Industrial Democracy and Organizational Performance of Deposit Money Banks in Port Harcourt, Nigeria

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Abstract: This study examined the relationship between industrial democracy and organizational performance of deposit money banks in Port Harcourt. The study adopted the cross-sectional research design and drew its population of seventy-six (76) from four strategic managers of each of the nineteen banks regional office, since the unit of analysis for the study was at the macro level. The instrument for data collection used in the study was the structured questionnaire. A total number of seventy-six (76) copies of questionnaire were administered to the respondents. To determine the strength and direction of the relationship between variables being investigated, inferential analysis using Spearman’s Rank Order Correlation Statistics was employed. The results of the findings indicate that there is a significant relationship between industrial democracy and measures of organizational performance of deposit money banks studied. Therefore, the study concludes that industrial democracy predicts organizational performance of deposit money banks in Port Harcourt and recommends that deposit money banks management should ensure that grievances that results from interactions between employees and their superiors are timely resolved before it snowballs into industrial unrest.

INTRODUCTION

The performance of the organization has generated a lot of interest amongst management teams, professionals and academics. Organizations are known to undertake numerous activities that enable them achieve their organizational objectives. It is these continuous activities that enhances the various processes of the organization and help them to become successful, this is usually quantified in a bid to determine the level of performance desired as well as the extent achieved and enables management to make up-to-date decisions on what might be looked-for within the system to instigate actions for improved performance. Therefore, it can be contended that there is a close relationship between the organizational objective and the concept of organizational performance. Consequently, every organization endeavours to accomplish specified and pre-meditated objectives by utilizing effectively available resources. In the first decade of the twenty-first century, the definition of organizational performance mostly focused on the capability and ability of an organization to efficiently utilize the available resources to achieve accomplishments consistent with the set objectives of the organization, as well as considering their relevance to its users.
A growing attention have been focused on actions geared towards amplifying the performance and abilities of numerous firms as an important strategy for enhancing firm’s general expenditure situation, resourceful abilities as well as improving customer service relationship. In addition, Krause (2008) and Wagner (2010), posits that organizational development is part of firms procedure that relatively deal with low performance thereby purposefully boosting long run business outlook that amplifies the performance or aptitude of firms to attain short- and long-term goals.

Organizational performance refers to the extent to which an organization is able to accomplish set goals such as shareholders wealth maximization, return on investment, superior market share and customer satisfaction (Armstrong, 2007). In an ideal world, performance is measured in line with market’s evaluation of the firm’s securities, this is as a result of focus on the fact that market price per share determines the position of all market contestants in establishing in work of individual firms. Observations has shown that most firms have not been able to attain the goals of the organization due largely to operational hiccups associated with their kind of business activities leading to meet up with the needs of customers and stakeholders alike (Wilson, 2015). Poole (1992) presented a wide-ranging categorization of industrial democracy in an article in the “Concise Encyclopedia of Participation and Co-Management and established six different molds of industrial democracy thus: workers self-management, producer cooperatives, co-determination, works councils, trade union action, and shop-floor programs. Trade union action comprises collective bargaining as its most important component, and shop-floor programs cover direct participation, team work etc. Poole (1992) incorporates the financial participation of employees under the term economic democracy.

On the other hand, Hugh (1960), came up with a radically deductive new approach to industrial democracy. Industrial democracy, in his views must provide mechanisms for protecting the rights and safeguarding the interests of industrial workers. Promoting a model of pure and simple trade unionism he asserts that, there is no effective alternative to collective bargaining as a means of protecting the interests and rights of workers. Industrial democracy is an idea in which citizenship rights in employment are held to include partial or complete participation by the workforce in the running of an industrial or commercial organization. The term, and others associated with it, is often laden with ideological overtones. At one extreme, industrial democracy implies workers’ control over industry, perhaps linked with worker ownership of the means of production, as exemplified by producer’s co-operative. Another approach is the appointment of worker or trade-union representatives to company boards or governing bodies. For others, industrial democracy takes the form of ‘worker participation’, such as collective bargaining in which trade unions operate as a kind of permanent opposition to managements. In this view, managements are seen to propose, employees and their unions offer reactions and if necessary, opposition and negotiation subsequently leads to collective agreements more or less satisfactory to both sides. Industrial democracy also includes giving scope for employee participation in management decisions,
communications, policies for improving cooperation and control of grievances and minimization of conflicts. People are generally motivated from within, but Human resources and organization focus should be on what they can do to help foster the type of environment where employees thrive to give their best performance.

