A STUDY ON THE IMPACT OF EMPOWERMENT ON EMPLOYEE PERFORMANCE IN THE AUTOMOTIVE INDUSTRY IN MALAYSIA

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A Master’s Project submitted in partial fulfilment of the requirements for the degree of Master of Human Resource Management

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DECLARATION

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I hereby declare that this Master’s Project is the result of my own work, except for quotations and summaries which have been duly acknowledged.

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ABSTRACT

This research aims to investigate the relationship between empowerment and employee performance in the Malaysian automotive industry. It also aims to examine the influence of empowerment on employee performance and to identify which of the four (4) dimensions of empowerment has the greatest influence on employee performance. The four dimensions of empowerment, namely meaning, competence, self determination and impact, are the identified independent variables, with employee performance as the dependent variable. Each of the dimensions of empowerment was tested to determine its relationship with employee performance. Questions on empowerment were adopted from Spreitzer (1995) 12-item questions on meaning, competence, self determination and impact. The questions on performance were adapted from Carly Webster’s (2006) empirical study on “An empirical analysis of the relationships between the interactive use of performance measurement systems, creativity and performance: the intervening role of psychological empowerment”. The questionnaires were sent to 107 companies. A total of 89 respondents from 21 companies participated in the survey. The participating companies represented a return rate of 19.6% of the invitations sent to 107 companies. Six (6) hypotheses were developed and tested using Pearson Correlation and Regression Analysis. The findings indicate that employees in the automotive industry find that empowerment strongly influences employee performance. There is significant correlation between the dimensions of empowerment and employee performance. They feel that when they are empowered with autonomy, freedom and opportunities to influence decision making in their jobs or organisation, their performance will improve significantly. The implications of these findings are discussed and suggestions for future research are also identified and proposed.

Key Words : empowerment, employee performance
KAJIAN IMPAK EMPOWERMENT KEPADA PRESTASI PEKERJA DALAM INDUSTRI AUTOMOTIF DI MALAYSIA

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ABSTRAK


Kata kunci : empowerment, prestasi pekerja
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CHAPTER 1
INTRODUCTION

1.1 Background to the Study

Empowerment has a broad context and it can be viewed through various dimensions and perspectives. It can be viewed as a set of managerial practices aimed at increasing an employee’s autonomy and responsibilities thereby enabling them to discharge their job or tasks more effectively and efficiently. Empowerment can also be viewed as an individual’s approach to proactive work orientation, thereby increasing the employee’s performance and efficiency. Employee empowerment activities like self managed teams, total quality management, and quality control circles are implemented with the objective of increasing employee productivity and innovation (Lawler, 1992).

Authors and researchers such as Kanter (1977), Block (1987), Sullivan (1994), Vogt and Murrell (1990) and Menon (1995) viewed empowerment from the perspective of the leader’s role in empowering employees. This means that managers adopt the leadership style of coaching to help employees solve problems and empower them through delegation and providing latitude for decision making.
Foster-Fisherman and Keys (1995), Thomas and Velthouse (1985) and Conger and Kanungo (1988) looked at empowerment from the individual perspective. The individual perspective refers to the ability of individual to influence his own behaviour or having “self empowerment”.


Against these multi-dimensional perspectives on empowerment, most of the empowerment literature reviewed concludes that an empowered workforce will lead their organisation to achieving a competitive advantage. In other words, there is a positive relationship between empowerment and performance.

Does the same conclusion hold for Malaysian employees and companies? In a study conducted by K Ayupp and T H Chung (2010) from Universiti Malaysia Sarawak on “Empowerment : Hotel Employees’ Perspective”, it was found that from the hotel employees’ perspective, communication, coaching, participation in decision making, training and rewards have a positive relationship with empowerment. Therefore, for companies to be successful, Ayupp and Chung (2010) emphasised that empowerment must involve management practices that adopt an open communication and sharing of knowledge, power and rewards throughout the organisation.
Another study on empowerment in the Malaysian context was undertaken by Md Abdur Raquib, (2010) from the Multimedia University. His study on “Empowerment Practices and Performance in Malaysia – an Empirical Study” in the education, information technology and telecommunication service sectors in Malaysia, found that Malaysian firms have to focus significantly on certain fundamental perspectives in (i) relinquishing the authoritarian way of treating the employees in the workplace; (ii) giving them respectful power and authority to make their own decisions; (iii) valuing their individualistic talents, ideologies and philosophies and (iv) training them to acquire innovative ways to nurture their talents, scholastic aptitudes, technological knowledge, entrepreneurship and leadership skills.

