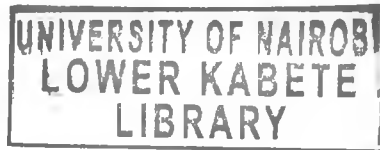


**CHALLENGES OF EMPLOYEE EMPOWERMENT AT THE  
NATIONAL SOCIAL SECURITY FUND SAVINGS AND CREDIT  
COOPERATIVE SOCIETY**

**OGUNJA MIRRIAM SHIUNDU**



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THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,  
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## DECLARATION

This Project is my original work and has not been submitted for a degree or any other examination in any University.


Signed 

Date 15-11-2011

OGUNJA, M. S

D61/60083/2010

This Research Project has been submitted for examination with my approval as the University Supervisor.

Signed 

Date 15/11/2011

Dr. Florence Muindi

Department of Business Administration School of Business

University of Nairobi

## **DEDICATION**

I dedicate this work to my dear parents, Hellon Aoko and Maurice Ogunja, my love and a friend Johnnie Wamunga, Leon Robert and the entire family for their support, love and devotion that has inspired my life. I am where I am now because of them.

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# TABLE OF CONTENT

DEDICATION .....	ii
DECLARATION .....	iii
ACKNOWLEDGEMENT .....	iv
TABLE OF CONTENTS.....	v
ABSTRACT .....	vii
ABBREVIATIONS.....	viii
CHAPTER ONE: INTRODUCTION .....	1
1.1. Background to the Study .....	1
___1.1.1. The Concept of Employee Empowerment .....	2
___1.1.2. National Social Security Fund Sacco, (NASSEFU) .....	4
1.2. Statement of the problem .....	5
1.3. Research Objective.....	7
1.4. Significance of the Study .....	7
CHAPTER TWO: LITERATURE REVIEW .....	8
2.1. Employee Empowerment .....	8
2.2. Employee Empowerment programs .....	10
2.3. Challenges of employee empowerment .....	15
CHAPTER THREE: RESEARCH METHODOLOGY .....	21
3.1. Research design.....	21
3.2. Data collection method.....	21
3.3. Data Analysis .....	22

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS .....	23
4.1. Introduction .....	23
4.2. Demographic information of respondents.....	23
4.3. Empowerment programmes .....	24
4.4. Challenges of employee empowerment .....	26
___4.4.1. Communications.....	26
___4.4.2. Training and Quality of education .....	27
___4.4.3. Financial Resources .....	27
___4.4.4. Organization culture.....	28
___4.4.5. Resistance to change .....	28
___4.4.6. Poor Leadership.....	29
CHAPTER FIVE: SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION .....	30
5.1. SUMMARY OF FINDINGS .....	30
5.2. Recommendations .....	33
5.3. Limitations of the study.....	36
5.4. Suggestions for further research.....	37
5.5. Conclusion.....	37
REFERENCES .....	38
APPENDICES .....	46
APPENDIX1: LETTER OF INTRODUCTION.....	44
INTERVIEW GUIDE.....	45

## ABSTRACT

This study sought to investigate challenges of employee empowerment at the National Social Security Fund Savings and Credit Co-operative Society. The study adopted a case study research design as it sought to gain an in-depth understanding of the specific challenges of employee empowerment. Both primary and secondary data were employed to collect data. Primary data was collected through the use of an interview guide which was administered to the heads of department. A total of five respondents were interviewed. Secondary data was derived from the SACCO's records.

The study findings showed that the major challenges of employee empowerment at NASSEFU SACCO were lack of proper communication network, organizational politics, resistance to change mainly from the lack of cooperation from some members, a culture that impedes teamwork among the junior staff, insufficient funds to continuously support training programmes for staff and lack of a focused leadership leading to high staff turn over. The study further revealed that employees are given autonomy in executing their duties and that regular staff meetings were organized frequently by management.

