

# **Impact of Employee Empowerment on Organisational performance Case of Automobile Industry in Chennai city of Tamil Nadu in India.**

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## **Abstract:**

The purpose of this paper is to contribute towards the important aspects of Employee empowerment and Organisational performance. It shows the relationship between Employee empowerment and its effects on Organisational performance in Indian firms; narrowing down the scope to Chennai venues of Tamil Nadu state. The ultimate objective is to determine the impact of Employee empowerment on Organisational performance. The focus is on Employee empowerment and its impact on Organisational performance for a sample of Indian firms in the city of Chennai of Tamil Nadu in India.

## **1. Introduction**

To empower means to give power to. Power, however, has several meanings. In a legal sense, power means authority, so that empowerment can mean authorization (Kenneth W. Thomas 1990). However, power also means energy. Thus, to empower also means to energize. This latter meaning best captures the present motivational usage of the term. The word empowerment refers to the motivational content of this new paradigm of management. As leadership expert Daniel Goleman points out “the Employee is a basic molecule of distributed leadership and basic unit in which you can change norms throughout the organization.” In the past, the organizational researchers have focused their work on empowering management practice, including delegation of decision making from higher organizational levels to lower levels and increasing access to information and resources for individuals at lower levels (Blau and Alba 1986).

Recently, Thomas and Velthouse (1990) advocated seeking alternative perspectives on empowerment that distinguish between situational attributes (e.g. management practices) and

job incumbent cognition about those attributes (e.g. psychological empowerment). Similarly, Conger and Kanungo (1988) argue that management practices are only one set of conditions, and that those practices may empower employees but will not necessarily do so.

### **1.1- Significance of the Study**

This study evaluates the impact of Employee empowerment on Organisational performance and determines to what extent it is successful in both local and foreign organizations. Presently, many multinational firms are attracted towards the, Indian market . It will be useful for Indian working environment for those multinational firms too.

This paper tries to make the Employee leaders and top management realize the importance of Employee empowerment as a means enhancing performance. It is hoped that business corporate companies at the corporate level will take advantage of this research and will apply this approach for Employees. This study suggests that organizations following the Employee empowerment approach can gain advantages. Employee empowerment can enhance both quantity and quality of Employees work. The study will be useful for Employee leaders and Employee members in building of the empowered Employees. The study will provide guidelines for project / Employee leaders in the development of Employees work. Findings of this research will provide empirical data for Employee leaders, top management, and Employee members to help them create an empowered environment for better Organisational performance. Creativity and innovation will be promoted in Employee-based environment because of cross fertilization of ideas. The empowerment concept will help allay concerns about employee freedom and will help to motivate the employees.

### **1.2- Problem Definition**

The importance of Employee empowerment and its different dimensions and effect on Organisational performance leads to the basic problem stated as follows:

“Determining the impact of Employee empowerment on Organisational performance.”

### **1.3- Objectives of The Study**

The objective of this study is to contribute towards a very important aspect of Employee management, known as Employee empowerment. The research will analyze the relationship between the Employee empowerment and its effects on Organisational performance at Tamil Nadu of Indian firms in Chennai city. This paper will review empirical evidence on the Employee empowerment effects. The ultimate objective is to determine the impact of Employee empowerment on Organisational performance.

Keeping in mind, the main objectives are as follows:

To highlight the Employee empowerment importance for Organisational performance. To determine whether positive relationship exists between Employee performance and Employee empowerment i.e. whether increasing level of Employee empowerment results in higher level of Organisational performance.

To evaluate the effect of different dimensions of Employee empowerment on Organisational performance.

To determine different factors as mentioned in the theoretical framework related to Organisational performance and Employee empowerment.

To suggest the implementation of Employee empowerment for successful Organisational performance if it can be determined that Employee empowerment and Organisational performance are positively related.

#### **1.4- Scope Of The Study**

This study investigates Organisational performance in the Automobile sector. It is rapidly expanding, and a number of new companies are being established. All these companies are high tech, and many of them are primarily service providers. To provide good services, these organizations need to be very good in technical advancement, adopting modern management styles, mainly Employee work to cope with the changing environment demands. Due to time and financial limitations, the main focus is only on the city of Chennai in Tamilnadu. The study encompasses ten Automobile firms located in Chennai city. This study considers Employee empowerment, and Organisational performance and benefits of Employee empowerment on Organisational performance. A convenience sample is selected from all Automobile organizations in Chennai in order to administer the questionnaires and conduct interviews in few visits.