Motivated employees have higher level of work engagement, reduced turnover and better performance as compared to disengaged employees. Since the organization success is directly linked with the performance of its employees the companies maintaining strong employee relations initiatives will benefit because their workforce is highly motivated to put their best efforts. Hence managing these relationships becomes important for business success, as strong and healthy relationships can lead to greater employee happiness and even increased productivity. Against this backdrop, this study examines the relationship between industrial democracy and organizational performance of deposit money banks in Port Harcourt.

The following research questions were generated for the study:

i. To what extent does industrial democracy relate with profitability of deposit money banks in Port Harcourt?

ii. To what extent does industrial democracy relate with improved customer care of deposit money banks in Port Harcourt?

iii. To what extent does industrial democracy relate with market share of deposit money banks in Port Harcourt?

**Research Hypothesis**

Ho₁: There is no significant relationship between industrial democracy and profitability of deposit money banks in Port Harcourt.

Ho₂: There is no significant relationship between industrial democracy and improved customer care of deposit money banks in Port Harcourt.

Ho₃: There is no significant relationship between industrial democracy and market share of deposit money banks in Port Harcourt.

**Conceptual Framework**

![Conceptual Framework Diagram]

- **Industrial Democracy**
- **Organizational Performance**
  - **Profitability**
  - **Improved Customer Service**
  - **Market Share**
Source: Researcher’s Conceptualization from Review of Related Literature (2019)

Fig 1: The conceptualization of the relationship between industrial democracy and organizational performance

LITERATURE REVIEW

The Concept of Industrial Democracy
Industrial democracy is seen as the extent of employee involvement in decision making, goal setting, profit sharing, teamwork, and other such measures through which a firm attempts to foster or increase its employees’ commitment to collective objectives (John, 1987). Industrial democracy meant the whole continuum from workshop participation over collective bargaining to co-determination in the regional and national economy. He indicated this state of co-determination as industrial constitutionalism. Poole (1992) presented a wide-ranging categorization of industrial democracy in an article in the “Concise Encyclopedia of Participation and Co-Management and established six different molds of industrial democracy thus: workers self-management, producer co-operatives, co-determination, works councils, trade union action, and shop-floor programs. Trade union action comprises collective bargaining as its most important component, and shop-floor programs cover direct participation, team work etc.

Industrial democracy is an idea in which citizenship rights in employment are held to include partial or complete participation by the workforce in the running of an industrial or commercial organization. The term, and others associated with it, is often laden with ideological overtones. At one extreme, industrial democracy implies workers’ control over industry, perhaps linked with worker ownership of the means of production, as exemplified by producer’s co-operative. Another approach is the appointment of worker or trade-union representatives to company boards or governing bodies. For others, industrial democracy takes the form of ‘worker participation’, such as collective bargaining in which trade unions operate as a kind of permanent opposition to managements. In this view, managements are seen to propose, employees and their unions offer reactions and if necessary, opposition, and negotiation subsequently leads to collective agreements more or less satisfactory to both sides. A fourth approach places less stress on power-sharing and more on consultation and communication: managers are seen as retaining all responsibility for decisions but make arrangements to consult with workers representatives before alterations are made, but which is appropriately small for all its members to take a personal direct part in influencing the group’s decisions. According to Wainaina (2011), without participation, it is argued, worker alienation will persist. Critics claim, however, that participation may be used as a manipulative device to control workers’ efforts or to weaken trade-union organization and unity.

