THE MEDIATING ROLE OF EMPLOYEE ATTITUDE ON PARTICIPATION-PERFORMANCE RELATIONSHIP IN STATE OWNED CORPORATIONS IN KENYA

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Abstract

Purpose: The paper aims to clarify the relationship between employee participation and performance of organizations, and tries to demonstrate the mediator role of employee attitude in this relationship.

Design/Methodology/approach: The proposed model was analyzed with a sample of 378 workers in 20 state owned corporations in Kenya.

Findings: Three participation schemes were found to influence significantly the performance of state corporations in Kenya. These were: personalized empowerment schemes, workteams, and representative schemes. Financial participation schemes however had no significant influence on performance of state corporations.

Employee attitude had a strong mediating effect on financial and indirect participation schemes. Employee attitude had moderate mediating effect on use of workteams and performance relationship. However, employee attitude does not have any significant mediating effect on the relationship between use of personalized empowerment schemes and performance of state corporations in Kenya.

Keywords: Employee attitude, participation and performance, work teams

INTRODUCTION

The liberalization of the business world has seen penetration of the Kenyan market by multinational companies and other forms of organizations from other countries, thus exposing local organizations to stiff competition that demands possession and maintenance of highly motivated workforce in order to succeed (Brunt & McCourt, 2011). Management-led efforts in most organizations are today encouraged through teamwork, cooperation and shareholding (Summers & Hyman, 2005). In Kenya, the introduction of performance contracting in the public sector in 2003 was to improve performance of employees and government agencies in the public sector. It became mandatory for all public corporations in Kenya to support and participate in the performance contracting exercise. The success of this process was pegged on participation of all workers in the process of planning, implementation and evaluation of individual and group performance (PSCGT, 2002).

It is believed that more enhanced employee participation would ultimately lead to high levels of performance to both the employee and the organization (Private Sector corporate Governance Trust, 2002). Survey feedback, suggestive system, semi-autonomous work teams, joint consultative forums, use of worker representatives, performance related pay and profit sharing schemes are common participation schemes practised by state owned corporations engaged in performance contracts. While it is generally agreed that participation as a business strategy contributes to improved organizational performance in state owned corporations, performance in the public sector is still perceived to be below public expectation. The seventeenth report of the public accounts committee on the accounts of state owned corporations (Republic of Kenya, 2010) noted that several state owned corporations continued to operate under financial constraints and mismanagement. Lack of proper accountability by public sector managers, and failure to involve other members of the organization
in the decision making process is likely to cause poor employee attitude. The purpose of this study was thus to find out whether employee attitude plays a significant role in the participation-performance relationships in state owned corporations in Kenya.

**Participation Theory:**
One of the popular neo-classical organizational theories is Douglas McGregor’s 1957 participation theory, otherwise known as Theory X and Theory Y. Douglas McGregor proposed two distinct views of human beings based on the participation of workers (Khanka, 2000). The negative view was labeled Theory X and the positive one, labeled Theory Y. He viewed the way managers dealt with employees and concluded that managers tend to mould behaviors according to these two assumptions (Robbins & Judge, 2009). Under Theory X, managers believe that employees inherently dislike work and must therefore be forced to work in order to achieve organizational goals. They try to avoid responsibility and have no intention of seeking achievements. Their interest in the organization is individualistic; job security at the expense of support for organizational achievements. On the other hand, under Theory Y, managers assume that employees view work as being as natural as a rest or play. Employees can further learn to accept and even seek responsibility.

According to the assumptions of theory Y, if given an opportunity, employees are able to exercise self-determination in the work and tasks they undertake in the organization. Employees can exercise self-direction and self-control. An average person can learn to accept and seek responsibility and creativity. Subordinates have the ability to make good decisions, which is not necessarily the sole province of those in managerial functions (Bhatt & Qureshi, 2007). McGregor advocates that managers need to follow Theory Y assumptions (Khanka, 2000). The theory encourages managers to accord their employee’s freedom to make important decisions that concern them. Further, the act of the authorities consulting employees before making important decisions is important. It motivates employees; making them more productive in the long run and make organizations gain excellent performance.

McGregor’s theory Y goes against Marx Weber’s concept of bureaucracy, where management or authority exerts too much power over employee, leaving them with little room for creativity. He calls for a balancing act between theory X and Theory Y assumptions in the management of productive workers. The theory encourages managers to entrench in their organizations a culture of cooperation between employer and labour. In examining various instruments of organizational culture, Xenikou and Simosi (2010) note those organizations with constructive organizational cultures have group norms that promote achievement, participation in decision making, teamwork, social support, interpersonal relations and self-actualization. Lund (2003) further notes that an organizational culture can hinder or foster a management’s goal for the organization. For instance, in a clan culture, members exhibit high sense of pride in fraternity and inter-dependence as opposed to independence and individualism. Lewis et al. (2003) opine that the right organizational culture will lead to improved performance. Lakomski (2001) noted that one of the key reasons why employees resist change in organizations is due to lack of dynamism in the organization’s culture.

