Employees’ Participation and Innovative Work Behaviour in Manufacturing Small and Medium Enterprises in Tanzania

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Abstract
This article investigates the influence of employees’ participation on innovative work behaviour in manufacturing SMEs in Tanzania. Specifically, the article examines the influence of employees’ participation on creativity-oriented innovative work behaviour and the influence of employees’ participation on implementation-oriented innovative work behaviour. The study applied the Structural Equation Modelling to analyze data elicited from three hundred and eight nine (389) respondents. The investigation results revealed that, employees’ participation has a significant positive influence on both creativity oriented innovative work behaviour and implementation oriented innovative work behaviour. This finding accentuate the importance of employees participation in influencing innovative work behavior in manufacturing SMEs in Tanzania. The article recommends that managers of SMEs in Tanzania should involve employees directly on issues connected with the production, processes and service delivery. Theoretically, the study results proved the applicability of the Social Exchange Theory in the Tanzanian context and the results provide insights that may be used for development of effective public policies, particularly the ones related to SMEs and entrepreneurship development in Tanzania.

Key Words: Employees’ participation, Innovative work behaviour, Creativity oriented innovative work behaviour and Implementation oriented innovative work behaviour.

Introduction
The business environment in world economies is dominated by Small and Medium Enterprises (SMEs). Ntiamoah, Opoku, Abrokawah, Baah-Frimpong, and Agyei-Sakyi (2014) posit that the sector is important for economic and social development in both developed and developing countries. In Tanzania, SMEs are considered to be an engine of economic growth. According to the URT (2016b), the manufacturing sector, of which 90% of companies are SMEs, contributes to 5.25% of GDP. The Tanzanian Five Year Development Plan (FYDP) 2016/17 – 2020/21 provides that, manufacturing SMEs are considered a highly important sector in the government’s effort to transform the country into semi-industrialized country by 2025 because they are a leading sector in the industrialization process(URT, 2016a).

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Despite the importance attached to the sector, manufacturing SMEs in Tanzania seem to be weak in competing in the market, both nationally and internationally. Most of the start-ups fail while the surviving ones operate at a loss. The FYDP II 2016/17 – 2020/21 identifies innovation as a driving factor necessary for the ability of manufacturing SMEs to compete. This is supported by Ishak and Omar (2013) who argue that innovation is important for SMEs to handle any encountered crisis.

Raj and Srivastava (2013) contend that innovation is initiated by employees. This is supported by (Freeman et al., 2015) who argue that an innovation process requires application of knowledge assets and therefore skilled individuals are necessary for innovation. Innovation occurs if employees show Innovative Work Behavior (IWB), which includes creativity oriented IWB, and implementation-oriented IWB. IWB assists employees in recognizing problems and creating solutions for them. It is a crucial asset for a firm’s success in a dynamic environment, as it improves the effectiveness of organizational processes and sustains competitive advantage for a firm’s survival (Bos-Nehles, Renkema, & Janssen, 2017). IWB can be developed, sustained and enhanced by organizational factors. Several studies (e.g. Bos-Nehles et al., 2017; Freeman et al., 2015; Wojtczuk-Turek, 2014) establish several factors that influence IWB. These factors include job rotation, recruitment and selection, employee involvement, wages, teamwork, training and employees’ communication. Others are job autonomy, performance appraisal, and supervisor support. There are also other studies such as Abstein and Spieth (2014) and Dorenbosch, Engen, and Verhagen (2005) that identify employee participation as an influencing factor of IWB. In a systematic literature review on HRM and innovative work behaviour, Bos-Nehles et al. (2017) established that employee involvement and teamwork are key determinants of IWB.

