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## Social sustainability business practices and organisational performance in Nigerian banks

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### ABSTRACT

This study examines employee involvement in organisational affairs as an important facet of social sustainability in the Nigerian banking sector, because providing good customer service requires committed employees rather than coerced labour. Data extracted through quantitative content analysis from the financial reports of fifteen commercial banks were analysed using descriptive statistics, Z test, One-way ANOVA, correlation and regression analysis techniques. The study found that employee involvement correlates positively and significantly with organisational performance; and banks differ in performance on the account of the level of employee involvement; firms with deeper level of employee involvement performed better than others with shallow level of employee involvement, thus stressing the relevance of employee involvement as an aspect of social sustainability business practices. Organisations are enjoined to involve their employees more to achieve better results; and embrace the modern philosophy of regarding employees as strategic resources that can be used to bolster core competence.

### KEY WORDS

employee involvement, global reporting initiative, organisational performance, Nigeria, sustainability

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## 1 INTRODUCTION

The debate for sustainability has been on the rise in recent times, and the contention that organisations should be more involved in sustainable business practices may not be unconnected to stakeholders' agitation for organisations to give back to the society which provides enabling environment, resources and justification for their existence. Sustainability practices usually pursued by firms are economic, environmental and social (Maguire, 2011; Hindley & Buys, 2012; GRI, 2013a; GRI, 2013b; KPMG, 2013a; KPMG, 2013b; Sulkowski & Waddock, 2014; Oyewo & Isa, 2017). Economic sustainability is concerned with the impact of the entity on the economic conditions of its stakeholders, the flow of capital among different stakeholders, and the entity's impact on economic systems at local, national and international levels (Eccles, 2011; GRI, 2013a; GRI, 2013b; CIMA, 2014c). The environmental sustainability focuses on the impact of the entity on living and non-living natural systems including land, water, air and ecosystem (GRI, 2013a; GRI, 2013b; CIMA, 2014c). The social sustainability dimension focuses on the entity's impact on the social systems within which it operates (GRI, 2013a; GRI, 2013b; CIMA, 2014c).

Drawing from the Global Reporting Initiative (GRI) G4 framework for sustainability reporting, the social sustainability indicators are in four categories, including: labour practices & decent work, human rights, society, and product responsibility (GRI, 2013a; GRI, 2013b; GRI, 2013c). The labour and decent work practice, which covers aspects such as employment; labour/management relations; occupational health and safety; training and education; diversity and equal opportunity; equal remuneration for women and men; supplier assessment for labour practices; and labour practices grievance mechanisms stresses employee involvement in organisational affairs as an important facet of social sustainability. This paper therefore focused on employee involvement as an aspect of socially-sustainable business practice.

It has been acknowledged in literature that employees are one of the priced resources of organisations, whatever the sector, ownership structure, establishment-motive, form or size (Pfeffer, 1998; Macey & Schneider, 2008; Basse & Tapang, 2012; Kok, Lebusa & Joubert, 2014). This behooves business owners and managers seeking

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competitiveness and relevance to be concerned with involving employees in organisational affairs to the extent they desire realising set goals through them. Employee involvement in the affairs of an organisation (hereafter, employee involvement) implies the participation of employees in the matters or business of their employers; it is the subsuming of employees in the activities of organisations. This connotation suggests the existence of different levels of, and platforms for, employee involvement. In essence, it may not be unexpected that employee involvement practices would differ amongst firms (Berg, Witteloostuijn, Boone & Brempt, 2000; Lee & Yu, 2004). While some organisations may involve their employees more, others may involve them to a low extent; investigating the extent to which the level of employee involvement affects organisational performance is worth considering.

Earlier studies (for example, Jones & Kato, 2005; Kuye & Sulaimon, 2011; Khattak, Iqbal & Khattak, 2013; and Sofijanovna & Zabijakin-Chatleska, 2013) have posited the existence of strong, positive connection between employee involvement and firm performance. The review of literature on the subject in Nigeria (for example, Yusuf, 2008; Kuye & Sulaimon, 2011; Enofe, Mgbame, Otuya & Ovie, 2013; Ofoegbu & Joseph, 2013; Ojokuku & Sajuyigbe, 2014) suggests lack of empirical studies covering a broad spectrum of sectors, as most studies were undertaken in manufacturing concerns. Kuye and Sulaimon (2011), upon investigating how employee engagement influences performance in the Nigerian manufacturing sector recommended that:

Future studies may need to expand to cover the service industry rather than limiting them to the manufacturing industry. Then, generalisation of the findings might be well justified...Finally, the sample was drawn from Lagos State, Nigeria. This limits the generalisations of the findings (p.12).

Whilst generalisation of result was restricted to manufacturing concerns, the statement clearly identifies a gap, the under-researching of the subject in service sectors in Nigeria, including the banking sector which is a major sector providing financial services crucial to economic development, reinforcing the need to revisit the subject. This paper responds uniquely to these observed gaps in three ways. First, it focused on the banking sector, as the under-researching of sustainability in Nigeria affects the financial service sector (Idowu, 2014; Ajide & Aderemi, 2014; Lugard, 2014; Oyewo & Badejo, 2014; Nwobu, 2015; Oyewo & Isa, 2017). Second, there is a departure from using primary data, which has been the approach adopted by earlier studies, to using data collected from secondary source – the financial reports of firms. Third, the study was not restricted to any particular geo-political zone in Nigeria but extended to publicly-quoted firms having presence and operating licenses regionally, nationally and internationally.

The subject of employee involvement is of great concern in service industries – including the banking sector that is highly-competitive, where customer satisfaction is a critical success factor, because providing good customer service requires committed employees rather than coerced labour (Tyson & Levine, 1990; Cotton, 1993; Bryson & Millward, 1997). Ramsay, Parry, Paton and Hyman (1998, p. 3) maintained that service ‘requires employee internalisation of a management-designed culture of commitment if it is not to be based on exhausting and expensive supervision’. Banks perform financial intermediation by channeling finance from lenders to borrowers (Brigham & Houston, 2007; Akinsulire, 2009; Oyewo, 2014), and while performing this core function depend largely on their employees in the value-creation process.