The concept of Organizational Performance
Organizational performance has the budding to provide manufacturing firms with a
myriad of benefits, including greater efficiencies from economies of scale, increased power, and a greater ability to withstand market fluctuations, an increased survival rate, greater profits, and increased pressings for organizational members. Daft (2000), defined organizational performance as the ability of the organization to achieve its goal and objective. Organizational performance has suffered from not only a classification dilemma, but also from a theoretical problem. Organizational performance almost always produces a company that is much more complex one that may need a much more sophisticated management team, and one that may well need a new infrastructure. Organizational performance then may well require as much planning efforts and work as did starting a company in the first place. Small business owners face a dizzying array of organizational elements that have to be revised during a period of performance. Shiva and Suar (2010) agreed that superior performance is possible by transforming staff attitudes towards organization from lower to a higher plane of maturity, therefore human capital management should be closely bonded with the concepts of the performance. According to Heilman and Kennedy Philips (2011), organizational performance helps to assess the progress towards mission fulfillment and goal achievement. To improve organizational performance management should strive for better communication, interaction, leadership, direction, adaptability and positive environment. The study will further review the three measures of organizational performance thus;

**Improved Customer Service:** In today’s business environment, the quest to deliver quality excellence service to customers has become very essential due to its ability to create room for increased success and survival in the ever-increasing competitive banking sector (Mandal & Bhattacharya, 2013). In their contribution to the relevance of improved customer service, Anand and Selvarej (2013) observed that delivering exceptional services enhances a firm’s ability to react to the pressures of competition. Narteh and Kuada (2014) posits that high net worth customers have a greater expectation, better and more convenient service options than lower-income customers in most logistic firms. This is because most logistic firms use customer’s net worth to segment them thereby offering first class services to them in search of their loyalty retention and long-term relationship (Kombo, 2015). Amudha, Surulivel, and Vijaya-Banu, (2012), posits that the measurement of quality of service and offering of excellent customer services determines the effectiveness of the service delivery approach.

Kombo (2015) advanced that in order to improve on its customer care, that logistic firms even in developing countries like Nigeria are now opening customer care centers that are responsible for dealing with positive complaints and feedbacks from customers. In spite of the challenges being faced by logistic firms in handling customers complains daily, the ability of logistic firms to offer good listening ear, more and better advice, enhanced speed of problem solving experience and quality communication, reduction in waiting times for processing of request and transaction have been laudably acknowledged as sources of customer service improvement and effectiveness (Ernst & Young, 2014). Nowadays, organizations are paying detailed attention in persistently evaluating the quality of services they provide to their customers, this has led to
introducing diverse resourceful offerings and service improvement that has direct influence on customers service experiences.

**Market Share:** Norreklit and Mitchell (2007) contends that a satisfactory financial result may be obtained by first supplying a good product at low prices, making customers very satisfied and gaining a market share and an image, or decreasing the level of satisfaction by raising prices. This strategy leads to improved market share by the formation of loyal customers. The attainment of profitability in the firm is a function of market share, or the extent to which market prospects are maximized. Pearce and Robinson (2003) also views market share; as sales relative to those of other competitors in the market. Market share is usually used to express competitive position. It is also generally accepted that increased market share can be equated with success, whereas decreased market share is a manifestation of unfavorable actions by firm and usually equated with failure. O'Regan (2002) describes market share as a company’s sales in relation to total industry sales for a certain period. Pearce and Robinson (2003), also advocates that market share is sales relative to those of other competitors in the market. Market share is usually used to express competitive position. It is also generally accepted that increased market share can be equated with success whereas decrease market share is a manifestation of unfavorable actions by firms and usually equated with failure.

