A Study on the Impact of Empowerment on Employee Performance: The Mediating Role of Appraisal

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Abstract
This study examines the impact of empowerment towards organizational performance with the performance appraisal as a mediating role. Research was conducted on a survey data from 200 employees of manufacturing companies operating in Seberang Prai, Penang, Malaysia. The entire respondents were given the questionnaire and responses from the respondent are analyzed. The results of the research are consistent with the Kanter’s theory, Implicit theory and Expectancy theory. A self-administered questionnaire was developed using established scales. A survey on 200 respondents was conducted in Penang, Malaysia through online survey questionnaire. Statistical Package for the Social Science (SPSS) was used to analyze the data. The finding of this study show that the empowerment tools such as Power, Knowledge, Information Sharing and Rewards does influence the employee’s performance. Meanwhile, Performance Appraisal which is the mediating variable was also found to be mediating the relationship between empowerment and employee performance. The findings were limited to include only manufacturing industry in Seberang Prai, Penang which cannot be generalized across the whole Malaysia. It is recommended to include other states in Malaysia for future study. This study provides an in-depth understanding of the impact of empowerment towards the employees of Penang manufacturing industry. The research findings can be used by manufacturing industry to that organizations should empower their workforce and adopt fair appraisal system as such will ensure sustainability in the performance of the workforce.
Introduction

All organizations aim to produce a workplace where employees truly care about the results the organization produces and feel ownership of results such that they continually strive to make them better. This attitude and style of organizational activity has been called empowered workplace (Jaffe & Scott, 1995). Therefore, empowerment of workers is one of the management approaches used by companies in response to the need of meeting a better competition world and to retain employee from leaving their job. Employee empowerment which involves employee participation is a complex management tool that over 50 years of research has proved, when applied properly, can be effective in improving performance, productivity and job satisfaction (Sashkin, 1984).

According to the research done by Towers Watson in 2010, a majority of employers believe that talent retention will be more difficult in 2011 whereby they will need a deeper reason to stay in the organization when the economy recovers and it again becomes an “employee market”. They will need to feel they are appreciated for their contributions, have the resources to do their jobs to the best of their abilities, and have clearly defined opportunities to develop and advance within the organization. In short, they must be empowered beyond being asked to meet performance goals. Therefore, human resources policies must focus at gaining more self-governing to the employee to avoid turnover and job burnout (Salman, Iqbal and Chandran, 2010).

Empowerment plays significant role in employee’s satisfaction thus promoting their performance in organizations. Empowerment is also defined as the process of enabling and authorizing individuals to think, behaves, take action and decision and control work autonomously. It is the feeling of self control of one's own destiny (Heathfield, 2012). Menon (1995) surveyed 311 employees in a company and found that greater job autonomy and meaningfulness of the job led to greater perceived control and greater empowerment. He found that the greater the empowerment the greater was the motivation to work among employees which led to less job stress and increased employee commitment to organizational goals. However, it is estimated that well over half of empowerment initiatives fail (Allen & Alvarez, 1998).

On the other hand, according to a survey conducted by Kelton Research on behalf of Cornerstone On Demand, employers are not empowering their people with the right training, performance appraisal feedback or insight into business objectives. The study which was conducted in March 2010 revealed that in the previous six months: 68 percent of employed Americans said they hadn’t received useful feedback from their supervisors. 82 percent had not established career goals with their supervisors. 53 percent didn’t feel they had a clear understanding of how their role contributed to company objectives. And 25 percent had been given new duties or responsibilities at work that were outside of their primary skill set. According to Smith (1997) to empower is to give power, to open up, to release potential of people and therefore, organizations cannot develop unless their people are developing. For empowerment to flourish, the employees need to feel that they are valued.

Given the significance importance of empowerment, there is an urgency in identify the impact of empowerment towards employee performance and this study will also examine the role of performance appraisal in mediating the relationship between empowerment and employee performance. Therefore, in this study it will also determine if the empowerment level in Malaysia as an Asian country which has highest power distance can influence the employee performance with the mediating role of performance appraisal in manufacturing industries mainly focusing in Seberang Perai, Penang, Malaysia.

