

# **EMPLOYEE PARTICIPATION IN DECISION-MAKING: EVIDENCE FROM A STATE-OWNED ENTERPRISE IN INDONESIA**

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*Over the last decade an era of political reforms has been sweeping through Indonesian society. This has not just involved change at the level of how government is conducted but has seen a change in the whole social and political atmosphere. One of the most significant changes is related to democratization of organizational behavior. Many organizations are now trying to transform from the old custom of authoritarian organizational style to a way of working, which is more democratic and participative. They are allowing their employees to contribute opinions and some are beginning to involve employees more in the process of making organizational decisions. This article looks at two state-owned enterprises in Indonesia, to see what impact these trends actually have in the real life of both the organization and the employees. It reports the positive findings of a relationship between employee participation in decision-making and their motivation.*

## **1. INTRODUCTION**

There is a line of logic which supports the view that an organization will benefit from the collaboration between managers and employees. Scholars have long argued that there is a close link between organizational effectiveness and individual effectiveness (Cotton, Vollrath et al., 1988). This implies that in order to achieve organizational goals, managers must treat their employees fairly. In the hierarchy of needs, employee involvement in organizational decision-making finds an adequate place (Mitchell 1973; Vroom 1974). It might be expected that being involved in decision-making will be challenging for

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many employees and that at the same time it might increase their motivation (Ladd & Marshall 2004). According to Harber, Marriot and Idrus (1991), for instance, employee participation is now considered a key element in the successful implementation of new management strategies and plays an important role in determining the degree of job satisfaction (Harmon et al., 2003; Zainnudin & Isa, 2011), commitment of the employee as well as their motivation (Batthi & Qureshi, 2007).

Recent studies in Indonesia have found that many organizations do not assign a high priority to gaining and using their individual employee's commitment as part of a strategy to increase their effectiveness and therefore their competitiveness (Yuliani, Prihanto et al., 2003). Furthermore, it has been found that although some organizations have implemented participatory programs, employee's commitment in gaining full involvement decreases as the organization structure is built. This commonly happens in Indonesian state-owned enterprises (SOEs) which traditionally have a highly structured bureaucracy. Other studies have found that managers in Indonesia are likely to view any policy to introduce a better corporate governance climate for workers in their organizations as a personal setback for them, and therefore are likely to find ways to ensure that the policy does not carried out/enforced. This accords with the generally held view by those in positions of leadership in Indonesia that workers as individuals are morally obliged to follow the rules of bureaucracy and that they need them to give them proper guidance (Moeljono, 2003). Where managers hold these views, they not only fail to look at the broader picture that involving workers in the decision-making process of a company will improve those processes but they also miss an opportunity to increase workers' motivation to work.

Although this might be acceptable in a culture emphasizing individualism, it does not apply to the more collectivist cultural environment of Indonesia (Irawanto, 2007). The overall picture of Indonesian culture, following Hofstede's classification, is that is a culture of a high power distance, high ambiguity avoidance and a very feminist culture, which leads to dependency on the system/structure of the organization (Hofstede, 2007). Recent studies have also found that the collectivist dimensions of Indonesians working in the public service is rather high rather, as compared to their counterparts in the private sector (Irawanto et al., 2011). This overlooks the fact that in modern work organizations in Indonesia, particularly large ones like SOEs it is the contributions of individual workers which sustain the life of the organization.

## 2. THEORETICAL BACKGROUND

### 2.1. Employee participation

Participative decision-making (PDM) has attracted academic attention in the last 20 years (Leana, Locke et al., 1990; Black & Gregersen, 1997; Kim 2002; Ladd & Marshall, 2004). It has been argued that PDM is an element vital to improving job satisfaction in an organizations (Black & Gregersen 1997; Kim 2002; Han, Chiang and Chang, 2011). Workers' participation had been proven as a management solution to increasing workers satisfaction (Cotton, Vollrath et al., 1988). According to a classic definition, participation is described as involvement (Vroom, 1974). In some views of organizational researchers, there are several dimensions of participation in organization. It is: (1) an opportunity for employees to achieve their goals, (2) to seek ideas among the employees, and (3) to assign responsibilities to employees (Gibson, Ivanchevich et al., 1992). Employee participation is considered a key element in the successful implementation of new management strategies and plays an important role in determining the degree of job satisfaction (Harber, Mariott et al, 1991; Ardichvili, Page et al., 2003). This, in turn, increases the commitment of the employee as well as their motivation. Furthermore, Higgins (1982) argues that participation is a mental and emotional reflection that will lead to the fulfillment of individual and organizational goals, especially if supported by the organization's climate (Ardichvili, Page et al., 2003).

