The Impact of Performance Management and Employee Empowerment on Organisational Culture of Selected Banks in Nigeria

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ABSTRACT

The purpose of this study is to examine the relationship between performance management, employee engagement and organizational culture of some selected banks in Nigeria. The study employed a primary source of data through administered questionnaires drawn from organizational culture, performance management and, employee empowerment. A Secondary source of data was used in reviewing various literature. In analyzing our data, a test of equality, Pearson correlation, and Ordinary least square regression techniques was used. The result showed that performance management (X1=2.09) was significant and positively related to organizational culture. Employee empowerment (X2=-0.08) was significant negatively related to organizational culture. The study, therefore, recommended that organization should adopt a robust performance management system to have a more transparent and dynamic organizational culture, and also banks should be conscious on the level of empowerment as it may weaken organizational culture.

Key words: Performance Management, Empowerment, Organizational Culture and bank

JEL classification: G30

Introduction

Nigerian Banking Industry has become global and highly competitive. It has become important that Banks in Nigeria to survival need to attract, develop, retain and motivate competent people. The need for banks operating in Nigeria to put in place a robust and objective performance management system cannot be overemphasized. Mathias and Jackson (2006) suggest that performance management involves the process of identifying, measuring, communicating, developing and rewarding employee performance. Empowering employees give them the power to exercise control and take responsibility for the outcome of their efforts. Looy, Gemmel and Van Dierdonck (2003) posit that empowerment means providing services employees with enough autonomy to allow them to handle unforeseen problems, situations such as complaints. Brooks (2006) opine that if employees have the knowledge about the culture of the organisation they work for, it should help to improve the ability to examine the behaviour of organisation which assists in managing and leading. The culture of an organisation depicts the climate and the way things are done within the organisation.This study examines the relationship between performance management, employee empowerment, and organisational culture. The research focuses on the impact of performance management, employee empowerment on organisational culture.

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Performance Management

Mathias and Jackson (2006) define performance management as a process of identifying, measuring, communicating, developing and rewarding employee performance. This action must be linked to the overall organization's business strategy. Performance standards must be communicated to employees in writing. They suggest that managers and employees should commit to adopting the set standard as laid down goals or targets. In conducting performance reviews, managers should ensure that laid goals and targets are followed. The result of an evaluation system can be either positive or negative leading to the staff member receiving rewards or losing out altogether Dubrin (2005). It, therefore, follows that the end result of performance review can be positive or negative. Positive performance review attracts reward such as promotion, an increase in pay, bonus etc., whereas negative performance evaluation attracts sanction such as demotion or dismissal. Armstrong and Baron (1998) posit that performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors" (Dodd (2005), assert that performance management and performance measurement as a business process and communication around total reward are crucial underpinnings of an effective compensation system that differentiates and truly rewards performance. For performance management to be meaningful specific goals must be set and communicated to employees. The purpose of performance management is to transform the raw potential of human resource into performance by removing intermediate barriers as well as motivating and rejuvenating the human resource (Kandula, 2006).Wilson (1994) suggests that performance management process is one of the primary elements of the total reward system. Lawler (1990) succinctly argues that in order for an organization to motivate performance, it has to be able to identify and measure the performance. Determining the best way to measure performance and aligning this measurement with the strategic objectives of the banks. It is important that bank's strategy should drive decisions on the kind of performance to reward and measure.