**Employee Participation Schemes**

*Personalized empowerment schemes*

These are direct participation schemes. Direct participation involves employees in jobs or task-oriented decision making in the production process at the shop or office floor level (Markey et al., 2002). Summers and Hyman (2005) referred to this type of participation as direct individual-based employee participation. Gonzalez (2009) identifies three forms of direct participation: informative, consultative and delegative participation. Informative participation is mainly downward communication of instructions and other forms of communication by superiors, consultative participation includes employee attitude survey and suggestion systems, while delegative participation include semi-autonomous or problem-solving groups.

Empowerment is defined as perceptions of the degree to which the leader empowers his or her employees. The emphasis is on the extent to which employees are given autonomy and discretion in connection with their work. This includes participation in decision-making and supervisors informing employees of organizational goals’ (Wang et al, 2011) Employee empowerment provides an extension to employee authority by allowing workers to take decisions that were previously the preserve of their
line managers and to assume responsibility for their consequences (Hyman & Cunningham, 1998).

Tonnessen (2005) recommended that employees may participate in innovation at different company levels both directly and indirectly. Direct participation may therefore take place at the three levels. At the individual level, self – determination (individuals making improvement without asking or involving others) is popular with employees. It could also be done through proposing change in improvement through management or staff – line of command, and people getting involved in specific task or job, and focuses on planning of specific jobs. O’Brien (1995) argued that all cadre of employees in an organization are enthusiastic and willing to participate in the process improvement. The management needs to provide them with the opportunity to participate in this, but more important is involving employees in activities which they understand best. The basic assumption of participative management is that sharing managers’ decision-making power with employees will enhance performance and work satisfaction(wang et al., 2011). The most common forms of direct participation include employee attitude surveys, and there are the ‘new’ forms of participation, which are predominantly direct, such as briefings groups; and individual in nature, such as attitude surveys or suggestion schemes. Most of these forms are conflated into the term employee involvement, or employee empowerment.

1. Ho: Employee attitude does not have a significant mediation effect on the relationship between personalized empowerment schemes and organizational performance.

Use of Workteams or direct Collective Participation Schemes

Summers and Hyman (2005) referred to the team-based direct participation as direct collective participation. Barbara and Fleming (2006) have indicated that progressive organizations have moved from glorifying hierarchy and moved to self-managed teams. Use of problem solving groups, quality circles, and decision making work teams, or semi-autonomous workgroups is some of the direct collective participation schemes. Semi-autonomous work teams make recommendations to management. These teams have heightened the level of employee job satisfaction, productivity, improved quality, company image and career development. Every employee including the top managers should belong to various work teams. Teams, while not necessarily offering a high level of employee participation in organizational decision making, are an important consideration given the often uncritically assumed link between team working and attitudinal change in favour of management/organizational goals (Summers & Hyman, 2005). Team working is suggested to have a positive impact on employees (Peters & Waterman, 1982).

2. Ho: Employee attitude has no significant mediation effect on the relationship between collective participation schemes and organizational performance.

Indirect or representative participation

Representative participation or Indirect forms of participation include: joint consultative committees, workers councils, and employee representatives in the board of directors or management. Tonnessen (2005) noted that in Norway, indirect employee participation was deeply rooted in the rules, regulations and agreements in force between employers and employee associations and also Norwegian legislation. In one of the types, Worker directors are pulled from the employee body to represent workers’ views on the Board of Directors. One or two seats may be reserved for worker directors in the organization’s BOD. They may be elected or selected, and many are drawn from the trade union body (Summers & Hyman, 2005). They could also be representatives of other relevant employee organizations such as a professional body (Lee, 1991) Workers council in the socialist economies involves employee representative groups taking decisions which are assigned to the management in the western economies (Lee, 1991). Works councils are typically a European phenomenon, whereas joint consultation committees are the most common form of representative participation in pre-dominantly English-speaking countries (Juan et al., 2007). Works councils potentially involve employee representatives in strategic decision making. Apart from serving as an expansion of democratic space, representative participation may also bring about efficiency, and the right to influence decisions (Grant & Jordan, 2004). Works council is said to improve productivity (Mueller, 2012).
3. Ho. Employee attitude has no significant mediation effect on the relationship between representative participation schemes and organizational performance.

**Financial participation Schemes**

Financial participation schemes take two main dimensions and both are important from a policy perspective. The first approach involves distribution of shares to employees, based on the assumption that share ownership induces positive attitudinal and behavioural responses (Summers & Hyman, 2005). Financial participation thus involves giving employees a chance to have shareholder status. Shareholder status is believed to positively influence the behavior of individual employees towards the organization.

A second dimension of financial participation according to the duo of Summers and Hyman (2005) concerns flexibility of pay, where an element of remuneration varies with profitability or other appropriate performance measures. An example is cash-based profit-related pay (PRP) or profit sharing programs. Under company-inspired financial participation schemes, organizational performance may benefit without the scheme posing any obvious threat to management (Summers & Hyman, 2005). Cost savings may result from reductions in absenteeism rates. Furthermore, a harmonious labour relations climate also reduces costs to the company. Past studies have shown the existence of positive links between share schemes and company performance. Companies in this case may allow employees to buy shares in their company at favorable rates (Morris et al., 2006). Individual payment schemes available in many organizations include payment by results, piece rate and bonuses (Juan et al., 2007). It may also involve work measurement system; including measured day work, appraisal and performance related pay. Performance-related pay is usually linked to individual effort and is sometimes connected to appraisal schemes. Pay acts as an incentive and reward for performance (Summers & Hyman, 2005).