#### **2- Literature Review**

Bradley and Benson (1990) examined the antecedents, consequences and mediational role of Employee empowerment using 111 work Employees in 4 organizations. Their result indicated that actions of external leaders, the production/service responsibilities given to Employees, Employee-based human resources policies, and social structure of Employees all worked to enhance employee – Employee empowerment experiences. More empowered

Employees were also more productive and proactive than less empowered Employees, and had higher levels of customer service, job satisfaction and Employee commitment.

Pilar, Angel Martinez and Mauela (2005) analyzed the results of their conducted survey to university R & D Employees about the moderator role on the relationship between Employee empowerment and Organisational performance and the organizational attitudes. The results support the positive impact of Employee empowerment on Organisational performance and organizational attitudes. The moderator role indicated that Employee labour flexibility and age diversity decreased the positive affect of Employee empowerment on Organisational performance. Perceived work based social support positively, moderated the impact of Employee empowerment on Employee productivity; whereas work-based organizational support moderated its effect on customer service. Finally, perceived fairness and Employee gender's diversity were also positively related to the job satisfaction.

Martin and Hans (2001) indicated that importance of Employees work to success of innovative projects. They developed a comprehensive concept of collaboration in Employees, called Employees work quality. Six facets of Employees work quality construct were specified: communication, coordination, balance of member contribution, mutual support, effort, and cohesion. The result showed that Employees work quality was significantly associated with Organisational performance as rated by Employee members, Employee leaders and Employee external managers. Furthermore, Employees work quality showed strong association with Employee members' personal success.

### **3- Methodology and Research Design**

This section discusses the variables included in the study, the distribution pattern of the data and the statistical techniques applied in the determination of association between Employee empowerment and Organisational performance.

#### **3.1- Research Limitations**

The major limitation has been cost and short time for completion of this paper. Also, all companies surveyed were those in Chennai so that the prospective respondents could be easily approached.

#### **3.2- Data Set**

This study is concerned primarily with primary data acquired through a questionnaire, and obtained from Automobile companies.

#### **3.3- Framework and Sample of the Study**

The study frame is Chennai Automobile companies. The selected sample targets the Automobile firms located in Chennai city. It consists of 100 Employee leaders/ Employee members; only 87 have responded.

**3.3.1- Variables:** This study intends to examine Employee empowerment and its influence on Organisational performance. The choice of variables is influenced by previous researches on Employee empowerment and Organisational performance.

**Independent variables:** Employee Empowerment is the main independent variable, in addition to **Meaning ,Competence ,Self-Determination and Impact .**

### **Meaning**

Meaning is the value one places on the importance on a given job, based on the individual's own standards and ideals (Thomas and Velthouse, 1990). It also involves a fit between the job's role and the beliefs, values and behaviours of the individual (Brief and Nord, 1990).

### **Competence**

Competence is the ability or capability of the individual to perform tasks or responsibilities assigned. Gist (1987) defined competence as the individual's belief in his or her capability to perform activities with skill.

### **Self-Determination**

Self-determination is the autonomy in which an individual makes decisions about his work. It is therefore, an individual's sense of having a choice in initiating and regulating actions to achieve expected results (Deci, Connell & Ryan, 1989). Examples of self-determination are making decisions on work methods, pace and effort.

### **Impact**

Impact is the degree in which an individual can influence strategic, administrative or operating outcomes at work (Ashforth, 1989). It is also an individual's belief that they can have a real impact on organisational outcomes or results.

**Dependent variable:**Organisational performance is the main dependent variable. It is defined as the extent to which a organisation is capable to meet established quality, cost and time objectives (Gemuneden 1990, Schrader and Goefert 1996, Gemuneden and Lechler 1997). The perception of project's success depends, in part, on the perspective of evaluator.

The operationalized concepts used to measure are: **Profit growth rate,Sales growth rate, Dispute rate, Absenteeism rate, and Employee turnover rate.**

**Profit growth rate:** Growth in profit is one of the indices of organisational financial performance. Companies normally want profits to grow. To calculate profit growth, analysts use a percent-change formula. This shows the percentage the profit grew from one period to another. Analysts can use any period to determine the profit growth, such as weekly, monthly, quarterly, semi-annually or annually. (Carter, 2012).

**Sales growth rate:** Growth in sales is another index of measuring financial performance of an organisation.

**Dispute rate:** Dispute rate in an organisation has been considered as an index of organisational non-financial performance, thus treated as one of the dependent variables in the research. Dispute means a difference or apprehended difference between an employer and one or more of his employees or a trade union, as to matters or things affecting or relating to terms or conditions of employment or work done or to be done. High dispute rate is considered harmful for the organisation. It may depict dissatisfaction among employees thus can adversely affect the performance and commitment of employees towards organisational objectives.

