

A Study on Impact of Psychological Empowerment on Employee Performance in Small and Medium Scale Enterprise Sectors

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Abstract

Employee empowerment programs have been widely adopted in the public sector as well as private sectors as a way to improve employee performance. Empowered employees improve performance largely by finding innovative ways of correcting errors in production and service delivery and redesigning work processes. This study explores how psychological empowerment influences employee's performance in small and medium scale enterprises. The objectives of the study is to present the correlation and impacts or influence of dimensions of psychological empowerment on employee performance. The study is descriptive type of research which is basically employed survey method. For the purpose of this study both qualitative and quantitative research approach were used. The respondents were stratified based on the activities they are engaged, then Simple random sampling design was used to collect data that were used to assess the four dimensions of psychological empowerment variables. Using a sample of 125 employed individuals of which 102 collected, a 12 item 5point likert scale of psychological empowerment measurement was developed with subscale reliabilities as follows: meaning (0.861), competence (0.754), self-determination (0.868) and impact (0.885). Similarly an 11 item 5 point likert scale with reliability test of Cronbatch Alpha 0.911 was used to measure performance. Primary data is the main source of data and the data were obtained by using questionnaire. To analyze the data inferential statistics were applied to gain an insight about the correlation between the variables and the influences that each variable have on dependent variable with the help of statistical package for social science (SPSS) version 20 software. The outcome from the study indicates that employee empowerment is essential in this era of globalization to enable the organization to respond quickly to any changes in the environment and take the advantage of employee performance. Respect and helping employees in their personal problems, nurturing their competency, letting them to select choices for meeting their needs, giving training, informing and involving them in decision making and rewarding fairly helps to empower as well as increase their performance.

Keywords: Psychological empowerment, Meaningful work, Competence, self-determination, Impact and employee Performance.

1. Introduction

Changes in business environment have forced organizations to review management systems in order to remain competitive in today's turbulent economy. "Empowering" employees has become a central theme of related management and leadership practices that have been endorsed to allow organizations to become more competitive (Schein, 1992). Empowerment is seen as a strategy to develop a flexible organization that is capable of adapting to a changing external environment (Himmat Karadal, 2008). Empowerment is perceived as a solution to highly regulated workplaces where creativity was stifled and workers were alienated, showing discontent both individually and collectively. An empowered and committed workforce is widely claimed to be essential for the effective functioning of modern organizations (Rawat, 2011).

The prevalence of empowerment in the organization enables employees being more proactive and self-sufficient in assisting an organization to achieve its goals. The purpose of empowerment is not only to ensure that effective decisions are made by the right employees but to provide a mechanism by which responsibility for those decisions is vested in individuals and teams. Empowerment, although generally seen as a key to employee satisfaction and improved productivity. The advocates of empowerment see it as the essential underpinning of continuous improvement. Empowerment concept has emerged as a development of the total quality management philosophy in recent years. Organizations need to manage and improve the performance of their employees. As the power or capacity to produce a desired effect, efficacy of an employee is enhanced by empowerment (Kemal, 2010).

Individuals tend to appreciate organizations that provide opportunities for decision latitude, challenge, and responsibility, as well as for the feelings of meaning-full work, impact, self-determination and mastery that result from these conditions (Dewettinck, 2003). Empowerment in small and medium size enterprises can be seen as a means of promoting employee well-being, and more especially as a way of buildup the knowledge and abilities of employees as a whole to promote performance. We are now in the 'empowerment era', and that "No vision, no strategy, can be achieved without able and empowered employees". Nonetheless, the evidence is that empowerment is pursued seriously by only a minority of enterprises, and is less common than other modern management initiatives such as inventory control, quality management, team work, and supply chain partnering

(Toby).

According to Zeithaml *et al.* (2009) it is a company's responsibility to give employees the tool needed to make decisions using their own common sense. In this way employees are able to use empowerment responsibly so that in most cases they will not have to involve their managers when dealing with everyday problems. Employee empowerment is important to the organizational change process as empowerment fulfils the individuals need for a sense of control. This is a particularly critical need in a time of organizational change as the larger forces of change are usually beyond the individual control. Hardly anyone likes to feel like that they are being pushed around. There should be always a careful balance in granting power to employees. If you are too lax in your standards, the company's bottom line suffers. But if you are too strict, you end up creating bad feelings or even damaging your reputation (Prichard, 2013). Having the above ideas and many other related literatures it is possible to see the linkages found between empowerment and employee performance. This bears doubt in researcher mind and insists to ask a question whether empowerment have relation with employee performance in Ethiopian context particularly in small and medium size enterprises.

1.1. Statement of the problem

Studies on empowerment have shown that it has a strong correlation to employee performance interms of higher productivity, job satisfaction and reduction in staff turnover in organizations. As a result, the researcher aims to know how the small and medium size enterprise managers and supervisors are considering their relation with employees. And are they striving to know what talent employees have and how to use this internal efficiency of the employees? Empowerment is one means of keeping employee interest and using his talent without reservation. Empowered employee is more committed and having satisfied by his current job (Ongori, 2007).