The objectives of the study are to: (i) appraise the level of employee involvement in organisational affairs; (ii) evaluate the extent to which organisations differ in performance on the account of the level of their employees’ involvement; and (iii) investigate the extent to which employee involvement affects organisational performance in the Nigerian banking sector.

The rest of the paper is structured as follows: Section 2 presents a discussion of literature and the development of hypotheses; followed by an explanation of the research methods deployed in Section 3. After presenting the results of statistical analyses and discussion of findings in Section 4, Section 5 recapitulates the key findings and closes with some recommendations.

## 2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 2.1 THE CASE FOR EMPLOYEE INVOLVEMENT AS A SUSTAINABLE BUSINESS PRACTICE

Some rationales have been adduced for employee involvement in organisational affairs as a sustainable business practice. Poutsma (2001) cited in Summers and Hyman (2005) suggested four considerations including humanistic, power-sharing, organisational efficiency and redistribution of results rationales. Summers and Hyman (2005) re-classified these rationales under three operational rationales – economic, social and governmental. The economic rationale derives from the reasoning that employee involvement influences organisational performance because encouraging their participation has a way of positively altering their disposition towards work and management, which in turn motivates them to achieve results (BPP, 2009). This approach underpins the participative management style as against an autocratic style, which is perceived to diminish employee motivation (Boddy, 2012; Mullins & Christy, 2013). Employees may also

participate financially when owners offer stakes in the firm through employee-share-ownership schemes (Heller, Pusic, Strauus & Wilpert, 1998; Pendleton, 2001). Social arguments for employee involvement are that; allowing employees to get involved democratises the management process and creates equal opportunities between workers, and between workers and management, especially in domains where employees unionise. Organisations may also introduce employee involvement on social grounds to improve working conditions (Osterman, 1994; Aboramadan & Borgonovi, 2016). The government rationale for employee involvement is wider than the economic or social arguments, because employee involvement policies are designed to benefit the wider community (Bryson, 2011).

The benefits of employee involvement are double-sided. Levine (1995), corroborated by Blasi, Conte and Kruse (1996) maintained that employee involvement in decision-making may enhance harmonious employer-employee relationship, which in turn spurs employee motivation, and greater job satisfaction in achieving goals. To the employees, employee involvement provides an avenue for having a sense of belonging to the organisation since they feel integrated into, and are parties to running the system. The organisation benefits, since it can optimally harness the skills, competence and experiences of the employees by giving them the free hand to operate (Morden, 2007; David, 2009). Other documented benefits of employee involvement are improved company performance (Cooke, 1994; BPP, 2009); improvement in employee productivity and flexibility (Jones, 1987; Bryson, 2011); reduction of operating cost because of low employee-turnover and absenteeism rates (Wilson & Peel, 1990; Kaplan, 2013).

## 2.2 ENGENDERING EMPLOYEE INVOLVEMENT IN ORGANISATIONAL AFFAIRS

Organisations typically explore different mechanisms for employee involvement by encouraging team-working and rewarding team-achievements through group incentive schemes; quality circles (a forum where employees congregate to discuss quality issues in the organisation), total quality management (getting it right the first time), gain-sharing, and information sharing (CIMA, 2008; David, 2009; Boddy, 2012). Organisations could also ensure, through different formal and informal platforms, that employees are kept informed on matters concerning them. Employee development through regular training; consideration of employees' views on not only matters affecting them as employees but also on general matters pertaining to the business; and existence of a fair reward system are some other strategies of engendering greater employee involvement (CIMA, 2008; Mullins & Christy, 2013; CIMA, 2014a; CIMA, 2014b).

## 2.3 PRIOR STUDIES

Berg, Witteloostuijn, Boone and Brempt (2000) argued that empirical studies on employee involvement thrives on the theoretical underpinning that workers participation is practiced in the real world. Jones and Kato (2005) examined the direct impact of employee involvement through team or group work on business performance of firms located in central New York, United States of America. The study concluded that employee involvement will produce improved enterprise performance through diverse channels, including enhanced discretionary effort by employees. In a comparative study by Berg, Witteloostuijn, Boone and Brempt (2000) as per the impact of representative employee participation on firm performance in four neighbouring countries, Belgium, Germany, the Netherlands and the United Kingdom, it was concluded that employee participation affects performance of companies. Kuye and Sulaimon (2011) investigated the interaction between employee involvement in decision-making and firm's performance in the manufacturing sector in Nigeria. Using a combination of descriptive and inferential statistics to analyse primary data sourced from 670 firms, the study concluded that there was a statistically significant relationship between employee involvement in decision-making and firms' performance. According to findings, firms that had deep level of employee involvement performed better than those with shallow level of employee involvement.

Khattak, Iqbal and Khattak (2013) considered the relationship between employee involvement and organisation performance by analysing primary data obtained from administering 509 copies of questionnaire in Pakistani organisations. The elements of employee involvement studied were employee empowerment, team orientation and capacity development. Empirical findings were that organisational performance improved due to employees' involvement; organisations which delegated authority to employees performed better than those which did not. Sofijanovska and Zabijakin-Chatleska (2013) studied the effect of employee involvement on the performance of manufacturing concerns in the Republic of Macedonia. Data were obtained by administering two sets of questionnaires, selecting a sample of 36 companies. They found effective use of employee involvement to be positively related to perceived organisational performance. Other empirical studies corroborating a strong cohesion between employee involvement and firms' performance were undertaken by Hamilton, Nickerson and Owan (2002), Addison and Belfield (2000), Bartel (2004), Ofoegbu and Joseph (2013), and Ojokuku and Sajuyigbe (2014), amongst others. Based on these discussions, it is first hypothesized that:

*H1: There is significant difference in the performance of Nigerian banks on the account of the level of employee involvement*

In evaluating the direction, strength and statistical significance of the interaction between the level of employee involvement and organisational performance, it is further hypothesized that:

*H2: Employee involvement significantly influences Firm’s performance in the Nigerian banking sector*