Other individual types of scheme such are market-based pay, which links to what is available outside the organization and competency or skills-based pay, which offers an opportunity for higher rewards based on acquisition and making use of additional skills and competencies (Bhatti & Qureshi, 2007). Many sectors of employment use pay systems that contain direct links to individual performance and results (Summers & Hyman, 2005). On an individual basis this may be through payment by results (PBR) such as bonus, piecework, and commission. Others include work-measured schemes and pre-determined motion time systems, measured day work (MDW), appraisal/performance related pay, market-based pay, and competency and skills based pay. Group pay schemes include those based on the performance of the team, plant or whole organization (Jones, 1987).

4. Ho. Employee attitude has no significant mediation effect on the relationship between financial participation schemes and organizational performance.

**Employee Attitude**

An attitude is a learned predisposition to respond in a consistently favorable or unfavorable way to some aspect of the individual’s environment (Burns & Burns, 2008). Adsit et al. (1996) evaluated employee attitudes by use of their satisfaction measures and Kagaari et al. (2010) by satisfaction and commitment. Patterson et al. (1997) found out that there was a significant positive relationship between employee attitudes (job satisfaction and commitment) and performance with a recommendation that organizations should focus more on human resources than on competitor strategy, quality and research. Adsit et al. (1996) found out that there was a significant positive relationship between employee attitudes and performance. An employee with a positive attitude towards their job or career as well as company vision will likely prove to be more productive, motivated and reliable employee than one harboring negative attitudes (Burns & Burns, 2008).

**Job satisfaction**

According to Lawler et al. (1992) job satisfaction is a pleasurable or an emotional state emanating from appraisal of a person’s performance or experience in a job. Salgado et al. (2010) explained job satisfaction as feelings or affective responses to facets of the situation. For decades, job satisfaction has been viewed as the degree of an employee’s affective orientation toward the work role occupied in the organization (Cook & Wall, 1980). A study on the influence of job satisfaction on employee performance by Organ (1988) revealed that job satisfaction had a better influence on employee performance, comprising job performance and OCB. A study by Organ and Ryan (1995) indicated that when subjected to job performance only (in-role), the
influence of job satisfaction in the relationship was found to be trivial. The study observed that job satisfaction had more impact on the OCB (extra-role) aspect of performance, and less influence on job performance (in-role).

A study by Biswas and Varma (2007) found job satisfaction to be a quasi mediator between psychological climate and transformational leadership which acted as predictors and employee performance which was treated as the criterion.

**Employee commitment**

Bhatti and Qureshi (2007) equate employee commitment to congruence between the goals of the individual and the organization whereby the individual identifies with and extends effort on behalf of the general goals of the organization. Kagaari et al (2010) cited Marchington (2000) and Lynch et al (1999) as having established that people with high attitudinal commitment generally exhibited specific behaviors like high attendance rates and increased job related effort.

Employee attitude in this study served as an intervening or mediating variable. The function of a mediator variable is to explain the relationship between a predictor and a criterion (Luna-A & Camps, 2008). Mediators should explain why such an effect might occur (Baron and Kenny, 1986). Increased commitment influences behaviors such as turnover, performance, and perhaps organizational citizenship behaviour (Cohen, 2006).

**Performance**

Performance is defined as a combination of outcomes and outputs. It emphasizes on efficiency and effectiveness (Armstrong, 2009). Efficiency is the ability to accomplish a task within a minimum expenditure of time, effort and other resources. Effectiveness involves producing the intended or expected results. Output is the quantity of units produced (Hair et al., 2010). The rise of non-union voice mechanisms has sparked debates over the usefulness and legitimacy of alternative forms of participation (Beardwell, 1997; Gollan, 2006; Eidelson, 2013) and determine whether they play a role in employee performance. There is a general view that happy workers are productive workers. Stretching back to the 1930-40s, after the Hawthorne studies at the Western Electric in U.S., the relationship between job satisfaction and employee performance was said to be low. However, several years later, over 300 studies conducted have contrasted this view by concluding that the relationship is moderately strong. The correlation is even higher for complex jobs that provide employees with more discretion to act on their attitudes (Hair et al., 1992). Studies have further noted that reverse causality could also be true; that productive workers are likely to be happy workers, or productivity might lead to higher levels of satisfaction (Robbins & Judge, 2009).