In today's competitive field, small and medium size enterprises can be successful if they use all of their human resource capacity. The selected SMEs' which is found in Hawassa city are using traditional patterns of management systems, i.e., hierarchical and prescriptive-based systems, would not help them to go anywhere. Most of them are a duty structure. In this structure, the power is concentrated at the head of the pyramid and flows to lower levels. So there is no opportunity for optimal use of intellectual resource and creativity of their employees. Today the main objective of managers is efficiency, i.e., to achieve maximum results with minimum resources. On the other hand, expectations of employees include sense of belonging, having meaningful work, openness and honesty in work, and self-discovery (Badr-al-Din, 2011).

Research shows that those organizations that empower their employees experience increased morale and productivity (Jo Ann Duffy, 2004) "Is this correlation applicable to the Ethiopian context or more specifically, in the small and medium size enterprise sector? The practice of Empowerment has been credited as a primary factor in the phenomenal success of businesses in Japan and other countries in Europe (Navran, 1992).

Without in-depth information on how employees view empowerment and how it relates to their individual performance, small and medium size enterprise industry players may not be able to amass fully the potential of their employees. Consequently, the researcher have studied the impact psychological empowerment on employees' performance by answering the following basic questions:

1. What is the effect of meaningful work on employee performance in the small and medium scale enterprise sector?
2. Does the competence have a suitable fitness with employee performance in small and medium scale enterprise?
3. How self-determination have an impact on employee performance in small and medium scale enterprise?
4. Is there any significant relationship between impact and employee performance in small and medium scale enterprise sector?
5. Does empowerment have an influence on employee performance in the small and medium scale enterprise sector?

1.2. Objectives of the study

The general objective of this paper is to study the impact of psychological empowerment on employees' performance in some selected small and medium scale enterprise sectors found in Hawassa city. However, specifically the the study is focused on avhieving the following objectives:

- ✓ To determine the effect of meaningful work on employee performance in small and medium scale enterprise sector.
- ✓ To analyze the impact of competence on employee performance in small and medium scale enterprise sector.
- ✓ To know the relationship between self-determination and employee performance in small and medium scale enterprise sector.
- ✓ To determine the relationship of Impact with employee performance in small and medium scale enterprise sector.

- ✓ To examine the overall influence of empowerment on employee performance in small and medium scale enterprise sector.

2. Literature Review

2.1. Introduction

Nowadays, the role and importance of human resource clear for everyone. Among of produce factors (earth, technology, human resource, capital and etc.), human resource is most valuable and rare factor in every organization that inattention to human resource productivity and paying attention to other factors cause to decrease efficiency and effectiveness in organization. Also, that cause to make non-satisfaction among human resource and increasing wastage and accidents (Sahay, 2005). One of the main challenges of present directors in organization, lack of sufficient use intellectual resource and mental power of human resource that existing potentially. In many organizations do not use employee's capability optimally that cause to decrease organization productivity (Abtahi, 2004). Human resource empowerment is as a modern approach of job internal motivation that it means free up internal forces of employee and also providing platforms and to create opportunities for blossoming talents, abilities and competence of employee. In addition, it makes positive attitude in employees about their job and organization. Empowerment begins with in beliefs, ideas and attitudes of employees. Thus, they must come to believe that are capable for doing their tasks successfully (Abdolahy, 2006).

2.2. Definition of terms

2.2.1. Empowerment

Empowerment means making people feel valued by involving them in decisions, asking them to participate in the planning process, praising them and continually providing adequate training and support. It is giving employees the opportunity to contribute to the company's overall success. "When you allow your employees to think independently and assist the company, they will respond with increased work effort and greater efficiency" (Malan, 2002).

Goetzee (2001) defined empowerment as the "term of encouraging and allowing employees to take personal responsibility for any improvement brought about in the performance of their assigned task whilst contributing to the attainment of the overall objective of the organization". In addition Sibson (1994) also defined empowerment as "delegation of authority by the managers to each employee, mostly with respect to job practices and methods." Furthermore, according to Lashley (1999) this concept comprises the achievement of organizational objectives which are attained through the involvement of all employees within the organization irrespective of their position or rank in the decision-making process and compelling them (i.e. employees) to accept full responsibility for work satisfaction.

