

# **Participatory Management theory and practices in organization**

## **Introduction**

Management is one of the oldest professions in the world. Nearly two thousand years ago, the Chinese developed the management organization structure known today as traditional line authority structure. Under this form of management style, organizations are usually organized functionally, putting similar people together into departments: human resources, accounting, engineering, etc. The flaw with this structure is that it encourages fiefdoms and often leads to huge walls that separate interdependent parties. In recent years however, a relatively new phenomenon has begun to change the workplace. That change is participatory management. Some call it work team, total quality management, others call it self-managing team, etc.

Participatory Management - A process where subordinates share significant degree of decision-making power with their immediate superiors. Good management is a tool to ensure people get the best from any organization and to ensure to organization can do what it wants and needs to do, without wasting precious time, energy or money. To achieve this target, participatory management style is vital for manager to create team context, to strengthen commitment of the team at every level to make it efficient. Participation is a much used word these days. Participatory management means that staff, not only the designated managers, have input, ownership and influence over the decisions that affect the organization. Now a days, knowing and establishment of participatory management approach is a most important job of an Executive. Because, in participatory management, the designated managers (or manager) still have (or has) the final responsibility for making decisions and answering for them, but members of the staff who are affected by those decisions are actively sought to provide observations, analysis, suggestions and recommendations in the executive decision making process. It is similarly important for project participants to whom we work. That's why key players of the organization is to ensure participatory design, planning, implementation and management in all aspects of the project.

## **Participatory Management**

As noted in the brief overview of the development of management thoughts, the behavioral school has most directly influenced the development of the concepts of participatory management. The field of organizational behavior most impacted the practice of participatory management principles and skills. Beginning in the mid 1950's and continuing even today, much has been written about participatory management. Participatory style of management is based on the principle of "faith". Under this style of management, the leadership and management places full faith in the abilities of the employees. The tasks are given directly to the employees and are well-explained to them in advance. Their inputs on the tasks are also given due importance. The employees know how their work is fitting into the organization's big goals. When their inputs are sought and they are also made aware how important they are to the health of the organization, their motivation levels become very high and they perform better. This style is usually seen in smaller organizations, with lesser number of employees.

## **Need for the participative management**

In today' dynamic global market, no one manager or a group of managers is equipped with all the necessary knowledge to address all the issues or problems in an organization. The complexity of today's organizational problems or issues require the combined expertise of all the members of the organization from the production workers to top management working in concert in order to satisfy today's ever demanding customers.

## **Success Stories of Participatory Management**

Considerable change is underway in many of America's workplaces, driven in part by international and domestic competition, technology and workforce development. These external forces are interacting with a growing recognition that achieving a high productivity / high wage economy requires changing traditional methods of labor, management relations and the

organization of work in a way that may fully develop and utilize the skills, knowledge, and motivation, of the workforce and share the gains produced. Data from recent focus-group interviews carried out by the Princeton Survey Research Center report that hourly workers, professional and technical employees and supervisors consistently stated that among the things they value most in a job are variety, freedom to decide how to do their work without closed supervision. They also reported that they value information and communication regarding things that affect their work and their firm and evidence that their employers seek, value and act on their suggestions for improvement at their workplace (Challenge, 1995). Thus, since the 1980's there has been a substantial expansion in the number and variety of employee-participation efforts and workplace committees in both establishments governed by collective-bargaining agreements and those without union representation. These arrangements take a wide variety of forms such as: Quality Circle, employee participation teams, etc. ( Challenge 95). Some of the major corporation who are reaping the benefits of participatory management are GE, IBM, Allied Signal, Super Sack, just to name a few. GE Fanuc Automation North America Inc. for example, has been transforming itself into a team- based organization since the late 1980s. In 1994, it posted its best results ever (Barrier ,1995). During an interview with Brad Eisenbarth, a production manager at Super Sack manufacturing plant in Savoy Texas, for a study on the impact of participatory management on productivity and employee moral, he responded by saying " Here, it is a family feeling where things are a lot opened particularly, with regard to passing on and sharing information." That sentiment was shared by Brian Suchsland, an industrial engineer also at Super Sack who said " Here you have the enthusiasm and attitude you need for a successful business"(Verespej, A. 1995 ).

