

Role of empowerment of employees on business performance

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In the era of globalization, there is an inevitable need for undertaking employee empowerment practices in all sorts of organizations so that the employees are in a position to understand and adapt to the changes in the environment and make decisions accordingly. Employee empowerment hence is a key process whereby a culture of empowerment is developed. In this scenario, there is a definitive vision in information exchange with clear goals, boundaries for decision making, and the results of team efforts and their impact on the whole is shared.

Resources competency is developed in the form of training and experience. A sense of competency needs to be inculcated through mentoring, encouragement and risk taking in order to be effective in the work environment. Generally, employee empowerment encompasses an innovative approach in working with people and a shift of power from the top management control to lower level management of the organization. Thus, employee empowerment will lead to improvement of performance of the organization through increased levels of the participation and self- determination of the employees. Employee empowerment practices have received an extensive recognition as a significant subject in management circles, mainly, because it is seen as one of the vital elements of managerial and organizational effectiveness that increases when power and control are shared in an organization¹. Empowerment practices are often implemented with the hopes of overcoming employee dissatisfaction and reducing the costs of absenteeism, turnover, and poor quality of the work. Empowerment practices have been familiarized in a number of organizations in order to improve efficiency, increase customer satisfaction and enhance competitive advantage². Hence, employee empowerment has been hailed as management technique which can be applied globally across all organizations as a means of dealing with the needs of modern international business

Statement of problem

Empowerment has become the word of discussion in recent management circuits. Employees constitute a vital part of an organization's resources as they hold the capability to contribute effectively for the achievement of organizational goals and to make organization worldwide competitive. Employee empowerment is a growing concern for an increasing number of organizations and employees across the globe. Employees have the capability to enhance the

¹ Ergeneli et al., "Psychological empowerment and its relationship to trust in immediate managers", *International Journal on Business Review*, pp. 41-56, 2007.

² Hardy, Leiba-O'Sullivan S., "The Power behind Empowerment: Implications for Research and Practice. *Human Relations*", 51(4): 451-483, 1998.

sustainable competition advantage (Tsai, 2006)³. Empowerment has become a term which is usually used in a wide variety of work situations that deal with people and their difficulties (Thompson, 2006)⁴. Study by Smith and Mouli (1998)⁵ discovered the context-specific nature of empowerment and the lack of a unified (or universal) definition of empowerment.

Variables of Interest

The variables of interest for the present research are identified as follows:

1. Profit growth rate
2. Sales growth rate

1. Profit growth rate: One of the variables of interest in the present study is Growth in profit as an indicator of financial performance of an organization. For this purpose the profit growth rate of different organizations for ten years starting from 2008 is taken into consideration. It is calculated with the help of following formula.

$$\text{Profit growth rate} = \frac{\text{profit of}(2007-2008) - \text{profit of}(2006-2007)}{\text{profit of}(2006-2007)} \times 100$$

As suggested by Huang (1997). Profit is the amount of money a business makes after subtracting expenses. From year to year, or even month to month, profits can vary. Organizations typically need benefits to develop and endure. To compute profit growth, analysts use a percent-change method. This shows the percentage the profit grew from one period to another. Business Analysts can use any period to determine the profit growth rate, such as weekly, monthly, quarterly, semi-annually or annually. (Carter, 2012).

2. Sales growth rate: Another indicator of measuring financial performance of an organization is sales growth rate. To compute sales growth, a percent-change method is employed. For this study the sales growth rate of 10 years has been calculated. Sales growth rate is considered and measured with help of following formula (yearly).

$$\text{Sales growth rate} = \frac{\text{sales of}(2007-2008) - \text{sales of}(2006-2007)}{\text{sales of}(2006-2007)} \times 100$$

Measuring sales growth is one way to predict how well a company is doing, and what may be the company's potential for future growth. Stakeholders perceive favorably the higher growth rates,

³ Tsai, C.J. (2006). High performance work systems and organizational performance: An empirical study of Taiwan's semi-conductor design firms. *The International Journal of Human Resource Management*, 17(9), 1512-1530.

⁴ Thompson, N. (2006). *Power & empowerment*. Dorset U.K: Rusell House Publishing

⁵ C. and Mouly, V.S. (1998). Empowerment in New Zealand Firms: insights from two cases. *Empowerment in Organizations*, 6(3), 69-80.

which can improve cash flow in a company. Sales growth is usually measured as a percentage. To find the rate of sales growth, the previous sales amount and the current sales amount should be known (Kennan, 2012). Sales growth depicts how well a company's business improved over a given period of time. Calculating this rate shows an increase or a decrease in the business activity of a given company. This rate proves handy when trying to decide if one wants to invest in a business. For business owners, it indicates whether the current sales team is effectively for doing its job. (Hessong, 2012)

Rationale of the study

The motivation for the present study originated from the fact that very few studies are available depicting effects of employee empowerment in Indian context. This study attempts to plug this gap.