2.2.2. Dimensions of empowerment

The first empowerment dimension is meaningfulness. It concerns the value of a work goal or purpose, judged in relation to an employee's own ideals and standards or meaning concerns a sense of feeling that one's work is personally important. (Thomas, 1990; Spreitzer, 1995). It refers to congruence between requirements of a work role and employee's beliefs, values, and behaviors (Brief & Nord, 1990; Spreitzer, 1995). The second empowerment dimension is competence. It is an employee's belief in his or her capability to perform task activities skillfully when he or she tries (Thomas, 1990). Bandura's (1997) self-efficacy concept reflects this competence dimension. Self-determination, the third empowerment dimension, involves causal responsibility for a person's actions. It is the employee's perception on the autonomy in the initiation and continuation of work behaviors and processes (Bell *et al.* 1980; Deci *et al.*, 1989). Finally, impact is the fourth empowerment dimension. It reflects the degree to which an employee can influence strategic, administrative, or operating outcomes at work (Ashforth, 1989). As pointed out by Lee and Koh (2001) the general notion of impact has been studied under various labels, including learned helplessness and locus of control. Impact is the converse of learned helplessness, however, it differs from locus of control. Internal locus of control is a general personality characteristic, while the impact cognition endures with the work context.

2.2.3. Employee Performance

Employee performance is about employees achieving the results, goals or standards as per the expectations set by the organization. Employees are rated on how well they do their jobs compared to the performance standards set. In short, it is the accomplishment of a given task measured against pre-set standards of accuracy, completeness, cost, and speed, the initiatives they take, their creativity in solving problems and the resourcefulness in the way they utilize their resources, time and energy (Bon, 2012).

2.3. Conceptual framework

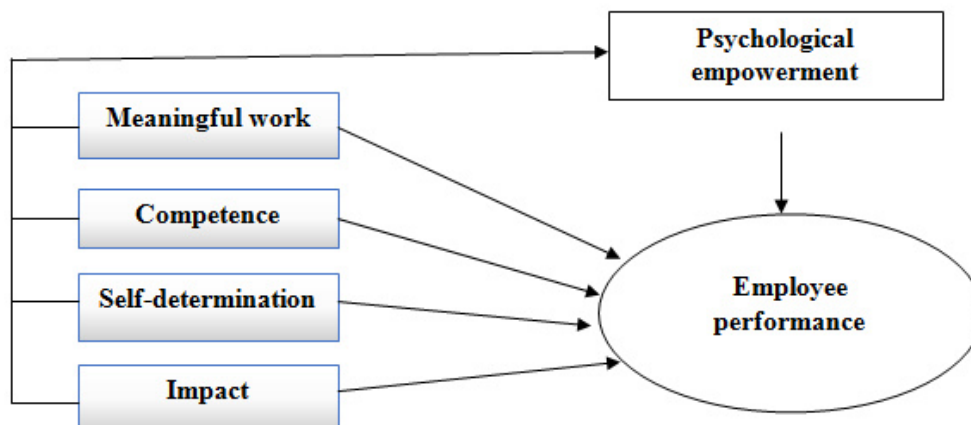
Psychological Empowerment is the experience of employees on empowerment at work. This empowerment focuses on the beliefs that employees have about their role in relation to the organization. Psychological empowerment had its roots in early work on employee alienation and quality of work life. Psychological empowerment has four components: meaning, competence, self-determination and impact (Spreitzer, 1995). Lashley (1999) states that employee empowerment has been hailed as a management technique which can be

applied universally across all organizations as a means of dealing with the needs of modern global business. Empowered employees become active problem solvers who contribute to the planning and execution of tasks (Cunningham et al. 1996). Lee and Koh (2001) state that employee empowerment is the result of behavior on the part of a leader who empowers his or her subordinates. One study conducted by Nortje (2001) states that disempowered workforce suffer from poor self-esteem, lack of personal vision and feeling of hopelessness. She argues that these attitudes and beliefs form inner barriers that limits growth and proactive development while manifesting in the workplace in a form of reluctance to accept responsibility, hesitance to communicate openly, lack of commitment and ultimately below average performance. In small and medium enterprises empowerment is deemed important as it thrives in a fast growing industry that demands quality products and customer satisfaction. Hence, worker need to take responsibility for their roles, and sometimes even for that of other people, to make sure that they can deliver the best quality product and service first. Therefore, for the organization it is extremely important to have an empowered workforce who has the abilities to satisfy market needs in a very efficient manner (Knol *et al.* 2009).

