

ORGANIZATIONAL TRANSFORMATION THROUGH MANAGEMENT PARTICIPATION: PERSPECTIVE OF SMALL AND MEDIUM FIRMS IN AMPARA DISTRICT.

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Abstract

This study sought to establish the influence of management participation on organizational transformation in SME industry in Ampara district of Sri Lanka. Organizational transformation is greatly influenced by the depth and breadth of management participation which is playing a vital role. Many studies have focused on the middle and top management involvement and these studies focus on the general organizational transformation. However, a glaring knowledge gap established from literature review indicate a lack of empirical support to the extent of the relationship with the above concept. This study was conducted with the sample of Rice manufacturing firms, and Hotel & Restaurants in the District. This study was premised on the acclaimed role of management participation plays in organizational transformation. Although management participation plays a key role in firm's transformation, there are few studies in relations to SME industry in the district and in the country as well. The motivation of this study was therefore to determine the influence of management participation in the transformation of firms especially in SME sectors. The study proved that one of the dimensions of management participation was influencing on organizational transformation. The results will inform policy makers, managers and practitioners about the influence of management participation for organizational transformation.

Keywords: *Organizational Transformation, Management Participation, SME Industry*

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Background of the Study

Organizational performance is greatly influenced by the depth and breadth of management participation. Transformation also not exceptional for this. Many organizations are described as transformed, change their services to customers, make cultural changes in organizations, and align process, organization, and technology. Linder, et al, (2002) stated that business transformation as a programme to change the way a company works to achieve a rapid, sustainable, radical improvement in enterprise-level performance. They measured the resulting performance improvements as substantial gains in share price, market position and return on capital. Further, Jacclalar, & Deeperink (2012), stated, the transformation is aimed at achieving the target operational situation for each of the dimensions in a coherent way leading to higher levels of performance of the organization. Therefore, firm's survival depends on how well it can position itself based on the four perspectives and optimization of its efforts.

Transformation and change are a critical issue for most organizations. Business organizations always pursue activities for profitability while maintaining long-term

competitive advantages. Today, this task becomes challenging due to globalization and dynamically changing business environment. This task cannot be fulfilled by the enterprises without changes in the business infrastructure, its system of technology and management participation especially.

Small and medium enterprises have been rapidly growing industry in the world and highly contributed to national GDP of the Sri Lankan country. They play a key role and make to enable the country to achieve the status of a developing nation in the world. Although management participation plays a key role in firm's transformation, there are few studies in relations to this industry in the country. The motivation of this study was therefore to determine the influence of management participation in the transformation of firms. This study attempts to determine the relationship between management participation with firm's transformational measures. With the objective of finding the factors that contribute to organization's transformation to the industry in the district through the participation of management, this study was conducted.

Theoretical Framework

Management Participation

It focuses on involvement in processes at different levels of the management. Participation taps into concepts of breadth and depth of involvement. Ogbeide, and Harrington, (2011) defined management participation as the collective level of the management involvement within and across the firm. Management spreads beyond the top executive to include middle and lower cadre managers (Currie, and Procter, 2005)). Literature suggests that participative management approach could increase the firms informational processing, utilize knowledge dispersed across the firm, provide more alternatives, facilitate opportunity recognition and help the organization to avoid overlooking good ideas Ogbeide, and Harrington, (2011) and O'Regan, et.al, (2008). Currie, and Procter, (2005) identified three possible types of middle level

Organizational Transformation

The term transformation suggests about radical or dramatic change organization – wide within a relatively short space of time. To transform is to make a through or dramatic change in the form, outward appearance, character of something (Zawiyah Baba, 2001). New market challenges in the present

management involvement in strategic planning. They argued that managers synthesize, interpret and channel information to the executive. Floyd, and Wooldridge, (1997) articulated the fourth type of management involvement stemming from the middle level as implementing deliberate strategy through action planning. Further they argued that a certain degree of uniformity is required among middle level managers for an organization to achieve consistency. He observed that such consistency is associated with improved performance. Conversely, Floyd, and Wooldridge, (1997) found that involvement of middle level management increases an understanding of the resulting goals, leading to convergence of strategic priorities within the firms.

business environment requires companies to dominate. Domination requires them to grasp present day cultural and technological reality and let go of yesterdays. companies need to make fundamental improvements that will allow the enterprise to achieve and sustain an influence in its industry. Vollmann, (1996),

asserts that for change to be truly transformative, the change agenda must contain four essentials' elements. (1) **Integration:** from the strategic intent of the transformation requirements to the detailed processes and other infrastructure requirements to achieve it. (2) **Consistent:** in terms of all activities leading to the same goal and all employees having a clear sense of priorities. (3) **Feasible:** from the point of view of resources and corporate performance and (4) **Desirable:** because it matches both enterprise and individual performance.

