

Employee Empowerment and Its Role on Organizational Performance **Noor Alam¹ and Dr. Syed Shujat Husain²**

ABSTRACT

The Present study seeks to investigate the relationship between employee empowerment and organizational performance. Employee empowerment is a motivational technique that is designed to improve performance if managed properly through increased levels of employee's participation and self-determination. Employee empowerment is concerned with trust, motivation, decision making, and breaking inner boundaries between management and employee as "them" verses us. Empowerment is concerned with psychological empowerment and structural empowerment. The four important dimensions of psychological empowerment, e.g. meaning, competence, self-determination and impact and eight important dimensions of structural empowerment, e.g. locus of control, self-esteem, role clarity, autonomy, information and communication, training, culture and reward system were identified as independent variables with organizational effectiveness. Empowering employees enables organizations to be more flexible and responsive and can lead to improvement in both individual and organizational performance.

The purpose of this paper is to review the recent literature on the role of employee empowerment, as TQM practices, on organizations performance. A total of 12 recent and most related papers were reviewed. The review revealed that employee empowerment has a positive and multi-dimensional role in organizational performance. Some observation and finding have been identified and discussed.

Keywords- *Employee Empowerment, Psychological Empowerment, Structural Empowerment, Organizational Performance.*

INTRODUCTION

The biggest challenge in today's complex and competitive business world any organization irrespective of its size, nature of ownership and control faces is in regard to procurement, development, and retention of the single largest resource at its disposal i.e. human resource. It is the most important asset of an organization which acts as the base for competitive advantage. It is the only resource of an organization which appreciates with the passage of time while other resources depreciate. Professional workforce with sufficient knowledge and experience is the need of hour for organizations to use their resources efficiently and

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effectively. The concept of empowerment has gained a lot of attention in today's globalized world because of its perceived benefits in the larger form of industrial democracy. Employee empowerment has widely been recognized as an essential contributor to organizational success with many authors observing a direct relationship between the level of employee empowerment and employee performance, employee job satisfaction and employee commitment. Empowering employees enables organizations to be more flexible and responsive and can lead to improvements in both individual and organizational performance. Similarly, it is maintained that employee empowerment is critical to organizational innovativeness and effectiveness. Employee empowerment is more relevant in today's competitive environment where knowledge workers are more prevalent and organizations are moving towards decentralized, organic type organizational structures. In this era of globalization there is need for employees' empowerment in organizations so that employees will be in a position to make quick decisions and respond quickly to any changes in the environment. Organizations that are committed to employee empowerment are in a position to motivate and retain their employees, although it's a complex management tool which needs to be nurtured and handled with a lot of care. Employee empowerment is a motivational technique that is designed to improve performance if managed properly through increased levels of employee's participation and self-determination. Employee empowerment is concerned with trust, motivation, decision-making, and breaking the inner boundaries between management and employees as "them" verses us. In order to achieve their organizational aims and increase customer's satisfaction, Banking Companies have taken an action for implementation of empowerment dimensions of employees.

In today's competitive environment the effectiveness of organizations is the important issue in management that it can ensure continuity of organizational life and survival. Empowerment of people is a major contributor to the development of subordinates by allowing them to do extremely well by investing in themselves, even at the risk of making mistakes (Page and Wong, 2000). Servant leadership theory emphasizes empowering employees, serving them and being committed to cultivating them (page and Wong, 2000; Spear, 2004). Empowering others to act, will lead followers to do a better job, and will aware them about their full potential (Kouzes and Posner, 2002). Enabling others to act as Kouzes and Posner (2002) described, is to develop the collaboration and empowerment of others, and these are the attributes of transformational leadership. In fact, one of the important duties of transformational leaders is empowering followers to meet the organizational goals and performance aims

(Avolio et al., 2004). Leaders have to treat their followers as individuals instead of a group, and moreover they have to understand subordinates' developmental needs. To improve the potentials of the followers and empower them, leaders coach and mentor subordinates (Avolio and Bass, 2004). Using a method to develop the feeling of self-efficacy in employees can result in their empowering (Pelit et al. (2011). Page and Wong (2000) stated that the important parameters to develop empowerment in others are: getting satisfaction by helping others to succeed, investing great time and energy to help others to conquer their weaknesses and improve their potential, appreciating and encouraging the work of others, appreciating and validating others for their contribution, encouraging others to take initiatives, and focusing on searching for better ways of serving other people. Kouzes(2003) brought other ways to improve empowerment as developing cooperative relationship, listening to diverse point of views, treating customers with dignity and respect, supporting people's choices, letting employees choose their job's method. One of the significant building blocks of any organization is its employee performance. It is evident that the development of organizations will be done with the effort of all employees and not by only one or two people.

Meaning of employee empowerment

Employee empowerment means giving employee a certain level of authority & responsibility to make decision on their own. Empowered employees are self –directed and self –controlled and have a mutual trust between the superior and subordinates.

