The Relationship between Organizational Survival and Employee Mental Ability

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Abstract

Business scenery has changed intensely over the last decades, so alterations of business strategies and human resource (HR) practices in organisations are required in order to adapt to these changes. The pressure from competitiveness of the market and ability of organisations to withstand these pressures require organisations to be concerned with human resource management activities, and innovation competence. The general consensus among scholars is that employees play a central role in the process and survival of organizations. Their involvement in shared visions of their leaders, participation in decision making is seen as crucial. Therefore, organisations are increasingly looking for ways to enhance their ability to innovate effectively in order to survive in a challenging competitive environment. The study is exploratory in nature. Data were collected from employees of six selected business organisations. The study attempted to find relationship between organisational survival the independent variable which was measured with sub-variables of innovation, leadership support and employee empowerment and the dependent variable is employee mental ability. The result shows that all three independent variables are positively related to employees’ mental ability. It was concluded that greater involvement of employees in organisations activity, generally means continued improvement in organisational performance and survival.

Keywords: Organisational survival, employees’ mental ability, leadership support, empowerment, innovation.

Introduction

1.0 Background to the Study

Corporate survival is very crucial at this period of business turbulence. Maintaining a place in this competitive era becomes not only the responsibility of the owners or leaders of the organization but that of the employees. Employees are part of the company’s resources which has been found to appreciate with time by knowledge gained, skills, abilities and experience. The success of business depends on collaboration and stakeholder interests have to be shared, they must be working for the same purpose, otherwise business will come to an end and new collaborations will be formed (Venkatarman, 2001). Thus, involvement of employees in the firm’s strategic decision making is tapping into their knowledge and experience for gaining competitive advantage and earning a retained workforce. Surviving in the global struggle to meet with increasing demand on firms in the market place has seen many researchers and academicians having a resort to pay attention to the individual employees in the organization since innovation in product and services are brought about by these individuals.

Engaging and exploring the employee abilities to be innovative, have seen companies like Google, 3M Corporation, HP among others to be in the forefront of entrepreneurial activities. Engagement of employees thus requires management building an atmosphere that encourages creative thinking to enhance a sense of belongingness.

The urge to be innovative and contribute to the wellbeing of an organization exists in employees whether small or large corporations. There has been a greater understanding of the environmental conditions that motivate individuals within the organization to act entrepreneurially.
The underlying assumption according to Hisrich, Peters and Shepherd, (2008: 68) “is that acting entrepreneurially is something that people choose to do and the top management of an organization can influence that choice by the corporate environment that it creates”. This will is consistent with the view that exploring the mental capabilities of the employees will increase motivation and form a core competence for the organization. This implies that employees will only yield sustained advantage when they realizes that their individual contributions is valued and of benefit to the organization. The key point is that, over time employees have been understood to work for self-satisfaction and self-actualization (Maslow, 1954). Entrepreneurship practices in the organizations have been referred to as intrapreneurship or corporate entrepreneurship (Pinchot, 1985). It is one method of stimulating, and then capitalizing on, individuals in an organization who think that something can be done differently and better. The creative abilities of employees need to be exploited for the benefit of the company. However the aim of most companies is to set targets for the employees and reward them as soon as this target is meant. The resultant effect is that employees become redundant when these targets are not meant and management does not try to find out whether they can go beyond the target.

Most companies have been adjudged to do poorly due to the inability of “leaders to unable or unwilling to make a connection between their company’s goals and the realities of how companies actually operate, how the market is actually performing, or how their customers’ need can change almost every day” (Charan, Burch and Bossidy, 2002). Expected dimension of leadership focus in the organization include managing people, strategy and operations which are interrelated and interdependent. It was reported in the Canadian Management Centre (2005), that executives devote a lot of time, money and energy into developing a good strategy. And they do a good job of aligning operations to support that strategy. However, the most common set of problems stem from leaders’ failure to align their people processes with the strategic priorities of the company.