Biswa and Varma (2007), Salgado, Varela, and Lasio (2010) categorize job performance into two; in-role (directly related to tasks) and extra-role (OCB). The term OCB (Organizational Citizenship Behavior) refers to the array of non-prescribed (extra-role) actions that collaborate in maintaining the social fabric in organization’s behaviors. Rather than acting on core-production activities, OCB boosts organizational goals by creating an environment that catalyzes core tasks, thus facilitating separations between task (in-role) and citizenship (extra-role) behaviors (Monte, 2007). More recent evidence suggests that satisfaction influences organizational citizenship behavior (OCB) through perceptions of fairness. OCB is a behaviour displayed by satisfied employees who are committed to the organization such that they go beyond their call of duty as a way of reciprocating their positive experiences with the organization (Robbins & Judge, 2009). Increased effort comes from sources like loyalty, commitment and incentives like profit sharing (Lee, 1991). Brunt and McCourt (2011) noted that efficiency was the predominant rationale for participation in the organizational literature. Huselid (1995) found out that organizations with high performance work practices (HPWP) had higher levels of productivity and financial performance, and organizations with High Performance Work Practices in the employee skills and organizational structure category had lower employee turnover. A common argument for any form of employee participation is a purported increase in labour productivity and operational efficiency (Lee, 1991).

According to Biswas and Varma (2007), in-role performance refers to an employee’s action to fulfill the requirements of his/her job description. Extra role performance refers to actions outside the formal role requirements and is at the employee’s discretion. The study therefore suggests that participatory management practices such as open communication
and participatory leadership style would be positively associated in the higher levels of employee performance on both in-role and extra-role counts (performance). Such practices would enhance an employee’s level of job satisfaction leading to better performance. Biswas and Varma (2007) also found out that job satisfaction had a significant impact on employee performance. According to Alper (2008), participation encourages employees to participate in the process of making those decisions which directly affect their working environments. Satisfied employees tend to be more productive, creative and committed to their employers.

O’brien (1995) proposes two areas of performance for an employee: cognitive and affective. Cognitive performance is an understanding of the process. It involves understanding one’s personal role in the corporate strategy or potential for intrinsic alignment. Affective performance involves support for corporate goals, based on the potential for building new forms of mutuality or trust (Ichniowski et al, 1996).

Human resource policies that encourage employer involvement aim at providing employees with opportunities to have an input in decisions, incentives to expand discretionary efforts and the means to acquire the appropriate skills. These combined effects are expected to increase efficiency and productivity(Blinder,1990). There is evidence that both financial and work related participation can deter or delay quits from the company and lower absenteeism rates. Pendleton et al. (1996) found that share schemes reduce labour turnover (Summers & Hyman, 2005). Not all the literature agrees on the universal, positive effects of participation. Some suggest that participation may have no effect or even negative effects on performance. However, it is difficult to discern a definitive pattern. Lack of consistency in the outcomes of participatory measures suggests that schemes are not isolated from the effects of the external economic, political and social environment (Summers & Hyman, 2005). Attitude control and alignment is assumed to reduce the need for managerial supervision of teams, thus reducing the direct stabling costs of the organization. Team working is assumed to influence organizational employee discretion and empowerment in decision making (Lawler, et al. 1992; Marchington, 2000). Kagaari et al. (2010) indicated that managed performance is reflected in the framework of service delivery, service quality and cost reduction.

Most of the literature on employee participation take the economic outcome as its main focus; little attention is paid and many assumptions are made, about the social outcome, for employees (Summers & Hyman, 2005).

**METHODOLOGY**

The study employed survey strategy, which allows one to collect quantitative data which can then be analyzed quantitatively using descriptive and inferential statistics. Survey strategy is more popular with descriptive and explanatory research (Saunders, et al., 2009). The data collected using survey strategy can be used to suggest possible reasons for particular relationships between variables and to produce models of these relationships.

It was therefore appropriate in trying to establish the role of employee participation schemes in promoting performance of state corporations in Kenya. Information regarding profile of the organization was sought from select ordinary employees and line managers in the state corporations. Rees and Porter (1998) in the study Employee participation and Managerial style recommended that schemes of employee participation need to be designed and operated in a way that they re-enforce line management instead of undermining it.

**Mesurement**

Four-point Likert-type scales ranging from 1 “strongly disagree” to 4”strongly agree” were used for all measures in this study.13 items were developed to assess the perception of the degree to which teamwork is reinforced in the company. Organizational Commitment was measured using a modified version of Mowday et al.’s (1979) OC scale, which measures emotional attachment to the organization. Employee participation will be measured with items modified from a scale originally developed by Nyhan (2000), for instance – my supervisor actively seeks inputs from employees in most decisions about implementing change. Employee performance will be measured using Lynch et al. (1999) employee performance modified scale which comprised a total of 16 items. Workers’ attitude items were adopted from Kagaari,et al.(2010).

Targeted respondents included employees with management portfolio and those with jobs that would
allow them the opportunity to participate in decision making. In this study the employee category includes ordinary employees, supervisors and line managers. Supervisors are assumed to be members of lower level management with relatively little management skills. Line managers form mainly the category of middle level managers in state corporations.

Multi stage sampling was utilized by randomly selecting the state owned corporations in stage one. The sample of corporations was derived from a list of 178 corporations. During stage two, the selected sample of state corporations were distributed proportionately among the eight categories of state corporations in Kenya. During stage three, with the help of line managers and HR officers, respondents from the select state corporations were identified or determined using a simple random sampling procedure. Multi-stage cluster sampling involves the repetition of two basic steps: listing and sampling (Babbie, 2010).