Definitions-

According to Nancy Foy, “Empowerment is simply gaining the power to make your choice heard, to contribute to plans and decisions that affect you, to use your expertise at work to improve your performance and with it the performance of your whole organization.”

According to John New storm and Keith Davis, “Empowerment is any process that provides greater authority through the sharing of relevant information and the provision of control over factors affecting job performance.”

Goals and objectives of empowerment

The main purpose of employee empowerment to develop a sense of control and power, Empowerment in the recent years has become a significant topic in the organization. The organization is encouraging their employees to give enough freedom in their work to apply the full potential and ability to carry out the over aims o organization.

1. Optimum utilization of available human resources.

2. Providing employees the authority and responsibility to take decisions themselves.
3. To encourage mutual trust between the superior and subordinates.
4. Enabling people to achieve a creative sense of power through enhanced self-respect, confidence knowledge and skills.
5. Encouragement for setting up systems and environment that promotes effective participation.

Organization:

It is “A social entity that is goal directed and deliberately structured”. Generally all organization combines land, labour, capital and entrepreneurs to produce goods and services. According to L.H Honey, “A business organisation may be defined as more or less independent complex of land, labour and capital, organised and directed for productive purpose by entrepreneur”.

Types of organization

Formal: “A system of well-defined jobs with a definite measure authority, responsibility and accountability, the whole consciously designed.”

Informal: “It is what people do in terms of needs, emotions and attitudes, not in terms of procedures and regulations.”

Basic elements of organization

According to Scott there are four basic factors on which classical organizational theory is built.

- Division of labour.
- Scalar chain of command
- Span of control/ Span of management.
- Organizational structure.

Division of labour

“The degree to which organization tasks are subdivided into individual jobs; also called work specialization”

Scalar chain of command

“Scalar chain is a chain of all supervisors from the top management to the person working in the lowest rank.”

Span of control

It means the number of employees who reports to a supervisor.

Organizational structure:

Organizational structure is the result of organization chart and organization design. It comes into existence when activities are grouped.

Organizational effectiveness:

Organizational effectiveness is the concept, of how effective an organization is in achieving the outcomes, the organization is intends to produce. Organizational effectiveness can be defined as the efficiency with which an Organization is able to meet its objectives. It means an organization that produces a desired effect or an organization that is producing without waste. Organizational effectiveness is each individual doing everything they know how to do and doing it well. Organizational efficiency is the capacity of an organization to produced desired results with a minimum expenditure of energy, time, and money, human and material resources. Organizational effectiveness can be measured with the help of following parameter but the present study will be focused to examine the following-

- Employee Effectiveness
- Quality of work performance
- High productivity
- Work Motivation
- Job satisfaction

REVIEW OF LITERATURE

Kaur (2013) studied the impact of employee empowerment on organizational effectiveness and she found that socio structural characteristics like self-esteem, reward system, organizational climate etc. constitute a positive factor in influencing employee empowerment in organizations.

Rastegar et al (2013) studied the factors affecting employee empowerment in banking sector. They found that the open channels of information and information sharing are the two important factors that could increase trust among employees in the organisation.

Patnaik and Sahoo (2013) studied the relationship between training and employee empowerment and found that there is a positive relationship between the two.They also found that employee empowerment creates a sense of motivation, belongingness and ownership towards the organization.

Fernandez and Moldogaziov (2013) studied the effects of empowerment practices on job satisfaction and found that empowerment practices provide a platform for improvement in employees' self-determination.

Kassim et al (2012) studied the factors that affect the employees' job performance and found that employees with autonomy generate high performance than those without autonomy.

Manzoor(2012) studied the factors affecting employee motivation and examined the relationship between organizational effectiveness and employee motivation and found that recognition of employees by organizations increase the morale of employees and also creates a sense of belongingness among employees towards the organization.

Rawat(2011) studied the relationship of empowerment with the commitment of employees and found that psychological empowerment has a too much influence on the commitment of employees.

Jung, Wang, & Wu (2009) examined the relationship between TQM and continuous improvement. One of their finding indicated the important mediation role of TQM practice, including empowerment, between competitive strategy and continuous improvement in the international project management. But the important finding is that empowerment has a significant positive impact on continuous improvement which has direct influence on strengthening competitive advantage. Jung et all's study involved managers working in different four countries and multi nationality backgrounds.

Jung and Hong (2008) conducted a study to explore the link between organizational performances, TQM practices that significantly influence job involment. Like Travellers and Santouridis Singh (2011) also conducted a study in the field of SMEs in order to find out how factors interact to success TQM Implementation. In other words, Singh's study aimed to identify the critical success factor in TQM implementation in SMEs. Through applying interpretive structural modelling (ISM) technique, he found that employee empowerment is the one of four major factors that is critical to success the implementation of TQM in SMEs. He observed and identified the initial factors group through reviewing the related literature.