This is decomposed into the following sub-hypotheses:

*H2-1: Employee Involvement significantly influences Firms’ gross earnings*

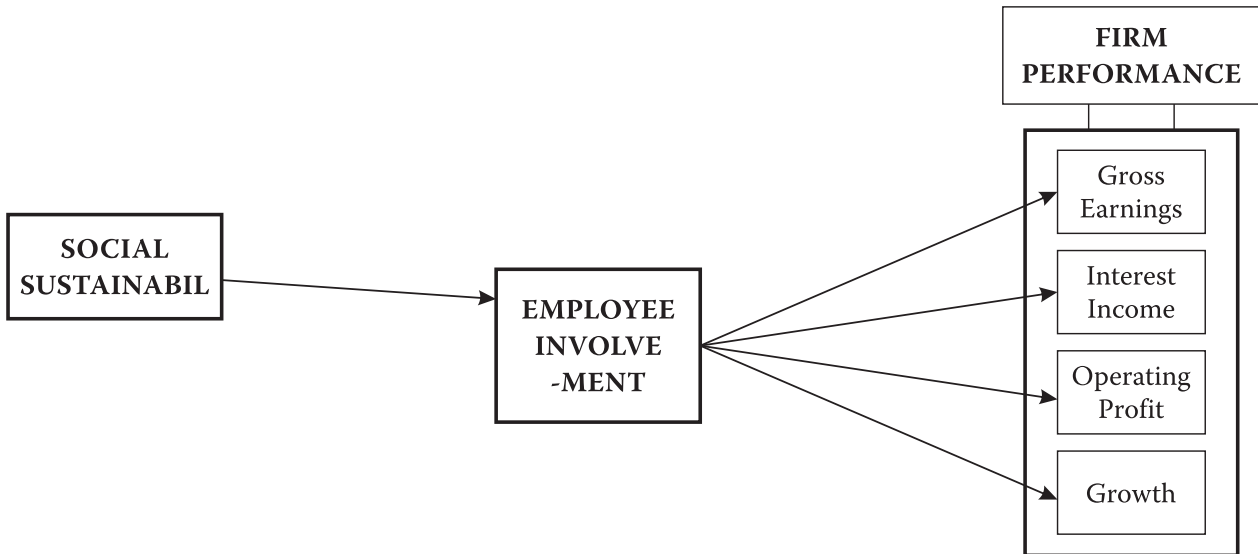
*H2-2: Employee Involvement significantly influences Firms’ Interest income*

*H2-3: Employee Involvement significantly influences Firms’ Operating profit*

*H2-4: Employee Involvement significantly influences Firms’ Growth*

To recapitulate, the flow between social sustainability, employee involvement and firm performance is delineated in Figure 1.

Figure 1: Relationship between social sustainability, employee involvement and firm performance



Source: Authors’ conceptualisation

### 3 RESEARCH METHODS

#### 3.1 SOURCE OF DATA AND VARIABLE OPERATIONALISATION

The study gathered secondary data from the 2012 annual reports and accounts of fifteen (15) commercial banks in Nigeria, across three licensing tiers – regional, national and international banks. Statistics of participating firms is furnished in Appendix 1. Quantitative content analysis was used to assess employee involvement disclosures in financial reports. Holsti (1969) supported by Krippendorff (1980) and Kondracki and Wellman, (2002) asserted that quantitative content analysis focuses on counting the frequency of specific words or content.

Employee involvement was operationalised by content-analysing disclosures in financial reports on employee involvement in workplace affairs. Disclosures in respect of the following were analysed: (i) level of involvement in decision-making; (ii) keeping employee informed on the institution’s performance and progress; (iii) extent of sorting and considering opinions and suggestions of members of staff not only on matters affecting them as employees but also on the general business of the bank; (iv) investment in employees’ future development; (v) training and career development program; (vi) adequacy of employee rewarded and motivation to achieve results; (vii) employee volunteering schemes (EVS) in sustainability activities; (viii) formal and informal channels explored for communication with and receiving feedbacks from employees; and (ix) extent of implementing various incentive schemes designed to encourage the involvement of employees in the firm’s performance. To triangulate measurement of employee involvement, three approaches were used to scrutinise disclosure including: the number of items (EMPI), number of words (EMPW), and extent of value added attributed to employees in the Value Added Statement (designated, EMPF). Performance (PERF) was considered from the perspectives of Firms’ Revenue (Gross Earnings, GRE); Interest Income (INT), Profitability (Operating profit, OPR), and Growth (changes in interest income in monetary terms ( $\Delta$  INT), Changes in Interest Income in % ( $\Delta$  INT%), and Changes in Fund Retention for Future Development ( $\Delta$  RTF%).

### 3.2 MODEL SPECIFICATION

Following the supposition that employee involvement is expected to influence firms’ performance, this relationship is mathematically expressed in equations (1) to (3):

Model 1

$$PERF = f(EMP_i) \tag{1}$$

Equation (1) is disaggregated thus:

$$GRE = \alpha_{01.1} + \alpha_{1.1} EMP_i + \epsilon_{\alpha 1.1} \tag{1.1}$$

$$INT = \alpha_{01.2} + \alpha_{1.2} EMP_i + \epsilon_{\alpha 1.2} \tag{1.2}$$

$$OPR = \alpha_{01.3} + \alpha_{1.3} EMP_i + \epsilon_{\alpha 1.3} \tag{1.3}$$

Model 2

$$PERF = f(EMP_w) \tag{2}$$

Equation (2) is disaggregated thus:

$$GRE = \beta_{02.1} + \beta_{2.1} EMP_w + \epsilon_{\beta 2.1} \tag{2.1}$$

$$INT = \beta_{02.2} + \beta_{2.2} EMP_w + \epsilon_{\beta 2.2} \tag{2.2}$$

$$OPR = \beta_{02.3} + \beta_{2.3} EMP_w + \epsilon_{\beta 2.3} \tag{2.3}$$

Model 3

$$PERF = f(EMPF) \tag{3}$$

Equation (3) is disaggregated thus:

