

# Empowerment Practices and Organizational Performance: A Review of Literature

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**Abstract:** This study is a descriptive work aimed at theoretically reviewing existing literature on the impact of empowerment practices on the general organizational performance – having empowerment practice as the predictor variable and organizational performance as the criterion variable. In virtually every organization, the central objective of human resource management is to meritoriously pilot the affairs of the employees by inspiring positive work attitudes such as: enhancing productivity, satisfaction on the job, high morale, enthusiasm and organizational citizenship behavior with absolute reduction of destructive work attitudes like high quest to leave the organization, absenteeism, work evasiveness and deviant work place comportment. Existing studies have revealed that employee performance has a direct relation to an organization's overall performance and success and that mainly empowered employees are able to perform immensely and cause the overall performance of the organization to be skyrocketed or to be at its peak. In this study, empowerment practices such as autonomy to employees, effective reward system, effective communication/information system, employee participation/involvement were found to boost employee performance and by extension organizational performance. It was concluded that empowerment practices predicts organizational performance so long as the cost of adopting this practices does not exceed the profit it generates to the organization. This work will be very relevant to academia, organizations and business world at large as a source of knowledge on the importance of empowerment practice especially in terms of performance with its cost effectiveness in view.

**Keywords:** Employee Empowerment, Organizational Performance, Autonomy, Communication.

## I. INTRODUCTION

Recently, many organizations are emphasizing more on higher levels of job performance via their performance management systems both at individual, group and the organizational levels. Even in highly competitive business environments, virtually every organization wants to be successful. Consequently, many organizations, irrespective of their size and market, make every effort to retain the best work practices and even best employees in order to influence the organizational effectiveness and performance. In order to attain the goal of high performance and necessary success, organizations develop and adopt strategies and work practices to enhance their ability to compete in the highly competitive markets and to increase their general performance level.

Empowerment practices have, over the years, been given considerable attention from human resource management researchers and practitioners as one of the effective measures of enhancing employee performance in organizations (Maynard, Gilson, & Mathieu, 2012) and by extension, as a way of attaining the general organizational performance at large. This is because if the workers are not happy/satisfied with the work they do and not motivate/inspired to fulfil their tasks, attainment of the organizational goal, success and increased performance might not be feasible. Empowerment practices frequently occurs in the nature of enhanced human resource management practices akin to: team accountability, according lower-level employees ample autonomy/authority to make decisions with respect to the procedures or methods of execution of their assigned tasks and equally let them take responsibility for the outcomes of their decisions; information sharing, autonomy through job boundaries, etc.

Some of the fundamental objective of human resources in an organization is to effectively manage its employees by stimulating optimistic attitudes like increasing productivity, job satisfaction, motivation and organizational citizenship behaviour and reducing pessimistic employee attitudes like increased turnover, absenteeism, nonchalant attitude to work, deviant work place behaviour and to attain overall increased performance and productivity. These factors jointly explain an individual worker's performance on the job – the aggregate of which affects the overall performance of the organization. In the views of Bohlander & Snell (2010), worker performance is directly proportional to an organization's general performance and attainment. Going by this assertion, workers' performance, thus connotes the degree to which the worker accomplishes his allotted responsibilities in line with the set goals of the organization. Studying to know the basic methods of motivating the workforce to perform amongst appreciation, recognition, job enrichment, employee empowerment, work-life balance, Rediff & Tunar (2013) stated that non-monetary approaches remains widely popular technique in motivating the employees at the time of crisis of which empowerment practice is evidently one.

Generally, overview of human resource practices and agendas designed to increase employee work performance reveals that a wide multiplicity of criterion or measures have been adopted including: motivation, appraisals, job satisfaction, training and development, supervisory/leadership evaluations, productivity indexes, turnover, salary and promotion frequency. While all

of these measures might be recognized to reveal performance in employees and by extension the organization to some extent, there has been very little discussion about conceptual status of the core performance concept itself in line with empowerment practices. This paper therefore focuses mainly on empowerment practices and its significant degree of influence on the organizational performance.

Empowerment practices in organizations appears to be one of the effective strategies to accelerate organizational performance as well as procedures for not just increasing productivity in employees but also providing them with fundamental self-induced rewards and motivating them to continue striving for future tasks geared towards attaining the goals of the organization. Indeed, a motivated worker has his or her personal goals aligned with those of the organization and channels his or her energies in the direction of achieving the general goals of the organization (Kamalian, Yaghoubi, & Noloudi, 2010). Getting the workers to attain their full potentials in the workplace even under a tensed condition is a strong task but this could be achievable by empowering them. The practice of empowerment upturns creativity and initiative of employees and makes them to be dedicated to work more and increases work satisfaction (Wang, 2012).

Empowerment advances organizational effectiveness and increases the flexibility and strengthens the organization, enhances knowledge and skills (Fardin, 2012). According to Abraiz & Raja (2012), the basic components of empowerment comprises: responsibility and accountability, knowledge and skills, independence, information, creativity, initiative and innovation, power plus decision-making. In a research work carried out by Hechanova, Regina, Alampay, Ramon, & Edna (2006) on the association amid psychological empowerment, job satisfaction and performance amongst Filipino service, it was revealed that psychological empowerment is positively interrelated with performance.

For the purpose of this study, empowerment practices dimensions in view are: effective communication, autonomy, employee participation/involvement, effective reward system in line with the clear-cut job design/description in appreciation of the workers' efforts – all of which are conceptually represented below. For Organizational performance on the other hand, the common criterion variables or measures usually considered include: customer perception, financial perception, internal perception and learning perception of the organization. This paper will however, reflect the financial perspective using the transaction cost theory especially considering the cost effectiveness or otherwise of adopting empowerment practices while in view of how empowerment practice could inspire overall organization performance in pecuniary cost parlance. In other words, this study takes on organizational economics standpoint to examine the cost relatedness of empowerment practices in line with organizational performance. The study posits that organizations embrace empowerment practices principally as an approach of work in which the organization

can cut down on the internal transaction costs of handling employee-employer exchange relationships, which indeed appear to be fundamentally a sort of cost-effective behaviour that needs to be considered through a systematic economic analysis and which enhances high level of performance in the organization also.