**Absenteeism rate:** It is considered in the present study as another indicator of organisational non-financial performance.

**Employee turnover rate:** It is also considered as one of the indicators of organisational non-financial performance. It shows proportion of employees resigned/left the company in the particular year.

### 3.4- Hypothesis Testing

H0: Employee empowerment is not correlated with Organisational performance.

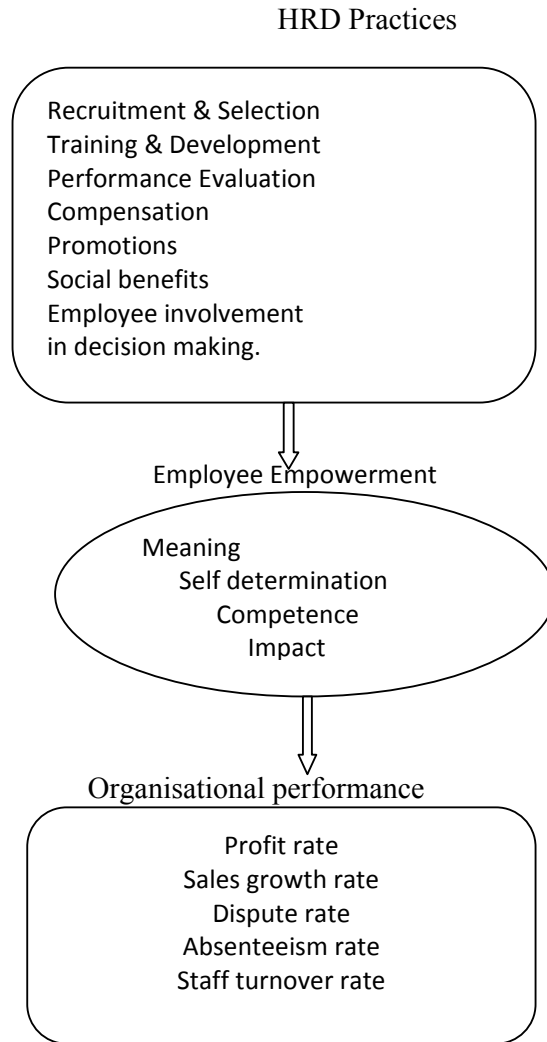
H1: Employee empowerment is positively correlated with Organisational performance.

The study assumes that there is a positive relationship between Employee empowerment and Organisational performance. The central proposition of this study is that Employee empowerment is positively related to Organisational performance. Fig 1 depicts the proposed positive relationship between Organisational performance and Employee empowerment.

The performance factor can be determined by both financial and non financial indicators. For non- financial indicators, the study considers the quality, budget, time, cohesion, trust learning, work satisfaction, Employee conflict, effort, balance of member contribution and mutual support. Employee empowerment has elements such as potency, meaningfulness, autonomy impact. Regression analysis is used to determine relationship between the dependent and independent variables .It shows the dependence of variable on the independent variable. The employee empowerment can be done through various HRD practices such as

Recruitment & Selection, Training & Development, Performance valuation, Compensation, Promotions Social benefits, and Employee involvement in decision making.

**Fig 1 : Schematic Diagram**



**4- Discussion and Findings**

Both descriptive and quantitative analyses of the study findings are given. Questionnaire has been the only source of data. Questionnaires were personally administered to Employee members working in Automobile companies.

Data was collected from 10 different Automobile companies operating in Chennai city. A mix of manufacturing and service oriented companies are selected. Likert interval scale is used in analyzing the questionnaires content. Respondent’s participation in this study was

voluntary. The questionnaire was handed over to respondent to be completed without supervision. On average, three members of each Employee responded.

#### 4.1- Descriptive Statistics

Descriptive analysis displays relevant aspects of Employee empowerment, Organisational performance and provides detailed information about each relevant variable. It shows the average and standard deviation of different variables of interest. The average of Employee empowerment and Organisational performance from 10 Automobile companies is approximately 5 which show that respondents agree that when the Employee is empowered its performance of Employee gets increase. Table 1 provides the results:

**Table 1 : Over all Descriptive Statistics**

Variables	N	Mean (Actual)	Mean (Approx)	Standard Deviation
Organisational performance	87	0.329378	5.0917	5
Employee Empowerment	87	5.6561	0.46246	5
Valid N				

Using Seven point scale: 7 = Very Strongly Agree to 1 = Very Strongly Disagree N= number of respondents

The mean value of Employee empowerment is 5 with standard deviation 0.329378 and of Organisational performance is 5 with standard deviation 0.46246. This shows respondents agree that Employee empowerment increases Organisational performance. Standard deviation values are very small indicating that most of observations in a data are close to mean value.

