Employee Empowerment and its Outcomes: A Mediation Model

Abstract

The purpose of this study is to examine the degree of direct and indirect relationship between employee empowerment (EMP), and job performance (JP) with job satisfaction (JS) as a mediator, as no study has been reported in literature so far. The hypotheses were tested using SEM technique on a sample of 240 sales executives' of pharmaceutical organizations, to measure and test the structural model proposed. The result confirms that employee empowerment and job satisfaction is directly related with improvement in individual's job performance. The results of sobel test also demonstrate the significant mediating effect of job satisfaction on empowerment and job performance. This study provides useful information for pharma managers to improve employees' job satisfaction and performance via employee empowerment. This paper also contributes to the existing literature by examining the direct and indirect effect of employee empowerment on job performance. The limitations to the study are also discussed.

Keywords: Employee empowerment, job satisfaction, job performance, sobel test, structural equation modeling (SEM)

Introduction

Increase in global competition, modernization in technology, and the shift towards service based economy, have pushed the business ventures towards more decentralized organizational structures where employees are endorsed to shoulder more responsibilities (Ahearne et al., 2005). Macey et al., (2009) reported that the businesses invest huge resources and put efforts to allure, employ and retain proactive, energetic, and committed human resource. By empowering employees, many organizations have tried to maintain job efficiency and job effectiveness in order to make them more committed (Kuo et al., 2010). If employees are empowered to feel that it is their own business, they will act more responsibly and do their job more willingly (Pelit et al., 2011). These employees associate themselves with the goals of the organization and often spare extra time to work and feel proud of being part of the organization (Kuo et al., 2010). Empowerment is defined as the motivational concept of self-efficacy (Conger and Kanungo, 1988). Fox (1998) argued that employee empowerment is contemplated as organizations' strengthening employees' sense of feeling of personal power, and viewed the concept of empowerment as the instilling power in employees. Thomas and
Velthouse (1990) defined empowerment more widely as increased intrinsic task motivation exhibited in a group of four cognitions reflecting an employee's orientation to his or her work role: meaning, competence, self-determination, and impact, concluded that it is multifaceted and its essence cannot be captured by a single concept. In the same vein, Spreitzer (1995) summed up and defined the empowerment as a motivational construct reflected in the same above four cognitions and further providing evidence for its construct validity. Kuo et al., (2010) viewed that employee empowerment approaches can vary among organizations in different countries or even those in the same industry working on dissimilar business models. Michailova (2002) refers empowerment to the degree with which employees are encouraged to make the decisions without seeking the consultation of their managers. Further, empowerment is a practice of decentralizing the power by involving employees in decision making (Carless, 2004) that encourages employee to use their own judgment to make quick decisions (Humhorstedt et al., 2008). Wilkinson (1998) concerns it as a form of employee involvement initiative. Thus, empowerment can be viewed as a discretionary construct providing employees with discretion and autonomy over their tasks by the management (Hsieh and Chao, 2004). Carless (2004) relates employee empowerment as employee's perception of their individual power to tackle with the people they encounter at work. If employees are empowered to feel that it is their own business, they will act more responsibly and will show deep commitment towards their organization.

In the field of management, researchers and managers treat the employees as the major factor that gives the competitive edge to the organizations. Siegall and Gardber (2000) reported employee's involvement and empowerment is the key to the success. Pelit et al (2011) viewed the nature of empowerment when examined, does yield beneficial outcomes. Previous studies on empowerment witnessed that it give rise to performance (Yang and Choi, 2009; Koestner and Losier, 2002; Sigler and Pearson, 2000; Kirkman and Rosen, 1999); organizational commitment (Homborstad and Cherry, 2011; Dewettinck and Ameijde, 2011; Joo and Shim, 2010; Spreitzer, 1995), job satisfaction (Pelit et al, 2011; Seibert et al, 2004; Spreitzer et al, 1997) and reduces turnover intentions (Islam et al, 2014; Dewettinck and Ameijde, 2011; Griffith et al, 2000).

