macedonia. Data were obtained by administering two sets of questionnaires, selecting a sample of 36 companies. They found effective use of employee involvement to be positively related to perceived organisational performance. Other empirical studies corroborating a strong cohesion between employee involvement and firms' performance were undertaken by Hamilton, Nickerson and Owan (2002), Addison and Belfield (2000), Bartel (2004), Ofoegbu and Joseph (2013), and Ojokuku and Sajuyigbe (2014), amongst others. Based on these discussions, it is first hypothesized that:

Figure 1: Relationship between social sustainability, employee involvement and firm performance



Source: Authors' conceptualisation

## Research Methods

### Source Of Data And Variable Operationalization

Study gathered secondary data from the 2012 annual reports and accounts of fifteen (15) commercial banks in Nigeria, across three licensing tiers – regional, national and international banks. Statistics of participating firms is furnished in Appendix 1. Quantitative content analysis was used to assess employee involvement disclosures in financial reports. Holsti (1969) supported by Krippendorff (1980) and Kondracki and Wellman, (2002) asserted that quantitative content analysis focuses on counting the frequency of specific words or content.

Employee involvement was operationalized by content-analysing disclosures in financial reports on employee involvement in workplace affairs. Disclosures in respect of the following were analysed: (i) level of involvement in decision-making; (ii) keeping



employee informed on the institution's performance and progress; (iii) extent of sorting and considering opinions and suggestions of members of staff not only on matters affecting them as employees but also on the general business of the bank; (iv) investment in employees' future development; (v) training and career development program; (vi) adequacy of employee rewarded and motivation to achieve results; (vii) employee volunteering schemes (EVS) in sustainability activities; (viii) formal and informal channels explored for communication with and receiving feedbacks from employees; and (ix) extent of implementing various incentive schemes designed to encourage the involvement of employees in the firm's performance. To triangulate measurement of employee involvement, three approaches were used to scrutinise disclosure including: the number of items (EmPi), number of words (EmPW), and extent of value added attributed to employees in the Value Added Statement (designated, EmPf). Performance (PErf) was considered from the perspectives of firms' revenue (Gross Earnings, GrE); interest income (iNT), Profitability (Operating profit, OPr), and Growth (changes in interest income in monetary terms ( $\Delta$  iNT), Changes in interest income in % ( $\Delta$  iNT%), and Changes in fund retention for future

Development ( rTf%).

### **Model Specification**

following the supposition that employee involvement is expected to influence firms' performance, this

relationship is mathematically expressed in equations (1) to

(3):

model 1

$$PErf = f(EmPi) \quad (1)$$

Equation (1) is disaggregated thus:

$$GrE = \alpha_{01.1} + \alpha_{1.1} EmPi + \varepsilon_{\alpha 1.1} \quad (1.1)$$

$$iNT = \alpha_{01.2} + \alpha_{1.2} EmPi + \varepsilon_{\alpha 1.2} \quad (1.2)$$

$$OPr = \alpha_{01.3} + \alpha_{1.3} EmPi + \varepsilon_{\alpha 1.3} \quad (1.3)$$

$$PErf = f(EmPW) \quad (2)$$

Equation (2) is disaggregated thus:

$$GrE = \beta_{02.1} + \beta_{2.1} EmPW + \varepsilon_{\beta 2.1} \quad (2.1)$$

$$iNT = \beta_{02.2} + \beta_{2.2} EmPW + \varepsilon_{\beta 2.2} \quad (2.2)$$

$$OPr = \beta_{02.3} + \beta_{2.3} EmPW + \varepsilon_{\beta 2.3} \quad (2.3)$$

$$PErf = f(EmPf) \quad (3)$$

Equation (3) is disaggregated thus:

$$\Delta GrE = \mu_{03.1} + \mu_{3.1} EmPf + \varepsilon_{\mu 3.1} \quad \Delta iNT\% = \mu_{03.2} + \mu_{3.2} \quad (3.1)$$

$$EmPf + \varepsilon_{\mu 3.2} \quad rTf\% = \mu_{03.3} + \mu_{3.3} EmPf + \varepsilon_{\mu 3.3} \quad (3.2)$$

$$(3.3)$$

### **Methods Of Data Analysis**

Study employed both descriptive and inferential statistical techniques for analysis including minimum value, maximum value, mean (*M*), standard deviation (*SD*), Z test, One-way ANOVA, correlation and ordinary least square (OLS) regression techniques. To

standardise rating on employee involvement disclosures among firms, the Z test statistics was computed thus:

$$Z = (X - M) / SD. \quad (4)$$

Where  $X$  = score of firm,  $M$  = mean,  $SD$  = Standard Deviation

## Results

### *Attributes Of Studied Organisations*

Descriptive statistics of the variables is presented in Table 1.