$$GRE = \mu_{03.1} + \mu_{3.1} EMP_F + \epsilon_{\mu 3.1} \tag{3.1}$$

$$\Delta INT\% = \mu_{03.2} + \mu_{3.2} EMP_F + \epsilon_{\mu 3.2} \tag{3.2}$$

$$\Delta RTF\% = \mu_{03.3} + \mu_{3.3} EMP_F + \epsilon_{\mu 3.3} \tag{3.3}$$

### 3.3 METHODS OF DATA ANALYSIS

The study employed both descriptive and inferential statistical techniques for analysis including minimum value, maximum value, Mean (*M*), standard deviation (*SD*), Z test, One-way ANOVA, correlation and ordinary least square (OLS) regression techniques. To standardise rating on employee involvement disclosures among firms, the Z test statistics was computed thus:

$$Z = (X - M) / SD \tag{4}$$

Where X = score of firm, *M* = Mean, *SD* = Standard Deviation

## 4 RESULTS

### 4.1 ATTRIBUTES OF STUDIED ORGANISATIONS

The descriptive statistics of the variables is presented in Table 1.

Table 1: Descriptive statistics of study variables

| Variable                                 | Minimum | Maximum | Mean      | Std. Deviation |
|--|---------|---------|-----------|----------------|
| Gross earnings (in million)              | 30716   | 1356967 | 230056.53 | 326093.332     |
| Interest income (in million)             | 25056   | 1356967 | 197477.40 | 329122.672     |
| Operating profit                         | 4536    | 348637  | 57532.20  | 87554.528      |
| Change in interest income                | -2453   | 478474  | 67388.53  | 117485.731     |
| Change in interest income (%)            | -5.28   | 108.40  | 42.1633   | 25.09394       |
| Change in retention for future devt. (%) | -103    | 52      | -.79      | 38.780         |
| No of items, EMPI                        | 5       | 22      | 11        | 6              |
| No of words, EMPW                        | 40      | 150     | 82        | 27             |
| Employee value added ((in million)       | 6527    | 68804   | 28085.86  | 17339.305      |
| Employee value added (%)EMPF             | 19.00   | 75.00   | 41.8571   | 13.83339       |

From the result in Table 1, the minimum gross earnings of the selected firms was N30,716 million, maximum was N 1,356,967 million, mean gross earnings stood at N 230,056.53 million. The minimum of interest income was N 25,056 million, maximum stood at N 1,356,967 million, and the mean was N 197,477.40 million. Operating profit stood at a minimum of N 4,536 million, maximum of N 348,637 million; and mean of N 57,532.20 million. The dispersion in gross earnings ( $SD = N 326,093.332$  million), interest income ( $SD = N 329,122.672$  million) and operating profit ( $SD = N 87,554.528$  million) is quite large, confirming sample selection across firms of varying sizes (in terms of earnings, interest income, and operating profit). This was because sample was drawn across the three tiers of banks – regional, national and international banks respectively. The average growth in interest income between 2011 and 2012 financial year of firms was N 67,388.53 million (42.16%), maximum was N 478,474 million (108.40%). Some firms however experienced decline in interest income which accounted for the negative change (-N2,453million, -5.28%), representing the minimum score. Changes in retention for future development (in %) which is the proxy organisational growth, had a minimum of -103%, maximum of 52%, and mean of -0.79%. Whereas some firms experienced expansion in retention for future developments, others had decline in this respect.

In measuring employee involvement, using the first proxy – number of items ( $EMP_I$ ) – the minimum score was 5 items, the maximum 22 items and the average was 11 items with standard deviation of 6 items. Employee involvement, proxied by the number of words ( $EMP_W$ ) had a minimum of 40 words, maximum of 150 words, average of 11 words, and a standard deviation of 27 words. The minimum value-addition attributed to employee ( $EMP_F$ ) in the value added statement was about N 6,527 million (19.00%), maximum was N 68,804 million (75%) and mean was N 28,085.86 million. Overall, the examination of the results on variation (the SD parameter) in the employee involvement proxies  $EMP_I$  ( $SD = 6$  items),  $EMP_W$  ( $SD = 27$  words) and  $EMP_F$  ( $SD = 13.83\%$ ) suggests noticeable variation in the disclosure of employee involvement among selected firms. While some firms recorded high level of employee involvement in organisational affairs, others witnessed low level of involvement of employees.

#### 4.2 LEVEL OF EMPLOYEE INVOLVEMENT IN ORGAISATIONAL AFFAIRS

The scores obtained from Z test on the level of employee involvement were codified thus; Negative values were designated as *Low*, and assigned '1'; positive values up to 1.0 were designated *Moderate* and assigned '2'; while positive values greater than 1.0 were designated High, and assigned '3'. Z scores of firms and values assigned are furnished in appendix 1. The result shows that the disclosure level of employee involvement was predominantly low (10 firms, 67%); 4 firms (27%) scored moderately; but one firm (6%) scored High (appendix 1). Based on this result, it is concluded that the level of employee involvement in organisational affairs in Nigerian banks is low (research objective one).

#### 4.3 DIFFERENCES IN ORGANISATIONAL PERFORMANCE ON THE ACCOUNT OF EMPLOYEE INVOLVEMENT

Differences in the performance of firms was analysed with the independent sample t-test, using the level of employee involvement (measured by the number of words,  $EMP_W$ ) as the grouping variable. The result of the analysis is presented in Appendix 2. There are differences in the performance when the firms were grouped based on level of employee involvement. The p values of gross earnings ( $F = 78.559$ ,  $p = .000 < .01$ ), interest income ( $F = 140.420$ ,  $p = .000 < .01$ ), and operating profit ( $F = 41.455$ ,  $p = .000 < .01$ ) are statistically significant at 5%, while p value of changes in retention for future development ( $F = 3.544$ ,  $p = .084 < .10$ ) is significant at 10%. Changes in interest income in percentage is not statistically significant ( $F = 1.181$ ,  $p = .340$ ). It is concluded that organisations significantly differ in performance on the account of the level of their employees' involvement (research objective two).