Empowered employees improve performance by recovering quickly from errors in service delivery and product process, learning from those recoveries, and generating innovative proposals for redesigning processes and products. Failure to encourage such behavior can seriously undermine the effectiveness of empowerment programs. The link between empowerment and encouragement to innovate is of particular significance in the public as well as private sector, where goal ambiguity, high levels of formalization, and restrictions on the ability to reward extrinsically (Rainey, 2009) might dampen or even neutralize the effectiveness of empowerment programs. Employee performance is the direct and indirect contribution of an individual towards the organizational goals and objectives (Campbell, 1998). Lot of research has supported the contention that psychological empowerment is related to employee performance and job satisfaction (Liden *et al.* 2000). Spreitzer (1997) established a strong relationship between competence and effectiveness; meaning and satisfaction. Thomas (1994) related self-determination to work effectiveness and impact, meaningfulness and choice to job satisfaction and performance. Balzer *et al.* (1997) related empowerment to employee performance which comprises the intrinsic nature of meaningful work, competence, job autonomy and level of responsibility. The key presumption on empowerment is that empowered people are more active and productive than individuals who are not empowered (Thomas et al., 1994). Empowered employees have complete knowledge about their work, so that they plan and schedule their work and are capable of identifying and resolving any obstacles for their performance (Cook *et al.* 1994). All organizations expect a committed workforce, who can define their objectives and set the means for achievement and this is possible only by empowered workforce (R.Indradevi, 2012). Theoretical arguments have suggested that psychological empowerment, in turn, makes a critical contribution to employee creativity by positively affecting an employee's intrinsic motivation (Spreitzer, 1995). Psychological empowerment is seen as an enabling process that enhances an employee's task initiation and persistence (Conger, 1988). Feelings of empowerment have been proposed and found to facilitate workers' commitment to the organization (Rawat, 2011). If employee's empowerment is managed correctly, can cause organizational commitment and reduction of employee's replacement. Empowerment with confidence making, participation in decision making, and elimination of the border line between management and employee, cause increase of productivity, performance and job satisfaction (Bartol, 2010). psychological empowerment evokes employees' organizational commitment because: A meaningful job provides a suitable fit between the requirements and purposes of one's organizational work roles and one's personal value system (Thomas,1994; Spreitzer, 1995). A sense of competence gives workers the belief that they are able to perform their work roles with skill and success, stimulating them to exert considerable effort on behalf of the organization (Deci *et al.*, 1989). Self-determination gives workers control over their work and a voice in work-related decision processes, leading to enhanced involvement in the organization. Having impact facilitates workers' possibilities to participate in shaping the organizational system in which they are embedded (Greenberger *et al.*, 2000). Employee empowerment reflects a positive link between employee participation and job satisfaction, motivation and performance, individual commitment and corporate achievement (Doughty, 2004). Gardner (2000) posit that employees who are psychologically empowered have a high sense of self-efficacy, are given authority and responsibility over their jobs; they engage in upward influence and see themselves as innovative.

Based on research finding the researcher has designed the following theoretical frame work figure.

Figure 2.3. Conceptual framework



2.4. Critical review of related empirical studies

This study was focused on Spreitzer's (1995) four dimensions of psychological empowerment (intrinsic motivation) and did not include other factors that can influence employee's perception of empowerment like organization information sharing, structural framework, and control of workplace decisions.

Although the term "empowerment" has been central to management thought and practiced for some time, limited research had been conducted in the correlation and impact it have with employee performance domains. While researcher such as Lashley (2000) were able to transfer the concept of empowerment to the hospitality industry, these studies posit that further research on empowerment in the hospitality industry can be beneficial for service as well as manufacturing organizations. The relationship of psychological empowerment and employee performance job creativity also warrant further exploratory testing.

Limited research have been paid to the possible linkages between employee psychological empowerment and employee performance having different dimensions of employee empowerment. The reviews of the previous literature have so far revealed only a handful of studies, with mixed findings (Petter *et al.* 2002; Thomas, 1990; Bon, 2012). Most of these prior studies have conceptualized empowerment from structural and organizational perspective. All of which present evidence on a number of psychological empowerment. Thomas explains some dimensions like importance, capability, variety, and impact. Petter *et al.* (2002) suggested seven elements of empowerment; like responsibility, knowledge and skill, autonomy, information, creativity, initiative, power, and decision making. A number of studies show support for Spreitzer's four empowerment dimensions (Griggspall, 2003; Hochwalder, 2005; Hu, 2003; Kraimer *et al.* 1999; Moye, 2006; Vardi, 2000).

Over and above these, the role of psychological empowerment as independent factor with meaningful work, competence, self-determination and impact as its dimensions; and employee performance as the dependent factor remains unexplored much. Separately, in the context of Ethiopia, there is also possibly no reported study conducted to examine nexus of psychological empowerment and employee performance in the small and medium size enterprises. Research indicates that the existence of empowerment practices and procedures Correlates strongly with employee performance. Kemal (2010) analyzed the relationship between psychological empowerment and employee performance. The study proved that empowerment had direct and positive effect on employee performance. The study demonstrated that empowered employees exhibited positive performance behaviors, and hence psychological empowerment is a valuable source for organizations to pursue their desired results.