Although the relationships among employee empowerment, job satisfaction and job performance have been examined in the existing literature. For instance, relationship between empowerment and performance (Yang and Choi, 2009; Koestner and Losier, 2002; Kirkman and Rosen, 1999; Utman,1997), relationship between empowerment and job satisfaction (Islam et al, 2014; Pelit et al., 2011; Bordin et al., 2007; Seibert et al., 2004), job satisfaction and job performance (Gu and Siu, 2009; Riketta, 2008; Shore and Martin, 1989). However, existing literature has not demonstrated the mediating effect of job satisfaction on the relationship of employee empowerment and job performance. Job satisfaction as a mediator has been given limited attention (Islam et al 2014). Therefore, the present study is an attempt to fill this gap, and will test the empirical mediating model (see figure 1) regarding the relationship between empowerment and job performance with job satisfaction as a mediator particularly in Indian pharmaceutical context.

![Figure 1. Proposed hypothesized model depicted direct and mediating relationship](image)
Formulation of Hypothesis

Empowerment and Job Performance

Employee empowerment leads to better performance on work tasks that are interesting (Koestner and Losier, 2002). Empowered employees make determined efforts to seek the necessary information about the job related tasks in order to improve their performance (Yang and Choi, 2009). It is viewed that employees, who are highly empowered, will perform the tasks and activities of the organization more significantly, than those employees who are less empowered (Kirkman and Rosen, 1999). Utman (1997) reported that empowerment leads to flexibility that allows employees to focus on the tasks at hand and eventually leads to higher performance. Yang and Choi (2009) conducted a study on a sample of 176 municipal government employees working in multiple teams, and the results exhibited that the each dimension of empowerment (autonomy, responsibility, information, and creativity) has significant positive influence on performance. Based on this information, it is hypothesized that:

H1: Employee empowerment significantly predicts job performance among the sample respondents.

Empowerment and Job Satisfaction

Empowered employees have a higher level of motivation and job satisfaction as well (Pelit et al., 2011). Employee job satisfaction has been tested as an important outcome of psychological empowerment (Seibert et al., 2004). Bordin et al., (2007) examined some of the antecedents and consequences of psychological empowerment among Singaporean IT employees and found job satisfaction is significantly correlated with psychological empowerment ($r = 0.49, p < 0.01$) and argued that individuals who feel more competent in their jobs are also likely to feel more satisfied with their jobs. Pelit et al., (2011) studied a sample of 1,854 participants employed at five-star hotels in Turkey and found that psychological and behavioral empowerment has a significant effect on job satisfaction. A recent study conducted by Islam et al (2014) on 412 Malay-Chinese employees working in the banking and insurance sector of Malaysia found psychological empowerment which positively influences the job satisfaction (Path coefficient = 0.41). Therefore, it is hypothesized that:

H2a: Employee empowerment will significantly correlate with job satisfaction among the sample participants.

Job Satisfaction and Performance

Roethlisberger and Dickson (1939) reported that the relationship between job satisfaction and job performance can be traced to the Hawthorne studies. The old view that 'a happy worker is a productive worker' does not clarify the complex relationship between job satisfaction and productivity (Chhabra, 2012). Recently, a review of more than 300 studies conducted that correlation between job satisfaction and job performance is moderately strong (Judge et al., 2001). The organizations with more satisfied employees tend to be more effective than organizations with fewer satisfied employees (Robbin and Judge, 2009). Many other researchers found a significant relation between job satisfaction and job performance (Shore and Martin, 1989; Riketta, 2008; Gu and Siu, 2009). A recent meta-analysis conducted by Riketta, (2008) found significant effect of job satisfaction on performance. Based on these findings, it is hypothesized that:

H2b: Job satisfaction significantly predicts the job performance among sample participants.

Empowerment, Job Satisfaction and Performance

Employees who feel psychologically empowered exhibit more commitment with their organizations and show less intention to leave the organization when satisfied with their jobs (Islam et al., 2014). Bordin et al., (2007) has demonstrated the antecedents and consequences of psychological empowerment and performed supervisory social support as a mediator between empowerment and job satisfaction. Islam et al (2012) found job satisfaction as performing the role of mediator between organizational learning culture and turnover intentions. However, there has been very scant research on the mediating effect of job satisfaction on the relationship between employee empowerment and job performance. Job satisfaction as a mediator has been given limited attention (Islam et al 2014). With this gap in knowledge, the present study is an attempt which assumes that job satisfaction can act as a possible mediator on the relationship between empowerment and job performance. Accordingly, it is hypothesized that:

H3: Job satisfaction mediates the association between employee empowerment and job performance.