Table 1: Descriptive statistics of study variables

variable	Minimum	Maximum	Mean	Std. Deviation
Gross earnings (in million)	30716	1356967	230056.53	326093.332
interest income (in million)	25056	1356967	197477.40	329122.672
Operating profit	4536	348637	57532.20	87554.528
Change in interest income	-2453	478474	67388.53	117485.731
Change in interest income (%)	-5.28	108.40	42.1633	25.09394
Change in retention for future devt. (%)	-103	52	-.79	38.780
No of items, EmPi	5	22	11	6
No of words, EmPW	40	150	82	27
Employee value added ((in million)	6527	68804	28085.86	17339.305
Employee value added (%)EmPf	19.00	75.00	41.8571	13.83339

from the result in Table 1, the minimum gross earnings of the selected firms was N30,716 million, maximum was N 1,356,967 million, mean gross earnings stood at N-230,056.53 million. The minimum of interest income was N-25,056 million, maximum stood at N 1,356,967 million, and the mean was N-197,477.40 million. Operating profit stood at a minimum of N-4,536 million, maximum of N-348,637 million; and mean of N-57,532.20 million. The dispersion in gross earnings ( $SD = \text{N-}326,093.332$  million), interest income ( $SD = \text{N-}329,122.672$  million) and operating profit ( $SD = \text{N-}87,554.528$  million) is quite large, confirming sample selection across firms of varying sizes (in terms of earnings, interest income, and operating profit). This was because sample was drawn across the three tiers of banks – regional, national and international banks respectively. The average growth in interest income between 2011 and 2012 financial year of firms was N 67,388.53 million (42.16%), maximum was N 478,474 million (108.40%). Some firms however experienced decline in interest income which accounted for the negative change (N2,453million, -5.28%), representing the minimum score. Changes in retention for future development (in %) which is the proxy organisational growth, had a minimum of -103%, maximum of 52%, and mean of -0.79%. Whereas some firms experienced expansion in retention for future developments, others had decline in this respect.

in measuring employee involvement, using the first proxy – number of items (EmPi) – the minimum score was 5 items, the maximum 22 items and the average was 11 items with

standard deviation of 6 items. Employee involvement, proxied by the number of words (EmP<sub>W</sub>) had a minimum of 40 words, maximum of 150 words, average of 11 words, and a standard deviation of 27 words. The minimum value-added attributed to employee (EmP<sub>F</sub>) in the value added statement was about ₦6,527 million (19.00%), maximum was ₦68,804 million (75%) and mean was ₦28,085.86 million. Overall, the examination of the results on variation (the SD parameter) in the employee involvement proxies EmP<sub>i</sub> (SD = 6 items), EmP<sub>W</sub> (SD = 27 words) and EmP<sub>F</sub> (SD = 13.83%) suggests noticeable variation in the disclosure of employee involvement among selected firms. While some firms recorded high level of employee involvement in organisational affairs, others witnessed low level of involvement of employees.

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## Appendices

### Appendix 1: Data on sample firms

Diamond	Gross Earnings (millions)	changes in interest income	changes in interest income (%)	EmP <sub>i</sub>	EmP <sub>f</sub>	Operating profit in million	interest income (in million)	Change in retention for future devt (%)	EmP <sub>w</sub>	Z score for number of words	ranking based on Z score-no of words
first	359,253	74,299	34.87	8	37.00	93,295	287,274	6.00	70	-0.44	1
GTB	223,004	43,824	34.65	9	19.00	103,028	170,295	9.00	76	-0.22	1
UBA	220,129	36,413	24.27	6	38.00	52,010	150,003	32.00	81	-0.04	1
Stanbic	91,860	22,390	63.20	6	57.00	11,726	57,818	7.00	107	0.93	2
Zenith	307,082	58,126	35.62	11	29.00	98,592	221,318	14.00	70	-0.44	1
fidelity	78,996	29,462	59.48	18	40.00	20,843	78,996	26.00	109	1.00	2
Wema	30,716	8,076	47.56	9	51.00	12,476	25,056	-5.00	66	-0.59	1
Diamond	112,352	28,991	25.80	19	34.00	27,483	112,352	52.00	63	-0.70	1
Union	112,794	116,744	108.40	7	75.00	9,060	92,956	-103.00	82	0.00	2
fCmB	116,832	24,534	39.26	5	47.00	16,086	87,021	-37.00	40	-1.56	1
Access	208,309	55,216	52.00	18	32.00	38,405	161,437	12.00	70	-0.44	1
Ecobank	1,356,967	478,474	54.46	22	n/a	348,637	1,356,967	n/a	150	2.52	3
Skye	126,023	26,126	34.87	9	32.00	13,396	101,032	23.00	66	-0.59	1
Unity	61,358	2,453	-5.28	7	47.00	13,410	29,465	-46.00	101	0.70	2
Sterling	45,173	5,700	23.29	7	48.00	4,536	30,171	-1.00	63	-0.70	1

n/a- Not available in financial statement

Source: Extracted from financial reports

## Appendix 2: results from analyses of differences in performance using ANOVA

		Sum of Squares	df	mean Square	f	Sig.
Gross earnings (in million)	Between Groups	1383082618177.633	2	691541309088.817	78.559	.000
	Within Groups	105633441300.100	12	8802786775.008		
	Total	1488716059477.733	14			
interest income	Between Groups	1454360845701.950	2	727180422850.975	140.420	.000
	Within Groups	62143417975.650	12	5178618164.638		
	Total	1516504263677.600	14			
Operating profit	Between Groups	93752062121.550	2	46876031060.775	41.455	.000
	Within Groups	13569072290.850	12	1130756024.238		
	Total	107321134412.400	14			
chg in interest income	Between Groups	181187722706.483	2	90593861353.242	90.197	.000
	Within Groups	12052834253.250	12	1004402854.438		
	Total	193240556959.733	14			
chg in interest income (%)	Between Groups	1449.881	2	724.941	1.181	.340
	Within Groups	7365.998	12	613.833		
	Total	8815.879	14			
change in retention for future devt (%)	Between Groups	4457.857	1 12	4457.857	3.544	.084
	Within Groups	15092.500	13	1257.708		
	Total	19550.357				

Source: Authors' Computation