Why do organizations need to encourage employees’ participation and explore their creative capability? The answer is survival (Smith, 1994). In our changing workplace and competitive market environments, the literature has revealed that motivated employees and their contributions are the necessary exchange for an organization’s survival and success. Motivational factors in an organizational context include employees’ involvement, management support, working environment, job characteristics, and appropriate organizational reward system and so on. This also suggests that the center of innovations can be found around the worker(s) who produces the product or services that are closer to its functionalities. For example, employees in client service department are closer to customer desires and managers in production and sales understand the capabilities of the supply chain to tweak costs. They are equally positioned to be creative and should they have the incentive, can be a great asset in the strategy for both innovations and inventions. However this great potential human capital remains largely untapped. Yet it seems feasible that, if employees are empowered, this can add real value to the competitiveness of a company.

The fact that entrepreneurship and innovations are necessary for providing the competitive edge, both the leadership and the employees can be contributory factors toward the sustainability of the organization in a proper context. Many companies seem to make effort by offering reward for new or innovative ideas to their employees but there is no regulated or organized effort in this direction (Serkan, 2009). This study will tend to review these relationships, by examining the influence of innovation, leadership support and empowerment on employee’s mental ability.

2.0 Literature Review

According to various studies, under Taylorism and Fordism, of the late 19th and first half of 20th centuries respectively, saw the workers deskilled and made to work on specific roles in the production process. However, it became obvious that the worker was the same time, the employee and consumer acting at different capacity. As such, without consideration on the management side, output and quality of products and services will become mediocre. Thus the proper use of employees is seen as an effective means to enhance corporate goals.

The theories of Motivation strives to described how employees just as employers do wish to fulfill their desires from the hierarchical method given by Abraham Maslow (1954) starting with psychological, to safety and security, belongingness, self-esteem and finally self-actualization needs. Frederick Herzberg (1959) submits that employees are influence by two factors: work- hygiene and motivators. The hygiene factors in themselves do not motivate but their deficiency in an organization, lessen motivation and a good hygienic environment enhances motivating factors like achievements, responsibility and advancement (Serkan, 2009).
Douglas McGregor (1960) in his theory X and theory Y described the negative and positive attitude of management. While theory X presupposes that workers are lazy, passive, without ambition, willing to be led and resist change. Hence management is through control, coercion, threats and punishment. This results in low productivity, antagonism, unionism and subtle sabotage. In contrast, positive management, theory Y, believes that people are motivated, active and interested, ambitious, prefer to be lead and are interested in change. Hence management is through open systems, communications, self-managing teams and peer controlled pay systems. The resultant effect is high productivity, friendly environment and care for the organization (Serka, 2009). Thus, motivation is seen as the process where individual(s) exert efforts in the process of achieving an inner drive. Although, the theories of motivation differs on where energy is derived and the particular need to be fulfilled, but there is an agreement that motivation requires a desire to act, an ability to act, and having an objective (Sunil Ramlall, 2007).

Human resource practices (HRM) have been seen to impact such human resource (HR) outcomes of employee performance and retention which in turn influence organizational outcomes (Koys, 2001). HRM practices that consider application of motivation tools and techniques are one of those that play important role in this process/chain that starts in the HR offices and ends with the increased figures on the company’s balance sheet and income statement (Sofija Karaskakovska, 2011).