3. Research Methodology

In this study stratified sampling technique was used to determine sample size of the respondents from the strata proportional stratified sampling strategy were applied. The researcher classified the population in strata in order to differentiate the respondents based on their activities, i.e., manufacturing, construction, service and trade. After identifying the proportion of the respondents from each stratum, simple random sampling method have been employed, which involves assembling a sample in such a way that each independent, same-size subset within a population is given an equal chance of becoming a subject. As it is free from human bias and classification and being highly representative of a population, it simplifies data interpretation and analysis of results. Trends within the sample act as excellent indicators of trends in the overall population. In the study, the researcher used statistical table developed by Carvalho (1984), as cited in Malhorta Naresh, K. (2007) to determine the relevant sample size so us to enable to conclude about the population accurately. From the total population of 520 employees working in small and medium Scale enterprises' in the four sectors in Hawassa city, the researcher selected 125 persons as a sample respondents from the stratum engaged in manufacturing,

construction, service and trade as per the proportional stratified sampling strategy. Therefore, from a manufacturing industry a sample of 22 were taken out of the total population of 91, from construction sector 62 sample were selected out of 256 total population, from service sector the researcher has selected 20 samples from the total population of 84, and out of 89 population 21 sample representative were taken from trading sector to collect the appropriate information by distributing the questionnaire. However, the researcher is able to collect 102 (81.6%) questionnaires from which was distributed. The data sources were basically a primary source. Data for this study were collected by distributing the questionnaire to a randomly selected employees. As a statistical tool, the regression and correlation tests were applied on that data to find out the relationship of the independent variables with employee performance (dependent). In this research, 5 point Likert scale measurement has been used to measure the variables. The following empowerment dimensions which is; meaning, competence, self-determination and impact, adopted from spreitzer (1995). The degree of influence and correlation that empowerment have with that of employee performance was measured by using the 12 items 5 point Likert scale. The reliability test of the four dimensions allows us to accurately examine behaviors that lead the employee to feel empowered. According to Bryman (2011) reliability is “the consistency of a measure of a concept”, it is linked to the stability of the data. In data analysis the researcher has made effort to calculate the reliability by using the statistical methods such as the Cronbach’s alpha. Each dimension is measured by three items. The reliability test of measurement scale for the dimensions are; Cronbach’s Alpha of meaning is 0.861, for competence is 0.754, self-determination is 0.868, and for impact is 0.885. The items are measured on a scale ranging from strongly disagree (1) to strongly agree (5). To measure the performance of employee a questionnaire having 9 items 5 point Likert scale is used. Its reliability was assured by using the cronbach’s alpha (0.911). According to Zikmund *et al.* (2010) the reliability test of all variable exhibits very good quality which ranges from 0.8-0.95, the competence variable have good reliability which fall under range of 0.7-0.8.

4. Results and Discussion

The data were collected through survey questionnaire. Out of the 125 questionnaires distributed to the randomly selected employees, 102 were properly completed and returned. This represents a response rate of approximately 81.6% from the distributed questionnaires. Hence, data gathered were organized and analyzed in a manner that enables to answer the basic research questions raised at the beginning of the study. Responses provided by the respondents are analyzed in the following sections.

4.1. Results

a. Correlation coefficient

Pearson Correlation is conducted to find out the relationship between psychological empowerment and employee performance.

Table 4.1. Relationship between psychological empowerment and employee performance.

		meaning	Comp.	Self-deter.	Impact	Perf.	Empt.
Performance	Pearson Correlation	.487**	.509**	.434**	.616**	1	.612**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	102	102	102	102	102	102
Empowerment	Pearson Correlation	.833**	.853**	.865**	.825**	.612**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	102	102	102	102	102	102

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

NB: Where self-deter - Means self-determination, Comp – competence, Perf – performance, Empt - empowerment

The Correlation Coefficient was computed for the purposes of determining whether a statistically significant relationship exists between psychological empowerment in general and specifically its dimension with employee performance. The results indicate that there was a direct relationship between the dimensions of psychological empowerment and employees’ performance. The relationships between meaningful work ($r = 0.487$, $p < 0.01$), competence ($r = 0.509$, $p < 0.01$), self-determination ($r = 0.434$, $p < 0.01$) and impact ($r = 0.616$, $p < 0.01$), respectively with employees’ performance, were all statistically significant. The strongest relationship was, however, between impact and employee performance ($r = 0.616$, $p < 0.01$).

Hence, Table 4.1 presents positive relationship between employee performance and the combined effect of psychological empowerment dimensions. There was a significant and direct relationship between employee performance and psychological empowerment ($r = 0.612$, $p < 0.01$). This value of correlation indicates a stronger relationship and significant at p value less than 0.01. The results provide evidence that the employees who feel psychologically empowered are likely to experience higher levels of performance. In addition to that Psychological empowerment and its sub dimensions significantly correlated. Psychological empowerment correlation with the sub dimension of meaning was 0.833 ($p \leq 0.01$), competence 0.853 ($p \leq 0.01$), self-

determination 0.865 ($p \leq 0.01$), impact 0.825 ($p \leq 0.01$).

b. Regression analysis

Regression analysis is used to analyze and to understand how the value of a dependent variable, in our case employee performance, changes or is influenced by changing the value of an independent variable when others are held constant. A regression model for predicting employee performance was developed with various psychological empowerment constructs like meaningful work, competence, self-determination and impact as predictors with the employee performance that each of the predictor would have differing prediction ability on employee performance.