## **Objectives of Participative Management**

Participative management acts as a force to motivate employees to meet specific organizational goals. The main idea behind this style of management is not only using physical capital but also making optimum utilization of intellectual and emotional human capital. This is the process of involving people in decision making process to ensure that everyone's psychological needs are met. It, in turn, increases the job satisfaction among employees and improves the quality of their work life. Motivated employees are the biggest assets of an organization and participative

management is an effective strategy to retain the best talents of the industry. Participatory Management or co-determination is seen as the quick cure for poor morale, employee attrition, low productivity and job dissatisfaction. However, it may not be appropriate to empower employees at every level but use of joint decision making at certain levels in organization can work wonders. Let us read further to explore the main objectives to introduce participative style of management in organizations:

- **To Make Best Use of Human Capital:** Participative management does not restrict organizations to exploit only physical capital of employees. Rather it makes the best use of human intellectual and emotional capital. It gives employees an opportunity to contribute their ideas and suggestions to improve business processes and create a better working environment.
- **To Meet the Psychological Needs of Employees:** When employees have a say in decision making process, it gives them a psychological satisfaction. It is a simple force that drives them to improve their performance, create a proper channel of communication and find practical solutions to design better organizational processes.
- **To Retain the Best Talent:** Participatory management is one of the most effective strategies to retain the best talent in the industry. It gives employees a sense of pride to have a say in organizational decision making process. Once they are valued by their seniors, they stick to the organization and become management's partners in meeting specific goals and achieving success.
- **To Increase Industrial Productivity:** In today's competitive world, motivation, job security and high pay packages are not enough to increase industrial productivity. Leadership, flexibility, delegation of authority, industrial democracy and employee say in decision making are important to increase annual turnover of any organization.
- **To Establish Harmonious Industrial Relationship:** Participatory from of management is an unbeatable tact to establish and maintain cordial relationships with employees and workers union. The success of an organization depends on its human resources.

Employee empowerment acts as a strong force to bind the employees and motivate to give them their best to the organization.

- **To Maintain a Proper Flow of Communication:** Two-way communication plays an important role in the success of any organization. Employee participation in decision making ensures proper flow of communication in the organization. Everyone contributes their best and tries to strengthen the organization by contributing their best to improve business processes.

Participative management is beneficial to organization as well as employees. It gives employees a higher degree of enjoyment at work place that drives them to work harder. It is equally rewarding for the management as it ensures tremendous improvement in work culture within the organization as well as increase in its productivity.

## **Participatory Management Styles**

Participatory management is a system in which employees of a business organization take an active role in the decision-making process as it relates to the way the business operates. There are various approaches to the level of participatory management a business may engage in. Some examples are self-managed work teams, professional enrichment opportunities, increasing levels of responsibility for employees and even employee-owned business ventures.

### Information Management

One style of participatory management is creation of a workplace environment in which information is shared readily with employees. This includes financial projections, earnings and operational budgets as well as information related to long-term strategic planning. This approach provides transparency in all aspects of business and allows for employee comment, input and suggestions.

### Mentoring and Training Management

A participatory managed work environment provides ongoing training, skills development, professional enrichment and mentoring to employees at all levels. Employees regularly take on new or additional responsibilities, cross-train in different areas of business and give their newfound skills a hands-on try under the supervision of a mentor. Employees are encouraged to share knowledge and information with the goal being a diversely trained, well-rounded workforce that takes advantage of each employee's most notable skills.

### Recognition Management

Another form of participatory management includes a forum in which employees are recognized regularly for their achievements and contributions. The reward approach is designed to increase performance, motivate employees and provide positive reinforcement for a job well done. Employees also have the opportunity to see how their contributions directly affect the company in a positive manner.

### Teaching Management

Participatory management often features a teaching component in which employees are guided on the fundamentals of the decision-making process. Employees receive insight into a particular problem, issue or strategy and the cognitive tools necessary for breaking down the issue into problem-solving components. Using this management style, employees continually enhance their knowledge of how the company operates and are able to bring ever-improving skills to the workplace.

### Shared Decision-Making Management

All forms of participatory management include a form of shared decision-making, but this particular style goes even deeper. Under shared decision-making management, employees participate in focus group, complete surveys, participate in brainstorming sessions and often work in self-monitored groups on specific tasks and projects. Management typically provides parameters for employees to work within and to contribute suggestions and ideas, and many also feature a formal review process to ensure every idea is weighed and vetted carefully.

## **Advantages of Empowerment into the project teams**

- It harnesses the ability of the team members to manipulate tasks so that project objectives are met. The team is encouraged to find better ways to do things.
- Professionals do not like being micromanaged. Participative management does not tell them how to work but, given a goal, allows them to design their own methods.
- The team members know they are responsible and accountable for achieving the project deliverables.
- There is a good chance that synergistic solutions will result from team interaction.
- Team members get timely feedback on their performance.
- The PM is provided a tool for evaluating the team's performance.