#### 4.4 EMPLOYEE INVOLVEMENT AND ORGANISATIONAL PERFORMANCE

Seeing that organisations significantly differ in performance because of the level of employee involvement (as established by the result from the independent sample t-test), it was important to further ascertain the direction (whether positive or negative) and magnitude (weak or strong) of the association between employee involvement and organisational performance. Correlation and regression analysis were employed to address these issues.

##### 4.4.1 Results from Correlation Analysis

The Pearson correlation technique was employed to analyse the relationship between the employee involvement proxies and firm performance proxies (result in Table 2).

Table 2: Correlation analysis between employee involvement and firm performance

| Variable         | Gross earnings      | Chg in interest income | Chg in interest income (%) | Operating profit | Interest income | Change in retention for future devt (%) |
|------------------|---------------------|------------------------|----------------------------|------------------|-----------------|---|
| EMP <sub>I</sub> | Pearson Correlation | .540*                  | .540*                      | .540*            | .531*           | .570*                                   |
|                  | Sig. (2-tailed)     | .038                   | .038                       | .038             | .042            | .027                                    |
| EMP <sub>W</sub> | Pearson Correlation | .652*                  | .652*                      | .652*            | .628*           | .671**                                  |
|                  | Sig. (2-tailed)     | .012                   | .012                       | .012             | .016            | .009                                    |
| EMP <sub>F</sub> | Pearson Correlation | .524                   | .524                       | .524             | .666**          | .535*                                   |
|                  | Sig. (2-tailed)     | .054                   | .054                       | .054             | .009            | .049                                    |

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

#### ***Employee involvement and Gross Earnings***

The relationship between gross earning and each of the three proxies for employee involvement is positive. Specifically, the correlation coefficients between Gross Earnings and each of EMP<sub>I</sub> ( $r = .540$ ,  $p = .038 < .05$ ), EMP<sub>W</sub> ( $r = .652$ ,  $p = .012 < .05$ ), and EMP<sub>F</sub> ( $r = .524$ ,  $p = .054 < .10$ ) is positive, semi-strong and statistically significant. On the account of the nature of this relationship, employee involvement in the business of the organisation is expected to bring about improvement in gross earnings of firms.

#### ***Employee involvement and Interest Income***

Interest Income is the major source of income in the banking business, since lending is the core of banking. Interest income is positively, semi-strongly and significantly correlated with EMP<sub>I</sub> ( $r = .570$ ,  $p = .027 < .05$ ); EMP<sub>W</sub> ( $r = .671$ ,  $p = .009 < .01$ ); and EMP<sub>F</sub> ( $r = .535$ ,  $p = .049 < .05$ ). This implies that the greater the level of employee involvement, the greater the interest income is expected to be.

#### ***Employee involvement and Operating profit***

The correlation coefficient between operating profit and EMP<sub>I</sub>, EMP<sub>W</sub> & EMP<sub>F</sub> is .531 ( $p = .042 < .05$ ), .628 ( $p = .016 < .05$ ) and .666 ( $p = .009 < .010$ ) respectively. The employee involvement proxies and operating profit have positive, semi-strong and statistically significant relationships. Employee involvement should bring about greater firm profitability.

#### ***Employee involvement and Firms' Growth***

The study assessed firms' growth using three proxies – changes in interest income in monetary terms, changes in interest income in %, and changes in retention for future development disclosed in the value added statement.

#### ***Employee involvement and firms' growth in interest income***

Monetary Changes in interest income correlates positively with the three employee involvement proxies, but correlates significantly and semi-strongly with two employee involvement proxies –EMP<sub>I</sub> ( $r = .548$ ,  $p < .05$ ) and EMP<sub>W</sub> ( $r = .692$ ,  $p < .01$ ). Changes in interest income (in %) correlates positively with all three employee involvement proxies but semi-strongly and significantly with EMP<sub>F</sub> ( $r = .565$ ,  $p = .035 < .05$ ). It is concluded that there is a significant, positive relationship between employee involvement and firms' interest income since there is a relationship between at least one of the proxies for employee involvement on one hand and changes in interest income on the other.

#### ***Employee involvement and firms' growth in retention for future development***

All three employee involvement proxies are positively correlated with growth in retention for development; while EMP<sub>I</sub> and EMP<sub>F</sub> have a significant, semi-strong relationship with correlation coefficients of .505 ( $p < .10$ ) and .735 ( $p < .05$ ). On the account of the nature of this relationship, it is deduced that employee involvement engenders firms' expansion.

#### 4.4.2 Results from Regression analysis

This section presents the results of the OLS regression model. Tables 3, 4 and 5 contain separate results for the three employee involvement proxies. Comparison of coefficient of determination (R square) comparison across the models for the dependent variables is presented Table 6.

#### Results from Model 1

Table 3: Summary of model 1 results

| Model | Dependent variable         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Model ANOVA p value | Regressor coefficients (unstandardized) | p value of regressor coefficients |
|-------|----------------------------|-------------------|----------|-------------------|----------------------------|---------------------|---|-----------------------------------|
| 1.1   | Gross Earnings             | .540 <sup>a</sup> | .292     | .238              | 284745.298                 | .038 <sup>b</sup>   | 31541.041                               | .038                              |
| 1.2   | Interest Income            | .570 <sup>a</sup> | .325     | .273              | 280632.810                 | .027 <sup>b</sup>   | 33579.966                               | .027                              |
| 1.3   | Operating Profit           | .531 <sup>a</sup> | .282     | .227              | 76969.792                  | .042 <sup>b</sup>   | 8328.114                                | .042                              |
| 1.4   | Changes in interest income | .548 <sup>a</sup> | .301     | .247              | 101964.483                 | .034 <sup>b</sup>   | 11529.645                               | .034                              |

a. Predictors: (Constant), employee involvement (EMP<sub>i</sub>)

ANOVA p value in the summary of results in Table 4 on employee involvement proxy, EMPI, establishes that the four models are statistically significant at 5%, as the p values of models 1.1, 1.2, 1.3 and 1.4 is less than .05. The regressor coefficients of the models are all positive and statistically significant at 5%, because p values are all less than .05; the positive regressor coefficients corroborates our inference of a positive relationship between employee involvement and firm performance, earlier deduced from the correlation analysis in Table 2. Coefficient of determination (R square) implies that 29.2% of the changes in Gross Earnings, 32.5% of changes in interest income, 28.2% of changes in operating profit, and 30.1% of changes in interest income can be individually attributable to employee involvement.