I. Model Summary

Table 4.2. Regression Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1		.699 ^a	.488	.419	.53593	1.522

a. Predictors: (Constant), Empowerment, Dependent Variable: Performance

The coefficient of determination R^2 was compared to determine percentage variation in the dependent variable. The above table clearly show the value of R and R^2 . In this analysis the value of R is 0.699 which is a measure of the correlation between the observed value and the predicted value of the dependent variable (employee performance). Whereas, R Square (R^2) is the square of this measure of correlation and indicates the proportion of the variance of dependent variable (employee performance) with the existence of empowerment. Hence, R Square = 0.488 implies that only 48.8% of performance is explained by psychological empowerment. In essence, this is a measure of how good a prediction of the dependent variable we can make by knowing independent variables. R square is subject to optimistic overestimation of the true value in the population. Adjusted R square corrects this value to provide better estimate of the true population value. So, the prediction ability of the model is expressed by adjusted R square which was 41.9 whereby 41.9 percent of the variance in employee performance was explained by psychological empowerment comprising meaningful work, competence, self-determination and impact. With F-value 7.069 (Table 4.3 below) at .000 level of significance.

Table 4.3. Anova

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.364	12	2.030	7.069	.000 ^b

a. Dependent Variable: Performance

b. Predictors: (Constant), Empowerment

The coefficient of determination R^2 was compared to determine percentage variation in the dependent variable. F value (7.069) was to compute the significance of R^2 with F-distribution at 5% level of significance. The model is found fit on significance (0.000) of independent variable proving employee performance depends on psychological empowerment comprising meaningful work, competence, self-determination and impact.

Table 4.4. Coefficients of Model for dimension of empowerment

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
2	(Constant)	1.492	.343		4.345	.000		
	Meaning	.086	.121	.092	.717	.000	.357	2.799
	Competence	.223	.140	.219	1.596	.007	.312	3.207
	Self-determination	.042	.079	.061	.534	.017	.456	2.193
	Impact	.309	.063	.486	4.904	.000	.598	1.671

a. Dependent variable job performance

II. Model Coefficients summary

$$\text{Employee performance (Y)} = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + \mu$$

Where, X_1 – meaningful work, X_2 – competence, X_3 – self-determination, X_4 – impact

B_1, B_2, B_3, B_4 – Regression Coefficients

B_0 – Regression Constant.

μ – Other factors affecting performance other than empowerment (error term)

By observing the Beta value in the coefficient table 4.30 indicates to what extent each variable contribute or not to the variance in the employee performance, we can make a comparison of the factors which contributed the most to the variance of employee performance. The researcher uses standardized beta because the value for each of different variables have been converted to the same scale so that comparison between them is easy. In

predicting the employee performance, it is found that impact is found to be the most important component (β 0.486, $t= 4.904$) followed by competence ($\beta = 0.219$, $t= 1.596$), meaningful work ($\beta = 0.092$, $t= 0.717$), and Self-determination ($\beta = 0.061$, $t= 0.534$). To construct equation unstandardized beta were used, which indicates contribution of each of independent variable in explaining the dependent variable (employee performance). With a level of significance equal to 0.000 or 0.001 (so less than 0.01) make a significant contribution to the employee performance. Whose value of 't' is greater, their value of beta (rate of change) is also more which tells us that those variables bring a greater change in the dependent variable. The value of 't' tells us the relationship of dependent and independent variables. It shows that how much is the Impact of independent variables on employee performance that is the dependent variable. In this research study the value of t is greater for impact which is significant at 0.000 levels, so its impact will be more than other variables followed by competence, meaning and self-determination.

III. Regression Equation

$$\text{Employee performance} = 1.492 + 0.086 (\text{meaningful work}) + 0.223 (\text{competence}) + 0.042 (\text{Self-determination}) + 0.309 (\text{impact}) + \mu$$

IV. Multi-collinearity

Multi-collinearity indicates when there is a perfect linear relationship among the predictors, meaning one can be linearly predicted from the others with inconsequential degree of accuracy. For this reason the tolerance values are evaluated to check for multi-collinearity. The rule of thumb according to Zeithaml (2009) is that there is no reason to suspect multi-collinearity when the tolerance value is above 0.2 and the Variance Inflation Factor (VIF) is below 5. The final regression model shows a lowest tolerance value of 0.742 and a highest VIF score of 2.799, for this reason multi-collinearity is not plausible. The tolerance values and the values of the Variance Inflation Factors are shown in table 4.4.

Table 4.5. Coefficients of Model for empowerment

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.	Collinearity Statistics	
	B	Std. Error	Beta		Tolerance	VIF
3 (Constant)	1.489	.301		.000		
Empowerment	.575	.074	.612	.000	3.000	1.000

Dependent variable job performance

The above table is intended to indicate the overall influence of psychological empowerment or the cumulative effect of the four dimensions on employee's performance. The beta value is a measure of how strongly predictor variable influences the criterion variable. So that the beta value of this study as indicated in the above table is 0.612 which indicates that a change of one standard deviation in the predictor variable i.e. psychological empowerment resulted in a change of 61.2 percent standard deviations in the criterion variable, i.e., employee performance. Thus, the effect of empowerment on employee performance is positive and statistically significant. Since the higher the beta value the greater the impact of the predictor variable on the criterion variable.