The basic objective sought is to: (i) explain empowerment practices affects performance generally juxtaposing the dimensions of empowerment with organizational performance; (ii) How empowerment practices (in terms of financial transaction costs exchange principle) moderates or influences high level of performance in the organization.

## II. LITERATURE REVIEW

### *Empowerment Practice Defined*

Empowerment practice in literature is argued to be a multidimensional concept in the sense that it cannot be universally defined. In other words, empowerment has been variously defined, yet there still abound a debate and nil consensus regarding a generally acceptable meaning of the concept because the litany of definitions seem to be devoid of compatible viewpoint in terms of key constituents and applications in its process. It is a concept that simply depicts the act of adopting to empower employees in the organization in the lay man's parlance. According to Raub & Robert (2010), empowerment is connected to job satisfaction, managerial effectiveness, creativity, and team performance or an enabling process which grants the worker the control, power, authority or discretion over the job to be performed as well as the accountability for personal work outcomes plus shared responsibility for unit and organizational performance. Going by this definition, the logic behind empowerment practice is to increase the employee's responsibility, to build employee morale, to enhance employee productivity, autonomy, control and accountability for the outcomes of their assigned work and to improve the quality of employee's work life. Ideally, when an employee feels recognized in an organization, he will be more productive, loyal and more confident to put in his best on the job for a better result.

Empowerment is a crucial variable in predicting positive organizational outcomes (Seung, Gaeun, Seung, & Dong (2016). Many theoreticians in the past have argued that it is contextually and variably defined which implies that empowerment is diversely defined depending on the individual and the context or setting from which the definition is coming from. One author's vision as empowerment may be seen by another as a mere suggested scheme or program. Again, variables in theoretical framework of empowerment may differ in relationship amongst workers at different organizational levels. For instance, street-level bureaucrats or public servants may react differently to empowerment than the managers would. However, despite the disparity in the definitions of empowerment, it is commonly noticeable from the existing definitions that the core element of empowerment involves permitting employees a flexibility or authorization

over certain task related activities and inherent responsibility for the outcomes of the employee's decisions taking on the job or transferring some managerial authority, ability, prerogative and responsibility to the worker regarding his or her assigned task.

Al-Haddad & Kontour (2015) posits that the application of the empowerment process on a wide range within the organization will amount to success in the long-run, and that it has a direct link and influence on the performance level of the employees, and their quality of fulfilment. Most of the benefits of empowerment are: Innovation, greater efficiency and improved performance. Empowerment primarily denotes a prospect an individual has for choice, autonomy, responsibility, and active participation in deciding the procedures of executing their designated tasks in the organizations. Employee motivation and autonomy are entrenched in empowerment practices such as enhancing knowledge and skills through education and training to advance a sense of professional responsibility (Bakker & Leiter, 2010).

Empowerment and its effect on the organization have received substantial consideration over the last decades from both scholars and practitioners (Voegtlin, Boehm, & Bruch, 2015). The general proposal in the literature is that adopting empowerment practices aids organizations to improve an influence on the human resources for competitive advantage (Wood, Burrige, Rudloff, Green, & Nolte, 2015) and enhance organizational performance. This assertion has a fit with the increasing body of research that has attempted to demonstrate that high involvement management practices and high performance work practices amount to improved organizational performance (Maynard et al., 2012). However, the general debate has been that in reality, not all organizations embrace empowerment practices and the effect of these practices on organizational performance may not be as enormous as one would expect (Kaufman, 2015).

After years of activism, the question of why empowerment practices have not been widely embraced by organizations continues to defy the human resources management researchers (Arthur, Herdman, & Yang, 2014) especially with the fast trend of increase in quality labour scarcity, organizations' consciousness over costs of production, cost maximization, competitive advantage and profit maximization in the competitive global landscape. The current literature however exhibits narrow understanding about which organizational factors expedite or encumbers the acceptance of empowerment practices (Wood et al., 2015). This is partly because the subject has been mainly studied from theoretical perspectives, such as organizational psychology (Maynard et al., 2012), resource-based view (Jiang, Lepak, Hu, & Baer, 2012), and institutional sociology, all of which focuses on the value-creation side of the subject and neglect cost considerations. Kuo, Ho, Lin & Lai, (2010) viewed that employee empowerment approaches can vary amongst

organizations in diverse countries and even amongst those in similar industries working on dissimilar business models.

The stance of this study is that though empowerment practices may improve organizational performance due to the psychological, strategic and institutional standards and values they yield to the organization/individual worker, without a comprehensive examination of the cost implications in terms of efficiency /cost effectiveness of such practices, the question of why some organizations are recalcitrant at accepting empowerment practices while others are embracing it remains unanswered. Due to the fast-paced nature of the business environment, empowering employees for higher levels of performance, commitment and involvement is a critical point that must be addressed.

Organizations in the recent times exist in an environment that is dynamic and highly competitive. There are large leading organizations, and there are minor organizations that are striving to find their feet in the business world and aspiring to develop and expand, and some organizations that have failed due to intense competition in the market and had to leave the market. It is consequently demanding for the organization and its leaders to have adequate cognizance and be familiar with all the sequences of the environment in terms of cost of empowerment practices so as to be able to handle contingencies or emergency situations wisely and to be competitively at advantage. Empowerment practices, though, are posited to be one of those crucial practices in the organization that can encourage the employees to manage their skills/talents adequately for higher organizational performance, goal attainment and positive results but it is important we take to heart the fact that it can equally cause the company extra costs/expenditures in their business in terms of training, effective communication process, etc – minimally or at a maximum level which in turn may negatively affect profit maximization and organizational goal attainment in the long run.

