

Role of Theory X and Y in Empowerment Strategies to Improve Performance Iraqi Banks

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Abstract: *Empowerment strategies is widely viewed as a promising approach to improve operating efficiency and customer service. But the most effective way to empower the employee is not always clear to Iraqi Banks managers, both in terms of what to do and what to avoid. The main objective of this study is to explore the role of theory X and Y in Empowerment Strategies to improve performance of the Iraqi Banks. The study has recommended the followings: Managers may need to expend some time gradually increasing empowerment behaviors so as to encourage managers to begin to view empowerment as part of their role identities, and the need to address the development of perceptions of the empowerment strategies, especially in the first level management by encouraging them to take responsibility and look at mistakes as opportunities to learn in order to increase the overall level of loyalty.*

Keywords: *Theory X and Y, Employee Empowerment, employee performance, Iraqi Banks*

I. INTRODUCTION

The growth and development of any economy depend to a great extent on the effectiveness of its banking system. In the 21st Century, the functions and efficiency of banking executives and other policy makers in every nation on the planet must be considered in order to comprehend changing trends and various improvements taking place in the financial sector as a whole. Increased efficiency in the financial sector leads to an increase in the growth of a nation's economic engine. Conversely, a decrease in the economic competence of banks will result in a drop-in investment, savings and the motivation to succeed on the part of entrepreneurs. Lack of an efficient banking system could cause lasting damage to a country's growth and development. Thus, it is essential to perform rigorous, viable, and inquisitive research in the area of banking system operations (Al-Shamali, Al-Shamali, & Al-Khoury, 2014).

An effective way for managers to deal with direct reports is to empower them more, but many managers seem unable to let go. Once employees in the organization are empowered by management, shared values provide the only practical way to ensure that everyone is aimed in the same direction. Corporate management values such as empowerment, candor, integrity, facing reality, taking responsibility, being accountable, investing in education and respecting diversity sound good, but are they really being applied and practiced in a way that makes the organization more effective? How will society handle such dilemmas, as competition forces businesses into radical change? This workplace revolution may be remembered as a historic event (Carter, 2009).

The administrative empowerment is the fundamental and sound basis, which enables the individual to exercise full authority, and to bear the job responsibilities to form one of the pillars that underpinned the company's strategy. This enhances the ability of companies to face the challenges, the successive developments that in turn make it more susceptible to the growth and prosperity, more efficient and effective, and more responsive to global variables (Al-Qatawneh & Mobaideen, 2017).

II. CHARACTERISTICS OF IRAQI BANKING INDUSTRY

The Iraqi banking system to pass through several stages started from 1867, and the oldest were the Ottoman Bank, Bank of the Shah of Iran, eastern British Bank, and then the Iraqi national banking stage was started in 1935, which saw the creation of the agro - industrial bank that became after 1940 two banks: the Agricultural Bank, industrial Bank.

In 1941, Rafidain Bank was established as a single commercial government bank and commercial single, then the Central Bank of Iraq in 1947, the Real Estate Bank has been established in 1948, Cooperative

Bank and the Bank of mortgages, and many of the Iraqi private banks as Al-Itimad Bank and United Bank and Rasheed Bank, in addition to branches of foreign banks, which exceeded the 15 bank, mostly belonging to the Lebanese banks, and Jordan.

To understand the work of banking system deeply, it is required to identify the fiscal and monetary policy and the functions of the Central Bank. The functions of the bank are coined and printed the national currency and to support the national currency and the consolidation and install the internal and external value, in addition to strengthening the cash cover, and the management of State's reserves of foreign cash and set up and administration of the monetary policy to preserve the stability of prices and the prices of exchange and encouraging the financial system growth and ensure its safety and keep an eye on commercial banking and banks and workers with currencies exchange works.