Employee empowerment

Dubrin (2010) defines empowerment as the passing of decision-making authority and responsibility from managers to group members. Furthermore, empowerment is a philosophy that enriches people's job and gives them the power to exercise control over and take responsibility for outcomes of efforts. According to Singh (2004), an empowering organization emphasizes on autonomy, proper information and individual participation for organization excellence. Gomez Mejia et al (2004) states that the newer empowerments approach are requiring managers to commit to coaching their team members to understand their roles and being able to execute them effectively. Meanwhile, Deal (2005) asserts that empowerment has been defined in relationship to leadership and independence of employee regarding service encounter and is compared to the opposite approach referred to as production line method which is the traditional method of delegating authority to subordination by their superiors. Handy (1993) posits that empowerment means encouraging people to make decisions with the least intervention from higher management when employees are allowed some degree of freedom to make decisions with minimal intervention by top management, the employee is said to be empowered. This often increases employees' trust; commitment and also productivity. Looy, Gemmel and Van Dierdonck (2003) suggest that empowerment means providing services employees with enough autonomy to allow them to handle unforeseen problems, Situations such as complaints. Ripley and Ripley (1992) stated that empowerment can enhance the responsibilities as well as the motivation of employees in their routine work, improve satisfaction level, quality of service, employees' loyalty, trust, productivity, organizational commitment and effectiveness. Spreitzer (1996) suggests that the following issues need to be resolved for empowerment to be successful such as role ambiguity, a span of control, social support, access to resources and participative environment. Sahoo and Das (2011) identified strategies to empower employees in order to increase the level of commitment for survival and sustainability of organizations. These strategies are:

- Delegation of authority

Organizations rightly spotted that through delegation of authority to the executives will nurture the hidden talents and competencies towards the business requirements in the areas like the construction of new projects, operational methods, and effective employee engagement e.t.c.

- Formation of Bipartite Committees

The logic behind the formation of several joint forums comprising of equal representation from both workers and management side at all the levels of the organisation will foster healthy employee relations climate and better organizational performance.

- Sense of Trusteeship

Employers are the trustees for their respective employees because of rightly identifying and implementing several welfare measures for them and the prime reason behind this is to motivate them to organizational achievement and gratification of individual desires and needs.

- Employees Suggestion Scheme

This provides an opportunity to all employees to influence the managerial decision making and involve themselves in organization building activities as an employee is the best judge of the job, perhaps the best person to suggest changes for improving performance. The abilities of employees are utilized to the fullest extent by encouraging them to make suggestion and rewarding them.

- Interaction with top executives

The chief executive officer along with the board of directors addresses all employees at least once or twice a year in the meeting discussing the business issues of the company. This is the right platform where the employees can raise several issues, offering their views, and suggestions for survival and sustainability of the organization. The meeting followed by lunch or dinner hosted by the management to make the employees more emotionally attached to the organization. Singh (2004) asserts that in order to achieve empowerment, the executives must ensure that employees have the right mix of information, knowledge, power and rewards to work more enthusiastically. Ahmed and Rafiq (2003) pointed out some challenges of employee empowerment as: it increases the scope of employees jobs requiring employee to have the right training to cope with wider range of tasks and it also impacts on recruitment as it necessary to ensure that employees are trained to cope with wide range of tasks and it also impacts on recruitment as it is necessary to ensure that employees who are recruited have the right attitude and skills to cope with empowerment.

Organisational Culture

Brook (2006) posits that the complete knowledge and awareness of organizational culture should help to improve the ability to examine the behavior of organization which assists in managing and leading. Coetzee’s (2004) define culture to include the ‘climate’ of an organization and is based on the shared values, norms, beliefs and traditions that have been established over time in an organization. Culture refers to the way things are done in an organization. The culture of an organization must be communicated to all employees in an organization. Dubrin (2008) suggests that organization culture can be taught in departmental meetings and other informal meetings. Hodgetts and Luthans (2003) define the different characteristics that are associated with the culture of an organization. Robbins and Sanghi (2007) define culture as a system of common values which can be estimated. Stewart (2010) posits that organization's norms and values have a strong effect on all those who are attached to the organization. Shared beliefs and values which are indirectly opposite to the value and beliefs of broader organizational culture recognized as countercultures, it mostly formed around a forceful manager or leader (Kerr, J & Slocum J, W. Sr. 2005).Schein (1995) state that subculture is the segment of culture which show different norms, values, beliefs and behaviour of people due to the difference in geographical areas of departmental goal and job requirement (within the organization). Perception of employees about sub culture was connected to employee's commitment towards the organization (Lok, Westwood and Crawford 2005). According to Deal and Kennedy (1982), the culture of an organization is believed strong where the greater parts of the employees embrace the same sort of beliefs and values as a concern to the organization. Deal and Kennedy (1982) posits that a weak culture could be one that is loosely joined. Dasanayaka and Mahakalanda (2008) assert that maximizing employee's values are considered as rational assets that require a culture to support their logical participation both for individual and organizational learning, new knowledge formation and readiness to share with others. Schein (2011) posit that organization culture is shared philosophies, ideologies, beliefs, feelings, assumptions, expectations, attitudes, norms and values. Hosseini et al (2011) opine that culture is a set of concepts which are transferred from one generation to others and distinguish social groups. Hodgetts and Luthan (2003) define some of the characteristics of organizational culture:

- Norms are measured by things like as amount of work done and also the level of cooperation between management and employees of the organization.
- Clearly rules are defined for employees behaviour associated with the productivity, intergroup cooperation and customer relationship.
- Observed behaviour regularities, as illustrated common language and formal procedures.
- Coordination and integration between the organizational units for the purpose of improvement in efficiency to works, quality and speed for designing, manufacturing the product and services.

Statement of Problem

The Nigerian banking sector is highly competitive and for banks to enjoy a competitive advantage, managers are faced with making decisions that impact on the survival of these banks on a daily basis. Employee empowerment and performance management is key to the achievement of strategic objectives of banks. Handy (1993) posits that empowerment means encouraging people to make decisions with the least intervention from higher management. When employees are allowed some degree of freedom to make with minimal intervention by top management, the employee is said to be empowered. Lawler (1990) succinctly argues that in order for an organization to motivate performance, it has to be able to identify and measure the performance that it wants to motivate and reward. The dearth of research on the subject interest, particularly in Nigerian banks motivated this study. It is against this backdrop that the study examined the relationship between performance management, employee empowerment and organisational culture in commercial Banks in Nigeria.

Objectives of the study

The objectives of the study are to:

1. Investigate the relationship between performance management and organisational culture.
2. Examine the relationship between employee empowerment and organisational culture.

Hypotheses

Hypothesis 1

H1: There is a significant relationship between performance management and organisational culture.

Hypothesis 2

H2: There is a significant relationship between employee empowerment and organisational culture.

Methodology

The core objective of this study is to determine the relationship between performance management, employee empowerment and organisational culture. The study adopts a survey research design. The data used for the study were collected from questionnaires administered to employees of Benin branches of the five selected banks. The banks include First Bank of Nigeria Limited, GT Bank Plc, Zenith Bank Plc, United Bank for Africa Plc and Access Bank Plc. The banks were selected based on availability of consistent data set over the period, the classification of the banks as too big to fail by Central Bank of Nigeria, the shares of the banks are actively traded on the Nigeria stock exchange, over 60% banking sector assets are held by the banks and the banks employs over fifty percent of the total industry workforce. Five point Likert questionnaires were designed and administered to two hundred and fifty employees of the sampled banks in Benin City Edo State of Nigeria. Fifty questionnaires each was sent to the branches of the selected banks in Benin City, Edo state Nigeria. Ten respondents were selected randomly from five branches of each of the banks. The employees were selected from operation and marketing departments of the banks. Two hundred and thirty-five questionnaires were found usable for the study. Regression analysis and Pearson correlation techniques were used for statistical and empirical analyses. A regression model was used to represent the variables. The E-Views 8.0 econometric software is employed in the different analyses conducted.

Findings

The first table gives information about the descriptive statistics of the dependent variables and the independent variables. The mean variance of organizational culture (y) is 4.06 and the standard deviation value is 0.19. This, therefore, means that there is less variation in the organizational culture. The mean variance of performance management (X1) is 4.43 and the standard deviation is 0.22. This implies that there is less variation in performance management. Employee empowerment (X2) has a mean variance of 3.87 and a standard deviation value of 0.28. This shows that there is less variation in employee empowerment within the sampled bank. The ANOVA F-test value of 596.06 and its associated probability value of 0.0000 shows that there is variation among the given variables tested in the sampled banks.