**Profitability:** Profitability refers to the gain or earnings that a firm produces by utilizing its available resources. It has been acknowledged that the purpose of almost all organization is profit maximization (Niresh & Velnampy, 2014). Profitability entails the aptitude to achieve yield from all the business activities of all organization (Muya & Gathogo, 2016). Profit more often than not is seen as the reward achieved for venturing into investment and is regarded to as the most essential inspiration of an entrepreneur for going into any business. However, it is viewed as an index for organizational effectiveness measurement (Ogbadu, 2009).

Anene (2014) posits that profitability can be uttered as either accounting or economic profits, it is one of the main objective of a business undertaking. It depicts the efficiency of the management in exchanging the firm’s assets to gainful earnings (Muya & Gathogo, 2016). It is pertinent to state that one important prerequisite for any long-term continued existence and accomplishment of goals of any firm is profitability. Profitability enhances the ability of firms to attract new investors, customers, and valuable staff and keeps an organization running for a long period of time (Farah & Nina, 2016). However, Tariq (2014) posits that accounting theory views profitability as the excess of income (inflows) over expense (out flows) for a particular period of time. Simply put, it characterizes earning of deposit money banks from the diverse actions they carryout in any economy. The profitability of a deposit money bank can consequently be described as net profit of the bank (San & Heng, 2013).

**Industrial Democracy and Organizational Performance**
Michael (1992) presented a wide-ranging categorization of industrial democracy in an article in the “Concise Encyclopedia of Participation and Co-Management and
established six different molds of industrial democracy thus: workers self-management, producer co-operatives, co-determination, works councils, trade union action, and shop-floor programs. Trade union action comprises collective bargaining as its most important component, and shop-floor programs cover direct participation, team work etc. Industrial democracy is an idea in which citizenship rights in employment are held to include partial or complete participation by the workforce in the running of an industrial or commercial organization. The term, and others associated with it, is often laden with ideological overtones. At one extreme, industrial democracy implies workers' control over industry, perhaps linked with worker ownership of the means of production, as exemplified by producer’s co-operative. Another approach is the appointment of worker or trade-union representatives to company boards or governing bodies. For others, industrial democracy takes the form of ‘worker participation’, such as collective bargaining in which trade unions operate as a kind of permanent opposition to managements. A fourth approach places less stress on power-sharing and more on consultation and communication: managers are seen as retaining all responsibility for decisions but make arrangements to consult with workers representatives before alterations are made, but which is appropriately small for all its members to take a personal direct part in influencing the group’s decisions.

According to Wainaina (2011), organizational performance has obvious importance, it impels job creation. It creates a stimulating and exciting environment within organization. It creates opportunities for the business initiator and others in the Company to become wealthy. Organizational performance also has downsides. When performance is swift, chaos can win through. In such a situation a company may see increased sales but a drop in profits. A business may outgrow the skills of its leaders, its employee and its advisers. All those involved are likely to become frazzled out trying to keep up with demand of expansion (Bonner, 2000; Bogs, 2004) states that a small business owner seeking to guide their organizations through periods of performance – whether that performance is dramatic or incremental – must plan to deal both the upsides and downsides of performance.

**METHODOLOGY**

The study adopted the cross-sectional research design and drew its population of seventy-six (76) from four strategic managers of each of the nineteen banks regional office, since the unit of analysis for the study was at the macro level. The instrument for data collection used in the study was the structured questionnaire. A total number of seventy-six (76) copies of questionnaire were administered to the respondents. To determine the strength and direction of the relationship between variables being investigated, inferential analysis using Spearman’s Rank Order Correlation Statistics was employed.
### DATA ANALYSIS AND RESULTS

#### Testing of Research Hypotheses

**Table 1: Industrial democracy and measures of organizational performance**

<table>
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<tr>
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<th>Industrial Democracy</th>
<th>Profitability</th>
<th>Improved Customer Care</th>
<th>Market Share</th>
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<tr>
<td><strong>Spearman’s rho</strong></td>
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<tr>
<td>Industrial Democracy</td>
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<td>0.861**</td>
<td>0.795**</td>
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<td>Sig. (2-tailed)</td>
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<td><strong>Profitability</strong></td>
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<tr>
<td>Correlation Coefficient</td>
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<td>1.000</td>
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<td>N</td>
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**. Correlation is significant at the 0.01 level (2-tailed).**