#### *Classifications of Empowerment*

Empowerment is classified into two basic constructs namely: the psychological empowerment construct and the structural empowerment. Each classification has a level of analysis which could be individual or organizational level of analysis and each level have an associated outcome. At individual level for instance, the employee is said to be involved in learning decision making skills, managing resources and working with others – all of which results to sense of control, critical awareness of the work environment and participatory behaviour respectively. More will be deliberated upon as we progress.

#### *Psychological Empowerment*

The concept of Psychological empowerment construct is traceable from industrial-organizational psychology and has received much attention from researchers in many business arenas. Psychological empowerment deals with individual

level analysis of the concept and refers to an intrinsic or inherent task motivation showing a sense of self-control in relation to an employee's work and an active commitment with one's work role or designated task (Scott, Gang, & Stephen, 2011). Lots of researchers in organizations have found that psychological empowerment can successfully inspire employees' morale, vigor and enthusiasm for work and promote the improvement of job performance and that Psychological investment influences job satisfaction and organizational commitment in employees (Omar, Moinuddin & Al-Tobasi, 2016).

An investigation of about 258 respondents disclosed that psychological empowerment yields positive work results (Irina, Coralia & Paul, 2015). Also psychological empowerment was statistically found to be significantly related to job insecurity and employee engagement (Marius & Sebastian, 2010). In a study carried out by Joo, Lim & Kim (2016), it was established that employees were highly engaged when they had higher psychology capital with work empowerment as a partial mediator. Research has equally shown that psychological empowerment is positively connected to employees' task, contextual, and innovative performance. Psychological empowerment is said to be a combination of four cognitive components such as a sense of impact, competence, meaningfulness, and choice and these constitutes the components of empowerment process.

#### *Structural Empowerment*

Structural empowerment is a contextual factor which has a great impact on the cognitive elements of psychological empowerment. First defined in 1977 and upheld by Kanter in 1989, the theory of structural empowerment postulates that certain factors in a work environment can empower, encourage optimal performance or hinder/constrain employees' ability to accomplish their designated tasks in meaningful ways. The four empowerment structures often identified includes: opportunity for professional growth, learning and development; information (access to information needed to get one's job done as well as knowledge and understanding of the organization); support for employee's responsibility and job performance; resources availability for employee's to execute their job; formal power and informal power of individuals within the organization (Clavelle, O'Grady & Drenkard, 2013). Going by Kanter's propositions, the onus on the management is to create conditions for work effectiveness by ensuring employees have access to the information, support, and resources essential to accomplishment of their work and to provide opportunities for employees to learn, grow and develop. Thus, employees who believe their work environment provides access to these factors aforementioned are said to be empowered (Wong & Laschinger, 2013).

A research work on structural empowerment exposed that the process and structure within a health organization was related to the professional engagement even of the nursing cadre

(Bawafaa, Wong & Laschinger, 2015). Structural empowerment is said to have a direct positive effect on the areas of work life, which in turn has a direct negative effect on emotional exhaustion. In the nursing professional literature, structural empowerment (alongside transformational leadership; exemplary professional practice; new knowledge, innovations, improvements and empirical outcomes) is one of the five components of the Magnet Model. A Magnet organization model emphasizes not just on improving the organization's performance but also on contributing to the improvement of the employees. Structural empowerment has been established to predict job satisfaction (Wong & Laschinger, 2013), organizational commitment (Smith, Andrusyszyn, & Laschinger, 2010), leadership practices (Wong & Laschinger, 2013), and job stress and burnout (Laschinger, Wong, & Grau, 2013) on nursing personnel – all of which are not devoid of cost involvement at one stage or the other.

#### *Components of Empowerment Process*

The various components considered in empowerment practice are categorized according to the type of empowerment involved. For psychological empowerment, the components of the empowerment process includes: confidence or self-efficacy, impact, knowledge, competence, action and meaningfulness. While the structural empowerment involves such components as opportunity, information, support, resources formal power and informal power.

*Self-Efficacy or Confidence:* Efficacy in employees addresses the question whether the employee is goal oriented to deserve empowerment. Scholars describing empowerment often include the employee's sense of work or goal identification; that is, the employee's beliefs about his or her abilities that demonstrate psychological goals of increased feelings of value, self-efficacy and control. An empowerment practice promotes recognition of the power and capabilities that employees already possess. Goal-setting theory specifies self-efficacy as a moderator between goals and performance and identifies motivation as a branch of highly valued goals for which a person has high self-efficacy.

*Impact:* Impact refers to the magnitude to which one's work contributes positively to the accomplishment of a task and also the extent to which an employee believes he/she can make a difference to organizational outcomes. This element of the empowerment process involves an assessment of what happens subsequent to the individual's actions or decisions. The individual's sensitivity of his or her personal influence likely regulates the relationship between impact and other elements of the process.

*Knowledge:* Knowledge in empowerment seeks to address if the employee is grounded in the understanding about what is required to reach the organizational goal of high performance and competitive advantage. After a goal is identified and it is confirmed that the employee has a feeling of accomplishing the goal, one must identify a course of action. Knowledge is

defined here as an understanding of the relevant social context (what to do), including the power dynamics at play, the possible routes to goal attainment, the resources needed, and ways to obtain them. It is presumed that employees with critical consciousness of the organizational goal will work towards goal attainment and will persist in its pursuit when empowered.

*Competence:* Competence refers to feelings of personal mastery that one is capable of successfully performing a task. Competence entails knowing how to do what one is designated to do. It addresses the question on if the employee to be empowered have the skills to do what is required if empowered. Once an individual knows what is required to pursue and attain a goal, his or her level of actual (as divergent to perceived) skill relevant to the task becomes significant. Identification of skills existing and learning of new skills addresses the issue of competence.

*Action:* For a goal of high performance to be achieved, the managers/employees must take action. The action is moulded by the pieces of the process that come before it: it is compelled by particular goals, motivated by the self-efficacy or beliefs about one's ability to reach those goals, informed by relevant knowledge, and carried out using relevant skills. In terms of the empowerment process, action is connected to employee's knowledge about the power underlying forces that operate in their work lives and the ways they can or cannot change them. Action deals with the question regarding if the employee is going about ensuring that higher performance is attained.