Research design

A cross sectional design with a structured, standard, and tested questionnaire has been adopted and relevant updating has been made, to collect the primary data. The correlation analysis and regression, analysis have been used to study the relationship between the construct of employee empowerment,.Analysis of variance (ANOVA) and test have been used to study difference between groups of demographic variables with respect to employee empowerment experienced.

Primary Data

The study sample consists of 415 employees working in 20 companies of varied employee strength, from different industries and operational in various sectors from Delhi Haryana and Punjab.

Literature Review

(**M. Kemal DEMGRCG, 2010**), Studied that employees need to be provided with the larger authority to make self-governing decisions as more decision-making Responsibility is de concentrated and concerned through empowerment. There is no doubt that empowerment is gained by structural organizational changes which provides employees a larger expediency to make decisions by their own and use greater influence regarding their work. When empowerment projects are launched, of course considerations pertaining to some of the internal resistance of the business should be taken into account.

(Morad Rezaei Dizgah, 2011), tried to study the relationship between empowerment and effectiveness in the managerial organizations Guilan Iran. Data have been collected among 88 manufacturing companies in Guilan Iran province under 100 personnel. This research shows there is a relationship among employee empowerment and organizational effectiveness in the Guilan executive organizations and due to positive correlation coefficients it is the direct relationship, i.e., increasing empowerment level among employees, organizational efficiency is also increased

Objectives of the Study

1. To study the impact of employee empowerment on Business performance in selected companies.
- 2 To determine the correlation between the various indicators of organizational performance namely Profit Growth Rate and Sales Growth Rate.

Research Hypothesis

H₀(1.1): There is no significant impact of employee empowerment on profit growth rate.

H₁(1.1): There is a significant impact of employee empowerment and organisational commitment on profit growth rate.

H₀(1.2): There is no significant impact of employee empowerment on Sales growth rate.

H₁(1.2): There is a significant impact of employee empowerment and organisational commitment on Sales growth rate.

Analysis and Interpretation

Descriptive Statistics and Results

Variable	Mean	Std. Deviation
Profit Growth Rate	58.567	100.799
Sales Growth Rate	22.871	15.132

Comparison of Mean Score of Employee Empowerment on Basis of Work Experience

Work Experience	N	Mean	Std. Deviation	F Value	P Value
1-5 Yrs.	87	2.4208	0.9085	25.954	0.000*
6-10 Yrs.	194	3.3170	0.6386		
11-15 Yrs.	53	3.2703	0.8526		
16-20 Yrs.	35	3.4355	0.6638		
> 20 Yrs.	46	3.4346	0.8240		
Total	415	3.1462	0.8399		

*One Way ANOVA Applied $P < 0.05$ * Significant*

In order to analyse the difference in mean score employee empowerment of respondents on the basis of their work experience, one-way ANOVA technique has been applied. From the above table, it is revealed that there is significant difference between mean score of employee empowerment reported by respondents on the basis of their work experience. Moreover, it is found that the F value for employee empowerment is 25.954, whose significant value is 0.000 which is less than 0.05 level of significance. Hence, there is statistically significant difference in mean score employee empowerment of the respondents on the basis of their work experience. Therefore, the null hypothesis that there is no significant difference in the mean employee empowerment level of respondents on the basis of their work experience is rejected and the alternate hypothesis is accepted.

Pearson Correlation Coefficients

In order to examine the relationships between the indicators of organization performance (PGR, SGR) and Employee Empowerment, bi-variant correlations have been calculated. These correlations are given in Table mentioned below.

Correlations			
VARIABLES		Correlation Coefficient	P Value
Profit Growth Rate	Employee Empowerment	0.442	0.000*
Sales Growth Rate	Employee Empowerment	0.391	0.000*

*P Value < 0.05 *Significant*

The above table depicts that the impact of employee empowerment is significantly and positively correlated to Profit Growth Rate, Sales Growth Rate.

Results of the study

Results of the study depicts that employee empowerment and organization commitment is significantly and positively correlated to Profit Growth Rate, Sales Growth Rate.

The findings of the study revealed that employee empowerment affects profit growth rate significantly and positively. Hence, in this case null hypothesis is rejected. It is found that increase in the degree of employee empowerment will result in higher profit growth rate.

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