Transformation is often posed as an imperative, a necessity for survival and the only alternative to corporate oblivion. Peddler, et.al (1989), defines a learning company as an organization which facilitates the learning of all its members and continually transforms itself. Ackerman, (1986) sees transformation as the highest form of organizational change, following on from development and transition. In contrast, Barrett, (1988) describes transformation as a phase between change and evolution. So, transformation seems to be implied, is on a higher plane and therefore worthier of serious consideration. As such it may be a means of re-engaging managers' and employees' attention, or a means of marking out current thinking and practice as novel and different.

Successful companies will be differentiated by their ability to visualize the logic of the new business world. Venkatraman, (1994) explained the five levels of the transformation which are localized exploitation, Internal integration, business process redesign, business network redesign and business scope redefinition and leverage IT to create an appropriate organizational arrangement to support the business logic. Management participation is vital to transform the organization. since the transformation journey is a moving target, shaped by the fundamental changes in the competitive business world. Management's challenge is to continually adapt to organizational and technological capabilities to be in dynamic alignment with the chosen business vision. Based on this literature support the conceptual framework was derived as follows;

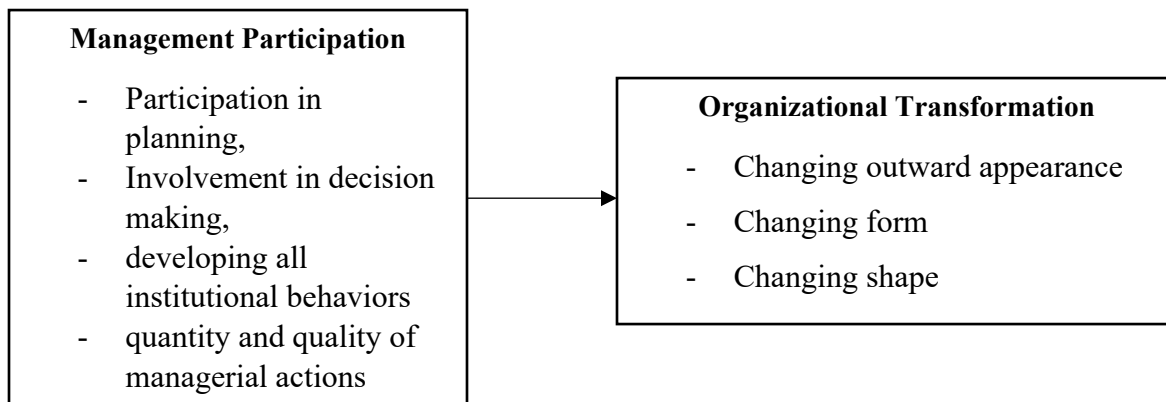


Figure: Conceptual Model

In view of the literature reviewed and relationship between management participation and organizational transformation, the following hypothesis was formulated to guide the study;

H1a: Management participation has significant relationship with firm's changing outward appearance

H1b: Management participation has significant relationship with firm's changing form

H1c: Management participation has significant relationship with firm's changing shape of the business

Research Design

The study adopted a descriptive cross-sectional survey. Descriptive cross-sectional design helps in discovery of relationships among different variables. It enabled the researcher to capture data at a given time of the study while minimizing temporal effect of the study variables so as to interpret the relationships among study variables and draw possible conclusions. An appropriate research design provides confidence to scientific inquiry and ensures reliability and

validity of the proposed study (Awino, 2010). A cross sectional approach was preferred for this research not only because it facilitates data collection from different respondents at one point in time but also it provides standard data that facilitates comparison across different respondents. Saunders, et.al, (2009) observed that cross sectional approaches are healthy in relationship studies and enhance the credence of results at a given point in time. The sample of this study comprised of

Rice manufacturing firms, and Hotel & Restaurants in Ampara District of Eastern Province of Sri Lanka. The sampling frame which had 136 organizations which are registered in local government bodies in the district was obtained in March, 2017. The determination of an appropriate sample size is important for a researcher to have a credible representation of the population. Based on that, sample was selected using simple random sampling method. 100 sample was selected with the objective of getting more validated and generalizing the results for this study. Primary data was collected through structured questionnaire on the measures of management participation and firm transformation. The constructs were operationalized into measurable dimensions. Management participation was measured in terms of management participation in planning, (managing the firm operations) management involvement in decision making, developing all institutional behaviors to the organization), quantity of managerial actions, quality of managerial actions and management expertise used in planning activities. Organizational transformation was operationalized in terms of changing outward appearance of the business, changing form and, character of something (shape) of the business.