#### Results from Model 2

Table 4: Summary of model 2 results

| Model | Dependent variable         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Model ANOVA p value | Regressor coefficients (unstandardized) | p value of regressor coefficients |
|-------|----------------------------|-------------------|----------|-------------------|----------------------------|---------------------|---|-----------------------------------|
| 2.1   | Gross Earnings             | .652 <sup>a</sup> | .425     | .377              | 266056.256                 | .012 <sup>b</sup>   | 8107.193                                | .012                              |
| 2.2   | Interest Income            | .671 <sup>a</sup> | .450     | .404              | 262845.776                 | .009 <sup>b</sup>   | 8422.628                                | .009                              |
| 2.3   | Operating Profit           | .628 <sup>a</sup> | .394     | .344              | 72894.823                  | .016 <sup>b</sup>   | 2083.848                                | .016                              |
| 2.4   | Changes in interest income | .692 <sup>a</sup> | .478     | .435              | 91227.102                  | .006 <sup>b</sup>   | 3096.151                                | .006                              |

a. Predictors: (Constant), employee involvement, (EMP<sub>w</sub>)



Results of analysis, using EMP<sub>w</sub> as the second employee involvement proxy, in Table 5 reveal that models 2.2 and 2.4 are statistically significant at 1% significance level ( $p < .01$ ) and models 2.1 and 2.3 statistically significant at 5% significance level ( $p < .05$ ). Regressor coefficients of models are all positive and also statistically significant, confirming positive and statistically significant relationship between employee involvement and firms' performance in tandem with the correlation analysis results (Table 2). Coefficient of determination (R square) suggests that 42.5% of increase in gross earnings, 45% increase in interest income, 39.4% increase in operating profit and 47.8% increase in interest income can be attributable to employee involvement in the business of the organisation.

**Results from Model 3**

Table 5: Summary of model 3 results

| Model | Dependent variable                      | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Model ANOVA p value | Regressor coefficients (unstandardized) | p value of regressor coefficients |
|-------|---|-------------------|----------|-------------------|----------------------------|---------------------|---|-----------------------------------|
| 3.1   | Gross Earnings                          | .524 <sup>a</sup> | .275     | .215              | 87967.704                  | .054b               | 3762.654                                | .054                              |
| 3.2   | Changes in interest income (%)          | .565 <sup>a</sup> | .319     | .262              | 22.16351                   | .035b               | 1.053                                   | .035                              |
| 3.3   | Change in retention for future devt (%) | .735 <sup>a</sup> | .540     | .502              | 27.364                     | .003b               | 2.061                                   | .003                              |

a. Predictors: (Constant), employee involvement (EMP<sub>F</sub>)

Table 5 results in respect of model 3 establish the statistical significance of models 3.1, 3.2 and 3.3 at 10%, 5% and 1% level of significance respectively. The regressor coefficients are also significant and positive, confirming positive relationships between employee involvement and firm performance. Going by the R square statistics, Gross earnings increase 27.5% as employee involvement through values attributable to them in the value added statement increases. Interest income also increases 31.9%, and retention for future development increases 54.0% as employee value added increases. Employee involvement therefore causes positive changes in firms' performance.

**Comparison of Results from Models 1,2 & 3**

Table 6: Comparison of coefficients of determination of models

| Dependent Variables            | Regressors       |                  |                  |
|--------------------------------|------------------|------------------|------------------|
|                                | EMP <sub>I</sub> | EMP <sub>w</sub> | EMP <sub>F</sub> |
| Gross Earnings                 | .292             | .425             | .275             |
| Interest Income                | .325             | .450             | n/a              |
| Operating Profit               | .282             | .394             | n/a              |
| Changes in interest income     | .301             | .478             | .319             |
| change in retention for future | n/a              | n/a              | .540             |

A comparison of coefficients of determination (R square) yielded by the different employee involvement proxies is tabulated in Table 6. The coefficients of EMP<sub>I</sub> and EMP<sub>F</sub> are close. Though EMP<sub>w</sub> (number of words) gave the highest coefficient of determination amongst the three proxies for Gross Earnings and changes in interest income, on the average the three gives approximately the same results. Overall, the triangulation of employee involvement proxies confirms the same result – employee involvement positively and significantly affects organisational performance (research objective three).

## 4.6 HYPOTHESES-TESTING

### Hypothesis 1

In appendix 2, the ANOVA p value for the four performance measures—gross earnings, interest income, operating profit, and change in retention for future development (%)—are all less than .10. This means there is significant difference in performance, when the firms are segmented based on their level of employee involvement. Thus, hypothesis *H1* is retained that *there is significant difference in the performance of Nigerian banks on the account of the level of employee involvement*. This result corroborates submissions by Kuye & Sulaimon (2011); Khattak, Iqbal & Khattak (2013); and Sofijanova & Zabijakin-Chatleska (2013).