4.2. Discussion of findings

This paper tried to analyze the impact of psychological empowerment on employee performance and job satisfaction of employees in small and medium scale enterprise sectors. All organizations expect a committed workforce, who can define their objectives and set the means for achievement. This can be possible by empowered workforce. Most of the employees wanted recognition and responsibility from their management. When organizations entrust responsibility on its employees and empower them, it leads to greater flexibility, increased innovation, commitment to change and improved work performance (www.workcommunication.co.uk).

Nykodym *et al.* (1994) postulate that employee empowerment will lead to improving productivity, performance and job satisfaction. Furthermore, an empowered workforce will lead to achieving competitive advantage (Conger, 1988; Forrester 2000; Spreitzer, 1997; Sundbo, 1999). Some of the benefits of psychological empowerment programs for the individual employee include confidence about their ability to perform their work well (Spreitzer, 1997) perceived control in terms of a sense of competence and self-determination (Menon, 2001) a clear understanding of their role in an organization, lower absenteeism and turnover, a sense of ownership, taking responsibility, higher levels of motivation, commitment, performance and job satisfaction (Malan, 2002).

According to the researcher, employee performance is predicted by psychological empowerment and meaning is among the four components of psychological empowerment, in which it have strong and significant relation with performance in small and medium scale enterprises. Bandura (1997) purports that people do things that give them a feeling of self-worth and self-satisfaction. According to Buckle (2003) meaning covers the value of a work goal evaluated in relation to an individual's own ideal or standards. Spreitzer (1997) posit that empowered people have a sense of meaning, they feel that their work is important to them and they care about what they are doing. Hartmann (2003) adds that in order for employees to feel empowered they need to have a vivid picture and understand clearly where the organization is going for them to establish a sense of meaning.

Liden (2000) posit that of the four empowerment dimensions, the strongest theoretical argument for a positive relation to work satisfaction has been made for meaning. There is a positive relationship between psychological empowerment dimensions of meaning, work satisfaction and job performance. Individuals who perceive their jobs to be significant and worthwhile feel higher levels of work satisfaction and performance than those who perceive their jobs as having little value.

Spreitzer *et al.* (1997) argue that the meaning of empowerment is important for job satisfaction, as an individual can only derive satisfaction from their work when engaged in a meaningful job. Job satisfaction has also been associated with organizational commitment and performance (Goetzee, 2001).

The findings of a study conducted by the researcher found competence to be significantly associated with performance. A sense of competence gives workers the belief that they are able to perform their work roles with skill and success. The researcher further confirms that competence relates to people's beliefs about their capability to exercise control over their own level of functioning.

Spreitzer (1997) maintain that empowered people have a sense of competence, this means that they are confident about their ability to do their work well. Sundbo (1999) postulate that the personal sense of self-worth and confidence in an individual's job competence should render higher levels of performance in comparison with less empowered individuals. Kraimer (1999) states that human capital is a factor that can promote competitiveness as it provides the required skills, knowledge, attitudes and capacities for developing competitive strategies, product development, quality control, corporate financial development, marketing and human resource development. If people are the key to competitive advantage the way companies treat people are critical to success. In top of that, the researcher found significant relationship between self-determination aspect of empowerment and employee performance even if its impact were less as compared to that of other variables.

Empirical results show a positive relationship between self-determination and job satisfaction (Smith *et al.*, 2003; Spreitzer *et al.* 1997). Spreitzer *et al.* (1997) also found the self-determination dimension of empowerment to be related to work satisfaction and performance, suggesting that self-determination is a psychological need and a key component of intrinsic motivation. In order to improve self-determination, Bon (2012) suggest that empowerment be applied to liberate employees by giving them more authority over their actions, and freedom to choose how and where they contribute.

The findings of a study conducted by the researcher found impact to be associated highly with performance and it is found to be the most important and significant component in positively affecting employee performance. Having impact facilitates workers possibilities to participate in shaping the organizational system in which they are embedded.

In terms of the impact dimension of empowerment, Liden *et al.* (2000) delineates that when employees feel that their work can influence outcomes that affect their organization, they tend to feel more involved and therefore gain a sense of satisfaction with their job. Buckle (2003) maintain that job satisfaction is a person's views about his or her job, which can either be positive or negative. According to Hartmann (2003) impact indicates that people believe they can have an influence on their work unit and that others are likely to listen to their ideas. To substantiate further the relation of impact with performance Ashforth (1989) postulate that individuals believe that they can have an impact on the system they are rooted in, and that they can influence organizational outcomes, then they will be seen as effective.