**Source: Research Data April 2018 and SPSS output version 23.0**

Table 1 illustrates the test for the two previously postulated bivariate hypothetical statements. The results show that for:

**H01:** *There is no significant relationship between industrial democracy and profitability of deposit money banks in Port Harcourt.*

The correlation coefficient (r) shows that there is a significant and positive relationship between industrial democracy and profitability. The rho value 0.842 indicates this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between industrial democracy and profitability of deposit money banks in Port Harcourt.

**H02:** *There is no significant relationship between industrial democracy and improved customer care of deposit money banks in Port Harcourt.*
The correlation coefficient \( (r) \) shows that there is a significant and positive relationship between industrial democracy and improved customer care. The \( \rho \) value 0.861 indicates this relationship and it is significant at \( p < 0.05 \). The correlation coefficient represents a very high correlation indicating a very strong relationship. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between industrial democracy and improved customer care of deposit money banks in Port Harcourt.

**Ho\(_3\): There is no significant relationship between industrial democracy and market share of deposit money banks in Port Harcourt.**

The correlation coefficient \( (r) \) shows that there is a significant and positive relationship between industrial democracy and market share. The \( \rho \) value 0.795 indicates this relationship and it is significant at \( p < 0.05 \). The correlation coefficient represents a very high correlation indicating a very strong relationship. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between industrial democracy and market share of deposit money banks in Port Harcourt.

**DISCUSSION OF FINDINGS**

This study using descriptive and inferential statistical methods investigated the relationship between industrial democracy and organizational performance of deposit money banks in Port Harcourt. The study findings reveal that there is positive and significant relationship between industrial democracy and measure of organizational performance. This finding agrees with previous findings of Michael (1992) who presented a wide-ranging categorization of industrial democracy in an article in the “Concise Encyclopedia of Participation and Co-Management and established six different molds of industrial democracy thus: workers self-management, producer cooperatives, co-determination, works councils, trade union action, and shop-floor programs. Trade union action comprises collective bargaining as its most important component, and shop-floor programs cover direct participation, team work etc. Poole (1992), incorporates the financial participation of employees under the term economic democracy. On the other hand, Hugh (1960), came up with a radically deductive new approach to industrial democracy. Industrial democracy, in his views must provide mechanisms for protecting the rights and safeguarding the interests of industrial workers. Promoting a model of pure and simple trade unionism he asserts that, there is no effective alternative to collective bargaining as a means of protecting the interests and rights of workers.

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CONCLUSION AND RECOMMENDATIONS
Industrial democracy mechanism is an integral component of organizational strategic blue print. Industrial democracy is an indication that a harmonious relationship exists between employees and their employer, this enhances the rules of employment. In today’s competitive business environment organizations are faced with the challenge of employee retention caused by high employee turnover and inadequacy in human resource talents and skills in the market, therefore most organizations are implementing policies to ensure that they become the employer of choice thereby enabling them to compete for the limited human resource talents and skills in the market. Employee is a major asset valued greatly by the organization. Based on the findings, this study concludes that industrial democracy significantly predicts organizational performance in the sampled deposit money banks in Port Harcourt.

As a result of the foregoing, the researcher makes the following recommendations:
i). Deposit money banks should ensure that grievances that results from interactions between employees and their superiors are timely resolved before it snowballs into industrial unrest. They are known to reduce feelings of frustration where employees feel that they re not recognized as well as appreciated in the workplace.
ii). Management of deposit money banks in conjunction with the Human Resource/ administrative department should ensure that there is periodic review of employee
conflicts and discomforts to facilitate improvement in industrial harmony rise in the satisfaction level of employees.

REFERENCES


