

# IMPACT OF EMPLOYEE EMPOWERMENT ON THEIR LEVEL OF ORGANIZATIONAL COMMITMENT IN BANKING SECTOR OF PAKISTAN

Uzma Faiyaz<sup>1,2</sup> and Mehwish Adeeb<sup>2</sup>

<sup>1</sup> Department of Business Administration, Iqra University, Islamabad, Pakistan

<sup>2</sup> Institute of Business and Management, University of Engineering and Technology, Lahore, Pakistan

**Corresponding Author:** Uzma Faiyaz, Department of Business Administration, Iqra University, Islamabad. Pakistan.

[uzmi92@hotmail.com](mailto:uzmi92@hotmail.com)

**ABSTRACT:** This research is aimed to find out the impact of employee empowerment on the level of organizational commitment of all the workers in the banking industry of Pakistan. Using a non-probability convenience sampling technique, the author collected data from the operational staff of banks and examined the strength of relationship among the employee empowerment and the organizational commitment through correlation and regression analysis. Empirical results indicated a positive relationship between the dimensions of empowerment and overall OC. Regression analysis also supports the research by indicating a significant relationship between empowerment and organizational commitment. One of the limitations we have faced for this research is that most of the employees were not able to answer the questions due to closing period (December) in banks at the time when the research was conducted. The questionnaire was based on a self-report assessment regarding empowerment and commitment, so the employees must have faced job insecurity issues. The current research stated the role of empowerment in increasing the level of commitment of employees in the banks of Pakistan. It also emphasizes that organizations should adopt new work practices in order to cope with global practices. The literature provides limited studies which empirically examine the relationship between employee empowerment and OC, especially in the context of Pakistan, where the current research has been performed. This paper indicates the effects of Empowerment on OC in the banking sector which has not been seen so far.

**Keywords:** Empowerment, Organizational Commitment, Banking Sector/ Industry

## 1. INTRODUCTION

To enhance organizational performance and liability, the leading challenge for the managers has to implement efficient human development strategies [1]. As researcher emphasis on the HRM practices, the efficient human resource strategies can be employee/ team empowerment, job satisfaction, strategic planning, and participative management [2]. The present study aims to develop our understanding that if organizations empower their employees, how this strategy will affect their commitment towards the organization. Although the literature provides a number of studies on empowerment and organizational performance, limited attention has been paid in the context of organizations working in Pakistan.

From the last few years, the Pakistani government is trying to make reasonable and realistic policies in order to make the investment in the corporate sector and to promote its economy [3]. The main reason for all these investments is that different sectors are contributing significantly in the economic growth of Pakistan; like Telecom sector, banking sector and oil and gas sector [4]. Participatory management is introduced in order to bring the culture of power-sharing [5], participation by everyone, work is done by the consent of all and multidisciplinary groups are used for the implementation of the processes. This development requires that we should change our corporate culture where everybody should accept and implement the new philosophies and beliefs specifically the senior management [6], [7].

## 2. Literature Review

### 2.1 Empowerment:

The empowerment can briefly be classified into two categories namely structural and psychological empowerment [8]. Structural empowerment refers to power-sharing with employees in decision making in order to motivate them, and psychological which states the motivational perspective of the empowerment [9]. Studies from past research indicate that employees' empowerment positively influences various factors including their turnover, satisfaction and customer service [10]. Most of