The monetary policy owns executive decisions in the hands of authority such as the fees of the currency coin, and determine the price of gold and silver, the price of the local currency against foreign currencies. After the Iraqi Central Bank Law No. 56 of 2004 and the Banking Act No. 94 of 2004, according to the approach of the market economy, the interest rate was Liberalized, and the abolition of credit plans, opening the door to work for foreign banks either through participation in local banks, without putting any limits on the participation rate or open branches in Iraq, without specifying the capital, in addition to the possibility of opening offices to represent them, and the launch of freedom of foreign exchange and the abolition of restrictions on the transfer of money, except for the requirements of the law of anti-money laundering and terrorism financing, and ensure that all banks, including specialized banks to one law that take care for the commercial banking activity only.

III. MCGREGOR THEORY X AND THEORY Y

According to McGregor, a traditional organization, which has a centralized decision-making process and a hierarchical pyramid, is based on several assumptions about human nature and motivation. These assumptions are called Theory X by McGregor and consider that most people want to be directed, they do not want to assume responsibility and value safety above all. Moreover, this philosophy assumes that people are motivated by financial means and by the threat of punishment. Managers who embrace this theory are likely to supervise and control their employees, as they feel that external control is needed when dealing with irresponsible people.

Nevertheless, McGregor started to question the validity of Theory X, especially in the context of the contemporary and democratic society. Using Maslow's hierarchy of needs, McGregor concluded that Theory X is not universally applicable, as its assumptions about human nature are in many cases inaccurate. In addition, most of the management practices developed from these assumptions failed to motivate individuals to work for attaining the organizational goals. McGregor highlighted that these methods are not applicable to people whose physiological and safety needs are satisfied, while social esteem and self-actualization needs are becoming more important. Moreover, he considers work very similar to play, as both are physical and mental activities. Nevertheless, under Theory X management, there is a clear distinction between them, as on the one hand play is controlled by the individual, while on the other hand work is controlled by others. Therefore, people look for any excuse not to go to work, in order to satisfy social and self-actualization needs, especially if they have enough money for the basic needs. Under these circumstances, people do not find work challenging at all and consider it more like a necessary evil.

Finally, Theory Y practices focus on creating a pleasant work environment and aligning the individuals' goals with the organizational goals. In these organizations, the productivity levels are high and people come to work gladly, as the works satisfy their superior needs. This theory considers that people are not lazy and unreliable. On the contrary, it assumes that people can be self-directed and very creative, if they are motivated properly. Subsequently, one of the main tasks and challenges for management is to exploit the full potential of each employee. Motivated people will achieve their own goals by focusing on attaining the organizational goals.

The summary assumptions of McGregor Theory X and Theory Y is shown below in table 1 (Kombo & Oloko, 2014).

Table 1: Summary assumptions of McGregor Theory X and Theory Y

Assumptions of Theory X	Assumptions of Theory Y
People are generally gullible and not very sharp and bright.	People want to assume responsibility.
People lack ambition, dislike responsibility, and prefer to be directed by others.	People have need for achievement.
People are inherently self-centered and indifferent to organizational needs and goals.	People are not by nature passive or resistant to organizational goals.
People are by nature indolent; that is why they like to work as little as possible.	People want their organization to succeed.

Source: Kombo & Oloko, 2014

IV. LEVELS AND CONCEPT OF EMPOWERMENT

According to Sibson et al (1994) participation was considered to be an intrinsic attribute of democracy and thus a solution to repression. This concept involves the techniques and findings to encourage improvement and self-determination.

Fatterman & Wandersman (2015) argue that the empowerment a significant fundamental concept through which employees are able to influence and have control over decisions that affect them in the performance of their job. Furthermore, this concept assists employees to exercise maximum control or authority of their work environment physically, socially, culturally and psychologically through the resources allocated to them.