The employees were identified or picked randomly by the HR officer from among employees with potential for participation in the organization in each select organization. In total, 400 subjects were expected to provide responses to this study across 20 state owned corporations in Kenya. The questions for measuring employee participation and performance or productivity were developed using Likert-like scale in which respondents would provide responses using a 4-point scale with 1-being strongly disagree, to 4–being strongly agree. The reason for using a 4-point scale is in order to avoid cases of indecisiveness. One should therefore agree or disagree; not being neutral because neutral responses will not be objectively used to make a decision or conclusion. A pilot study or pre-test was carried out among lower-level managers and employees in two select organizations. It was aimed at assessing the validity of the questions as well as reliability of the collected data. The data collected was subjected to factor analysis; a powerful statistical procedure used in order to validate hypothetical constructs (Mugenda & Mugenda, 2008). Indicators that seem to highly correlate with each other are clustered together. Factor loading greater than .30 is considered to meet the minimal level. Loadings of .40 is considered more important and that of .50 and above is considered very significant. Factor loading was therefore used in this study to confirm the thresholds of variables. Quantitative analysis was used in creating frequency tables, diagrams that show frequency of occurrence and used statistics to establish relationships between variables.

Using SPSS, Pearson Correlation coefficient was computed to determine the relationships between variables in this study and test whether there were significant relationships. Burns and Burns (2008) explain that Pearson correlation coefficient is employed when both variables are expressed as scale data (interval or ratio). It is a numerical index indicating precisely the degree of relationship

RESULTS

The number of questionnaires administered was 400. Each questionnaire was accompanied by a cover letter providing explanations and impressed upon that confidentiality would be maintained for all individual responses. Out of the 400 questionnaires that sought responses from state corporation staff, 348 questionnaires were returned, screened and considered complete and valid, and therefore were used for analysis.

Intervening (Mediating) effect of employee attitude on the relationship between personalized empowerment schemes and performance of state corporations

To test whether employee attitude mediated between personalized empowerment and performance of state corporations, partial correlation coefficient (PCC) was computed. PCC measures separately the relationship between two variables in a way that effect of other variables are eliminated or controlled. The results obtained indicated that the correlation coefficient, when the effect of employee attitude as a mediating variable is present in the relationship between personalized empowerment schemes and performance of state corporations, was 0.341. The correlation coefficient when the effect of employee attitude was held constant (controlled) in the correlation between personalized empowerment and performance of state corporations was 0.342. Hence the difference between 0.341 and 0.342 is -.001. This shows that employee attitude does not have any mediating effect on the relationship between personalized empowerment and performance of state corporations. The study therefore concludes that employee attitude does not mediate between personalized empowerment and performance of state corporations (See table 1). Thus null hypothesis 1 is accepted.
Table 1: Effect of the mediator on personalized empowerment schemes versus performance of state owned corporations

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Performance of State corporations</th>
<th>Correlation coefficient when effect of mediating variable is present</th>
<th>Correlation coefficient when effect of mediating variable is controlled</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment schemes</td>
<td>0.341</td>
<td>0.342</td>
<td>0.001</td>
<td></td>
</tr>
<tr>
<td>P-Value</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Intervening (Mediating) effect of employee attitude on the relationship between use of work teams and performance of state corporations

To test whether employee attitude mediated between use of work teams and performance of state corporations, partial correlation coefficient was computed. Partial correlation coefficient on the effect of employee attitude (mediating) between use of work teams (independent) and performance of state corporations (dependent) was computed and established to be 0.429.

The correlation coefficient when the effect of employee attitude was held constant (controlled) in the correlation between use of work teams and performance of state corporations was 0.417. Therefore, the difference between the two coefficients is 0.012 (The difference between 0.429 and 0.417 is .012). This indicates that employee attitude has a mediating effect on the relationship between use of work teams and performance of state owned corporations.

It can then be concluded that employee attitude has a significant mediating effect (although weak) on the relationship between use of work teams and performance of state corporations in Kenya. (See table 2)

Thus null hypothesis No.2 is rejected.

Table 2: Intervening effect of employee attitude on the relationship between Intervening (Mediating) effect of employee attitude on the relationship between use of work teams and performance of state corporations.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Correlation coefficient when the effect of mediating variable is present</th>
<th>Correlation coefficient when the effect of mediating variable is controlled</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work teams</td>
<td>0.429</td>
<td>0.417</td>
<td>0.012</td>
</tr>
</tbody>
</table>

4.5.6.1 Intervening (Mediating) effect of employee attitude on the relationship between representative participation and performance of state corporations

To test whether employee attitude mediated between indirect or representative participation and performance of state corporations, partial correlation coefficient was computed. Pearson Correlation of coefficient was used to measure separately the relationship between two variables in a way that effect of other variables are eliminated or controlled.

Partial correlation coefficient on the effect of employee attitude (mediating) between indirect participation (independent) and performance of state corporations (dependent) was computed and established to be 0.143.