## **Impact of management by objectives (MBO) on organizational productivity**

Management by Objective (MBO) is one of the perfect example or process of participatory management or empowerment. Goal setting, participation in decision making and objective feedback have each been shown to increase productivity. As a combination of these 3 processes, management by objectives (MBO) also should increase productivity. The literature on MBO indicates that various problems have been encountered with implementing MBO programs. One factor was predicted to be essential to success: the level of top-management commitment to MBO. Proper implementation starts from the top and requires both support and participation from top management.

The “Management by Objective” (MBO) approach, in the sense that it requires all managers to set specific objectives to be achieved in the future and encourages them to continually ask what more can be done, is offered as a partial answer to this question of organizational vitality and creativity. MBO is a process or system designed for supervisory managers in which a manager and his or her subordinate sit down and jointly set specific objectives to be accomplished within a set time frame and for which the subordinate is then held directly responsible. All organizations exist for a purpose and to achieve that purpose, top management sets goals and objectives that are common to the whole organization. Plans and objectives are passed down from one



managerial level to another and subordinates are told what to do and what they will be held responsible for. The superior brings specific goals and measures for the subordinate to a meeting with this subordinate, who also brings specific objectives and measures that he or she sees as appropriate or contributing to better accomplishment of the job. Together they develop a group of specific goals, measures of achievement, and time frames in which the subordinate commits himself or herself to the accomplishment of those goals. The subordinate is then held responsible for the accomplishment of the goals. The manager and the subordinate may have occasional progress reviews and reevaluation meetings but at the end of the set period of time, the subordinate is judged on the results the he or she has achieved. He or she may be rewarded for success by promotion or salary increases or he or she may be fired or transferred to a job that will provide needed training or supervision. Whatever the outcome, it will be based on the accomplishment of the goals the subordinate had some part in setting and committed himself or herself to achieving.

## **Benefits of Participation**

In participatory management, the designated managers (or manager) still have (or has) the final responsibility for making decisions and answering for them but members of the staff who are affected by those decisions are actively sought to provide observations, analysis, suggestions and recommendations in the executive decision making process.

The organization will be benefitted in many ways if participation management implemented.

- Organization will run better if staff are more loyal, feel needed and wanted, feel that they are respected and feel that their opinions count. If pro-actively seek their input into management decision making, that will contribute to all those things. Decisions tend to be better when they can call on a wider range of knowledge, information and experience. No matter how wise and experienced a boss may be, s/he does not have as much experience as the total of all her/his staff.
- Trust is an important factor of leadership. Participatory approaches usually mean that decision making is more transparent. That, in turn, increases the trust of the staff, and the

leadership of the manager is increased. And transparency itself is an added benefit to this approach.

- When decisions are made in active consultation with the staff, there is less suspicion of illegal and immoral decisions being made in sneaky circumstances. As with community participation, the end result is that participatory management yields many benefits.
- There are a few costs, however, to obtaining participatory input. One is that it takes time to obtain it and decisions are therefore slower than when they are made unilaterally. When staff argue for a particular decision but the regulations, the budget, the board, or the head office do not allow that decision, then staff will be disappointed; some may even ask why they participated. It needs the manager to show that even though they all wanted a particular path to be taken, circumstances beyond management – even beyond participatory management – hindered them from taking that path. When staff are hotly divided on a particular issue, this will be revealed when it appears as a management decision. Disagreements may affect the work. The manager must put in extra time and effort to reach a decision – with staff participation – that will reduce that schism.
- While there are a few irritations in taking a participatory approach to management, the many benefits outweigh the costs.
- According to conventional academic wisdom, perceptions of procedural justice are important to corporate efficiency. Employee voice promotes a sense of justice, increasing trust and commitment within the enterprise and thus productivity. Workers having a voice in decisions view their tasks as being part of a collaborative effort, rather than as just a job. In turn, this leads to enhanced job satisfaction, which, along with the more flexible work rules often associated with work teams, results in a greater intensity of effort from the firm's workers and thus leads to a more efficient firm.
- Although this view of participatory management has become nearly hegemonic, the academic literature nevertheless remains somewhat vague when it comes to explaining

just why employee involvement should have these beneficial results. Despite the democratic rhetoric of employee involvement, participatory management in fact has done little to disturb the basic hierarchical structure of large corporations. Instead, it is simply an adaptive response to three significant problems created by the tendency in large firms towards excessive levels of hierarchy. First, large branching hierarchies themselves create informational inefficiencies. Second, informational asymmetries persist even under efficient hierarchical structures. Finally, excessive hierarchy impedes effective monitoring of employees. Participatory management facilitates the flow of information from the production level to senior management by creating a mechanism for by-passing mid-level managers, while also bringing to bear a variety of new pressures designed to deter shirking.