*Opportunity:* Empowerment also involves providing employees with opportunities to apply or use their acquired knowledge, experience and motivation, which leads to a positive work performance (Meng, Liu, Liu, Hu, Yang & Liub, 2015). An employee may be satisfied with the basic contents of the job, but may be frustrated if it does not allow him/her to grow or move in to roles in other areas of the organization.

*Informal Power:* Informal power is developed from establishing relationships, network with peers, subordinates, superiors within or outside the organization.

*Formal Power:* Formal power is moored on work that permits flexibility, visibility and creativeness. It is also derived from jobs that are considered relevant and central to the organization. The common believe is that access to empowerment structures is connected to the degree of formal and informal power an employee have in the organization.

#### *Dimensions of Empowerment Practices*

##### *Autonomy*

Job autonomy is known to be an important contextual antecedent of creativity and innovation (Hammond, Neff, Farr, Schwall & Zhao, 2011). In the meta-analysis carried out by Hammond et al. (2011), all job characteristics, comprising

job autonomy, were established to be the strongest predictors of creativity and innovation amid all predictors assessed in their study. They implied that giving employee's freedom in performing their work, makes them to be able to find and develop working procedures that yields them best tactic of attaining the best result (De Spiegelaere, Van Gyes, White & Van Hootegem, 2015). Such a freedom to choose procedures and take decisions on the job execution processes is necessary for creativity and innovative behaviour as these actions are concentrated on investigating and emerging the best methods to find solution to impeding problems (De Spiegelaere et al., 2015). Accordingly, Dierdorff & Morgeson (2013: 694), argued that "by having freedom in the work role (autonomy), individuals are able to take the initiative and perform in a creative manner because they are less constrained in their role performance."

Job autonomy, alongside intrinsic work, motivation play a vital role in the relationship with affective commitment, and how it mediates their effects on turnover intention. The Job Characteristics Model founded by Hackman & Oldham (1976) submitted that job autonomy refers to the extent to which a job permits freedom, discretion and independence to schedule work, take decisions, and choose the processes and approaches to perform activities required to execute the job. According to self-determination theory, the degree to which work environment tolerates and promotes the job autonomy of employees, allows them to activate positive and autonomous work behaviours. This implies that with a highly independent job, employees can perceive work outcomes as mostly depending on their efforts, feeling individually responsible for the success or failure of their actions and decisions. Amongst the five job characteristics (skill variety, task identity, job feedback, job autonomy, and task significance), job autonomy is said to be capable of activating critical psychological states that facilitates several positive employee states or behaviours like intrinsic motivation.

Job autonomy is considered a very central factor which is capable of promoting employees' work motivation, well-being and satisfaction (Camerino & Mansano Sarquis, 2010). Luthans & Youssef-Morgan (2017) posits that a sense of control is indispensable for the formation of psychological capital and job autonomy means that employees can control their work methods and progress, give them a sense of control, and achieve the necessary conditions of psychological capital. Avey, Luthans & Smith (2010) in study of 1264 employees found that job characteristics (job autonomy inclusive) are antecedents of psychological capital. Wang & Zhang (2016), taking university librarians as the research object, analysed various factors affecting psychological capital, and found that job autonomy has a significant positive impact on University librarians' psychological capital and performance.

##### *Effective Reward System*

A reward can be operationally described as the compensation which an employee receives from an organization in exchange

for the service rendered by the employee or as the return for work done. Reward system can be categorized as intrinsic or extrinsic. Intrinsic reward system involves that psychological and intangible reward that are integral in the job and which the individual enjoys as a result of successfully completing the task or attaining his goals. These include appreciation, praise and recognition touching the self-esteem of the employee. Employees feel satisfied when they have accomplished something worth appreciation at work and orally receive appreciation by the organization (Nawab, Ahmad & Shafi, 2011). The extrinsic reward on the other hand is external to the task of the job and it is tangible in order to appreciate the task performed by employee. Extrinsic reward includes pay, work condition, fringe benefits, feeling of stability, job security, and promotion, contract of service, salary, incentives, bonuses, payments and job security the work environment and conditions of work. (Badrinarayan & Tilekar, 2011).

Effective reward system is an essential mechanism that management applies to channel employee's motivation in anticipated ways such as enhanced functionality and further improve organizational performance. In a world of global competition, employers are in search for better avenues of appealing the employee to perform at optimum. One of such strategies is by the involvement of an appropriate reward system that not only attracts and retains top performing employee but continually motivates them towards achievement (Downes & Choi, 2014). Effective reward system triggers the norm of interchange in the sense that when the organization accommodate the needs of their employees and reward them for their effort, the employees in exchange for the rewards provided to them, will reciprocate by increasing their commitment towards their organization and their work Hafiza, Shah, Jamsheed & Zaman (2011). Rewarding employees is connected to the motivation of the workforce of organization for improved performance but what type and mix of rewarding procedure to apply is a challenge for the organizations. Empowerment practice is one of those thrilling methods of quickening the performance and increased productivity in the employees. An effective reward system must continuously increase the desire to attain high standards, increase employee satisfaction and give a feeling of competence and freedom (Danish & Usman, 2010).

Reward plays an important role in a success of organization (Pulakos & Leary, 2011) as the workforce that is being rewarded in a manner to meet a defined standard are in position of performing better. There is therefore a need for organizations to reward its employees for creating a successful competitive environment if the organization desires to achieve high work performance generally. In the context of monetary reward which is common in most organizations, salary increase is sought to be highly essential for employees' Satisfaction (URT, 2010). A worker whose salary is increased is bound to be highly committed and strengthened to work harder for organizational goal attainment/performance. But all

these costs something which though are not often considered in several scholarly works so far.