This study seeks to establish how employees’ participation can be used to promote employees’ IWB required for increasing SMEs’ manufacturing ability to compete in the market. IWB will enable manufacturing SMEs to play their role in transforming most developing economies into middle-income economies as explained above. Sofijanova and Zabijakin-Chatleska (2013) describe employees’ participation as a process of involving employees in decision making and problem solving in order to utilize their input towards achieving higher individual and organizational performance. It can be direct or indirect. Direct employees’ participation is implemented without workers representatives. However, indirect participation involves mediation of representatives, such as trade unions and workers’ councils. In this study, employees’ participation is defined as the process of involving employees in the decision-making process and problem-solving, rather than simply acting on orders from the top management to better utilize their potentials and better implementation of organizational goals. It includes direct employees’ participation only since SMEs employees are involved directly in the issues connected with production, processes or service delivery (Marchington, Goodman, Wilkinson, & Ackers, 1991). Abstein and Spieth (2014) and Abdullah, Wahab, and Shamsuddin (2010) argue that involving employees increases their commitment towards their organization, which in turn stimulates the level of their innovativeness in organizations.

In that endeavor, the study adopts the Social Exchange perspective to investigate the influence of employees’ participation on IWB using a sample drawn from manufacturing SMEs in Tanzania. In line with the Social Exchange theory, employees are expected to reciprocate through IWB when they are involved effectively. From the perspective of Social Exchange Blau (1964)
employees who perceive their organizational environment as supportive feel obligated to reciprocate with behaviors that are beneficial to the organization.

The extant literature indicates that most previous research studies have investigated innovation at organization level with little being done at individual employee level (Bos-Nehles et al., 2017). Most studies that have examined the influence of employees’ participation on IWB consider employees’ participation as part of HRM practices. The studies did not consider individual practices such as employees’ participation. The individual practices may have different influence on IWB. Moreover, they considered IWB as a one-dimensional variable. However, IWB can be categorized into two; creativity oriented IWB, and implementation-oriented IWB (De Jong & Den Hartog, 2010; Dorenbosch et al., 2005). Considering the classification of IWB, it is important to know the influence of employees’ participation on each category of IWB.

Furthermore, the reviewed suits were conducted in large firms and not SMEs. SMEs are different from large firms in terms of managing their workforce (Greenidge, Alleyne, Parris, & Grant, 2012). Most of them operate informally and are less specialized. Because of their limitation in resource capabilities, they create policies or adopt management techniques according to contingency or even by chance and the owners are the ones who perform most of the personnel functions (Arrau & Medina, 2014). Basing on this fact, the findings of organizational factors research in large firms may not be generalized to SMEs. Therefore, there is a need for a shift of focus on employees’ participation from large firms to SMEs.

Based on the aforementioned limitations in the existing literature, there is a need for conducting a study on the influence of employee’s participation on IWB in manufacturing SMEs. The findings of this study will contribute to the knowledge of the determinants of IWB by explaining the influence of employees’ participation in IWB. The study will inform manufacturing SMEs stakeholders on ways that innovation can be promoted through employees’ participation. The research findings will also serve as a source of information to researchers, academicians and policymakers.

**Theoretical Perspective**

This study is based on Blau (1964)’s Social Exchange Theory (SET) which according to Cropanzano and Mitchell (2005) and Huang et al. (2016), is among the most influential conceptual paradigms for understanding workplace behavior. SET provides that, an obligation is generated through a series of interactions between parties which are in reciprocal interdependence (Blau, 1964). According to Saks (2006), reciprocity involves rules of exchange whereby the actions of one-party lead to a response or actions by the other party. In the current study reciprocity within an organization refers to the cooperative exchange between employees and management. Employees may choose to be innovative as a result of reciprocating to what the organization has done for them. When the organization involves employees in decision making, employees repay through positive behaviors. This line of reasoning assumes that practices such as employees’ participation are viewed by employees as organization’s commitment towards them, which is then reciprocated back to the organization by employees through positive behaviors. SET provides a key conceptual underpinning for understanding the exchange relationship between employees and organizations. Therefore, the theory provides the basis for understanding relationships in an organization through employees’ participation on one hand and reciprocation by employees on the other hand.
Employees’ Participation and IWB