Literature Review

This study has employed underlying theories related to empowerment which have been discussed by earlier literature covers the Kanter’s Theory, Expectancy Theory and Implicit Theory. Given below is the
short discussion of the three theories. Kanter also believes that, by sharing the power through empowering others will result of this a leader’s power will as well grow; leaders will achieve a well developed organizational performance (Fox, 1998). Theory of expectancy says that employees are motivated when they are provided assignments they feel confident that they can achieve, and when they value the compensation you are offering and when they believe you will compensate them as promised. Implicit theories as beliefs about the quality of personal attributes such as ability and personality that can affect behavior of an individual. An important value of appraisals is to encourage and to guide on improving employee performance in organizations (Latham & Wexley, 1994).

Power
Power sharing will empower individuals from all dimensions. It may provide an employee more authority in performing their tasks, more freedom to contribute ideas at higher levels of decision making, more confidence to think and stay as organizational partners, and better strategy to handle effectively and creatively in new working environments.

By sharing power, resources, and knowledge with each and every employees also serves to increased job satisfaction and commitment. These are the factors, which in turn will significantly influence individual productivity and effectiveness and also the quality of interactions with other customers (Bowen & Lawler, 1992) and this was also supported by Spreitzer, 1995). Delegation and involvement therefore will instill feelings of self-determination, competence, meaningfulness, efficacy, and intrinsic interest in job performance (Wagner, Parker, & Christiansen, 2003).

Knowledge
Knowledge sharing is a group process which is defined as team members sharing information, and suggestions and work relevant ideas with each other expertise with other members within one’s organization in addressing certain issues in a workplace. Another researcher has stressed that team effectiveness and knowledge sharing and is both important determinants of team performance (Argote, 1999; Gully, Incalcaterra, Joshi, & Beaubien, 2002).

Knowledge sharing behavior is known as a set of individual behaviors involving sharing one’s work-related knowledge and which it may contribute to the ultimate effectiveness of the organization. Employees may think that knowledge becomes less important when they share it and they might lose their intellectual property which gives them a personal advantage among other employees (Switzer, 2008; Cho & Li & Su, 2007) and therefore they do not share their knowledge under all kind of circumstances.

Information
Employees need to know necessary information before he or she makes decision on a given task. Previous studies support that the information sharing is necessary to make decisions is known as one of the crucial elements of empowerment (Lawler, 1986). However, scholars argue that element of empowerment is dependent on sufficient knowledge and skills (Lawler, 1986; Moon and Swaffin-Smith, 1998). According to Foster-Fishman et al. (1998), he found that gaining relevant job knowledge was a critical factor in every organization. Other studies have not shown information broadly as part of empowerment (Maton and Salem, 1995; Quinn and Spreitzer, 1997; Herrenkohl et al., 1999). Meanwhile, Spreitzer (1995) defined the information is known as the ability of employee to do the job based on their access to the information.
Rewards

Rewards in terms of monetary and non-monetary are still been used as a tool in increasing employee motivation in an organization. Previous researches on leader power have found that manager or supervisor reward power would be positively associated with employee work performance, satisfaction, individual productivity, job turnover, and organizational behaviors (Simon, 1976; Martin & Hunt, 1980; Jahangir, 2006).

To generate beneficial ideas which may lead to better business functionality and further improvise company performance both in financial and non-financial structures, rewards is considered as one of the important factor to encourage employees for contributing their best actions. (Serena Aktar, Muhammad Kamruzzaman Sachu, Md. Emran Ali, 2012). Earlier researches on leader power have concluded that reward power would be positively influence employee’s task performance, productivity, satisfaction, turnover, and organizational employee behaviors (Simon, 1976; Martin & Hunt, 1980; Jahangir, 2006).

Performance Appraisal

Research in past about performance appraisal has resulted (Bretz, Milkovich & Read, 1992; Fisher, 1989). Snell and Bohlander defines (2007) performance appraisal as a process which are typically performed or delivered by a supervisor to a subordinate, in which the appraisal system is designed to help employees understand their responsibility, goals, expectations and performance success of an organization.

Performance management and review feedbacks can directly encourage empowerment because they align individual goals with department objectives and organizational strategy, by providing the employee a direct insight into how their performance results links to organization’s business results. When employees are encouraged to express their feelings, it gives a sense of empowerment where they feel comfortable and strong in creating contact with their supervisors or managers to voice their concerns (Dessler and Gary, 2000:321). Therefore, it is clear that a good performance appraisal system can be the main tool which contributes to employee motivation, development, and confidence which lead him to be self empowered.