The correlation coefficient when the effect of employee attitude was held constant (controlled) in the correlation between representative participation and performance of state corporations was 0.103. Therefore, the difference between the two coefficients is 0.030. This shows that employee attitude has a mediating effect on the relationship between indirect (representative) participation and performance of state corporations.

It is then concluded that employee attitude has a significant mediating effect on the relationship between representative participation and performance of state corporations in Kenya. (See table 3)

Conclusion: Null hypothesis No.3 is rejected.
Table 3: Effect of employee attitude on the relationship of indirect participation and dependent variable

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Correlation coefficient when the effect of mediating variable is present</th>
<th>Correlation coefficient when the effect of mediating variable is controlled</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect participation</td>
<td>0.143</td>
<td>0.103</td>
<td>0.030</td>
</tr>
</tbody>
</table>

4.6.6.1 Intervening (Mediating) effect of employee attitude on the relationship between financial participation and performance of state corporations

To test whether employee attitude mediated between financial participation and performance of state corporations, partial correlation coefficient was computed. Pearson Correlation of coefficient is used to measure separately the relationship between two variables in a way that effect of other variables are eliminated or controlled. Partial correlation coefficient on the effect of employee attitude (mediating) between financial participation (independent) and performance of state corporations (dependent) was computed and established to be 0.043. The correlation coefficient when the effect of employee attitude was held constant (controlled) in the correlation between financial participation and performance of state corporations was -0.051. The correlation coefficient when the effect of employee attitude was controlled was -0.051. Therefore, the difference between the two coefficients is **0.094** (The difference between -0.051 and 0.043 is .094). This shows that employee attitude has a mediating effect on the relationship between financial participation and performance of state corporations.

It is further concluded that employee attitude has a significant mediating effect on the relationship between financial participation and performance of state corporations in Kenya. (See table 4) Thus null hypothesis No.4 is rejected.

Table 4: Effect of employee attitude on the relationship between financial participation and organizational performance.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Correlation coefficient when the effect of mediating variable is present</th>
<th>Correlation coefficient when the effect of mediating variable is controlled</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial participation</td>
<td>0.043</td>
<td>-0.051</td>
<td>0.094</td>
</tr>
</tbody>
</table>

4.10 OVERALL REGRESSION MODELS

The study adopted two multiple regression models; one with effect of employee attitude as an intervening variable and the other without the influence of employee attitude. A multiple regression attempts to determine whether a group of variables together predict a given variable (Bryman & Bell, 2011). A multiple regression model separates individual variables from the rest, thus allowing each to have its own coefficient which describes its relationship to the dependent variable.

The multiple linear regression model with four explanatory variables, had a $R^2$-square value of 0.225. This meant that 22.5% of variation in performance of state corporations can be explained by the model and 77.5% of the difference remained unexplained in the error term.
Table 5: Overall Regression Model Summaries without Employee Attitude

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.475⁺</td>
<td>.225</td>
<td>.216</td>
<td>5.81203</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FINANCIAL PARTICIPATION; EMPOWERMENT; WORK TEAMS; REPRESENTATIVE PARTICIPATION

A multiple linear regression model, with five explanatory variables, the 5th being employee attitude

as a mediating variable had an R-Square value of 0.934. This means that 93.4% of variation in the performance of state corporations can be explained by this model and 6.6% of the difference remained unexplained in the error term. The model summary is presented in table 6. This is an indication that employee attitude plays a significant role in the model.

Table 6: Overall regression model summary with employee attitude

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standard Error of Estimation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.967⁺</td>
<td>.934</td>
<td>.933</td>
<td>6.38400</td>
</tr>
</tbody>
</table>

a. Predictors: EMPLOYEE ATTITUDE, EMPOWERMENT SCHEMES, WORK TEAMS, FINANCIAL PARTICIPATION, INDIRECT PARTICIPATION

b. For regression through the origin (the no-intercept model), R Square measures the proportion of the variability in the dependent variable about the origin explained by regression. This cannot be compared to R Square for models which include an intercept.

ANOVA test results for the regression model without influence of employee attitude

An ANOVA test was undertaken to confirm whether the whole model was a significant fit of the data. The ANOVA was made to test the impact that independent variables had on the dependent variable in the regression model without presence of the influence of employee attitude (mediating variable). After computation of ANOVA the model as a whole proved to be a significant fit of the data. The ANOVA results are presented in table 7.

Table 7: ANOVA test results for the regression model without influence of employee attitude

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3373.179</td>
<td>4</td>
<td>843.295</td>
<td>24.965</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>11586.452</td>
<td>343</td>
<td>33.780</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>14959.631b</td>
<td>347</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Pr  a. Predictors: (Constant), FINANCIAL PARTICIPATION, EMPOWERMENT, WORK TEAMS, INDIRECT PARTICIPATION

b. Dependent Variable: ORGANIZATIONAL PERFORMANCE

---

28
ANOVA test results for the regression model with influence of employee attitude
An ANOVA test was undertaken to confirm whether the whole model was a significant fit of the data. The ANOVA was made to test the impact that independent variables had on the dependent variable in the regression model with presence of the influence of employee attitude (mediating variable). After computation of ANOVA the model as a whole proved to be a significant fit of the data. The ANOVA results are presented in table 8.