the organizations accept this fact that a company's profitability and customer satisfaction level can be augmented by means of empowering their own employees. Empowerment is a versatile concept and its thorough assessment using a single concept would be very difficult. Duff [11] explained that empowerment improves key task motivation which comprises of four perceptions; meaning, competence (synonymous with self-efficacy by Conger and Kanungo), self-determination, and impact. These perceptions will reflect an individual's perspective towards his or her work role in an organization. These all perceptions collectively develop an active perspective to a work role than a passive one. Active perspective allows the individual to design his/her own role in an organization as per own desires and wants. In order to understand psychological empowerment these four factors identify a "nearly complete or sufficient set of cognitions". Meaning can be defined as one's own standards or principles through which one can judge the worth of a work objective or its aim. Meaning encompasses a fit amongst one's beliefs, values, attitudes and behaviors and the essential functions of a work role or a Job. Blázquez et al., [12] explain competence when a person believes that he is capable to perform tasks with his skills. It is also called self-efficacy. Boahin and Hofman [13] defined it as a similar concept to the organization of beliefs, employee's input-actual performance expectancy or employee's growth & learning. Consequently, while competence is defined as the supremacy of behavior, the authors assume that self-determination is a sense of an individual's choice in originating and carrying out activities. In addition to this, it is generally stated that self-determination reflects one's sovereignty; how he takes initiatives and how he maintains work behaviors and procedures. For example, how he makes judgments regarding procedures, measures and struggle [14]. The ability of a person to influence strategic, managerial or operating outcomes at work is known as impact. The impact is considered as opposite of learned helplessness and is also different from Locus of control. Because it is the work context which inspires the impact

however psychology ascertains the locus of control as one of the personality characteristics that prevails through any situation.

Empowerment usually affects the work attitudes on a greater strength as compared to the actual performance. Perceived empowerment in its real meaning alters that how an employee interprets his job and work for the organization, and how he performs a job or provides service has a lesser degree. Finally, service employees at different levels usually practice different level of perceived empowerment. Employees who are directly in contact with the customers perceive more empowerment than those who are not encouraged to directly interact with customers [15]. The basic nature of empowerment is motivational and consistent at a time with individual expectations. In the subjective context, empowerment is an internal and psychological concept. Empowered are those people who select their own ways and are devoted to it because they are being a part in determining it. Empowered employees feel that they control important aspects of work; so, they exhibit a much optimistic attitude, deeply involved in their job and become more committed to their organization [16]. Employees then developed a sense of self-efficacy or a feeling of admiration for their capabilities and talent. Studies suggest that self-efficacy has a close association with employees effective performance [17]. It is commonly understood that empowered employees will be more novel, loyal, creative, and contented, thus they will experience less turnover than a non-empowered workforce [18]. Empowered employees recognize them as more effective in the workplace. Such people have a higher potential to handle difficult scenarios and don't hesitate to get involved in innovation activities. They also have a higher potential to modify themselves and adjust according to changing environment [19].

### **2.2 Organizational Commitment:**

Commitment is the relative quality of a personal distinguishing proof with, and association in a specific workplace [16]. Commitment can also be defined as a psychosomatic state that illustrates the interactions of employees with the employing organization. It has three facets, namely affective, continuance and normative. Affective obligation can be described as a point to which an employee recognize and intricate himself with the organization so that he enjoys his membership there. Affective commitment is noticeable in the organizations where employees have work practices that gratify their necessities so that they feel comfortable in their workplaces [20]. If the attachment to an organization comprises of the perceived costs of leaving it then it is continuance commitment. A choice to stay with the entire organization is opted after analyzing and scheming the paybacks connected with residual and linking them with the budgets of association [21]. We can explain normative assurance (an obligation) by examining the perspective of the fellow's standard; some employees are dedicated just as it is the anticipated mode to behave.

Organizations foresee various vital variables like nonattendance, structural citizenship, performance and revenue. The commitment of employee influences their recognition and sincerity to the organization, as well as culture and vision sharing with the organization. As a result, the employee wants to stay in intact with the association (all attributes of high commitment). Other

researchers have proposed that the commitment level is high in permanent employees as compared to the temporary ones. Further suggest that workers having a high level of OC usually feel more contented with their employments [22] and they have more contributions towards the organization's competitive benefit than provisional staffs. If employees get opportunities to work in a challenging environment, it will positively influence the organizational commitment of employees. Workers become further committed towards innovation if they are being empowered. The consequences of commitment depend upon the employee attachment level. However, on the other side, few researchers stated commitment to be dysfunctional since excessive commitment lead towards low flexibility and slowdowns the creativity of employees. It can deceive the decision-making process of an employee by increasing investment in losing projects.