Employees desire compensation system that they perceive as being fair and commensurate with their skills and expectations. Pay is a major consideration of reward system in an organization because it provides employees with an extrinsic or tangible reward for their services as well as source of recognition and livelihood (Abdullah, Bilau, Enebuma, Ajagbe, Ali & Bustani, 2012). The human resource department can utilize a compensation strategy to strengthen the strategic and business strategy of the organization and enhance individual performance. Rewards have been cited as important criteria for job satisfaction and abhorrent to employee turnover intentions (Lobburi, 2012). The success of every organization is dependent not only on the quality of human resources available to the organization but also on the ability to activate the optimum output from an employee (Pratheepkanth, 2011).

However, the cost involved in these increments in salaries, bonuses, appreciation with a gift or other incentives, etc, has a role to play or in fact could limit attainment of organizational performance if the funds are limited or were not planned for prior to adoption of empowerment program. If the cost of increasing salaries and empowering employees surpasses the accruable profit from the outcome of their services, then high performance may not be recorded successfully in the organization. This is the reason the transaction cost theory has been adopted in this study. There is increasingly a need for organizations to be in a position of understanding appropriate rewarding system that motivates their employees for higher organization performance (Vance, 2012) in terms of cost effectiveness.

Even if the organisation has taken the conscious decision to adopt empowerment practice by extrinsically or intrinsically rewarding the employees, there is still an imperative to control costs. The issue of how much to spend per employee increment of salary is critical in deciding what should be included in the empowerment scheme. Estimating what the take-up of the benefits will be is another aspect in the cost equation which needs to be considered. Clearly performing a detailed cost analysis is vital and may produce an astonishing result. Even the cost of implementing the empowerment scheme must be considered. This reward related roles are common amongst transactional organizational leaders who are said to focus mainly on contingent reward systems based on performance and achievement of specific tasks or obligations (Men, 2010).

Additionally, in many organizations, instead of the reward systems to harmonize the interest of employee and employer by adjusting employee interest towards higher performance, the systems have sometimes progressively made parallel the interest of employee and employers. Consequently, such organizations have continued to experience low levels of employee performance, high production cost, and low-profit

margins which concomitantly affect the performance level of the organization at large. This could lead to conflicting interest between employee and employer resulting in high labour turnover with its associated cost effect. It is on this premise that the transaction cost exchange theory is considered eminent in this study.

#### *Effective Communication/Information*

Effective communication hinges mainly on the information capabilities of the managers to the employees. There are many approaches available to collate information of an employee performance in the appraisal process. This information gathered must be used for organizational needs and communicated to employees so that it will boost or result in a high level performance (Abdullah et al., 2012). Performance management can concentrate on the performance of an organization, a department, employee, or even the procedures to build a product or service, as well as many other areas to measure the level of growth of the organization. It has been admitted that a lack of performance appraisal can have adverse effect on employees' enthusiasm and contribute to employees' turnover intentions (Abdullah et al., 2011) especially when the positive performances of the employees are not communicated in appreciation to them.

Poor communication is one of the principal reasons so many new welfares schemes run into trouble. Empowerment practice is not an exception to this. Many employees never have a realistic idea of the true value of the empowerment practice hence the interest in total reward statements at the onset of remuneration negotiations. Employees need to know and understand the basic mechanism and rudiments of the empowerment practice adopted by the organization and how it operates. The employees need to know if the value of the empowerment practice is stated in terms of the advantage it offers the employee and the cost to the organisation for adopting the mechanism else the introduction stage of this practice might receive significant resistance from the workers. At managerial level, it is of high importance that managers be able to adapt their leadership style in order to best communicate the organisation's empowerment objectives in a way that instils trust and loyalty in employees.

#### *Employee Participation/Involvement*

Employee participation or involvement is considered a basic component in the successful execution of novel management strategies and plays an imperative role in shaping the degree of quality organizational citizenship behaviour. Bennett (2010) defined employee participation or involvement as a sort of employee voice initiative which may be considered differently by Human Resource experts and unions. Numerous studies have revealed that permitting employees to be involved in decision making concerning their assigned tasks, how to implement and when to execute the jobs, etc, leads to increase in motivation, job performance, and organizational growth (Bhuiyan, 2010). Employee participation involves a direct or indirect involvement of the worker in all facets of his

or her work life or related work activities in the workplace. Participation is said to be a kind of extension of organizational democracy in the work place which helps to reduce turnover, absenteeism, the number of grievances, and results in a more cooperative relationship between management and the workers (Greasley et al., 2008, cited in Mendes & Stander, 2011).

There are about three levels of employee participation in deciding about their work related activities: low level participation, middle level participation and top level participation. At the low level, management attempts to advance communication and attitudes, but still sees the employees as relatively passive (Du Toit, Johann, Theron & Shane, 2010). Participation of employees at this level is usually through staff representatives. At the middle level, the management actually gets the employees involved in the decision making processes of the organization regarding, for instance, how the organization's regulations, rules, disciplinary measures and others are to be implemented giving careful consideration to productivity and the cost perspectives Du Toit et al, (2010). At the top management participation level, the management of the organization considers the employees as associates or partners in the organization and recompenses efforts through gain distribution or profit allotment schemes (Du Toit et al, 2010). At this level also, top management and the representatives of employees decide on issues of strategic significance for the organisation at large.

Several scholars have argued that there is a positive relationship between organisational performance and employee involvement of workers in decision making perspective of organizations. Many have rightly maintained that employee involvement contributes to organisational efficiency as it has the tendency to improve the quality of decision making by increasing the inputs and promotes employee commitment to the outcomes of the decision making process in the workplace.

#### *Organizational Performance*

Organizational performance has overtime been considered in many diverse areas with varying interpretations on what successful performance stands for. Some have viewed organizational performance in terms of customer perception, financial perception, internal perception and learning perception of the organization. This study however, considers organizational performance arising from empowerment practice from a single area perspective which is the financial/cost relatedness and its profit to the organization. In this standpoint, efficient organizational performance can be associated with successful value creation for stockholders. This study maintains that value creation here is equated with organizational financial performance. Thus, this study discusses the measurement of organizational financial performance in line with the cost effectiveness or otherwise of adopting empowerment practices in the organization. This study recognized distinctive scopes of financial performance

and measures of them, developed and tested a multi-dimensional model of financial performance, though in an explanatory form. In essence, so long as the value created by empowerment practice in the organization is higher than the value expected by the organization, empowerment will always be upheld while the reverse becomes the case if the value created by the adoption of empowerment is far below the expectation of the organization.