All in all this study had identified a strong and significant association between psychological empowerment and employee performance. Empowerment have great influence on performance. In the organization empowerment reflects an active work orientation in which an employee wishes and feels able to shape his or her work role or context. This feeling of empowerment has been proposed and found to facilitate commitment of workers in organization and increases task motivation manifested in four cognitions: meaning, competence, self-determination and impact (Thomas *et al.*, 1990).

Psychological empowerment according to Buckle (2003) is a motivational process by which an individual experiences a sense of enablement, as well as provide an effective buffer against the adverse effects of stress. According to Vardi (2000) empowerment is considered important because of the potential benefits that can result from it, including increased commitment, better decisions, improved quality, more innovation and increased job satisfaction.

5. Conclusions And Recommendations

5.1. Conclusions

On the study of relationship between dimensions of empowerment and employee's performance, every dimension of empowerment is directly related employee's performance. The results showed that the dimension empowerment meaning, competence self-determination, and impact is positively and significantly related performance of employee. The results show a significant effect between the dimension empowerment impact and employee performance. The highest degree of employee performance caused by impact dimension followed by competence, meaning and self-determination. Overall these results shows direct effects of empowerment on

employee performance. However, from the data analyzed using of descriptive statistics employees vividly tells they lack the autonomy in which an individual employee makes decisions about his work which means they are not able to determine in shaping of their own work rather they depend on and obliged to follow others description and order. In addition tackling of the work for one self in the organization is not left to an employee's discretion. It is therefore, an employee's sense of having a choice in initiating and regulating actions to achieve expected results were deprived by the organization and they made the employee not to feel causal responsibility for work-related actions. Adding to the above the involvement of the employee in strategic and administrative work is absolutely waived away from employees and accrued at the hands of few and the most top individuals within the organization. The influence of the employee on organizational outcomes is also restricted and the opportunity and freedom of the employee in deciding the ways to carryout tasks is strict and are not allowed to be out of the order given by particular body. In addition sticking always to one's idea may blunder the opportunities that may arise. Moreover, there is no room for the exchange of information with people in the organization other than their department in order to relate and adjust procedures, policies and programs.

5.2. **Recommendations**

Since it is confirmed that there is a significant relationship between psychological empowerment dimensions and employees performance (positive relationship), it is suggested that the management of organization tries his or her best to increase the empowerment of employees so that the organization can survive and improve performance.

- ✓ Managers have to nurture the competencies of employees like self-manageability, critical thinking, interrelating skills, mutual learning, flexible decision making. Job and role clarity has to be given to employees to make him/her feel a sense of competence.
- ✓ To escalate the effort of employee's letting employees select choices for meeting his or her own needs along with creating the feeling of having control over the outcome have to be assured. The organizations have to give employees substantial freedom, independence and discretion in scheduling the work and in determining several task elements' and the procedures to be used in carrying out it.
- ✓ Contribution of people in all level of organizations in decision making process as well as in making use of information helps organization to achieve the goals. Managers empower their subordinates by delegating responsibilities and assisting them when they have problems. This make subordinates to be more satisfied with their managers in return they will perform to the manager's expectations. Employees need to be assisted in the process of empowerment. Managers may frequently use coaching as one of the strategies in making empowerment successful in organization and help employees to solve problems in organization. Participative management allows employees' to participate in decision making process.
- ✓ Sticking always to one's idea may blunder the opportunities that may arise. Hence, Managers should have to encourage entrepreneurial traits and prompts employees to make decisions, take action, and foster their belief that they can take control of their own destinies. Above and beyond, employees should have to be supported and encouraged to use their skills, abilities and creativity by accepting accountability for their work. Adding, they have to be trained enough, given information and best possible tools, fully involved in decision making and are rewarded fairly. Workplaces should have been malleable to appreciate creativity, make employees effortful and to avoid discontent of employees.
- ✓ Management should encourage open communication and teamwork. Management must be willing to communicate and allowing for feedback in every aspect of the business to its employees in an open and honest manner. In addition to that for an organization to practice and foster employee empowerment they need to trust and communicate to their employees regularly so that they are informed of what is taking place in their organization.
- ✓ The management should have to encourage self-directed work teams. The lower level employees can form teams and can produce the better service than individuals. The self-directed work teams have the responsibility for an entire process, service or product from start to finish. Everyone shares equally in the responsibilities. Thus the people can become less dependent on the manager and feel empowered.
- ✓ The organizations have to give employees substantial freedom, independence and discretion in scheduling the work and in determining several task elements' and the procedures to be used in carrying out it. This sense of autonomy and self-determination at work, along with the feeling of having control over the outcome, assists in achieving desirable goal.
- ✓ Organizations have to involve employees in the planning process, job assignment, work procedures as well as in continuous improvement processes. Equally, employees have to be involved in the identification, discussion and agreement of personal objectives (in relation to the organizational plan).

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