2.1 Empowerment

The concept of human capital and knowledge management is that people possess skills, experience and knowledge, and therefore have economic value to organizations. These skills, knowledge and experience represent capital because they enhance productivity (Snell and Dean, 1992). Hence management investment on skills will be a profitable venture that yield returns on investment. Employee empowerment is one way of achieving this preposition. Given the highly competitive business environment, many top managers believe that giving up centralized control will promote speed, flexibility, and decisiveness in employees’ actions (Draft, 2001). Empowerment is seen as power sharing, information sharing, upward problem solving, task autonomy, shaping of attitudes and self-management (Wilkinson, 1998). It is viewed to promote collaboration between managers and subordinates as well as stimulates efforts for improved performance (Legge,1995). The concept of empowerment is perceived to be meaningful, if the worker viewed it power, self-control, efficacy and competence (Psinios & Smithson, 2002; Conger and Kanungo, 1988). According to Chen and Chen, (2008) Mishra and Spreitzer modifying the model of Thomas and Velthouse defined empowerment as reflecting a personal sense of control in the workplace, as manifested in four beliefs about the person-work environment relationship: meaning, competence, self-determination, and impact. According to Mishra and Spreitzer, meaning reflects a sense of purpose or personal connection to the work, and competence indicates that individuals believe they have the skills and abilities necessary to perform their work well. Self-determination reflects a sense of freedom about how individuals do their own work, and impact describes a belief that individuals can influence the system in which they are embedded. Therefore, it was argued that the sense of control of the individuals over stressful situation will increase their propensity to change more actively (Chen& Chen, 2008). Empowerment thus makes the employees become active in the affairs of the organization.

For the success of the organization, empowerment only is not sufficient. It has to have the support of everyone in the company (Shaker Qudah and Yahya Melhem, 2011). A study of organization culture is therefore important. The culture of organization is an influential factor whereby the individual will need to fit and empowerment has to be within it limit.

Within the organisational context, an individual has to understand that he has to uphold the organizational values and therefore these values guide his actions, attitudes and judgments beyond the immediate or distant goals (Rokeach, 1973). Values are embedded in organisational culture which is often considered as a group or collective product, and while all members of the group may not hold the same values, they will support a given value (Schein, 1985). More so, when employee’s view of their values fit the organisation’s values, there seems to be contentment which leads to appropriate behaviours.

2.3 Leadership

As people do not work in isolation but need to be guided and inspired, an important asset that helps to organize, induce inspiration and motivation is the Leader. Traditionally, Leaders rule by issuing instructions and under which employees are expected to comply.
However, motivation involves fundamentally altering how we think about the workforce and the employment relationship (Pfeffer, 2005). Inspirational leaders which also mean transformational leaders influence their subordinates to do more than they were originally expected to do thereby they subtly give them room to self-actualize. Armstrong (2001) has described four main characteristics of a transformational leader and they are: Ethical behaviours, sharing of visions and goals, improving performance through charismatic leadership and leading by example. Achieving success in the organization, means working with people, encouraging them and continually refining their performance. Always employees behold their leaders for motivation, direction and acknowledgement. Leaders, who are thus able to inspire and innovate, experience a workforce that is both positive and enthusiastic about their work and makes a tremendous difference to the atmosphere, the quality of work and level of productivity (Maughan, 2009).

In the competitive environment, leadership is expected to bring about alterations in the status-quo in order to attain a transformed and vigorous organisation. Effectively this means when leaders share the vision and goals with subordinates and encourage them to participate in them as a team: the outcome is a bond that brings out the best from everyone. The resultant effect not only does it brings about all-round growth for the individual, the team and the organization (Serka, 2009), but it is also believe to help to meet the needs and expectations of the customers and to create and sustain a competitive advantage within the global economy in which organizations are competing in today (Danilda and Thorslund, 2011)

Avolio et al (1991) state that this type of leaderships instills individualized consideration. The leader gives personal attention to others, making each person feel outstandingly valued. He offers individual consideration thereby providing intellectual stimulation.

2.4 Innovation

McFadzean, O’Loughon and Shaw (2005:356) defined innovation as a process that provides added value and novelty to the business, its suppliers and customers through the development of new procedures, solutions, products and services as well as new methods of commercialization.