Without mincing words, the prospective success of a business is usually contingent to its organizational performance. This is usually reflective of the organization's ability to effectively implement feasible strategies to accomplish established goals and objectives (Randeree & Al Youha, 2009). Organizational performance can be defined as the degree to which companies achieved their business objectives (Janepuengporn & Ussahawanitchakit, 2011). This construct is assessed essentially through financial indicators (such as profit, return on investment) or non-financial indicators (such as customer satisfaction and quality of products and services). A number of variables constitute organizational performance which include but not limited to: business model effectiveness, efficiency, and outcomes (Boyatzis & Ratti, 2009).

In the framework of organizational financial performance, performance is the extent or degree of the change of the financial status of an organization, or the financial results that sprouts up from management decisions, practices and the execution of those resolutions by members of the organization. The core of performance (be it financial or otherwise) is value creation which is usually multidimensional. Since the concept of organizational performance is centered upon the idea that an organization is the voluntary undertone of productive assets such as humans, physical, and capital resources, for the purpose of attaining a common drive (Barney, 2002), if the value created by the adoption of empowerment practices contributes assets or higher finance equal to or greater than the value expected by those funding the practice, the contributions for upholding the empowerment practices will continue to be made available to the organization and the organization will continue to flourish in performance. According to Venkatraman & Ramanujam (1986), the financial and operational performance fields are subsets of business performance, which is a subset of organizational effectiveness. This implies that the three domains of business are financial and operational performance, business performance and organizational effectiveness.

Numerous researches have emphasized that trusting employees with some level of decision making authority is a key factor for organizational performance (Koohang & Paliszkievicz, 2013). Definitely, trust is a vital constituent for cooperative climate and fosters knowledge sharing, inspires creative behavior (Sankowska, 2013) and has a positive influence on employee commitment towards the company and on their contentment and performance (Awamleh, 2013).

According to Paliszkievicz (2011), a low-trust organizational culture can lead to destructive economic consequences. It is a known point that almost all organizations are conversant with the fact that work alone is not the only success syndrome but that when their employees seek out success determinedly, and when they are result-oriented.

A number of factors equally facilitates high organizational performance. Some of these factors include the leadership of the organization, the employees, the environment, etc of the organization. Organizational performance, effectiveness, success and productivity can only be achieved by accountable, competent employees who find some sort of meaningfulness in the job they are doing. In terms of leadership, the performance of any organization hinges greatly on the level of leadership skill the leaders of the organization possess in terms of executing strategies. Despite that there are always challenges in the course of achieving organizational goals, it is imperative that the modus operandi that leaders apply in managing the organization, be bendable enough to accommodate change (Stacey, Paul & Alice, 2011). Organizational performance depends largely on its workers as employees are the core component of the organization as they individually or in group (team) work towards achieving the organization's goals/objectives. The concept of leadership is often assimilated within the context of an effective team (Mukherjee, Lahiri, Mukherjee & Billing, 2012). For high organizational performance to be attainable, the cognitive aptitudes of both individual workers, teams and leaders must be vitally effective.

Performance can also be measured in terms of output produce such as the quality or quantity of job, job design and others (Rahim 2013). There are several other methods that have been proposed for measuring organisational performance at employee and organisational level. The first one includes group of performance measures which are traditionally financial and accounting based and these were founded on the assumption that organisation's performance is only measured in quantifiable units. These financial measures include income or sales from operations, rate of return on investment and residual income. Without prejudice to the merits of the financial and accounting measures in assessing performance, the fact that they were cost based and backward looking provided little motivation. However, there are recently new improved metrics to measure performance being embraced by financial specialists and these include measures such as activity based costing and economic value added (Beheshti & Beheshti, 2010).

It's on the premise of this costing measure of performance that this study categorically states that though empowerment practice is connected to organizational performance for being focused on granting employees the autonomy to participate in decisions concerning their job and giving them the privilege of accounting for their responsibilities, cost imperativeness of the practice, if not watched, could equally negatively affect the organizational performance. If the cost of empowering the

workers outrageously outweighs the profit arising from the practice, what then is the gain or worth of the empowerment practice?

#### *Effective Reward and Organizational Performance*

The impact of reward system on the performance of the employee and the organization cannot be over emphasized. Rewards are said to be the financial, non-financial and psychological benefits an organisation offers to employees in return for their contributions and labours (Haider, Aamir, Hamid & Hashim, 2015). Reward is said to be very influential on employee behavior, performance and relationship. Reward is divided into two: the intrinsic reward and the extrinsic reward. The influence of encouraging reinforcement on the performances of employees in organizations was investigated by (Wei & Yazdanifard, 2014). They found out that extrinsic reward or intrinsic reward (financial and none financial rewards) are positively related with efficiency and effectiveness of workers and the organization at large.

Extrinsic rewards include salary, bonus and fringe benefit while intrinsic rewards are praise, encouragement and empowerment. By applying positive reinforcement in these factors, desired positive behaviours are encouraged and negative behaviours are eliminated. According to Linz & Semykina (2012), the basic motivations for employees to work is salary or pay. And this basic motivation helps organizations to reduce monitoring cost or the cost of observing if employees are performing well or not (Chien, Lawler & Jin-Feng, 2010). As revealed by Liu (2010), Huawei, a Chinese information technology firm offers a high basic salary as a performance based technique (a sort of empowerment) and this enhanced employee's attentiveness and alertness in executing their duties and skyrocketed organizational performance Hübner & Schlösser (2010).