Abstein and Spieth (2014) provides that, employees’ participation increases employees’ commitment towards their organization, which in turn would stimulate the level of innovativeness in an organization. Kasaya and Munjuri (2018) points out that employees’ participation requires supervisors to give them autonomy to perform their functions and keep them updated on the future direction of their enterprise. Involving low cadre employees’ participative decision-making allows employees to be involved in the initiation, formulation, and implementation of decisions that will affect them. In the study of how performance management enhances employee engagement for corporate sustainability, Saratun (2016) found that giving the workers a greater share of decision making is one of the key factors that breed trust in organizations. Kasaya and Munjuri (2018) suggest that enabling employees participate and be involved in matters that affect their jobs increases job performance. Investigating the effects of job involvement in organizational performance in the Middle East, Mazayed et al. (2014) concluded that, organizations with high job involvement perform well than organizations with little job involvement. Changes in productivity are normally a result of changes in innovation. It can thus be expected, in this study, that employees’ participation will have positive influence on IWB. In line with SET, employees will feel obliged to be innovative so as to repay the organization for involving them. In many previous studies, IWB has been considered as a one-dimensional variable. As observed in the previous discussion, IWB can be categorized into two; creativity oriented IWB, and implementation-oriented IWB (De Jong & Den Hartog, 2010; Dorenbosch et al., 2005). Considering the classification of IWB, which has not been considered by reviewed studies, this study hypothesizes that:

H1a Employees’ Participation has a positive influence on Creativity Oriented IWB.
H1b Employees’ Participation has a positive influence on Implementation-Oriented IWB.

Research Methods and Material

The Cross-sectional Research Design was used to examine the influence of employees’ participation on IWB in manufacturing SMEs. 389 SMEs were randomly selected form a total of 23,695 manufacturing SMEs (URT, 2012). The study was conducted in four regions namely Dar es Salaam, Morogoro, Mbeya, and Manyara. The questionnaire was used to collect data that were analyzed using the Structural Equation Modelling (SEM). Because of the need to test multiple relationships simultaneously the use of SEM deemed appropriate. In assessing the internal consistency, the Cronbach alpha coefficients of all variables were at least 0.7 and demonstrated that there was internal consistency as suggested by Nunnally (1967).

Measurement of Variables

The study involved two major variables, employees’ participation as an independent variable and innovative work behaviour as a dependent variable which is examined in two dimensions. Employees’ participation was measured using a scale adapted from Boselie, Hesselink, Paauwe, and van der Wiele (2001). The sample item for employees’ participation was “I am satisfied with my participation in decision making related to my function”. The scale has been used in many other studies; hence making it a valid instrument for measuring employees’ participation in the current study. IWB, which is a dependent variable, was measured in terms of creativity oriented IWB and implementation-oriented IWB. The scale for measuring IWB was adapted from De Jong and Den Hartog (2010) and Scott and Bruce (1994). Their scales have been widely
used to measure IWB (e.g. Abstein & Spieth, 2014; Bos-Nehles & Veenendaal, 2019; Bysted, 2013; Wojtczuk-Turek, 2014). The sample items were “I find new approaches to execute tasks” for the Creativity-Oriented IWB and “I promote ideas to colleagues so that they have a chance to become implemented by others” for Implementation-Oriented IWB. The reliability of the measurement instrument for this study was acceptable as indicated by the Cronbach Alpha test: Employees Participation with 7 items (α = 0.79); COIWB with 8 items (α = 0.72); and IOIWB with 8 items (α = 0.71).

Research Results
Multivariate Assumptions
The study applied SEM as the data analytical technique for testing the hypotheses. Several assumptions of multivariate data analysis were tested before testing the hypothesized relationships. These assumptions include missing data, outliers, normality, homoscedasticity and multicollinearity (Hair et al., 2010; Kline, 2015). The missing data were checked but there were no missing data. Univariate outliers were examined using Q3-2.2(IQR) and Q1-2.2(IQR). 21 out-of-range values were detected and were deleted from the data set. Multivariate outliers were detected using the SPSS Mahalanobis distance (Mahalanobis $D^2$). 6 out-of-range values were detected. The values were deleted from the data set. Normality was tested by P-plots and the distribution was found to be fairly normal. Homoscedasticity was tested by using scatter plots and data were evenly distributed. In checking for multicollinearity, the study applied the Value Inflated Factor (VIF) and Tolerance Value (TV). The calculated VIFs and TVs showed that there was no multicollinearity problem among the variables because VIFs in all factors were less than 10 and TVs were greater than 0.1 as supported by Williams (2015).