### **2.3 Empowerment and Organizational Commitment**

Empowerment is established to have an affirmative relationship with all the three dimensions of organizational commitment. By increasing employee emotional enablement, it ultimately increases their organizational obligation level and aims to share psychology [23]. Psychological authorization can be said as the interpreter of organizational pledge [24]. Few other researchers also stated that optimistic relation exists among psychological empowerment and organizational commitment. As per the literature found in past researches, this research also depicts an association among psychological empowerment of employees and their level of organizational commitment in banking sector.

### **2.4 Empowerment and Organizational Commitment in Pakistan**

The service industry needs to maintain a reasonable level of development and quality as preliminary requirements [25], especially when the organizational environment is not under balanced conditions. The banking industry of our country is highly focusing to cater to the ever-changing needs of its customers in order to sustain in this era of competition. In doing so, the government of Pakistan has presented a number of structural reforms for the financial sector to successfully face the challenges. Transformation in the banking industry not only impacts the social and economic factors but it also affects the employees psychologically so they are facing burnout [24]. The rate of turnover among employees has increased due to these changes [26]. Banks have faced a lot of problems due to privatization and the most one is the retention of employees [27]. In order to deal with this dilemma, we need to recognize and examine the level of organizational commitment of the employees. In the present scenario where the retaining of workforce has become one of the major causes for the whole industry to meet challenges, now it becomes essential for the organizations to focus on the organizational commitment of its employees and the factors which stimulate the organizational commitment. Considering the above discussion, the following hypothesis is proposed;

**H<sub>1</sub>:** Employee empowerment significantly enhances the overall commitment level of employees

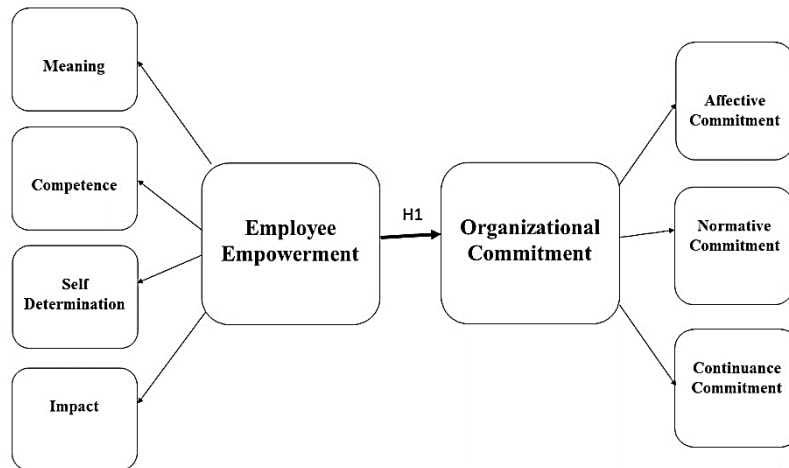


Figure-1: Conceptual framework of the study.

### 3. Research Methodology:

#### 3.1 Instrument (Questionnaire):

The authors selected a scale of Psychological Empowerment developed by Spreitzer [28]. This questionnaire consists of 16 items which were reduced to 12 items and is based on seven points Likert scale; where one represents strongly disagree seven represents strongly agree. This scale has widely been used by a number of researchers in different industries varying from hospital staff to low paid service employees to manufacturing employees. In these studies, validity estimates are around 0.80. Also, test retest-reliability proved to be strong. For organizational commitment, the authors used three dimensions scale developed by Meyer and Allen [29], namely affective, continuance and normative commitment. Affective and continuance commitment consists of 8 items each whereas normative commitment is comprised of 14 items.

#### 3.2 Sample:

The current research focuses on people working in banks. The authors collected data from bank employees located in Lahore and Gujranwala cities of Pakistan. Following the non-probability convenience sampling technique, the authors distributed three hundred questionnaires and the response rate was almost 60 percent.

#### 4. Data Analysis and Results

The collected data were entered in PASW 18 in order to perform Reliability (Cronbach's  $\alpha$ ), the bivariate correlation between scale variables and regression analysis. Reliability of both the instruments used in this research has proven as it results in 0.834 for the empowerment and 0.823 for organizational commitment. After ensuring the reliability, the authors performed Pearson correlation coefficients test for the empowerment and the organizational commitment variables. Results show that the dimensions of empowerment have a positive correlation at a significant level with the overall organizational commitment.