Table 1: Descriptive Statistics

Variable	Mean	Standard Deviation
Y	4.06	0.19
X1	4.43	0.22
X2	3.87	0.28

Source: Author's Computation

Value of Anova F-test is 596.06 (Prob. 0.0000). Value of Welch F-test is 802.96 (Prob. 0.0000).

The second table focus is on the correlation between performance management, employee empowerment, and organizational culture. The result shows that performance management (X1) has a weak positive correlation relationship with organizational culture (0.01) and employee empowerment (0.08). Employee empowerment (X2=) has a weak positive correlation relationship performance management (0.08) and e a weak negative correlation with organizational culture (-0.13). A careful look at the correlation coefficients, it would be observed that a weak positive correlation relationship exists between the dependent and the explanatory variables.

Table 2: Correlation Result

Variable	Y	X1	X2
Y	1.00	0.01	-0.13
X1	0.01	1.00	0.08
X2	-0.13	0.08	1.00

Source: Author's Computation

Table 3: OLS Regression Result

Variable	Coefficient	T-test	Prob-Value
C	3.75	9.13	0.0000
X1	0.11	2.09	0.0374
X2	-0.08	-0.08	0.0385

Source: Author's Computation

Values of statistical characteristics are:
R_2 adj. =0.024056
F-stat. =2.914397
Prob (F-stat) =0.033115

Discussion

From table 3 below, it would be observed from the coefficient of determination (R2) value of 0.024056 that about 2% of the systematic variations among the sampled opinion are jointly explained by the explanatory variables. This means that the low value of R-squared is attributed the exclusion of other possible variables that might contribute to performance management, employee empowerment, and organisational culture. This means that the model has a low predictive power. The F- statistic value of 2.914397 and its associated p-value 0.033115 shows that the model on overall is statistically good. This means that there exists a significant linear relationship between the variables. Following the table below, it should be noted that performance management (X1=2.09) has a significant positive impact on organizational culture at 5% level of significance. This indicates that improvement on performance management would lead to more transparent and dynamic organizational culture. This in consonance with the opinion of Dodd (2005) that performance management and performance measurement as a business process and communication around total reward are crucial underpinnings of an effective compensation and organizational culture system that differentiates and truly rewards performance. This, therefore, suggests that we should reject the null hypothesis one that there is no significance relationship between performance management and organizational culture. In the case of employee empowerment (X2), the variable has a significant negative impact on organizational at 5% level of significance. This means that employee empowerment has an adverse effect on organizational culture. This in other word means that increase in employee empowerment would bring about deviation from the organizational culture. This means that employee empowerment may have an adverse effect on organizational culture. This, therefore, suggests that we should reject the hypothesis two that there is no significance relationship between employee empowerment and organizational culture. This in line with the opinion of Deal and Kennedy (1982) that a weak culture could be one that is loosely joined due to continuous empowerment of the employee

Conclusion

The purpose of this study is to examine the relationship between performance management, employee empowerment and organisational culture in selected banks in Nigeria. The result from the study shows that performance management (X1=2.09) has a significant positive impact on organizational culture at 5% level of significance. This means that a robust performance management system would lead to more transparent and dynamic organizational culture. Employee empowerment X2= (-0.08) has a significant negative impact on organizational culture at 5% level of significance. This means that employee empowerment has adverse effect on organizational culture. The study, therefore, recommend that banks should adopt a robust performance management system to have a more transparent and dynamic organizational culture. Banks should be conscious on the level of employee empowerment because it may weaken organizational culture.

The limitations of this study are identified so that the findings can be interpreted correctly within the context of the study. The limitation of the study covers areas such as the population, sample, methodology and data. The total population of this study from which the sample was drawn include the twenty-one banks because this study sample was limited to five banks, it implies that other sixteen banks were not included. Hence, one reason the researcher may not be able to generalize the results to all the banks within the country.

This study could be further developed by including more independent variables to the regression model and increasing the sample size. The variables would help improve the results of the study since it would include all the other factors that affect organisational culture. The increased sample size would give a better representation of the banking sector. Future researchers should look at the relationships between the variables considered in the study in all the banks (i.e. both commercial and merchant banks) and other non-bank financial institutions.

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