Employee Performance

According to Meihem (2004), employee performance can be considered as one of the main winning strategy of any successful business. It has also been argued that empowered organizations have demonstrated improvements in various divisions of performance areas (Applebaum et al., 1999). If an employee is known to hold higher levels of empowerment the employee would attend to a comprehensive range of task and activities. Saunders (2000) analyzed that the appraisal system has a constructive effect on worker’s performance. Almost same kind of results has been inferred by Bethell (2005) that workers’ acuities of appraisal are fashioned according to the fair and just assessment of their work.
Empowerment tool of Power was positively and significantly Impact the Employee Performance. Chao C. Chen, Ann Yan Zhang, Hui Wang (2014) The research done between two telecommunication companies show that power sharing improves job performance partly through psychological empowerment. Thus, hypothesis 1 was supported.

Empowerment tool of Knowledge was positively and significantly Impact the Employee Performance. Hsiu Fen Lin (2007) found a positive findings on individual factors which are sharing the knowledge in the sense of helping and knowledge self efficacy significantly improve individual's innovation capacity and performance. Thus, hypothesis 2 was supported.

Empowerment tool of Information was positively and significantly Impact the Employee Performance. Dyer, Jeffrey; Nobeoka, Kentaro (2002) has conducted a case study in Toyota manufacturing and the findings shows that the knowledge sharing among Toyota workers and among suppliers will help to determine the network learning and high employee performance. Thus, hypothesis 3 was supported.

Empowerment tool of Rewards was positively and significantly Impact the Employee Performance. Serena Aktar, Muhammad Kamruzaman Sachu, Md. Emran Ali found that extrinsic and intrinsic rewards for employees in commercial banks of Bangladesh positively related with employee task performance and productivity. Thus, hypothesis 4 was supported.

Empowerment tool of Power was positively and significantly positive influence on the Performance Appraisal. Fodor, Eugene M.; Farrow, Dana L. (1979) who did research on 120 male graduate business students have concluded a positive influence of the power motive on performance appraisal. Thus, hypothesis 5 was supported.

Empowerment tool of Knowledge was positively and significantly positive influence on the Performance Appraisal. Simon Rodan and Charles Galunic (2004) concluded that in an European telecommunications company access to a wide knowledge is an equal important for overall employee performance. Thus, hypothesis 6 was supported.

Empowerment tool of Information was positively and significantly positive influence on the Performance Appraisal. Narda R. Quigley & Edwin A. Locke (2007) has concluded that information sharing within dyads and demonstrated that the information provider was enhanced and they have stonger relationship with performance goals and appraisal. Thus, hypothesis 7 was supported.
Empowerment tool of Rewards was positively and significantly positive influence on the Performance Appraisal. According to Angelo S. Denisi (2000) When, rewards are associated with individual level of performance appraisal, individual may well engage in behaviors designed to maximize their own individual outcome. Thus, hypothesis 8 was supported.

Performance Appraisal and Employee Performance
A study was conducted in Peninsular Malaysia the job whereby it involves the checking of the quality of the indicated that satisfaction with the performance appraisals work and reliability positively influence work performance. Thus, hypothesis 9 was supported.

The Mediating Effect of Performance Appraisal
Abhishek Srivastava, Kathryn M. Bartol and Edwin A. Locke (2006) have proved through their research on management teams of 102 hotel properties that knowledge sharing was positively related to performance in which the appraisal being the mediator. Richards (2010) has contributed that a good performance appraisal may indicate the employees the areas of training need as well as direction performance improvement and development.

Yazici (2008) has proved through his research that the employee’s moral and productivity is influenced by the effectiveness of an organization's performance appraisal and reward system. Apart from organization's aim to maximize profit, the performance and rewards system were actually influencing the employee's counterproductive behaviour. Therefore, this study will try to prove if performance appraisal mediates the relationship of rewards on employee’s performance. By reviewing the results from the previous scholars, the following hypotheses were supported.

H10(a) Performance Appraisal mediates the relationship of power on employee performance
H10(b): Performance Appraisal mediates the relationship of knowledge on employee performance
H10(c): Performance Appraisal mediates the relationship of Information on employee performance
H10(d): Performance Appraisal mediates the relationship of Rewards on employee performance

Methods and Materials
This research was conducted in quantitative method. Statistical analysis is mainly employed to analyze quantitative research data and to derive with inferences (Zikmund, 2000). In view of data analysis and hypothesis testing, the data collected were entered in Statistical Package for Social Sciences (SPSS) software. By using the SPSS for Windows Release 22.0 software, several statistical techniques were used such as descriptive statistics, correlation and regression analysis. Primary data collected from the questionnaire are processed in stages by data coding, data entry and then analyzing. The subjects for this study were selected based on their availability to complete the survey form. The criteria used were gender, race, age, work designation, years of experience and past experience.