When a percentage of employee salaries or wages are dependent on performance, employees tend to work harder. Though, it may generate a huge impact on some of the workers because they might stop performing greatly when pay reliant on performance is withdrawn (Koffarnus, DeFulio, Sigurdsson & Silverman, 2013). When the employees are rewarded for their performances, they will certainly increase a positive behaviour and equally perform better. Thus, monetary or extrinsic rewards reinforces employees' work behaviour and performance positively (Rudge, 2011). Even the intrinsic reinforcement offered employees in the form of mere praise, delegation, acknowledgement, can impact or strive performance of the employees (Gohari, Ahmadloo, Boroujeni & Hosseinipour, 2013). Additionally, Whynter-Palmer (2012) informed that empowerment or a nous of authority granted to workers was used to reinforce own proficiency and also enhance decision making skills at work. A study carried out in Golestan Telecommunication Company located in Iran revealed that empowerment significantly improved the work performance (Siami & Gorji, 2011). When the employees give or put in their best on the job, the customers will be satisfied

and consequently, there will be a positive growth in revenues and profit maximization which are signals for high performance (Elloy, 2012). Finally, it has also been established that positive empowerment, both intrinsically and extrinsically is definitely related to the performance of employees and is highly efficient in solidifying and increasing employee behaviours. The type of positive reinforcement measure includes salary, performance-based incentives and fringe benefits. All of these encourage employees to exert and give in their best to the organization and to this helps to sustain the organizational performance at its peak – though at a cost to the organization.

#### *Employee Participation and Organizational Performance*

Employee participation in decision making and other activities of the organization has been measured as a managerial tool to stimulate organizational commitment aimed at improving organizational performance. Workers' participation in decision making has been established as having both positive and negative influence on organizational performance. A recent study by Kuye & Sulaimon (2011) noted that, firms who supports employee participation in decision making outperforms or does better than its competitors because participation in decision making helps the employees to strive towards increased organizational productivity. Management Study Guide (2016) attested to the fact that worker's participation in decision making aids to improve the level of employee satisfaction, commitment, morale, support and inefficiency in the work place.

When people notice that their opinions and commendations are executed or put into practice, they feel inspired to strive towards doing more in the future. Psychologically, such employees are deemed as an integral part of the organization and views his or herself as a treasured employee rather than a redundant worker. In Westhuizen (2010) employee participation is described as the totality of procedures, directly or indirectly involving individuals and groups to contribute to the decision making process. Minter (2010) stated that decision is a choice among two or more alternatives and in most organizations, decision making is dependent on the degree of autonomy built into particular jobs. Employees within any organizations respond promptly in taking decision if they have freedom to do so. Employee participation triggers leader behaviour, high commitment.

Performance indeed, is concerned with the ability to attain scheduled goals using people in an efficient and effective manner (Alexandra, 2013). Employee performance is a measure of employee effectiveness and efficient relative to output – meaning that employee performance measures the extent of commitment and satisfaction the work. But Organizational performance is achieved via committed employees who view organization's mission and channel their actions towards upholding its goals and pursuing its objectives (Robbins & Coulter, 2013). Thus, workers who are granted autonomy or freedom to participate in deciding how and when

to execute their jobs are bound to be instrumental in pursuing and attaining organizational performance.

#### *Empowerment Practice and Organizational Performance*

This study views the relationship between empowerment practice and its consequences on performance through theoretical perspectives relating to profits or value-creation perspective of empowerment practices in line with organizational psychology, resource-based view and institutional sociological standpoints (Jackson, Schuler, & Jiang, 2014). In the organizational psychology standpoint, empowerment practices have been established to have a positive relationship with organizational performance as they prompt positive attitudes and behaviours from workers. That is, passing unto the employees the authority to execute their jobs boosts their individual commitment, motivation, job satisfaction, and collective exchange relationships in the organization (Maynard et al, 2012). When these psychological advantages abound, they stimulate employees' work exertions mutually, creates value and enhances organizational performance as well. Embracing empowerment practice promotes employees' knowledge, risk-taking and commitment and consequently brings long-term value to organizations (Kaufman, 2012). Empowerment practices enrich organization's human capital by granting the employees the opportunity to utilize their full knowledge and abilities alongside gaining new knowledge plus skills (Jiang et al., 2012). This heightens positive work behaviour in the employees and causes an increase in performance. Sociologically, organizations are said to practice empowerment in order to conform to prevailing social norms, normative and cognitive institutional pressures or to be compliance with governmental regulations of the time.

Variations in business environment have forced organizations to review management systems in order to remain competitive in the recent turbulent economy. In literature, it's been established by diverse researchers that employee empowerment has a positive relationship with the accomplishment, motivation and contextual performance of employees. Research has also specified that employee empowerment is a crucial predictor variable to accomplish motivation and contextual performance of employees (Tutar, Altinoz, & Cakiroglu, 2011). Chung (2011) established that teachers with an empowered environment are able to perform powerful tasks; develop initiative, work as a team as well as individually; get rewarded for participation, have opportunity for risk taking, and have support for work-life integration which, in turn, intensifies their workplace behavioural level and performance.

Recent literature reveals that empowerment has a positive and multidimensional role in organization's function and outcomes. Most findings have also indicated that there is a very significant transformation between rate of employee performance before and after empowerment implementation, evident in the way empowerment practice emphasized: delegation, participating management, encouragement and

reward made employee performance to increase tremendously (Meyerson & Dewettinck, 2012). However, literature reviews that empowerment experiences serious real-world hindrances such as inadequate top management support, lack of sensitization, nonexistence of clear regulations on ways and tools of empowerment and inadequate funds to execute additional practical and training activities regarding empowerment and restructuring organizational culture and structure to create empowerment friendly environment (Awamleh, 2013). The strategic human resource management viewpoint additionally maintains that the value created by empowerment practices is dependent on the type of organizational tactics. For instance, organizations adopting a differentiation strategy are bound to embrace empowerment practices that encourages innovation and entrepreneurship – though there is no recent empirical proof sufficient enough to back up this view (Wright, Guest, & Pauwe, 2015).