Research Methodology

Sample and Procedure

The data used in this study consists of questionnaire responses from participants in 20 companies. A total of 300 field-work employees working in the pharmaceutical industry in northern Indian were selected on the basis of a convenience sampling technique, as very few studies have been conducted on such respondents. Of a total 300 questionnaire distributed, 240 were found to be usable for further analysis registering the response rate of 80 percent. A Likert type 5-point scale used for the sake of uniformity for measuring the variables under study with as light modification to suit the research objects and situation. All
the constructs in the questionnaire used established measures. To ensure the internal reliability of the items measured, reliability tests were conducted by examining Cronbach's alpha values. The threshold measure of reliability above 0.70 is acceptable for research purposes (Nunnally, 1978).

**Scale Measures**

To measure the participants' perception of empowerment at work, 5-item Hayes' (1994) employee empowerment scale was adapted with an item being “I have the authority to correct customer problems when they occur”. Alpha coefficient of 0.88 was obtained for four scale items as 5th item got dropped for loading unacceptably low during validation of the scale. Job satisfaction construct was measured by Hackman and Oldham's (1975) three-item scale. A sample item is “Currently, I am satisfied with my job”. For this scale extracted alpha coefficient was 0.85. The scale of job performance based on the studies of Department for Communities and Local Government (2008), Haynes (2007), and Dessler (2005) which included seven items with an alpha coefficient of 0.90 and an item on the scale being “I achieve my pre-determined work targets” was adapted in this study.

**Analysis of the Data**

Demographic profile of sample respondents: is given in Table I.

<table>
<thead>
<tr>
<th>Table 1.1 Demographic profile.</th>
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<tr>
<td>Demographic variable</td>
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<tr>
<td>Gender</td>
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<td>Experience</td>
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**Scale Purification & Validation**

Confirmatory factor analysis (CFA) technique is used for validation of measurement model. The main purpose of measurement model is to assess and verify that the scale items used for each construct are both reliable and valid. Our analysis for evaluating the measurement model fit, relies on various global model fit indices, such as goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), the normal fit index (NFI), comparative fit index (CFI), and Root mean squared error of approximation (RMSEA). Hair et al (2013) suggested that atleast a single absolute criterion and a signal incremental fitness criteria should touch the recommended thresholds. Although the \( \chi^2 \) value 166.452 with 72 degree of freedom was significant (p-value 0.000) however, \( \chi^2 \) is sensitive to sample size (Kline, 1998). The GFI, AGFI, NFI, CFI, and RMSEA values for measurement model were 0.914, 0.875, 0.920, 0.952 and 0.074 respectively. For the measurement model to be fit, the indices were found meeting their prescribed limits.

Factor loadings, composite reliability, and average variance extracted were calculated to estimate the convergent validity of the constructs under study. The standardized factor loadings of all items, barring one,
exceeded the least recommended limit of 0.6. Unacceptably low factor loaded item comprised employee empowerment was deleted for further analysis. Composite reliability (CR) value, an indicator of convergent validity, is often used in conjunction with SEM models. Calculated CR values ranges between 0.84 and 0.91 far exceed the least recommended limit of 0.70 for each construct under study Hair et al (2013). Another measure applied for estimating convergent validity is the average variance extracted (AVE). Calculated AVE values of 0.65, 0.66, and 0.59 respectively for employee empowerment, job satisfaction, and job performance far exceed the least recommended limit of 0.50 Hair et al. (2013).

Descriptive Statistics and Correlation Coefficient

Table 2 displays the values like means, standard deviations (SD) and the Pearson's correlation coefficients of all the variables understudy viz., employee empowerment, job satisfaction and job performance. The items of all three measures used 5 point Likert scale resulting in a mid-point of 3. All the means of all the variables are above their mid-points as revealed by the given table indicates the participants were in close agreement about these variables. It also demonstrates the correlations between the variables. Employee empowerment and job performance were found to have significant correlation ($r = 0.473, p < 0.01$). Employee empowerment was also found to inflate job satisfaction ($r = 0.412, p < 0.01$). Similarly, the relationship between job satisfaction and job performance were found highly positively and significantly to each other ($r = 0.559, p < 0.01$).