V. EMPOWERMENT STRATEGIES

According to (Chadiha, Adams, Biegel, Auslander, & Gutierrez, 2004) regarding the existential philosophy of the organizations and their characteristics, the employees and their roles, these kinds of strategies can be implemented. The three important strategies in employees' empowerment are: the strategy of increasing the awareness through storytelling, the strategy of educating the skills of problem solving, and the strategy of educating supporting and resource equipment skills. (Mohammadia & Amirkabiri, 2014) referred that the empowerment strategies lead to the creation of a distance between classic management implementations and results in the management styles and organizational cultures in which empowerment has been influential. The classic organizational culture which is based on empowerment has been presented and compared on the basis of different features in table 2.

Table 2: The Comparison of the Traditional Hierarchical Culture with the Empowerment Culture

From a traditional Hierarchical Culture	Hierarchical Culture to an Empowerment Culture
Employees	Teamwork
Duty- Orientation	Progression- Orientation
Work trend processes	Projects
Using Current Skills	Improving the Skills
Programming	Demonstrating the perspective
Doing What Is Said	Possessing Their Own Business

Source: Garwood & Hallen, 1998; Radolp, 2000

VI. Empowerment Strategies and improve performance

Yasothai, Jauhar, and Bashawir, (2015) examines the impact of empowerment towards organizational performance with the performance appraisal as a mediating role. The finding of this study shows that the empowerment tools such as Power Knowledge, Information Sharing and Rewards does influence the employee's performance. Meanwhile, Performance Appraisal which is the mediating variable was also found to be mediating the relationship between empowerment and employee performance. The findings were limited to include only manufacturing industry in Seberang Prai, Penang which cannot be generalized across the whole Malaysia. It is recommended to include other states in Malaysia for future study. This study provides an in-depth understanding of the impact of empowerment towards the employees of Penang manufacturing industry. The research findings can be used by manufacturing industry to that organizations should empower their workforce and adopt fair appraisal system as such will ensure sustainability in the performance of the workforce (Dahie, Sabrie, Osman, & Mohamed, 2016).

VII. Conclusion

The recent increase in competition in organizations has necessitated the need to put in place several strategies to improve productivity. The need of competition, organizations need to recast their management Philosophy and polices to improve their competitive strength so that they can emerge as truly modern and word class enterprise. For this purpose, strong army of empowered employees is needed that with their desired performance can deliver and help in advancing the image and prosperity of organization. In the contemporary era and due to key role of human resources only few organizations are using Theory X. Because Theory X emphasizes on rigid control and strict supervision. Therefore, by using Theory X we cannot encourage empowerment strategies. Instead mostly organizations are using Theory Y strategies. Theory Y emphasizes on innovation teamwork, participative leadership, delegating authority, participate in information and self-autonomy, freedom and autonomy and skills in communications. Managers should also encourage that type of work environment which open doors of opportunities to employees and also, they feel motivated to take initiative. Organization should give their Employees opportunities so that they can also contribute for the success of organizational. Theory Y encourages the teamwork at workplace, empowerment of employees, decentralization of authority, and also motivates employees to take part in decision making within organization. Therefore, Theory Y discovers the ways and open the doors by which an employee can make significant contributions in an organization. McGregor stressed that Theory Y is more beneficial than Theory X.

VIII. Recommendations

The study came out with several recommendations, most of them was: encourage the management of Iraqi Banks on teamwork, activating training policies, a good preparing and planning of its human resources, Work to reduce the challenges surrounding the banking business environment, activating the system of the incentives and rewards in banks, developa clear framework for relations between the employees themselves and with management, and finally The Iraqi Banks Strip must depend on an organizational culture based on collective spirit, and this culture must support the strategy of empowerment. Finally, the study set the following recommendations:

- Broaden participation in decision-making by reviewing the description of the functions of Iraqi Banks, increase channels of communication and reduce the centralization.
- Iraqi banks Must be adopting an organizational culture based on collective spirit, this culture must be supportive the banks strategy towards empowerment and supportive.
- Adopt empowerment strategies administratively in the Iraqi Banks, so as to raise awareness of this aspect, because of its importance in the improve performance and organizational strengthening.
- The need to the attention of top management in the Iraqi Banks manager's creators with creative ideas to support them financially and legal entity.

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