Confirmatory Factor Analysis
Before testing the hypothesis by using SEM, it is important to assure the status of the measurement modules (Confirmatory Factor Analysis-CFA). Each model should fit data. For a model that fits data well, the standardized regression weight of each item were above 0.50 and the squared multiple correlations of each item were above the cutoff point of 0.40 as recommended by Wolfinbarger and Gilly (2003). The ratio of Chi-Square to degree of freedom (CMIN/DF) should be less than 5(Bollen, 1989; Ullman, 1996). The Goodness of fit statistics (GFI) should be ≥ 0.90 (Byrne, 2010), the Adjusted Goodness of fit statistics (AGFI) should be ≥ 0.80(Chau & Hu, 2001), CFI≥ 0.90 (Hair, Black, Babin, & Anderson, 2013) and Root Mean Square Error of Approximation (RMSEA) should be ≤ to 0.1(Thadani & Cheung, 2011).

The CFA for employees’ participation was conducted. Initially, seven items were explaining employees’ participation. However, two items did not meet the minimum acceptable standardized regression weight and squared multiple correlations. The items were deleted from the list of items to be included in further analysis. After modification, the model remained with five items that qualified to continue with further analysis. The five items had acceptable regression weights and squared multiple correlations. The standardized regression weights ranged from 0.64 to 0.79 above the recommended value of at least 0.5 while the squared multiple correlations ranged from 0.42 to 0.63 above the recommended value of at least 0.4. The model had a chi-square value of 21.709, while the degrees of freedom (df) was 14 with the P-value of 0.08. Other goodness of fit indices, namely GFI, AGFI, CFI, and RMSEA were all within the recommended values, which indicated that the model fitted the data well.
The measurement model for Creativity Oriented IWB was also performed. Initially, it had eight items. Two items (COB6 and COB7) were dropped because they did not meet minimum acceptable standardized regression weight and squared multiple correlation. The analysis for model modification was performed and the model remained with six items. The standardized regression weight of each item was above 0.50 and the squared multiple correlation of each item was above the cutoff point of 0.40. The model had a chi-square value of 19.257; while the degree of freedom (df) was 14 with the P-value was 0.155. Other goodness of fit indices, namely GFI, AGFI, CFI and RMSEA were all within the recommended values, which indicated that the model fitted the data well; hence qualified for further analysis. The CFA for Implementation Oriented IWB was also performed to select items that would be included in the final structural model. There were 8 items developed to form implementation oriented IWB variable. The initial model produced two items that were not qualified to continue with further data analysis. The analysis to modify the model was performed. After the analysis of modification, the model remained with six items. The standardized regression weight of each item was above 0.50 and the squared multiple correlation of each item was above the cutoff point of 0.40. The model had a chi-square value of 58.339; while the degree of freedom (df) was 20 with the P-value was 0.00. Other goodness of fit indices, namely GFI, AGFI, CFI and RMSEA were all within the recommended values, which indicated that the model fitted the data well and qualified for further analysis.

**Hypothesis Testing**

The study investigated the influence of employees’ participation in IWB which was measured in two dimensions; creativity oriented IWB, and implementation oriented IWB. Therefore, the study had two hypotheses that were tested using SEM. H1 stated, “Employees’ participation has a positive influence on creativity oriented IWB” and H2 stated, “Employee’ Participation has a positive influence on implementation oriented IWB”. The goodness of fit indices of hypothesized model was assessed. The model yielded chi-square of 309.033 with degrees of freedom of 117 and a p-value of 0.000. In addition, GFI= 0.906, AGFI=0.878, CFI=0.943 and RMSEA= 0.067. In general, the fit indices indicated that the model adequately fitted to the data. CMIN/DF should be less than 5, GFI≥ 0.90, AGFI≥ 0.80, CFI≥ 0.90 and RMSEA ≤ to 0.1. Figure 1 depicts a model that shows the influence of employees’ participation on IWB.

**Figure 1. Structural Model for Employees’ Participation and IWB**

![Figure 1. Structural Model for Employees’ Participation and IWB](image)

**Source:** Field Data (2018).

*** means it is significant at 0.001
The estimation of the hypothesized model showed that both hypotheses were significant. The results are shown in Table 1 regarding the standardized estimates, critical ratio, and significant ratios.