Reliability test for this questionnaire was done through Cronbachs' Alpha coefficients. The overall Alpha coefficient for the sample was put at recommended value of 0.70. This value normally indicates an excellent level of internal consistency for questionnaire. All the Alpha coefficients for the study were above 0.70. Hence, the research instrument was reliable. Content validity for this study was determined through pilot study. 83 firms' responses were received and was analyzed for this study. It was making 83 percent response rate of the study. Overall, majority of the respondents were managing directors of those organizations. In terms of education level, majority of the respondents had up to Advanced Level of education represented by 77.5 percent while others having ordinary level of education. Level of education which indicates literacy and ability of the respondents to make informed managerial decisions. It indicates the respondents' capabilities in terms of decision making based on education and professional training and experiences.

Findings and Results

The results indicates that Hotels and Restaurant enterprises were the majority constituting 42.5 percent while rice manufacturing firms, were the second largest type of ownership constituting 40 percent of the total. Majority of the Hotels and Restaurant enterprises and rice manufacturing firms had operated for a period between 5 to 10 years. Most enduring firms were rice manufacturing which had 7.5 percent of them having operated between 16 to 20 years. The study revealed that firm ownership is associated with sustainability and probably success. Rice manufacturing

firms had operated for a longer duration of time compared to the hotels and restaurants. Age is an indicator of cumulative experiences and each additional year of survival reveal significant evidence of capability. It shows that appointed managers employment was an important exposure of this study. It was observed that firms employed different numbers of managerial level employees according to the need. The findings showed that 60 percent of the firms employed with owners are managers while 40 percent did not.

Hypothesis Testing

Management participation was regressed against three measures of organizational transformation; changing appearance, changing form and changing shape and the results of the regression are indicated below.

H_{1a}: Management participation has significant relationship with outward appearance.

The results shows that the coefficient of determination of management participation on outward appearance. was 0.182. It means that 18.2 percent of outward appearance was

explained by management participation and the remaining 81.8 percent was explained by other factors not considered in the model.

Further, results shows that the overall significance of the model with a p-value of 0.523 which was more than 0.05 and the null hypothesis was not rejected. Therefore, management participation does not have a significant relationship with outward appearance. The beta coefficients of management communication were -0.098 with t value of -1.143 , managerial time used in planning had beta coefficient of -0.162

with t-value of -2.856 while management expertise had beta coefficient of 0.018 with t-value of $.215$. On the other hand, management involvement in strategic planning activities had a beta coefficient of 0.234 with t-value of 1.117 while managerial influence of strategic choices

had beta coefficient of 0.289 with t-value of 1.245 . However, management communication during the process of the beta coefficients was significant (0.011) which means that the other dimensions of management participation do not explain the changes in outward appearance.

Table 1. Management participation and appearance

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.427	0.182	-0.036	0.19582

a Predictors: (Constant), Management expertise used in planning process, Management communication during the planning process, Management involvement

in strategic decision making, Management influences on strategic choices, Time is spent by managers on planning activities. b Dependent Variable: Changing appearance.

Table 2. Analysis of variance of management participation on changing appearance.

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.128	4	0.032	.836	0.523
Residual	.575	15	0.038		
Total	.703	19			

a Dependent Variable: changing appearance.

expertise used in planning process, Management communication during the

b Predictors: (Constant), Management

planning process, Management involvement in strategic decision making, Management

H1b: Management participation has significant relationship with changing form.

Further the results show that, the coefficient of determination of management participation and changing form was 0.368, which means that 36.8 percent of the changing form was explained by management participation. The remaining 63.2 percent was explained by other factors not considered in the model. In addition to that, Regression results shows the overall model significance with a p-value of 0.56 which is more than 0.05 and the null hypothesis was not rejected. Therefore, management participation does not have significant relationship with changing form of the organization.

influences on strategic choices, Time is spent by managers on planning activities.

The beta coefficients of the explanatory variables were tabulated as follows. Management communication had beta coefficient of -.193 with t value of -.957, managerial time spent on planning had -.164 with t value of -.842, managerial involvement in decision making had .158 with t value of .844, managerial influence on strategic choices had beta of .267 with t value of 1.680 while managerial expertise used in decision making had beta of -0.140 and t-value of -0.834. However, none of the coefficients was significant which means that the all the dimensions of management participation do not explain changes in changing form of the organization.

Table 3. Management participation and changing form.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.607	0.368	.250	1.6665

a Predictors: (Constant), Management expertise used in planning process, Management communication during the planning, Management involvement in

strategic decision making, Management influences on strategic choices, Time is spent by managers on planning. b Dependent Variable: changing form.

Table 4: Analysis of variance of management participation changing form.