Both studies in the Malaysian context were conducted on the service industry with different research objectives but with both studies having a focus on empowerment and performance. How then would Malaysian employees in the automotive sector view empowerment? Compared to the service industry, the manufacturing and assembly of automotive component processes are more rigid and controlled. Would empowerment, therefore impact the performance of employees in the automotive industry? Is empowerment positively correlated to employee performance in the automotive industry? This study on the impact of empowerment on employee performance in the automotive industry in Malaysia will attempt to answer some of these questions. Spreitzer’s (1995) findings on psychological empowerment will be used as a basis to determine the impact of empowerment on employee performance in the automotive industry.
1.2 Problem Statement

Globalisation has opened up various opportunities and challenges for Malaysian organisations to compete internationally. Besides technological advancement, a developed, competent and empowered workforce will give Malaysian organisations an edge over its competitors. Studies on empowerment have shown that it has a strong correlation to employee performance in terms of higher productivity, job satisfaction and reduction in staff turnover in organisations (Ongori, H, 2007). This therefore, leads to the question of “Is this correlation applicable to the Malaysian context or more specifically, in the automotive sector?” This question is prompted based on Hofstede’s (1980) rating on Malaysia as being a high power distance society, which indicates an environment of non-empowerment.

Empowerment is a well studied subject in the US but little research has been conducted in Malaysia (Md Abur Raquib, et. la (2010). Much of the literature reviewed so far on employee empowerment in the Malaysian context, have been found to focus on the service industry. Studies on the impact of empowerment on employee performance in the Malaysian automotive sector, however, is still lacking. What is the impact on employee performance if Malaysian employees are not empowered? To what extent does empowerment influence employee performance? Without in-depth information on how employees view empowerment and how it relates to their individual performance, Malaysian automotive industry players may not be able to harness fully the potential of their employees.
1.3 Objectives of the Study

This study is undertaken to investigate the correlation between empowerment and employee performance. It will focus on the relationship of the four (4) independent variables of empowerment (Spreitzer, 1995) - meaning, competence, self determination and impact - with employee performance.

The objectives of the study are:

a) To determine the relationship between meaning and employee performance in the Malaysian automotive industry

b) To determine the relationship between competence and employee performance in the Malaysian automotive industry

c) To determine the relationship between self determination and employee performance in the Malaysian automotive industry

d) To determine the relationship between Impact and employee performance, and in the Malaysian automotive industry

e) To determine the overall relationship between empowerment and employee performance in the Malaysian automotive industry

f) To examine the influence of empowerment on employee performance in the Malaysian automotive industry
1.4 Research questions

This study on the impact of empowerment on employee performance in the automotive industry will address the following questions:

a) What is the correlation between meaning and employee performance in the Malaysian automotive industry?

b) What is the correlation between competence and employee performance in the Malaysian automotive industry?

c) What is the correlation between self determination and employee performance in the Malaysian automotive industry?

d) What is the correlation between impact and employee performance in the Malaysian automotive industry?

e) What is the correlation between empowerment and employee performance in the Malaysian automotive industry?

f) What is the influence of empowerment on employee performance in the Malaysian automotive industry?
1.5 Research Hypotheses

This study will test the following hypotheses:

H$_1$ : There is a significant correlation between meaning and employee performance in the Malaysian automotive industry

H$_2$ : There is a significant correlation between competence and employee performance in the Malaysian automotive industry

H$_3$ : There is a significant correlation between self determination and employee performance in the Malaysian automotive industry

H$_4$ : There is a significant correlation between impact and employee performance in the Malaysian automotive industry