<table>
<thead>
<tr>
<th>Path</th>
<th>Un-Standardized Estimate</th>
<th>Standard Error</th>
<th>Critical Ratio</th>
<th>P-Value</th>
<th>Standardized Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>COB</td>
<td>EP</td>
<td>.328</td>
<td>.046</td>
<td>7.160</td>
<td><strong>.444</strong></td>
</tr>
<tr>
<td>IOB</td>
<td>EP</td>
<td>.248</td>
<td>.043</td>
<td>5.769</td>
<td><strong>.337</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2018).
*** means it is significant at 0.001

The results indicated that employees’ participation has a positive influence on both creativity oriented IWB and implementation oriented IWB. Basing on the results, H1 was supported because the β coefficient was .44 and significant at 0.01. H2 was also supported because the results indicated that employee’s participation has a positive influence on implementation oriented IWB (β coefficient was .34 and significant at 0.01). This shows that involving employees in different matters concerning products services and processes encourage employees to willingly engage in innovative work behavior which includes both creativity oriented IWB and implementation oriented IWB.

Discussion of the Findings
The study findings show that employees’ participation is an important determinant of IWB. The study used the Social Exchange Theory (Blau, 1960) to explain how employees’ participation may lead to IWB. As presented in the previous section, the results show that employees’ participation has significant positive relationship with IWB both COBP and IOBP. These results are in line with the Social Exchange Theory under which the study was conceived. Employees’ participation is a result of involvement by the management which, as proposed by the social exchange theory, motivates employees to engage in positive behavior (Eisenberger, Huntington, Hutchison, & Sowa, 1986) which includes individual innovation. Therefore, the results confirm the applicability of the Social Exchange Theory in a Tanzanian work context where it has not been researched adequately.

The results are within expectations as indicated by other few researchers who found that employees’ participation has a positive influence on employees’ outcomes. For instance in their study, Mazayed et al. (2014) found out that, employees’ participation influence job satisfaction, employee commitment, and employees’ productivity positively. Other studies such as Kasaya and Munjuri (2018) found out a positive relationship between employees’ participation and other employees’ outcomes. However, while the latter studies examined the influence of employees’ participation on other employees’ outcomes, they did not explore the influence of employees’ participation on IWB which includes both creativity oriented IWB and implementation oriented IWB. The finding of this study indicates that, employees’ participation influences employees to be innovative. Employees are more likely to generate new products and services if they are given
a voice, autonomy and decision-making power by the organization in the form of increased participation. Employees’ participation is not supposed to be seen as concerning social movements and employee rights anymore; but rather, to be seen as a catalyst for innovativeness and competitiveness of firms and even whole economies.

Conclusion and Implication
The article intended to examine the influence of employees’ participation on employees’ IWB in manufacturing SMEs in Tanzania. Specifically, the study intended to examine the influence of employees’ participation on creativity oriented IWB and the influence of employees’ participation on implementation oriented IWB. The results indicated that, employees’ participation has a positive influence on creativity oriented IWB and also employees’ participation has a positive influence on the implementation oriented IWB. Theoretically, the study results proved the applicability of the Social Exchange Theory in context where it has not been widely researched. When an organization involves employees in different matters concerning products, process, and service the employees repay back through acceptable behavior.

Practically the results of the current study tell the manufacturing SMEs that, employees’ participation is the catalyst for creativity oriented IWB and implementation oriented IWB of their employees. Thus, they have to involve their employees in decisions that involve products, process, and services. Besides, SMEs managers or leaders should also emphasize receiving employees’ opinions, working on employees’ opinions as part of involving them which in turn will make these employees more creative and innovative.

This article will contribute to the development of public policies, particularly the ones related to SMEs and entrepreneurship development in Tanzania. For instance, the 2003 SMEs development policy has not included issues of innovative work behaviour despite their importance in promoting innovation within SMEs. Furthermore, the mentioned policy includes managerial challenges, although little is known on employee involvement skills and the way they influence innovative work behaviour.

References