Table 1: Correlation among the variables

	Emp Competenc	Emp Meaning	Emp. Self Determination	Emp Impact	Overall OC
Emp Competence	1				
Emp Meaning	.592**	1			
Emp_Self Determination	.665**	.505**	1		
Emp Impact	.534**	.514**	.680**	1	
Overall OC	.689**	.607**	.700**	.667**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

In table 1; the value of R Square is 0.648, which shows the percent change in OC due to empowerment or we can say that this table shows that all four dimensions of empowerment mutually describes 64.8% of the variance in organizational commitment. The regression analysis

indicated F value highly significant (Sig.= 0.00) which proves the validity of the overall model.

**Table 2:**

<b>Model Summary</b>			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.805	.648	.638	.35817

**Table 3:**

<b>ANOVA</b>					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	35.154	4	8.789	68.506	.000
Residual	19.115	149	.128		
Total	54.269	153			

**Table 4:**

<b>Coefficients</b>					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.424	.238		1.780	.077
Emp_Competence	.290	.074	.278	3.922	.000
Emp_Meaning	.162	.055	.186	2.949	.004
Emp_SelfDetermination	.249	.076	.249	3.277	.001
Emp_Impact	.192	.052	.253	3.673	.000

Dependent Variable: Overall\_OC (Organizational Commitment)

Table 4 describes that the unstandardized regression coefficients (B) forecast dependent variable organizational commitment from the dimensions of independent variable empowerment. The unstandardized coefficient that plays a major role in predicting OC is Competence ( $\beta=0.290$ ) then Self-determination ( $\beta=0.249$ ) followed by Impact ( $\beta=0.192$ ) and Meaning ( $\beta=0.162$ ) respectively. The standard errors of the estimates are less 1 which gives a sense that this study is self-assured about its results. Table 3 also describes the t value which indicates the relative importance of all four dimensions of psychological empowerment which predicts organizational commitment. From the above results, we can say that the importance of competence dimension of psychological empowerment in predicting OC is highest.

## 5. DISCUSSION, CONCLUSION, IMPLICATIONS, AND LIMITATIONS

The current study focuses on examining the relationship between employee's empowerment and their organizational commitment. The authors collected data from employees working in commercial banks located in Lahore and Gujranwala cities, Pakistan. Correlation analysis shows that a significant positive relationship exists between the dimensions of empowerment and the overall OC. Regression analysis indicates that all four dimensions of empowerment significantly and positively affects the commitment level of the employees who work in Pakistani banks. Based on the results, some understandings have been drawn. First, when an employee believes in his competencies and capabilities in a way that he can perform tasks with his skills in a great manner, then his level of commitment towards his job and organization increases. Second, when an employee has an autonomy that he initiates and regulates actions and decisions on his own

without depending on others, then the level of commitment increases as he feels empowered in his duties. Third, when an employee feels that he cannot influence the strategic and administrative decisions of the organization his level of commitment reduces. And the last finding is when the employee feels his tasks are not meaningful and did not find any fit between individual and organizational

requirements of a work role, values and beliefs his level of commitment decreases.

### Practical Implications

The current research recognized the role of empowerment in increasing the level of commitment of employees with the banks of Pakistan. These findings not only help the banking sector but it also plays a vital role for other organizations to motivate their employees and emphasize on the commitment level by increasing the psychological empowerment which is crucial for organizational commitment. It is a universal fact from the ages back that if you wanted to get something, then you have to pay for it. Therefore, in order to have the organizational commitment and to cope with the global practices; organizations should work on facilitating and maintaining such environment where employees are not only psychologically empowered but they are also satisfied with their jobs.

### Limitations

The results of this study were limited to the time frame in which data was gathered and we have faced a lot of problems in data collection as there was a closing period in banks due to financial year-end. Employees working in banks had a fear of job insecurity so they were not willing to respond seriously. Data of the study was collected only from Lahore and Gujranwala based on the convenience of the researcher

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