Table 8: ANOVA\textsuperscript{cd} test results for the regression model with influence of employee attitude

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>198953.225</td>
<td>5</td>
<td>39790.645</td>
<td>976.328</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>109</td>
<td></td>
<td>40.755</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.234\textsuperscript{b}</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{a} Predictors: EMPLOYEE ATTITUDE, EMPOWERMENT, WORK TEAM, FINANCIAL PARTICIPATION, INDIRECT PARTICIPATION

\textsuperscript{b} This total sum of squares is not corrected for the constant because the constant is zero for regression through the origin.

\textsuperscript{c} Dependent Variable: ORGANIZATIONAL PERFORMANCE

\textsuperscript{d} Linear Regression through the Origin

Coefficient of study variables without mediator (intervening) variable.
Coefficients of the variables were computed. Standardized coefficient is normally done to determine which of the independent variable has a greater effect on the dependent variable in a multiple regression model, when the variables are measured in different units (Kremelberg, 2011).

Table 9 shows results which confirm that use of empowerment schemes, and work teams have significant positive influence on performance of state corporations, with gradients of 0.209 and 0.374 respectively when effect of employee attitude is held constant. The P-value of the two variables was 0.000. This implied that a unit change in the use of empowerment schemes, and use of work teams increases the performance of state corporations at the rate of 0.209 and 0.374 respectively in the absence of employee attitude in the model. However, use of indirect participation and financial participation schemes had no significant influence on the performance of state corporations with a P-value of 0.580 and 0.463 respectively.
Table 9: Coefficient of study variables without mediator (intervening) variable

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>14.505</td>
<td>1.370</td>
</tr>
<tr>
<td>Empowerment</td>
<td>.208</td>
<td>.051</td>
</tr>
<tr>
<td>Work teams</td>
<td>.370</td>
<td>.055</td>
</tr>
<tr>
<td>Indirect Part.</td>
<td>-.033</td>
<td>-.031</td>
</tr>
<tr>
<td>Financial part</td>
<td>-.037</td>
<td>.051</td>
</tr>
</tbody>
</table>

From table 9 the model can be fitted as:
Y=0.209x use of personalized empowerment scheme, +0.374x use of work teams , -0.031x use of indirect participation, -0.038x financial participation.

4.10.4 Coefficient of study variables with influence of mediating variable
The standardized coefficient of the independent and the mediator variables were computed. It became therefore clear that the use of empowerment schemes, use of Work teams, and indirect participation as independent variables, and employee attitude as mediator variable had a significant positive influence on the performance of state corporations with a gradient of 0.398, 0.251, 0.112 and 0.381 respectively. This implied that a unit change in the use of personalized empowerment, use of work teams, indirect participation schemes, and employee attitude increases the performance of state corporations by 0.398, 0.251, 0.112 and 0.381 respectively. However financial participation had insignificant effect on the performance of state corporations. (See results in table 10)

Table 10: Coefficients of study variables with effect of employee attitude

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td>.447</td>
<td>.048</td>
</tr>
<tr>
<td>Work teams</td>
<td>.348</td>
<td>.061</td>
</tr>
<tr>
<td>Indirect Part.</td>
<td>.179</td>
<td>.070</td>
</tr>
<tr>
<td>Financial part</td>
<td>.081</td>
<td>.065</td>
</tr>
<tr>
<td>Employee Atti</td>
<td>.311</td>
<td>.053</td>
</tr>
</tbody>
</table>

From table 10, the model can be fitted as: y=0.398x use of empowerment schemes, +0.251x use of work teams, +0.112x indirect participation, +0.066x financial participation, +0.381x employee attitude.

4.10.5 Study of correlation coefficient without the effect of mediating variable
After computation of the coefficient of relationship between use of personalized empowerment schemes versus performance of state corporations, the results showed that relationship between personalized empowerment schemes had a significant positive influence on performance of state corporations, with employee attitude being controlled. It had a gradient of 0.209. This implied that a unit change in the use of personalized empowerment schemes, and in the absence of employee attitude (mediating variable) increased performance of state corporation by 0.209.
After computation of the coefficient of relationship between use of work-teams versus performance of state corporations, the results showed that work teams had a significant positive influence on performance of state corporations, with employee attitude being controlled. It had a gradient of 0.374. This implied that a unit change in the use of work teams and in the absence of employee attitude (mediating variable) increased performance of state corporations by 0.374.

After computation of the coefficient of the relationship between use of indirect participation versus performance of state corporations, the results showed that indirect participation had an insignificant influence on performance of state corporations, with employee attitude being controlled. It had a gradient of -0.31 and a P-value of 0.580. This prompted further investigation to establish the correlation between indirect participation and employee attitude. The relationship was found to be strong at 0.441.

After computation of the coefficient of the relationship between use of financial participation versus performance of state corporations, the results showed that financial participation had an insignificant influence on performance of state corporations, with employee attitude being controlled. It had a gradient of -0.38 and a P-value of 0.463. This prompted further investigation to establish the correlation between financial participation and employee attitude.