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.259	3	.086	3.110	0.56
Residual	.444	16	.028		
Total	.703	19			

a Dependent Variable: Changing Form. b Predictors: (Constant), Management expertise used in planning process, Management communication during the planning process, Management involvement in strategic decision making, Management

influences on strategic choices, Time is spent by managers on planning.

H1c: Management participation has significant relationship with changing shape

Table 5. Management participation and Changing Shape

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.481	0.231	0.115	0.489

a Predictors: (Constant), Management expertise used in planning process, Management communication during the planning process, Management involvement

in strategic decision making, Management influences on strategic choices, Time is spent by managers on planning. b Dependent Variable: Changing Shape

Table 6. Analysis of variance of management participation Changing Shape

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.375	5	0.475	1.988	0.106
Residual	7.885	33	0.239		
Total	10.26	38			

a Dependent Variable: Changing Shape. b Predictors: (Constant), Management expertise used in planning process, Management communication during the planning process, Management involvement in strategic decision making, Management influences on strategic choices, Time is spent by managers on planning.

With regard to changing shape, the results show that, the coefficient of determination of management participation and changing form was 0.231, which means that 23.1 percent of the changing shape was explained by management participation. The remaining 76.9 percent was explained by other factors not considered in the model. In addition to that, Regression results shows the overall model significance with a p-value of 0.106 which is more than 0.05 and the null hypothesis was not rejected. Therefore,

management participation does not have significant relationship with changing shape of the organization.

The beta coefficients of the explanatory variables were tabulated as follows. Management communication had beta coefficient of 0.190 with t value of 1.517, managerial time spent on planning had 0.097 with t value of 0.750, managerial involvement in decision making had 0.117 with t value of 0.750, managerial influence on strategic choices had beta of 0.042 with t value of 0.296 while managerial expertise used in decision making had beta of 0.028 and t-value of 0.190. However, none of the coefficients was significant which means that the all the dimensions of management participation do not explain changes in changing shape of the organization.

Discussion of the Results

Management participation is pertinent in the achievement of certain measures of organizational transformation. Extant literature has reported mixed empirical findings on the relationship between management participation and organizational performances. Currie, and Procter, (2005); Dayson, & Foster, (1982) established that organizational performance is influenced by what happens at middle level management. On the contrary, Elbanna, (2008) reported no significant relationships between management participation and firm performance. This study reported mixed findings on the relationship between management participation dimensions and different measures of organizational Transformation. The results indicated positive and significant influence of management participation only on managing communication during the planning process with outward appearance. Conversely, no significant association was established between management participation with changing form and changing shape of the

organizational processes. These findings are in line with prior studies that focused on management participation. Dayson & Foster, (1982) found a direct relationship between participation and effectiveness. They concluded that an effective planning system facilitates achievement of effectiveness. An important observation from this study was that an effective planning process was one which harnesses positive tendencies of participation while at the same time mitigating the negative ones. Significant relationships between management participation and internal business process performance are in line with the study of Holcomb, et.al, (2009) which demonstrated that managers are an important source of value creation. The findings also provided insights into the arguments that managerial actions determine a firm success. The finding was consistent with the view that the manager's abilities to build, integrate, manage and configure organizational resources are routed in managerial involvement (Eggers, and Kaplan, 2013).

Conclusion and Implications

Management participation significantly influenced only the changing outward appearances of transformation. Conversely, the rest of the transformation measures which included changing form and changing shape were not significantly influenced. These results are in line with past studies which focused on management participation and organizational performance and reported mixed results. A possible explanation of the mixed findings has been attributed to other factors which moderate the relationship. Differences in the managerial hierarchy in terms of the top, middle and lower cadre could be possible explanations of the mixed findings. The importance of understanding how management participation which was the overall objective of this study becomes better appreciated. This is in light of the significant percentage of capital investment ploughed to the firms in SMEs sectors in the district. This study contributes to small and medium business and policy makers in this sector by providing evidence of the correlation between management participation and the organizational transformation. The particular sector of

SMEs has become instruments of economic development in developing countries seeking to gain advantages from the growing integration of the global economy. In essence, policymakers need to consider the alignment of policy recommendations and important firm attributes to enhancing the achievement of better performance through organizational transformation. The research findings indicate that participatory management approaches are important as they enhance strategy implementation success and transformation. The findings from this study show that management participation in different settings is largely inconclusive. These findings have revealed that indeed participation is a much more complex issue than that has often been held both as a theoretical construct and empirical phenomenon. Future studies could focus on the moderated relationships between management participation and organizational transformation. Possible moderators could be organizational culture, management involvement in innovation and creation, technology adoption policy and firm size.

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