H$_5$ : There is a significant correlation between empowerment and employee performance

H$_6$ : There is a significant influence of empowerment on employee performance in the Malaysian automotive industry
1.6 Significance of the Study

This study will contribute to the growing body of knowledge on employee empowerment in Malaysia. There have been various studies conducted on employee empowerment in various sectors of industries in Malaysia. Among some of the studies conducted on employee empowerment in Malaysia are in the education sector (Nik Azida Abd. Ghani, et. al, 2009), information technology and telecommunication services sector (Md Abdur Raquib, et. al, 2010), hotel (Kartinah Ayup and Then Hsiao Chung 2010), and MNCs (Azman Ismail, Nur Baizura Natasha Abidin and Rabaah Tudin (2009).

More specifically, this study is to test the applicability of Spreitzer’s findings that the four dimensions of psychological empowerment (meaning, self-determination, competence and impact) has a correlation to employee performance in the Malaysian automotive industry.

The findings from this study on the impact of empowerment on employee performance in the automotive industry will add on to the existing body of literature on employee empowerment in Malaysia as well as to bridge the gap in information pertaining to employee empowerment in the automotive industry.

For Malaysian managers in the automotive industry, this study will give them perspectives on whether empowerment influences their employee performance. This information and knowledge will therefore, enable Malaysian managers to have a better understanding of their employees’ perception about empowerment. It will also
help managers to better manage their employees to improve their individual and organisational performance.

1.7 Scope of Study

The scope of study covered executive and managerial level employees of automotive assemblers and component parts manufacturers in Malaysia. The study is focused on assessing empowerment in relation to employee performance in the automotive industry.

1.8 Limitations of the study

The conclusions derived from the findings of this study need to consider the following limitations:

a) Time was a constraint in collecting data from a bigger group of respondents. The small sample size of 89 respondents may limit the findings of the research.

b) The accessibility to data or sampling was constrained by strict adherence of respondents’ company’s rules and regulations in getting approval to facilitate such surveys in the respondents’ company. This may have limited the sample size.

c) This study relied on the respondents’ self assessment including self-reported performance levels which could not be cross checked with their immediate superior.
d) This study was focused on Spreitzer’s four dimensions of psychological empowerment (intrinsic motivation) and did not include other factors that can influence employee’s perception of empowerment like organisation information sharing, structural framework, and control of workplace decisions (Russell A Mathews, Wendy Michell Diaz and Steven G Cole, 2003)

1.9 Definitions of Terms

Four (4) independent variables of empowerment (Spreitzer’s, 1995 framework of psychological empowerment) were identified to be investigated in relation to the dependent variable, ie employee performance in the automotive industry:

i) Meaning
ii) Competence
iii) Self Determination
iv) Impact

The terms are defined as follows:

a) Empowerment

There are various definitions of empowerment depending on the perspectives it is viewed. Empowerment is about employees exercising discretion, autonomy, power and control in their job to deliver expected performance. Conger and Kanungo (1988) defined empowerment as the motivational concept of self-efficacy. Therefore, it has
a generally wider agenda and interests of the organisation. Menon’s (2001) definition of empowerment as “moving decision making authority down the (traditional) organisational hierarchy” summarises the essence of empowerment. In summary, empowerment is about enhancement of employees’ autonomy in their work, and an increased involvement and influence in decision making.

The four dimensions of empowerment in accordance to Spreitzer’s (1995) study are defined as follows:

i) **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).

ii) **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.

iii) **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.

iv) 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.

b) Employee Performance

Employee performance is about employees achieving the results, goals or standards as per the expectations set by the organisation. Employees are rated on how well they do their jobs compared to the performance standards set. In short, it is the accomplishment of a given task measured against pre-set standards of accuracy, completeness, cost, and speed, the initiatives they take, their creativity in solving problems and the resourcefulness in the way they utilise their resources, time and energy (Rothman & Coetzer, 2003).

In summary, all references made to meaning, competence, self determination, impact, empowerment and employee performance in the following pages of this paper, are defined as stated above. This is to ensure alignment of understanding of the terms and terminology used.
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