### Table 2.1 Descriptive statistics and correlation

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee empowerment</td>
<td>3.745</td>
<td>.764</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>3.973</td>
<td>.814</td>
<td>.412*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job performance</td>
<td>4.070</td>
<td>.577</td>
<td>.473*</td>
<td>.559*</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** All the values are significant at: *$p < 0.05$*

Hypothesis testing

To test the proposed model and research hypotheses, Structural Equation Modeling (SEM) technique was adopted using Maximum Likelihood Estimate (MLE) approach through AMOS 20 software. Overall structural model fit yielded, $\chi^2$ value of 166.45 ($P < 0.001$, 72 df), Goodness of Fit (GFI) value of 0.914, the Adjusted Goodness of Fit value of 0.875, the Normal Fit Index (NFI) value of 0.921, the Comparative Fit Index (CFI) value of 0.952, and Root Mean Squared Error of Approximation (RMSEA) (which measures the discrepancy per degree of freedom) value of 0.074, are within generally acceptable limits, indicating good fit. In addition, the closer the structural model fit to the CFA measurement model fit, the more confidence the model indicates Hair et al. (2013).

The output of SEM analysis before entering the mediator, the standardized coefficient for total effect ($c$) of employee empowerment on job performance was significant with $\beta = 0.51$ at $p$ value 0.000 (Table 3). It indicates that H1 is fully supported. Table 3, also lends support for H2a and H2b implying that there is a significant direct influence of employee empowerment on job satisfaction ($\beta = 0.42; p < 0.01$), and that there is significant direct influence of job satisfaction on job performance ($\beta = 0.47; p < 0.01$). The simple mediation model appears when the independent variable (IV) affects a dependent variable (DV) through a mediator (M). The total effect of IV on DV is represented by ($c$). The direct effect of IV on DV after the addition of M is represented by ($c'$). Path ($a$) exhibited the effect of IV on M and path ($b$) represents the effect of M on DV controlling the effect of IV. The indirect effect between IV and DV is defined as ab. As a rule of thumb, a partial mediation model is supported when the value of indirect effect path ($ab$) is smaller than the value of total effect path ($c$) with the same sign. As shown in Figure 2, when job satisfaction acts as a mediator, the impact of empowerment on performance remain significant but diminished to reach $\beta = 0.31$ ($p < 0.001$) lending support to a partial mediation model. Next to assess the statistical significance of mediating effect, the Sobel test was performed with the help of Sobel software. The indirect relationship between employee empowerment and job performance through job satisfaction were found significant $\beta = 0.197$ (EMP-JS-JP = 4.821; $p$ value < 0.001). Therefore, our results do not find the reason to reject H3. Further, employee empowerment explains 18 per cent of the variance in job satisfaction while 44 percent of the variance in job performance is explained by the empowerment and job satisfaction together, as can been deduced from the model presented in Figure 2 (Structural mediating model).
Discussion and Implications
This study confirms the direct influence of employee empowerment on job performance as hypothesized in H1. The finding demonstrates that employees who feel psychologically empowered are more likely to perform better at work in Indian context. The results of this hypothesis are in line with the Yang and Choi (2009), who provide empirical evidence on a sample of municipal government employees in US context and confirm the positive association between employee empowerment dimensions (viz., autonomy, responsibility, information and creativity) and performance. Koestner and Losier (2002) also have found that the intrinsic motivation i.e. employee empowerment, leads to better performance on tasks that are interesting. The impact of employee empowerment on the job performance clearly signifies the importance of empowerment. Managers need to adopt such empowerment policies, which allow employees to participate in decision-making, giving freedom to handle the problems without management approvals.