The rule for an effective research is between 30 to 500 samples or 10 times or more the number of variables which includes independent, dependent, mediating, and control variables (Sekaran, 2003). Therefore, samples of 200 employees from the major manufacturing company in Seberang Prai, Penang were selected. The sample to include respondents from different genders and various backgrounds, different ages, professions, industries to ensure the study could be generalized.

All items in the questionnaires adopt five-point Likert scales, where 1 = “strongly disagree” and 5 = “strongly agree”. In developing the instrument, measurement items were selected from validated questionnaires used in previous researches. Power (5 items) and Knowledge (4 items), Information (4 items)
and Rewards (3 items). Employee Performance (3 items) and Performance Appraisal was measured by using 5 items.

**Major Findings and Results**

**Goodness of Measure**

In this study, factor analysis was conducted by using principal component analysis with varimax rotation to validate the construct validity of the measuring items of questionnaire (Sekaran, 2003). The factor analysis results for the independent variables in this study, namely power, knowledge, information and rewards. The results are presented in Table 1. The results showed that Barlett’s Test of Sphericity was significant at p<0.05 and Kaiser-Meyer-Olkin (KMO) was at its acceptance level which is 0.86. Anti-Image Correlation Matrix Inspection showed the value of each diagonal element fulfilled the guidelines of more than 0.5 (Hair et al., 2010). The factor loading for all independent variables were above the acceptance level of factor loading, which is more than 0.5 cut off point (Hair et al., 2010).

Factor analysis for performance appraisal was conducted using principal component analysis and the result was shown in Table 2. The result indicated that the Barlett’s Test of Sphericity was significant at p<0.05 and Kaiser-Meyer-Olkin Measure of Sampling Adequacy was above acceptance level 0.5 with the value of 0.82. The factor loading for attitude was accepted at 0.5 and above. The Eigen Value is 3.51 which is more than 1 and 70.44 percentage of the variance explained. The factor loading for performance appraisal was accepted at 0.5 and above.

Similarly, factor analysis of employee performance was performed using principal component analysis. Barlett’s Test of Sphericity was significant at p<0.05 and Kaiser-Meyer-Olkin Measure of Sampling Adequacy was above acceptance level of higher than 0.5 with the value of 0.72. The result was illustrated in Table 3. The results showed that the Eigen Value is more than 1 with the value of 2.11 and 70.26 percentage of the variance explained. The factor loading for purchase intention was accepted at 0.5 and above.

<table>
<thead>
<tr>
<th>Table 1 Factor Loading for All Independent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items</strong></td>
</tr>
<tr>
<td><strong>Power</strong></td>
</tr>
<tr>
<td>I am allowed to make decisions on my job undertakings.</td>
</tr>
<tr>
<td>I have a lot of control over how I do my job.</td>
</tr>
<tr>
<td>I have authority to make autonomous decisions in my job.</td>
</tr>
<tr>
<td>I have opportunities to express my ideas.</td>
</tr>
<tr>
<td>Power sharing increases my work autonomy</td>
</tr>
<tr>
<td><strong>Knowledge</strong></td>
</tr>
<tr>
<td>Knowledge sharing would improve work processes in the organization.</td>
</tr>
<tr>
<td>Knowledge have positive influence on my performance because the more I know, the better I can perform.</td>
</tr>
<tr>
<td>I will perform better if am trained on new skills related to my job undertakings.</td>
</tr>
</tbody>
</table>
I intend to share my knowledge with other organizational members more frequently in the future \(0.80\)

**Information**
- I have access to the information we need to perform our job \(0.80\)
- I can easily store information which help me work together in a team \(0.86\)
- I can easily share information that help me to work together in a team. \(0.89\)
- Information sharing is very important for positive team performance. \(0.83\)

**Rewards**
- I am satisfied with the rewards system that I receive. \(0.88\)
- I will receive a reward if I do something to improve my work. \(0.87\)
- My pay encourages me to improve the quality of my work. \(0.72\)