**Pearson correlation coefficient**

<table>
<thead>
<tr>
<th>Financial participation</th>
<th>Employee attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson correlation</strong></td>
<td><strong>.667</strong></td>
</tr>
<tr>
<td>Sig.(2tailed)</td>
<td><strong>.000</strong></td>
</tr>
<tr>
<td>N</td>
<td>348</td>
</tr>
<tr>
<td><strong>Pearson correlation</strong></td>
<td><strong>.667</strong></td>
</tr>
<tr>
<td>Sig.(2 tailed)</td>
<td><strong>.000</strong></td>
</tr>
<tr>
<td>N</td>
<td>348</td>
</tr>
</tbody>
</table>

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

The poor performance of financial participation against performance of state corporations is supported by a study by Raul et al. (2008) who found that the public sector in Astonia faired extremely poorly in financial participation. The positive influence of employee attitude as a mediating variable is supported by study by Kagaari et al (2010) which investigated public universities in Uganda and found that employee attitude was powerful in the role of intervening between various independent variables and organizational performance.
4.10.6 Regression model without financial participation

After employee attitude was established to replace financial participation, further investigation was undertaken to establish the fit of the model. Multiple linear regression model with 4 explanatory variables without financial participation had an R-square of .951. This meant that 95.1% of variation in performance of state corporations could be explained by the model. The difference of 4.5% remained unexplained in the error term. (See table 12)

Table 12: regression model without financial participation

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R-Squared</th>
<th>Adjusted R-Squared</th>
<th>Std Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.975&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.951</td>
<td>.950</td>
<td>4.81434619</td>
</tr>
</tbody>
</table>

<sup>a</sup> Employee attitude, Empowerment schemes, work teams, indirect participation.

4.11 ANOVA Test

An ANOVA test undertaken confirmed the whole model as significant fit of the data without the presence of financial participation (see table 13)

Table 13: ANOVA test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Sqs</th>
<th>df</th>
<th>Mean Sq</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>123423.98</td>
<td>4</td>
<td>31028.321</td>
<td>1.339E3</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>6373.931</td>
<td></td>
<td>23.128</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>124845.180&lt;sup&gt;b&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: Employee attitude, direct individualized participation, direct team-based participation, indirect participation

Coefficient of study variables without financial participation

Usually done to find out which of the variables has a greater effect on the dependent variable in a multiple regression model, when variables are measured in different units (Kremelberg, 2011). Table 14 indicates that empowerment schemes, work teams, indirect participation scheme and employee attitude have a significant positive effect on performance of state corporations, with gradients of .286, .213 and .518 respectively the p-value of the three was .000. This implies that unit change in empowerment schemes, work teams, and employee attitude increases performance of state corps at the rate of .286, .213 and .518 respectively. However indirect part had an insignificant effect on performance of state corps with p-value of 0.542 (see table4.14).

Table 14: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std Error</td>
<td>Beta</td>
</tr>
</tbody>
</table>
Empowerment sche. & 0.102 & 0.023 & 0.286 & 4.404 & 0.000 \\
Work teams & 0.205 & 0.056 & 0.213 & 3.801 & 0.000 \\
Indirect Part. & -0.012 & 0.022 & -0.031 & -0.610 & 0.542 \\
Employee Attitude & 0.299 & 0.034 & 0.518 & 8.542 & 0.000 \\

\[ a; \text{ dependent variable: performance of state corporations} \]
\[ b; \text{ Linear regression through the origin} \]

The second model could be fitted as follows:
\[ y=0.286x-\text{empowerment schemes} +0.213x-\text{work teams} +0.518x-\text{employee attitude}. \]

In this last model it could be concluded that the model is better without financial participation. This is because the GOF of the model without financial participation is .951 meaning that 95.1% is explained by the model. The GOF of the model without employee attitude is .943 translating to 94.3% being explained by the model. The difference between the two values is 0.8 making the latter model a better one, when financial participation is absent and employee participation is present.

CONCLUSION

Employee attitude was introduced into this study as an intervening variable between use of participation schemes and performance of state corporations. Two main sub-variables that constituted this intervening variable were job satisfaction and employee commitment. Job satisfaction items measured fairness in job promotions, job security, satisfaction with rewards offered, effective use of skills, benefits package and general enjoyment of one’s job among others. Items of commitment included: putting more effort to meet organizational goals, talking highly of the organization to the outside world, willingness to work for long hours to complete assigned tasks as well as willingness to remain working in the organization for many years in future. 14 items out of 15 scored above average in both job satisfaction and employee commitment to their work and organization. The only item that scored an average was on fairness in job promotions, meaning that quite a number of members of state corporations are apprehensive about the way job promotions were carried out in their organizations. The results imply that generally, most workers enjoy working in the state corporations.

Except in the case of hypothesis Number 1, employee attitude was found to have a very strong effect on the relationship between independent variables and dependent variable in this study, and thus rejecting the null hypothesis and qualifying the alternative hypothesis that: Employee attitude significantly mediates the relationship between participation schemes and organizational performance in state corporations in Kenya.

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