# **Participatory Management practices in an Organization**

## **Participatory Management practices in an Organization (AB Bank)**

*“Leadership is the process of inspiring, influencing and guiding others to participate in a common effort”*

AB Bank Limited, the first private sector bank was incorporated in Bangladesh on 31st December 1981 as Arab Bangladesh Bank Limited and started its operation with effect from April 12, 1982. AB Bank is known as one of leading bank of the country since its commencement 29 years ago. It continues to remain updated with the latest products and services, considering consumer and client perspectives. AB Bank has thus been able to keep their consumer's and client's trust while upholding their reliability, across time. The Bank showed strong growth in loans and deposits. Deposit of the Bank rose by Tk. 1518 cr ie., 28.45% while the diversified Loan Portfolio grew by over 30% during the year and recorded a Tk 1579 cr increase. Foreign Trade Business handled was Tk 9,898 cr indicating a growth of over 40% in 2011. The Credit Rating Agency of Bangladesh Limited (CRAB) awarded the Bank an A1 rating in the long term and ST-2 rating in the short Term in 2011.

## **Mission and Vision Statement of AB Bank Limited**

### **Vision Statement:**

“To be the trendsetter for innovative banking with excellence and perfection”

### **Mission Statement:**

“To be the best performing bank in the country”

## **Core Values**

### Our Compliance

We consider adherence to national policies and objectives a priority for giving our customers the best financial support with corporate integrity, meaning a fully compliant bank along with involvement in social development.

### Our Customers

We give the best priority on our customer demand and through our endless effort we assure the best satisfaction to our customers.

### Our Shareholders

We assure the best return to our shareholders' by commenced performance over a rolling year.

### Our Team Members

We provide secure, satisfying employment, ensuring the contribution of each individual to the success of ABBL

## **Participatory Management practices in AB Bank Limited**

### **Delegate the Authority**

AB Bank follows Democratic style. Leaders or supervisors or departmental heads in the AB Bank delegates a great deal of authority while retaining ultimate responsibility. Management in AB Bank divided the work and assigned on the basis of participatory decision making. Active two- way flow of upward and downward communication. AB Bank enhances their personal commitment through participation. Although one problem with democratic process is that it is time consuming.

### **Employee Opinions**

AB BANK is committed in creating an environment where employees at all levels feel that they can speak honestly about the company and issues important to them. AB BANK carry out employee opinion surveys every year and the results are very positive. This motivates the employees and makes them satisfied.

## **Channel Participation**

Participation in decision making requires good communication, the more channels can open up – the more can have staff participate in managing the organization. Every chance get, look for ways to talk with staff. Let them show their achievements and frustrations. AB Bank authority set up a routine and regular participatory management meeting. Set up special sessions that allow (and encourage) staff input and arrange annual review sessions to obtain staff input for making annual work plans.

## **Management Meetings**

Management meetings an integral part to develop participatory management in any organization, such meetings should be held routinely and regularly. In AB Bank both the management and the staff normally schedule work around the time for meetings. Authority tries every attempt to make these meetings decision-making meetings and this time only be decision-making time. Meetings are opportunities to let staff know how, in various ways, that they are valuable, have useful ideas to offer and are respected. They may feel that they have better things to do, especially if meetings are not productive and meaningful to them. AB Bank management tries to ensure that their attendance is productive and seen to be productive.

## **Annual Reviews:**

An annual review for staff within a single organization can be (if done right) a useful way to review the past year, successes, failures, lessons learned and to obtain suggestions that can be put into the next annual work plan for that organization. It is a good tool for exercising participatory management. AB Bank confirmed and make sure that their suggestions and recommendations are reflected in the annual work plan, or that they understand why some might not be feasible.

## **Conclusion**

Over the years, organizations have tried to empower their employees to varying degrees. Participatory management is one such paradigm. Participatory management is better suited for today's global marketplace. It empowers workers to make "frontline" decisions there by speeding things up. Additionally, workers today are more educated, motivated, responsible and capable of doing their jobs without being closely supervised. Research shows, the greater the empowerment, the greater the reward for organization. Participatory management has a positive impact on productivity, quality and employees morale. It is also recommended that managers view participatory management style as a viable management tool and not as a fad that is about to disappear into distant memory. It is recommended that managers see participatory management style as a positive trend and not a threat to their authority. Participatory management can improve the effectiveness and capacity of an organization. It contributes to good leadership by management. It contributes to increased transparency in organizational decision making.