As predicted, the direct relationship between employee empowerment and job satisfaction among participant in our study was supported in H2a. Our results are in conformity with Pelit et al (2011) who found a significant effect of psychological and behavioral empowerment on job satisfaction, however the effect was much greater when psychological and behavioral empowerment were taken as a whole. A recent study conducted by Islam et al (2014) on Malay-Chinese employee working in banking and insurance sector in Malaysia reported a positive influence of psychological empowerment on job satisfaction. Further, our results are also in accordance with previous studies.

Table 1.3 Significance of parameter path estimates in the Structural Model.

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Casual Path</th>
<th>SRW</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before mediation</td>
<td></td>
<td></td>
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<tr>
<td>Total effect (c)</td>
<td>Job performance ← Employee empowerment</td>
<td>0.510</td>
<td>***</td>
</tr>
<tr>
<td>After mediation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct relation (a)</td>
<td>Job satisfaction ← Employee empowerment</td>
<td>0.420</td>
<td>***</td>
</tr>
<tr>
<td>Direct relation (b)</td>
<td>Job performance ← Job satisfaction</td>
<td>0.470</td>
<td>***</td>
</tr>
<tr>
<td>Direct relation (c')</td>
<td>Job performance ← Employee empowerment</td>
<td>0.310</td>
<td>***</td>
</tr>
<tr>
<td>Indirect relation (ab)</td>
<td>Job performance ← job satisfaction ← Employee empowerment</td>
<td>0.197</td>
<td>***</td>
</tr>
</tbody>
</table>

Notes: *** p < 0.05
(Dewettinck and Ameijde, 2011; Bordin et al, 2007; Seibert et al., 2004; Spreitzer et al., 1997). The findings clarifies that the employees who feel psychologically empowered exhibit more satisfaction with their jobs.

As hypothesized, the direct relationship between job satisfaction and job performance among Indian pharmaceutical employees in H2b was confirmed. Our findings are in line with Gu and Siu (2009) who found a significant association between job satisfaction and job performance in the Chinese context. Sheikh et al., (2012) also have found bilateral relationship between satisfaction and performance. Recently, Yang and Hwang (2014), who conducted study on financial personnel from 31 companies in the financial, securities and insurance industries in Taiwan, reported a mutual relationship between job satisfaction, and task & contextual performance. The findings demonstrate that increase in employees' job satisfaction leads to increase in job performance. Managers can increase employee job satisfaction by focusing on the intrinsic factors, such as making the work interesting and challenging. Satisfaction is likely to result when employee feel that the behavior of their immediate supervisor is understanding and friendly, offers praise for good performance, listens to employee opinions, and shows a personal interest in them. Finally, the findings of H3 supports to a partial mediation of job satisfaction between employee empowerment and job performance. However, job satisfaction as a mediator has been given limited attention (Islam et al 2014). With this gap in knowledge, this study confirmed and concluded that job satisfaction may act as a possible mediator between employee empowerment and job performance.

The present study contributes the existing literature by examining the direct and indirect relationship between employee empowerment and job performance through job satisfaction as a mediator. Managers should consider how employees should be empowered in order to augment their level of job satisfaction and job performance. Satisfied and empowered employees of an organization perform better on the job and have low rates of absenteeism, and withdrawal behaviors. Managers who intend want to enhance the job performance of their employees and desire to achieve their pre-determined sales targets-they will have to do things that charge the ions of psychological empowerment and job satisfaction. These ions can be rejuvenated by giving the employees opportunity to use their skills and abilities, and offer a variety of tasks, freedom and, feedback on how well they are doing.

**Limitations and Future Research Avenues**

This study has some limitations and it is important to discuss them in order to put the findings and implications in right perspective. This study uses general measurement scales for measuring the variables understudy. For future research, it would be more fruitful to use elaborate measurement scales for validity of the measures. Another, limitation is respect to sample size, the researcher restricted this study specifically to sales-executives of pharmaceutical organizations, and thus the results of this study cannot be generalized to other professional level jobs in other organizations such as Telecom, Education, Tourism, and other service sectors. This study attempted job satisfaction as a mediator between the employee empowerment and job performance, future research should consider other mediating variables such as, organizational commitment to unwrap the direct and indirect effect on job performance.

**References**


Hartford, West Hartford, CT.