The concept of innovation was first introduced by Schumpeter (1949). Innovation was emphasized in entrepreneurial process by describing the growth of economies as driven by changes made to the existing market structure through the introduction of new goods and services. Similarly, the entrepreneurial orientation literature describes innovativeness as efforts focused on the discovery of new opportunities and solutions (Dess and Lumpkin 2005). Thus innovation are described in terms of individuals creative ability who strongly believe in what they do and promote it through organization stages to arouse support for the business concept among key stakeholders, creates internal acceptance of the new idea, and represents the venture to resource allocators to ensure sufficient resources are released for development (Howell & Boies, 2004; Howell, et al., 2005; Markham, 1998). The process the individual take to achieve the project could be aligned to an inner drive to meet the individual creative instincts. (Phoebe, citing Amabile, 1999) identified three interrelated concept of creativity which is related to innovation:(1) expertise- which include technical knowledge, procedures and intellectual capability (2) creative thinking- the individual cognitive process which leads to imagination, inspiration and the merging of new ideas into one. (3) motivation- which is the aspiration to solve existing or new ideas and obstacles. Although, Miller and Friesen (1982) show that, innovation will not take place until it gain support of management with financial and structural resources in adequate manner, Johnson, (2001) claims that “if a business does not adopt a practice attitude towards innovation and the creation of new ventures, it is unlikely to survive dynamic market place”.

Innovation is key to growth and competitiveness in the modern economy. The benefit of innovation to both corporations and economy as a whole is overwhelming. From a firm perspective, innovation leads to new products, processes and services, which allow a firm to reduce its production costs, access new markets or develop new ways of doing things. Innovative companies augment the general competence base in their field, and trigger learning processes, which may benefit, or spill over into, other areas or sectors.

2.5 Innovation, Leadership and Empowerment

The ability to innovate and to pass innovation to the market place has been a basis of the global competitiveness. The rising conscientiousness amidst management is that innovative actions are concerns of organisations and possible factors in meeting global challenges which necessitate the matching efforts of leadership styles.OECD, (2005) differentiates four types of innovation: product, process, organisational and marketing.
Product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. Process innovation is the implementation of a new or significantly improved production or delivery method. Marketing innovation involves significant changes in product design or packaging, placement, promotion or pricing. Organisational innovation has to do with a firm’s business practices, workplace organisation or external relations. For example, new practices could improve learning and knowledge sharing within the firm. Innovation is intrinsically about identifying and using opportunities to create new products, services or work practices (van de Ven, 1986). Thus this ability to be creative resides with individuals. And organisations are able to achieve their opportunities since process of innovation is commonly equated with an ongoing pursuit of harnessing new and unique knowledge (Nonaka and Takeuchi, 1995) cited in Nigar Demircan Cakar, (2006).

3.0 Methodology

The study was conducted through exploratory approach by using a survey research study design to investigate the relationship between organisational survival and employee’s mental ability. The independent variable, organizational survival was measured by three sub-variables of innovation, leadership support and employee empowerment. The dependent variable is employee’s mental ability.

The target population was business organisations operating in Oyo state, while six companies which are the sample population are: Fan Milk Nigeria limited, Flourmill Nigeria Plc, and Sumal Foods limited, FoodCo Limited, Bond waters and chemicals Limited and Agro Allied Nigeria Limited selected by simple random sampling. The sample size for the study was 300 respondents chosen based on convenience from the various departments in these organisations. Of this number, only 243 (two hundred and forty-three) responses are found usable.

Primary data was collected through questionnaires adopted from the work of Serkan Ceylan (2009) which were restructured and self-administered to all respondents. The questionnaire was likert scale in nature. Reliability analysis for all items was conducted and cronbach’s alpha = 0.92 which showed that the instrument on which the questionnaire was based, have internal consistency. Furthermore, reliability for each of the sub-scales has been computed and the cronbach alphas as follows: innovation 0.90, leadership support 0.65, and employee empowerment 0.89 and employee mental force 0.88. Descriptive statistics was used to analyze quantitative data with the use of Statistical Package for Social Sciences (SPSS) and the subsequent data analysis was undertaken using regression analysis.