### Hypothesis 2

In Table 2, the correlation coefficients between gross earnings and the three employee involvement proxies,  $EMP_I$  ( $r = .540, p < .05$ ),  $EMP_W$  ( $r = .652, p < .05$ ), and  $EMP_F$  ( $r = .524, p < .10$ ) are statistically significant. Upon regressing each of the three employee involvement proxies against gross earnings, the regression results in Tables 4, 5 and 6 evince statistical significance. Hypothesis *H2-1* is therefore accepted that *employee involvement significantly influences firms' gross earnings*. In Table 2, the correlation coefficients between interest income and the three employee involvement proxies  $EMP_I$  ( $r = .570, p < .05$ );  $EMP_W$  ( $r = .671, p < .01$ ); and  $EMP_F$  ( $r = .535, p < .05$ ) are statistically significant. The regressor coefficients of the employee involvement proxies in Tables 3, 4 and 5 are also statistically significant. Hypothesis *H2-2* is therefore accepted that *employee involvement significantly influences Firms' interest income*. In Table 2, the correlation coefficients between operating profit and the three employee involvement proxies,  $EMP_I$ ,  $EMP_W$  &  $EMP_F$  are: .531 ( $p = .042 < .05$ ), .628 ( $p = .016 < .05$ ) and .666 ( $p = .009 < .010$ ) respectively, are statistically significant. The regressor coefficients of the employee involvement proxies with operating profit as the dependent variable in Tables 3, 4 and 5 are also statistically significant. The hypothesis *H2-3* is therefore retained that *employee involvement significantly influences Firms' operating profit*. In Table 3, monetary changes in interest income correlates positively and significantly with two employee involvement proxies,  $EMP_I$  ( $r = .548, p < .05$ ) and  $EMP_W$  ( $r = .692, p < .01$ ). Percentage changes in interest income (in %) correlates significantly with  $EMP_F$  ( $r = .565, p = .035 < .05$ ). Therefore, the hypothesis *H2-4* which states that *employee Involvement significantly influences firms' growth is retained*.

Based on accepting the four sub-hypotheses, the overriding hypothesis, *H2* is retained that *employee involvement significantly influences firms' performance in the Nigerian banking sector*. This result aligns with earlier studies by Jones & Kato (2005); Kuye & Sulaimon (2011); Khattak, Iqbal & Khattak (2013) and Sofijanova & Zabijakin-Chatleska (2013).

## 5 DISCUSSION

It was observed that employee involvement influences organisational performance. This result is consistent with some prior studies (see, Jones & Kato, 2005; Kuye & Sulaimon, 2011; Khattak, Iqbal & Khattak, 2013; and Sofijanova & Zabijakin-Chatleska, 2013). Some studies have suggested a clear link between employee involvement levels and financial performance (for example, Towers Perrin-ISR; 2003); Hewitt Research Brief, 2004); Towers Perrin Global Workforce Study, 2010).

Towers Perrin Global Workforce Study (2010) reported that organisations with engaged employees showed a 19% increase in operating income and almost a 28% growth in earnings per share over a 12-month period, compared to a more than 32% decrease in operating income and 11% decline in earnings per share of companies with low levels of engagement. According to Hewitt Research Brief (2004), in companies where 60% to 70% of employees were engaged, average total shareholder's return (TSR) stood at 24.2%; in companies with only 49% to 60% of their employees engaged, TSR fell to 9.1 percent; companies with engagement below 25% suffered negative TSR. In a study conducted by Towers Perrin-ISR (2003) using data from over 360,000 employees from 41 companies in the world's ten largest economies, it was reported that in companies with low engagement, both operating margin and net profit margins reduced over a three-year period, whilst in companies with high levels of engagement both these measures increased over the same time. Companies with high (low) engagement level witnessed a 3.74% increase (2.01% decrease) in operating margin profit. Net profit margin was 1.38% in low engagement companies versus 2.06% in high engagement companies.

The practical implication of these observations is that organisations can no longer be complacent about employee involvement. The extension of the opportunity to participate in the affairs of organisations is a way of rousing employee motivation, which in turn affects performance. These results reinforce the importance of employee involvement as an aspect of social sustainability business practice. Furthermore, as management accounting is preoccupied with providing information for discharge of managerial functions, including staffing (Bamber, Broun

& Harrison, 2008; Lambert & Sponem, 2012), and given the multi-disciplinary nature of management accounting (Mishra, 2011; CIMA, 2015; CGMA, 2015), the management accounting function has vital roles to play in furnishing management with accounting and non-accounting information as per human resource management including employee involvement. For example, employee involvement strategies under consideration may have to be evaluated for resource availability and budgets, commercial viability, strategic fit, as well as their impact on organisational performance: these are some of the areas that management accountants may lend their expertise to support social sustainability business practices in the aspect of human resource management in bolstering employee engagement.

## 6 CONCLUSION

The study found that the level of employee involvement in organisational affairs in Nigerian banks is low; firms differ significantly in performance on the account of the level of employee involvement; and employee involvement positively and significantly affects organisational performance – firms with deeper level of employee involvement performed better than others with shallow level of employee involvement.

With respect to low disclosures on employee involvement in more than half of the selected banks, organisations are enjoined to do more in involving their employees, to achieve better results. The banking industry is highly competitive due to the presence of different firms, striving vigorously for relevance. One of the strategies which can be used to compete favourably is a highly motivated workforce, which can be achieved through more employee involvement in organisational affairs. In this regard, the level of involving employees should transcend basic matters that concern their interest as employees, to broader issues in the organisation. Embracing the modern philosophy of regarding employees as strategic resources that can be used to improve core competence to outwit competitors could help erode the negative fixation underpinning traditional wisdom in organisational behaviour that employees are amongst the resources to be exploited to achieve unilateral, organisation-centered goals.

The findings from this research should be applied with caution, as some limitations apply. The study utilized secondary data gleaned from published annual reports: as a result, analysis carried out was limited to information disclosed in respect of employee involvement and Organisational performance in the reports of the selected banks. The study investigated influence of employee involvement on financial performance, but did not consider non-financial performance. Some other areas requiring research attention on the subject of employee involvement in the financial service industry, as well as other sectors in the Nigerian context are: level of employee involvement, factors affecting employee involvement, and the impact of employee involvement on non-financial performance of organisations (including customer satisfaction, business process, learning and growth, new product development), amongst others. A gamut of studies has used primary data focusing on other sectors especially manufacturing concerns. Studies using primary data obtained from financial service firms are needed. Future studies may also consider using primary data, with a view to comparing results obtained from analysis of secondary data as done in this study. In addition, studies can be carried out in other sectors using information provided in annual reports (financial reports and standalone sustainability reports).