When empowerment takes place, the organization would experience reduced labour turnover, there will be increasing employee self-confidence and workers would assume answerability for their own performance and its development. This intrinsic expertise of the workers and propensities will be contributory for the organizational behaviour in order to create further satisfied consumers/customers. An empowered and dedicated labour force is broadly claimed to be essential for the effective functioning of modern organizations (Rawat, 2011). The dominance of empowerment practice in the organization facilitates employees being more proactive and self-sufficient in assisting an organization to achieve its goals – which indeed is an aspect of the behavioural empowerment outcome.

The purpose of empowerment is not only to ensure that effective decisions are taken by the right employees but to offer a mechanism via which responsibility for those decisions is bestowed in individuals and teams involved in it. Empowerment, though, generally seen as strategic to employee satisfaction and improved productivity, the advocates of empowerment, view it as indispensably at the foundation of continuous improvement in the organization's performance. 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 heightened by empowerment. In the works of Dizgah, Chegini, Farahbod, & Kordabadi (2011), it was revealed that amongst aptitude, trust, power, choice, meaningful jobs and competency with the Organizational effectiveness, there exists a significant relationship which implies that an increase in the above mentioned variable on the employee, correspondingly increases organizational effectiveness and performance.

### III. CONCLUSION

Organizations in the recent times are characteristically fast paced in change, development, higher performance and in gaining competitive advantage. Empowerment practice

appears to be one of the management tools for attaining these purposes. An empowering organization stresses on autonomy, accurate information and individual involvement for organizational goal attainment. In order to achieve organizational performance via empowerment practices, it does appear expedient for the managers to ensure that employees have the right blend of information, talent/knowledge, autonomy and rewards to work more enthusiastically, independently and meaningfully. Several management scholars have opined that adopting employee empowerment practices alongside other managerial practices may go a long way to aid the organizations in achieving higher performance and in attaining the goals/objectives of the entire organization.

Empowerment has long been a key concept in disciplines such as critical, liberation, and community psychology, multicultural and feminist counselling and social work with its history evident within the human relations movement prominent in the 1920s and 1930s, inspired by Elton Mayo's Hawthorne studies. Those studies involved field experiments on the effects of work conditions (e.g., hours of work and payment incentives) on performance. The outcome of the study initiated the fact that high performance not only comes when work conditions are improved but also when they subsequently reduced work leading to increased productivity and inherent profitability.

It is worth noting that empowerment is context and population specific in the sense that it takes on different form for different people and in different context. What constitutes empowerment for one individual or group of persons might not appear to be such to another group of individuals. However, in each viewpoint, empowerment is central to the work of improving human lives. An organization is said to be empowering when it enables employees gain skills so that they can become independent problem solvers and decision makers. Empowerment focusses on social, political, and material resources and inequities in the environment, the strengths of individuals in organizations and communities, and the enhancement of well-being through support of the natural inclination to strive for positive change. The breadth and compelling nature of the concept of empowerment practice has led to its prevalent use in the contexts of research, practice and social action in psychology and related fields.

The application of empowerment practices entails transaction costs, from extensive training for employees with respect to how to use the allocated authority, and setting up socialization processes that promote employees' commitment to empowerment practices, to communication costs associated with transferring information from the employer to the employees. Theoretically, transaction costs are in two dimensions: the explicit costs (which comprises identifiable and easily quantifiable costs) and the implicit costs (which involves costs that cannot be directly noticeable/observed). This makes transaction cost measurement challenging. Williamson, who was recognized with a Nobel Prize for his

work on transaction costs, theorized that whether activities would be internalized within an organization depended on their transaction costs. He generally viewed transactions as transmissions of goods or services across boundaries, and maintained that when transaction costs are high, adopting the transaction within a chain of command is preferable. Conversely, when transaction costs are low, buying the good or service on the market was the preferred option. Three dimensions were developed for characterizing transactions: uncertainty, frequency, and asset specificity, or the degree to which transaction-specific expenses were incurred.

Managers are encouraged to accept to use empowerment practices over the traditional authority mode of work organization only when the transaction costs of using such practices are lower than the transaction costs caused by performance ambiguity and human asset specificity, including the costs associated with searching and identifying employees' work performance information, costs of monitoring employees' work activities, and the bargaining costs to expropriate returns from the specialized human assets (Brown et al., 2015). Secondly, our theory describes how empowerment practices can contribute to organizational performance through moderating effect of employee-employer exchange characteristics on organizational performance. The study equally suggests that empowerment practices can be instituted to effectively lessen employees' opportunistic tendencies and reduce the high costs of monitoring and directing employees' work activities, which in turn aids organizations to handle the performance losses caused by the negative impact of high human asset specificity and performance ambiguity on organizational performance.

However, while empowerment practice is a fundamental concept in human resource management especially in alleviating the commitment of workers on their job, it is not a panacea for solving all employee and organizational related problems. The economists rightly posits that human needs vary and are completely insatiable. That one employee feels empowered is strictly dependent on his current pressing need and when such a need is met by the organization, empowerment is said to have occurred. It is therefore, important for modern-day organization managers need to understand the motivation flow and create a culture of the organization with a level of empowerment in which employees are always more productive (Sekhar, Patwardhan & Singh, 2013). Future research could be focused on researching the extent of generic need of workers that should attract general empowerment exercise by the organization.

#### IV. RECOMMENDATIONS

Managers of organizations are hereby recommended to make a choice of using empowerment practices over the traditional authority mode of work organization only when the transaction costs of using such practices are lower than the transaction costs caused by performance ambiguity and human asset specificity, including the costs associated with

searching and identifying employees' work performance information, costs of monitoring employees' work activities, and the bargaining costs to take returns from the dedicated human assets. Again, future studies on empowerment should inculcate the cost effectiveness or otherwise and not always project empowerment as a mere palliative for ever agitating employees or as the encompassing measure of increasing organizational performance.

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