On the other hand, Brownell (1982) focuses on individual influence and defines participation as an organizational process, in which individuals are involved and have influence on relevant decisions (that have effect on them). Therefore, participation is an organizational mechanism, giving employees the right to make decisions and the matching amount of responsibility, so that they feel aware of contributing to organizational performance. With the participation in hand, their motivation increases, which brings about both individual benefits and organizational effectiveness (Kim, 2002).

Figure 1 shows that in some circumstances participation will bring together mental and emotional involvement (Davis and Newstrom 1997). Participation i increases employee motivation, because the contribution toward organization goals is realized. Job satisfaction and successful teamwork with supervisor will increase, as well, because employees are less stressed, there is less conflict and more commitment to organization goals and, at last, organizational change is better accepted.

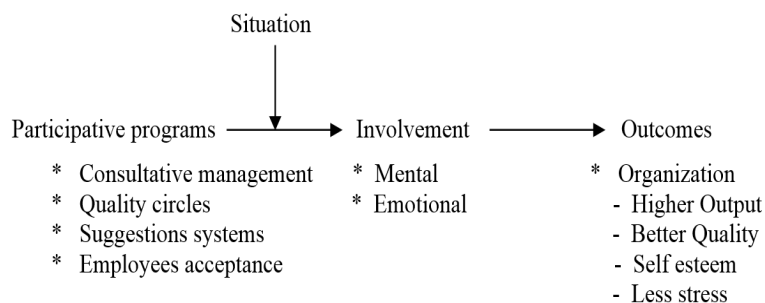


Figure 1. Participation process

Source: Davis & Newstrom (1997).

On the other hand, scholars argue that participation is a joint consultation between employees and managers that brings together to address problems and reach decision working together as a team (Davis & Newstrom 1997; Rosidi 1999; Kim 2002). In consultative management, employees' involvement is emphasized, requiring employees to understand a recent problem and later make a decision on its solution. There are three concepts arising from this approach and they are: (1) emotional and mental involvement; (2) motivation in contributing to the organizational performance, and (3) accepting responsibility. Rosidi (1999) states that participation plays a vital role in the decision-making process, where all the levels in an organization supply necessary information. Where employees actively participate in the decision-making process, with their individual goals being set, they internalize the organization goals. In terms of employees' own goals, our respondents agree that it is expected that participation process leads to individual commitment. This should be followed by organizational commitment meaning that participation should not be limited.

In relation to employee participation, a study by Shadur et al. (1999) and Cadwallader et al. (2010) found that several variables determine the relationship between employees' participation in decision-making with organizational climate, including well-organized teamwork, good communication, etc. Management practice studied by Doucouliagos (1995) kindled a renewed interest in employee involvement issues. This is due to the growing evidence that employee participation increases their effort, which subsequently improves efficiency and productivity, reduces the cost of monitoring employees and leads to increased commitment. Moreover, a study by Ladd and Marshall (2004) stated that participation in decision-making is important to employees and, along with job satisfaction and affective organizational commitment, is valued by them. Employees believe they are better off, because of participation in

decision-making and the organization also gains through the positive impact on task and performance effectiveness. Similarly, a study by Meyer et al. (2004) found that including goal regulation increases employee motivation.