Discussion of Findings

Table 1 shows the summary of the regression analysis that seeks to establish the relationship between Employee mental ability, innovation, leadership support and empowerment. With an adjusted R -squared of 0.221 percent, it means that innovation, leadership support and empowerment explain 22% of the variations in employee mental ability. The P-value of 0.000 implies that employee mental ability is significant at 5% level of significance. The Durbin Watson of 1.519 showed the absence of serial correlation.

Table 1: Regression Model Summary

<table>
<thead>
<tr>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>.229</td>
<td>.220</td>
<td>.4521406</td>
<td>3</td>
<td>242</td>
<td>.000</td>
<td>1.519</td>
</tr>
</tbody>
</table>

The F value of 23.718 indicates that the overall regression model is significant hence it has some explanatory value. This indicates that there is a significant relationship between the predictor variables innovation, leadership support and empowerment taken together and Employee mental ability.

Table 2: Analysis of Variance (ANOVA) Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>14.546</td>
<td>3</td>
<td>4.849</td>
<td>23.718</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>48.859</td>
<td>239</td>
<td>.204</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>63.405</td>
<td>242</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3 shows the results of the regression analysis based on the sign of the coefficient and the t-ratio. From the analysis the constant has a t-ratio of 8.149. This indicates that the other factors that affect Employee mental ability and have not been included in the model are statistically significant in determining its performance. The constant is also positively related to Employee mental ability implying that the impact of these factors which are not in the model will impact on employee mental ability positively.

Table 3: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.016</td>
<td>.079</td>
<td>8.149</td>
<td>.000</td>
</tr>
<tr>
<td>innovation</td>
<td>.701</td>
<td>.253</td>
<td>7.013</td>
<td>.009</td>
</tr>
<tr>
<td>leadership support</td>
<td>.510</td>
<td>.206</td>
<td>3.271</td>
<td>.006</td>
</tr>
<tr>
<td>empowerment</td>
<td>.227</td>
<td>.054</td>
<td>4.206</td>
<td>.000</td>
</tr>
</tbody>
</table>

There is a positive relationship between innovation and employee mental ability. Innovation had a statistically significant coefficient as indicated by a t-ratio of 7.013. The demand for new products and services by consumers has caused an increasing pace according to (Hyland, 1997), of globalization and technological change means that productivity and quality improvements must occur at the same time if organizations are to maintain or improve their competitive positions.

According to the regression coefficient of leadership support is statistically significant as indicated by a t-ratio of 3.271. Thus the study supports a leadership structure that will set policies and strategies that will enhance employees’ contribution rather than assume power. The results support the study of (Maughan, 2009) in the literature who offered that Leaders, who are able to inspire and innovate, experience a workforce that is both positive and enthusiastic about their work and makes a tremendous difference to the atmosphere, the quality of work and level of productivity. Thus the commitment of Leaders to share their vision with subordinates empowers them to change and the result is improvement in the whole organisational process.

Empowerment is positively related to employees’ mental ability and has a statistically significant coefficient as indicated by a t-ratio of 4.206. This is supported by the works of Draft, (2001) who argued that top managers believe giving up centralized control will promote speed, flexibility, and decisiveness in employees’ actions. This is also consistent with the study of Chen and Chen, (2008) who found a relationship between psychology empowerment and organisational commitment. This can be viewed to mean that if employees are allowed to establish their own measure and align it to the firm strategies the impact of their creativity will not only ensure increased productivity but also, commitment which is a critical human development for the organization.

**Conclusion**

Survival for business organisations is a critical issue in the present global environment and beyond. An appreciative of employee’s contribution toward the organization is as important given the competitive pressure in the market. Innovation as something new on its own cannot be achieved, but it ultimately depends on the knowledge, skills, and creativity of individuals, organizations and societies (Macbeth, Tomislav Rimac, 2004) cited in Ogedegbe, (2011). Therefore the development and introduction of innovative activities are directly related to changes in human resource practices such as management style, the flow of information and training (Child and Loveridge, 1990). This implies that collaboration between workers and management will increase efficiency and work processes within organisations.
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