Nigerian firms are implored to publish standalone sustainability reports covering a broad spectrum of issues including employee involvement as done in other jurisdictions. Such initiatives could improve the low level of disclosure in respect of social sustainability in general (Oyewo & Isa, 2017), and employee involvement in particular. In September 2012, the Central Bank of Nigeria approved the Nigerian Sustainable Banking Principles (NSBP) with a view to improving sustainability reporting in the Nigerian banking industry. Although nine principles were enunciated, employee involvement was not salient. Considering the importance of employees in the provision of financial services, authorities may consider inculcating employee engagement/employee involvement in organisational affairs upon revision of the NSBP framework.

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## APPENDICES

Appendix 1: Data on sample firms

| Diamond  | Gross Earnings (Millions) | changes in interest income | changes in interest income (%) | EMP <sub>1</sub> | EMP <sub>F</sub> | Operating profit in million) | interest income (in million) | Change in retention for future devt (%) | EMP <sub>w</sub> | Z score for number of words | Ranking based on Z score-no of words |
|----------|---------------------------|----------------------------|--------------------------------|------------------|------------------|------------------------------|------------------------------|---|------------------|-----------------------------|--------------------------------------|
| First    | 359,253                   | 74,299                     | 34.87                          | 8                | 37.00            | 93,295                       | 287,274                      | 6.00                                    | 70               | -0.44                       | 1                                    |
| GTB      | 223,004                   | 43,824                     | 34.65                          | 9                | 19.00            | 103,028                      | 170,295                      | 9.00                                    | 76               | -0.22                       | 1                                    |
| UBA      | 220,129                   | 36,413                     | 24.27                          | 6                | 38.00            | 52,010                       | 150,003                      | 32.00                                   | 81               | -0.04                       | 1                                    |
| Stanbic  | 91,860                    | 22,390                     | 63.20                          | 6                | 57.00            | 11,726                       | 57,818                       | 7.00                                    | 107              | 0.93                        | 2                                    |
| Zenith   | 307,082                   | 58,126                     | 35.62                          | 11               | 29.00            | 98,592                       | 221,318                      | 14.00                                   | 70               | -0.44                       | 1                                    |
| Fidelity | 78,996                    | 29,462                     | 59.48                          | 18               | 40.00            | 20,843                       | 78,996                       | 26.00                                   | 109              | 1.00                        | 2                                    |
| Wema     | 30,716                    | 8,076                      | 47.56                          | 9                | 51.00            | 12,476                       | 25,056                       | -5.00                                   | 66               | -0.59                       | 1                                    |
| Diamond  | 112,352                   | 28,991                     | 25.80                          | 19               | 34.00            | 27,483                       | 112,352                      | 52.00                                   | 63               | -0.70                       | 1                                    |
| Union    | 112,794                   | 116,744                    | 108.40                         | 7                | 75.00            | 9,060                        | 92,956                       | -103.00                                 | 82               | 0.00                        | 2                                    |
| FCMB     | 116,832                   | 24,534                     | 39.26                          | 5                | 47.00            | 16,086                       | 87,021                       | -37.00                                  | 40               | -1.56                       | 1                                    |
| Access   | 208,309                   | 55,216                     | 52.00                          | 18               | 32.00            | 38,405                       | 161,437                      | 12.00                                   | 70               | -0.44                       | 1                                    |
| Ecobank  | 1,356,967                 | 478,474                    | 54.46                          | 22               | n/a              | 348,637                      | 1,356,967                    | n/a                                     | 150              | 2.52                        | 3                                    |
| Skye     | 126,023                   | 26,126                     | 34.87                          | 9                | 32.00            | 13,396                       | 101,032                      | 23.00                                   | 66               | -0.59                       | 1                                    |
| Unity    | 61,358                    | 2,453                      | -5.28                          | 7                | 47.00            | 13,410                       | 29,465                       | -46.00                                  | 101              | 0.70                        | 2                                    |
| Sterling | 45,173                    | 5,700                      | 23.29                          | 7                | 48.00            | 4,536                        | 30,171                       | -1.00                                   | 63               | -0.70                       | 1                                    |

n/a- Not available in financial statement

Source: Extracted from Financial Reports

Appendix 2: Results from analyses of differences in performance using ANOVA

|   |                | Sum of Squares    | df | Mean Square      | F       | Sig. |
|---|----------------|-------------------|----|------------------|---------|------|
| Gross earnings (in million)             | Between Groups | 1383082618177.633 | 2  | 691541309088.817 | 78.559  | .000 |
|   | Within Groups  | 105633441300.100  | 12 | 8802786775.008   |         |      |
|   | Total          | 1488716059477.733 | 14 |                  |         |      |
| Interest income                         | Between Groups | 1454360845701.950 | 2  | 727180422850.975 | 140.420 | .000 |
|   | Within Groups  | 62143417975.650   | 12 | 5178618164.638   |         |      |
|   | Total          | 1516504263677.600 | 14 |                  |         |      |
| Operating profit                        | Between Groups | 93752062121.550   | 2  | 46876031060.775  | 41.455  | .000 |
|   | Within Groups  | 13569072290.850   | 12 | 1130756024.238   |         |      |
|   | Total          | 107321134412.400  | 14 |                  |         |      |
| chg in interest income                  | Between Groups | 181187722706.483  | 2  | 90593861353.242  | 90.197  | .000 |
|   | Within Groups  | 12052834253.250   | 12 | 1004402854.438   |         |      |
|   | Total          | 193240556959.733  | 14 |                  |         |      |
| chg in interest income (%)              | Between Groups | 1449.881          | 2  | 724.941          | 1.181   | .340 |
|   | Within Groups  | 7365.998          | 12 | 613.833          |         |      |
|   | Total          | 8815.879          | 14 |                  |         |      |
| change in retention for future devt (%) | Between Groups | 4457.857          | 1  | 4457.857         | 3.544   | .084 |
|   | Within Groups  | 15092.500         | 12 | 1257.708         |         |      |
|   | Total          | 19550.357         | 13 |                  |         |      |

Source: Authors' Computation