#### 4.2- Quantitative Analysis

In quantitative analysis, two methods are applied: correlations as well as Regression analysis to estimate the causal relationship between the Organisational performance and Employee empowerment.

Pearson’s Correlation Coefficient Analysis Pearson’s Correlation is used for data to see the relationships between variables such as those between Employee empowerment and



Organisational performance. This study expects to find a positive relationship between Employee empowerment and Organisational performance.

This means that when Employee empowerment increases then Organisational performance also increases. Table of Pearson’s correlation also explains that there is a significant positive relationship between Employee empowerment and Organisational performance. The correlation coefficient is 0.76 and p value (0.00). It is highly significant at  $\alpha=1\%$ , which means that more empowered Employees would perform better, which proves the given hypothesis.

**Table 2: Pearson’s Correlation Coefficient\***

Variables		Employee Empowerment	Employee Performance
Employee Empowerment	Pearson Correlation Sig. (1-tailed)	1	.76(**) .000
Employee Performance	Pearson Correlation Sig. (1-tailed)	.76(**) .000	1
	N	87	87

\* Using Seven point scale: 7 = Very Strongly Agree to 1 = Very Strongly Disagree N= number of respondents

\*\* Significant at  $\alpha = 1\%$

The results of correlation indicate that Employee empowerment very significantly affects the Organisational performance.

Regression Analysis For the purpose of identifying the important variable influencing the dependent variable this research uses regression analysis. The used model has the Organisational performance as dependent on Employee empowerment. It is evident from the results that the coefficient of Employee empowerment is positive and significant. It shows that there is positive relationship between Employee empowerment and Organisational performance. The beta received of Employee empowerment is .88. It shows the high contribution of Employee empowerment to Organisational performance. The value of R-squared (R<sup>2</sup>) = 78.8 % and Adjusted R<sup>2</sup> is almost 78.6%. This indicates that Employee empowerment brings sufficient variation in the dependent variable i.e. Organisational performance, while only 21% variation is caused by other variables. Larger values of R

indicate stronger relationships. Table 3 summarizes the results of an analysis of variance. F-value shows that the overall model is statistically significant and variable Employee empowerment predicts the variation in the dependent variable Organisational performance.

**Table 3 : ANOVA**

	Value	Sig.
F	55.173*	.000*
R -Square	.788	
Adjusted R-Square	.786	

\* Significant at  $\alpha = 1\%$

It is evident from the results that the coefficient of Employee empowerment is positive and significant. Its means that more Employee empowerment results in higher Organisational performance. Table 4 shows other significant results.

**Table 4 : t- coefficients**

Variables	BetaCo-efficients	T	Sig.
Organisational performance		7.510*	.000*
Employee empowerment	.888	17.781*	.000*

\* Significant at  $\alpha = 1\%$

The results show highly significant causal relationship between the independent variable (Employee empowerment) and the dependent variable (Organisational Performance empowerment) of the Automobile sector in Chennai city of Tamil Nadu in India.

### 5- Conclusion

This paper's major finding is that highly empowered Employees are effective. In this research it has been established that there is a positive relationship between Employee empowerment and Organisational performance (see hypotheses H1) as shown by a positive 0.76 correlation coefficient between Employee empowerment and Organisational performance. The beta coefficient of Employee empowerment is .88.

The overall model is significant. The results of this study will very helpful for Employee leaders and middle managers to understand why empowerment is important for Employees and how to support the Employee. Managers should be aware of effect of the Employee empowerment on Organisational performance. Organisational performance is more than just effectiveness and efficiency; it also captures other critical success factors like cooperation and coordination, learning, satisfaction, effort, cohesion, group conflict, mutual support and balance of member contribution. These are elements of social behavior in terms of activities, interactions and sentiments. Activities are directly observed (e.g. output of project), interaction are related to “being in contact” and sentiments are motivations and emotions. In addition, this research helps that project managers / Employee leaders will try to create empowerment for the work Employees. Moreover it is expected that researchers will continue to identify conditions necessary for effective Employees in organizations.

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