Based on previous research, employee participation in decision-making could have a significant and specific explanation power for employee motivation. Accordingly, the hypothesis is:

**H1: Employee participation in decision-making has a significant effect on increasing employee motivation.**

## 2.2. Cultural Roots of Employee Involvement in Indonesia

The Indonesian culture has developed from a history of communal living (Sarsito, 2006). Cooperation is important to Indonesians, as it reflects the traditional values called *gotong royong* (*mutual assistance*). The idea of *gotong royong* in Indonesia has been the basis for political discourse concerning the nature of authority, the characteristics of village society, and the legitimacy of demands for labor by the state (Bowen, 1986; Goodfellow, 1997). In Indonesia, there is a strong emphasis on loyalty and cohesiveness within the work units as the *gotong royong* philosophy influences their everyday life, as well as a shared belief in the importance of encouraging practices that reward collective distribution of resources (Gani, 2004). However, in the light of a participation program, workers in Indonesia are morally obliged to follow the rules of bureaucracy, which is expected to provide proper guidance (Moeljono, 2003).

There is empirical evidence in Indonesia (Rosidi, 1999) that positive work participation is encouraged when recent organizational issues, related to achieving organizational goals, are discussed informally. In addition, employees also show deeper commitment to increasing their motivation in work situation setting, not only by discussing work informally - they are also more aware of bringing the positive environment within formal work environment. In this context, the employees, who consider that participation in decision-making are important, will be expected to show strong motivation and loyalty towards their organization. The importance of participating in discussion on recent issues with colleagues and supervisor is well implemented and reflected in collectivistic Indonesian values. Furthermore, there is also evidence that, in Indonesia, informal discussions of recent organizational issues will increase employees' effort to forward information, particularly when discussing work-related issues with the committee (Prihartanti, Suryabrata et al., 2003).

Following these arguments, the following hypothesis can be formulated:

**H2: Consultation participation has a significant effect on increasing work motivation compared with others PDM elements.**

### 3. METHODS

#### 3.1. Sample

In this study, the hypotheses were tested by surveying employees, who had worked with their supervisors for more than one year. The sample consisted of 50 mid-level managers from two Indonesian SOEs. The respond rate was 60 %. After excluding invalid questionnaires, the total data for this study were 29 employees. Table 1 summarizes the demographic profile of the sample.

*Table 1. Demographic profile of the sample*

Variable	Category	N	Percentage
Gender	Male	20	68.9%
	Female	9	31.1%
Age	25-29	2	6.9%
	30-34	4	13.7%
	35-39	3	10.3%
	40-44	8	27.8%
	45-49	5	17.2%
	50-54	5	17.2%
Education	55-59	2	6.9%
	High School	7	24.1%
	Diploma	4	13.8%
	Bachelor Degree	16	55.2%
	Master Degree	2	6.9%

#### 3.2. Methodology and measures

The data was collected by mail survey. To select the sample, the researcher contacted the supervisors in the SOEs selected for this study to identify suitable employees - middle-level managers, as respondents. Detailed instructions were provided along with the questionnaire.

The independent variable was employee participation in decision-making (PDM). It was measured by using an approach, developed by Monappa and Saiyadain (1979), who distinguished participation programs in terms of: (1)

providing relevant information, (2) consulting with the supervisor and colleagues, (3) providing alternative ideas to the supervisor, about the problem being faced and (4) discussing recent issues among workers and supervisors. The standard, five point Likert scale was used to measure the 20 items, which were stated positively. The negative statements were avoided due to Indonesian cultural characteristics. The internal reliability coefficient was 0.76 for providing information (1), 0.74 for consultation (2), 0.70 for administration participation (3), and 0.75 for group participation (4).

The dependent variable was *employee motivation*. Motivation measurement consisted of 12 questions mostly related to the work environment that would indicate employees' performance and motivation. Based on the in Indonesia Soedarsono et al. (1988), to adjust to Indonesian cultural background, some questions were modified. All items in this part of the questionnaire were positively phrased. Responses to the items were based on five-point Likert scale, with the values ranging from 'extremely unsatisfied' to 'extremely satisfied'. The internal reliability coefficient for the motivation variable was 0.79.

Demographic questions such as age, gender, education which were be use as a control variable were also asked. Age was coded with seven categories. Education was measured by four categories (1=high school; 2=diploma; 3=bachelor degree; and 4=master degree). Gender was coded with 1=male, and 2=female. These three control variables were included in this study, because they were proxies of human capital and may influence personal perception on organizational climate.