<table>
<thead>
<tr>
<th>Eigen value</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>3.31</td>
</tr>
<tr>
<td>Knowledge</td>
<td>2.77</td>
</tr>
<tr>
<td>Information</td>
<td>2.88</td>
</tr>
<tr>
<td>Rewards</td>
<td>2.04</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of Variance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>66.132%</td>
</tr>
<tr>
<td>Knowledge</td>
<td>69.264%</td>
</tr>
<tr>
<td>Information</td>
<td>71.982%</td>
</tr>
<tr>
<td>Rewards</td>
<td>67.998%</td>
</tr>
</tbody>
</table>
### Table 2 Factor Loading, KMO and Barlett’s Test Indicator for Performance Appraisal

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>I clearly understand the purpose of performance appraisal</td>
<td>0.85</td>
</tr>
<tr>
<td>I understand better on what I should be doing during these procedures</td>
<td>0.86</td>
</tr>
<tr>
<td>I am able to express my views and feelings during those procedures</td>
<td>0.87</td>
</tr>
<tr>
<td>I expect increment in salary after performance appraisal</td>
<td>0.90</td>
</tr>
<tr>
<td>My performance improves after process of performance appraisal</td>
<td>0.71</td>
</tr>
</tbody>
</table>

Eigen value: 3.52
% of Variance: 70.34

**Kaiser-Meyer-Olkin Measure of Sampling Adequacy**

<table>
<thead>
<tr>
<th>Measure of Sphericity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx. Chi-Square</td>
<td>589.256</td>
</tr>
<tr>
<td>df</td>
<td>10</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
</tr>
</tbody>
</table>

### Table 3 Factor Loading, KMO and Barlett’s Test Indicator for Employee Performance

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>My manager discusses regularly on my job performance</td>
<td>0.85</td>
</tr>
<tr>
<td>I am constantly looking for ways to do my job better</td>
<td>0.83</td>
</tr>
<tr>
<td>I always reach my performance target</td>
<td>0.84</td>
</tr>
</tbody>
</table>

Eigen value: 2.11
% of Variance: 70.26

**Kaiser-Meyer-Olkin Measure of Sampling Adequacy**

<table>
<thead>
<tr>
<th>Measure of Sphericity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx. Chi-Square</td>
<td>171.480</td>
</tr>
<tr>
<td>df</td>
<td>3</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Multiple Regression Analysis
Hierarchical multiple regression analysis was run to study the effect of independent variables on dependent variables and also to examine whether the relationship was mediate by the mediating variables. The relationships were tested at the significance level of $p < 0.05$. P value fall between 0.01 and 0.05 indicated that there is a relationship between independent variables and dependent variables. (Keller, 2006) Independent variables with higher beta values contribute greater influence to the dependent variables.

Table 4 Multiple Regression Analysis

Between Mediator and Dependent Variables

Model Summary$^b$

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Durbin-Watson</th>
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</thead>
<tbody>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.715$^a$</td>
<td>.511</td>
<td>.509</td>
<td>.46495</td>
<td>.511</td>
<td>207.112</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Total_Appraisal  
b. Dependent Variable: Total_Performance

Between Independent Variables and Dependent Variables

Model Summary$^b$

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
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<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.740$^a$</td>
<td>.548</td>
<td>.538</td>
<td>.45075</td>
<td>.548</td>
<td>59.011</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Total_Rewards, total_knowledge, total_power, Total_information  
b. Dependent Variable: Total_Performance

Limitations and Suggestion for Future Research

As similar to other research studies, this research also has several limitations. This is whereby questionnaires always have limitations to what a question can be ask to be collected for information due to the questionnaire which were set are limited to scales and measurements. It will not be able to capture nonverbal signals of respondent when they answering the questionnaires. The person’s reaction might not be recoded into the result. However, in this study, the questionnaire still is able to generate useful outcome from it.

Besides, this research only covered the manufacturing organization operating in Seberang Prai, Penang and not the island. It does not take into account the effect of culture of the individual and the company itself. As we aware of, most of the company has their own policy and procedures which differs them from other organization. This might affect the empowerment level and performance of the employees as well.
Conclusion

As a conclusion, employee empowerment does influence their performance and such influence can be mediated with appraisal in an organization. Therefore, it is very important for each and every organization to enhance their empowerment activity and a good performance appraisal to increase the level of employee performance.

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