Boon, Arumugam, Safa, and Bakar (2007) argue that employee empowerment is the most important TQM practices that significantly influence job involvement. According to their analysis results, empowerment is the most crucial practice that increases level of job involvement which raises the level of performance. This study investigated empowerment not just as a TQM practice but also as a human resource management HRM practice. In other

words, Boon et al's study investigated empowerment from three perspectives (i) empowerment as TQM practices, (ii) empowerment as HRM practices, and (iii) empowerment from perspective of the relationship between HRM and TQM practices. Thus, and with regard to the important role of HRM and TQM systems in the whole management system, it can be said empowerment is a crucial practice that influence the overall organization performance.

Samat, Ramayah and Saad (2006) explored the relationship between employee empowerment and service quality as well as the relationship between employee empowerment and market orientation. The authors concluded that employee empowerment has significant effect on service quality and market orientation comparing with other practices of TQM examined in the study. Their results obtained from an analysis applied on data collected from service organizations. The service organizations were from different service business activities such as banking, education, private and public utility service and consulting service. All those organizations practiced TQM in their operations and located in northern Malaysian states (Perak, Kedah, Penang and Perlis).

Summary of the studies on employee empowerment

Study	Source of data	Analysis technique	Findings
Kaur(2013)	Structured- Questionnaire from employees of non- executive of public, private and foreign banks in some north Indian states.	Weighted average, Correlation coefficient analysis and independent t- test.	Socio structural characteristics constitute a positive factor in influencing employee empowerment in organization.
Fernandez and Moldogaziov (2013)	Federal Human Capital survey/ Federal Employee survey	Empirical analysis	Empowerment practices provide a platform for improvement in employees' self-determination.
Kassim et al(2012)	225 respondents from banking employee	Correlation and regression analysis	Employee with autonomy generates high performance than those without autonomy.

Rawat(2011)	133 working professional from service industry	Regression analysis	Psychological empowerment has a too much influence on the commitment of employees.
Singh(2011)	Literature review	Interpretive structural modelling (ISM)	Employee empowerment is one of the important factors that have critical role in success of TQM implementation.
Ueno(2010)	Literature review	Review	Employee Empowerment has significant role in achieving and enhancing service quality.
Jung, Wang, & Wu (2009)	268 Managers of international projects working in US, Mexico, Korea, and China.	Structural equation modelling	Empowered employee has significant impact on continuous improvement in international project management
Trivellas and Santouridis (2009)	90 ISO 9001 certified Manufacturing and service firms in Greece	Correlation	Employee empowerment has a direct positive impact on job satisfaction and innovation performance in SMEs.
Jung and Hong(2008)	230 maquiladora companies in boarder of Texas and Mexico	Structural equation modelling	Empowered employees plays significant role on organizational performance
Boon et al. (2007)	377 employees working in semiconductor contract manufacturing organization in Malaysia	Regression	Employee empowerment is the most crucial TQM practices that positively linked and effects job involment.
Vousaz and Psychogios (2007)	382 managers from 43 service organizations in	Exploratory factor analysis (EFA)	Employee empowerment assesses managers' awareness of TQM.

	Greece		
Samat, et al. (2006)	101 service organization in Malaysia	Correlation	Employee empowerment has significant effect on service quality and market orientation.

Discussion and conclusion

Based on the literature review, there are many observations and shortcomings can be noted: first, all the results support the positive role of empowerment in organization performance and outcomes. This substantiates the crucial function of employee empowerment in the context of TQM system as well as the HRM systems. Furthermore, the positive impact of empowerment on organization operation implies the domination of soft side of TQM in the success of the implementation of TQM system which asserted by (Ahire, Golhar, & Waller, 1996; Dow, Samson, & Ford, 1999; Powell, 1995).

Second, the literature revealed how the role of empowerment is diversified. For instance, and as in Trivellas and Santouridis' study, empowerment has a direct positive role on job satisfaction which implies the indirect role of empowerment on innovation performance. Concurrently, it has a direct positive influence on innovation performance without the mediation role of job satisfaction. The diversified positive role of empowerment also appears in its influence on other TQM practices. For instance, empowerment has positive impact on continuous improvement (Jung, et al., 2009); and on employee involvement (Boon, et al., 2007).

Third, the focus of investigation is more likely to be on manufacturing industry organizations. Excluding Samat et al's study, all reviewed studies conducted in manufacturing or in both manufacturing and service industries. According to Organization for Economic Co-operation and Development OECD (2008), service industry serves more than %50 of global economics activities. In some countries service sector shares more than 70 percent of GDP (e.g. Luxembourg 82%, Greece 78%, and USA 77%). Therefore, studying empowerment as well as the other TQM practices in service organizations need be given more consideration from researchers, scholars and academicians.

Purpose of this paper was to review the influence of employee empowerment, from perspective of TQM practices framework, on organizations' function and performance. The review involved 12 recent papers covering the period time from 2006 to 2013. The general view of employee empowerment is showed to be having a positive role on whole organizations performance and functions. The review also showed that empowerment has a diversified role on organizations function and on the other TQM practices.

The findings of review shows positive role of employee empowerment on organizational performance.

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