#### 4. EMPIRICAL RESULTS

Several statistical tools were used to test the hypotheses. First, correlation analysis was conducted to understand the relationship among variables, and to provide reliability analysis of the instruments. To test the hypotheses, independent sample t-test was used for the difference between means in the SPSS software.

Table 2 shows means, standard deviations and inter-correlations of all the variables used in this study. Respondent age and education were negatively correlated with all the aspects of participation in decision-making (PDM). Respondents' education had a significant, although negative, effect on two aspects of PDM: (1) the lower the education of the respondents, the higher their involvement in Participation in giving information (-0.393); (2) the lower the

education of the respondents, the higher their involvement in Consultation participation (-0.388). Inter-correlations between each pair of PDM were positive. These correlations permit examinations of the unique effect of each PDM while controlling other variables (control variables).

Table 2. Means, standard deviations, and correlations

VARIABLE	Mean	SD	Gender	Age	Education	PDM - Information	PDM - Consultation	PDM - Administration
1. Gender	1.34	0.48						
2. Age	3.55	1.74	-0.187					
3. Education	2.44	0.94	0.118	0.123				
4. PDM - Information	4.08	1.479	0.030	-0.090	-0.393**			
5. PDM - Consultation	3.75	2.172	0.113	-0.217	-0.388**	0.568**		
6. PDM - Administration	4.01	1.676	0.091	-0.140	-0.280	0.295	0.616**	
7. PDM - Group	3.97	1.481	-0.059	-0.038	-0.285	0.377*	0.630**	0.667**

Note: \* $p < 0.05$ , \*\* $p < 0.01$

According to the regression coefficients in Table 3, all forms of participation in decision-making had a significant positive effect on employee motivation.

Table 3. Participation in decision-making and employee motivation

No	Participation item	N	Std. dev.	Empirical t value	Table t value
1	PDM - Information	29	1.479	1.810	1.711
2	PDM - Consultation	29	2.172	3.421	1.711
3	PDM - Administration	29	1.676	2.269	1.711
4	PDM - Group	29	1.481	2.248	1.711

This result shows that there is a significant relationship between employee participation in decision-making and work motivation. Employee participation in discussion on recent issues (participation consultation) with employees and



among workers is likely to have a significant effect on increasing their motivation.

## 5. DISCUSSION

Apart from the empirical findings, it is expected that employees' participation in the decision-making process and his/her contributions, are appreciated, with the minor contributions being highly appreciated, as well. This is expected to increase work motivation. Employees who enjoy decision-making participation also feel secure in their jobs (Verplanken & Holland 2002) and will be indirectly motivated to provide the best possible performance in their job, which reflects their pride and loyalty towards the organization. This indirectly shows their commitment towards the organization. In the case of Indonesia, where most organizations are highly structured bureaucracies, including state-owned enterprises, participation, initiated by employees was considered a sensitive topic and remained invisible until the early 1997.

According to the ministry of PAN (State Apparatus Resources/*Pendayagunaan Aparatur Negara*), a good organization was reflected in the organization's initiative to create effective organizational design. Furthermore, the legal system motivates the state-owned enterprises to adopt the typical bureaucratic organizational structure. The presented findings indicate that organization design should take into account the employee perspective, as they enjoy group-based participation, rather than other participation schemes. Thus, this will hopefully lead to a better employee performance, as indicated by the positive relationship of employee participation and work motivation.

Management practice studied by Doucouliagos (1995) kindled a renewed interest in employee involvement issues. Referring to the study by Cotton et al. (1988) and Black and Gregersen (1997), participation should be studied as a multidimensional construct. Regarding this study, which demonstrated positive correlation between employee participation and motivation, one variable was found to have a higher influence to PDM, which could increase their work motivation. Cotton et al. (1988) stressed that organizational size was positively related to consultative participation yet negatively related to delegate participation. Employee involvement in decision-making is found in any type of organization (Bakan, Suseno et al., 2004). Rice (1987) explained that putting decision-making power as close to the point of delivery as possible makes implementation of those decisions not only possible, but successful. This statement can be correlated to this study, emphasizing participation program

where employees will feel secure, when involved in the decision-making process. The participation program, analyzed in this study, was bringing staff and supervisors/employees and mid-level managers closer to decision-making power. Not only did work motivation increase, but some respondents stated that the decision taken would be successful because they felt involved and emotionally secure.

The results show that, the more employees are involved in discussion on recent issues, the more they are aware of the decision-making. This result is in line with studies, conducted by Phillips (1989) and Wang and Noe (2010).

Moreover, a study by Ladd and Marshall (2004) stated that participation in decision-making was important to employees and, along with job satisfaction and affective organizational commitment, is valued by them. Employees believe they are better off, because of participation in decision-making and the organization also gains through positive impact on carrying out tasks and performance effectiveness. These research finding supports the position that participation achieves positive results in organizational commitment. The limitation of this study is the small number of studied participation programs.

## **6. LIMITATIONS AND FUTURE RESEARCH**

One limitation of the present study is that the sample is relatively small. The researcher did not examine all the SOEs in Indonesia, thus this study cannot make a generalization about the entire population. In future research, it is necessary to increase the number of respondents and the number of SOEs. This research focused on consultative participation. The findings prove the importance of research on different types of participation. Future studies are needed to explore other possible differences among various types of employee participation.

As to the dimensions of motivation, adopted in this study, more items, such as individual performance, job satisfaction, may be needed in future research to fully analyze motivation. Although a research into PDM is very important to Indonesian society nowadays, few studies have deeply dealt with this topic. This study may only be a beginning and many issues still remain to be answered. Overall, the study carried out found that there is a positive significant relationship between employee participation in the decision-making process and work motivation. Many of the findings of this paper are reflected in the conclusions presented in similar studies. In many areas, however, contradictions

are found. This is especially important in terms of the tradition, related to bureaucratic organizations and autocratic organizational leadership in Indonesia.

Employees are aware of the participation in decision-making, e.g. when they discuss recent issues with their peers, they feel secure and the communication flows without boundaries and formal arrangements. Wood and de Menezes (2011) conclude that high involvement management program contributes to the employees' well-being. The findings from the study prove that when any type of participation program introduced in decision-making, employees feel that by being involved in this participation program, their motivation increases as well.

An organization needs to increase employees' awareness in participation programs, especially in the decision-making one to increase work motivation. An organization should encourage the introduction of the perfect participation program among their employees, in particular in the decision-making process, to increase their awareness of participation and their work motivation.

In terms of Indonesia, this research needs further development. In particular the participation process in government organizations in Indonesia seems to have additional potential benefits, because it can support a move towards a more democratic society. When the Indonesian Government uses the rhetoric of good corporate governance behavior, as a part of its reform program, it surely needs to show the genuine approach in introducing it into the life of its own organizations. Therefore, employee participation in SOEs may play a particularly important role in the reform. This research attempted to seek what kind of participation program is preferred by SOEs' employees, as to make their work meaningful.

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#### **SUDJELOVANJE ZAPOSLENIKA U ODLUČIVANJU: DOKAZI IZ INDONEZIJSKIH PODUZEĆA U DRŽAVNOM VLASNIŠTVU**

##### **Sažetak**

Tijekom posljednjeg desetljeća, u Indoneziji se događaju krupne političke reforme. One ne uključuju samo promjene na razini obnašanja vlasti, već i značajne promjene cjelokupne društvene i političke atmosfere. Jedna od najznačajnijih promjena odnosi se na demokratizaciju organizacijskog ponašanja, pri čemu mnoge organizacije pokušavaju transformirati svoj uobičajeni, autoritarni stil rada prema demokratskom i participativnom. Mnoge organizacije dozvoljavaju svojim zaposlenicima iskazivanje svog mišljenja, a neke sve više uključuju zaposlenike u donošenje odluka. U ovom se radu analiziraju dva indonezijska poduzeća u državnom vlasništvu, kako bi se utvrdilo kakav učinak opisani trendovi imaju na život organizacije, ali i njezinih zaposlenika. Pritom se utvrđuju pozitivni učinci povezanosti između sudjelovanja zaposlenika u odlučivanju te njihove motivacije.