The study findings also revealed that there is a strong relationship between the adoption of employee empowerment and the use of total quality management (TQM) practices in the SACCO in that its staff is more aggressive in its sales department to attract new member and retain its current ones, and that the staff is also more pro-active in responding to customer concerns, innovation of new products and constantly keeping its members abreast in new developments in the SACCO industry.

## **ABBREVIATIONS**

<b>NASSEFU</b>	: National Social Security Fund Savings and Credit Cooperative
<b>SACCO</b>	: Savings and credit co-operative
<b>FOSA</b>	: Front Office Service activity
<b>NSSF</b>	: National Social Security Fund
<b>TQM</b>	: Total Quality Management
<b>CAK</b>	: Co-operative Alliance of Kenya
<b>KUSCCO</b>	: Kenya Union of Savings and credit Co-operative



# CHAPTER ONE: INTRODUCTION

## 1.1. Background to the Study

A consensus has emerged among scholars and practitioners alike that the business environment has become more competitive than in the past because of globalization.

(Ansoff, 1991; Hamel and Prahalad, 1996). In order to survive in this new era, businesses have to focus even harder on their competitive strengths so as to develop appropriate long term strategies.

One way to counter the dynamic environmental forces is through employee empowerment. Human resource management is moving from the traditional command and control approach to a more strategic one thus, (Oram and Wellin's 1995), (Cane 1996) and (Albert and Bradley, 1997) have also highlighted "employee empowerment" as one of the critical success elements. (Slater, 1995), further estimated that competitors secure detailed information on 70 % of new products within one year of introduction, and that 60 % to 70 % of all "process learning" is eventually acquired by competitors. Therefore the only source of achieving competitive advantage is investing in the organization's people who are committed, educated and flexible.

However, despite the fact that employee empowerment plays a great role in an organization, implementation of empowerment programs seems to be the biggest challenge organizations face (John Fox, 1998). This is because the loyalty of employees

must be earned and retained rather than assumed (Carnall, 1997). The subject of employee empowerment further faces the challenge of complexity of managing people and the complexity of human nature itself. Either, its definition is rather ambiguous.

Various literature sources for example (Oarkland (1993), Albert and Bradley (1997), and Ganz (1994) have defined it and even though many organizations claim they employ it, its meaning is understood in different ways.

### **1.1.1. The Concept of Employee Empowerment**

The puzzle of employment has been defined in different ways by various scholars. (Beard Well, 2001, pg 574) defines empowerment as a change- management tool which helps organizations create an environment where every individual can use his/her abilities and energies to satisfy the customer. Cole (2004) in his book went ahead to quote Clutterbuck (1994) who argues that empowerment is being treated as a cultural exercise in which people are encouraged to take personal responsibility for improving the way they do their work, through delegating responsibility for decision- making as far down the line as possible to the controlled transfer of power from management to employee in the long term interest of the business as a whole. (Ettorre's, 1997, pg. 1) defines empowerment as “employees having autonomous decision- making capabilities and acting as partners in the business, all with an eye to the bottom line”.

(Block, 1987. pg 65) defines empowerment as, “underlying purpose with which we commit ourselves to achieving that purpose, now.” (Caudron 1995, pg 28) articulates empowerment as, “when employees ‘own’ their jobs; when they are able to measure and

influence their individual success as well as the success for their departments and their companies.” Bowen and Lawler (1992) define empowerment as sharing with front-line employee’s four organizational ingredients: first is information about the organization’s performance, second is knowledge that enables employees to understand and contribute to organization’s performance, thirdly is rewards based on the organization’s performance and lastly power making decisions that influence organizational direction and performance.”

Further research suggests that, empowerment exists when companies implement practices that distribute power, information, knowledge and reward throughout the organization (Bowen and Lawler 1995, pg 73). Empowerment is a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing efficacy information (Conger and Kanungo, 1988, P 474)

This implies new roles for managers and supervisors changing. That is, removing conditions that foster powerlessness and providing feedback about performance (mentoring).(Quinn and Spreitzer, 1997, p. 40) define empowerment in terms of fundamental beliefs and personal orientations..., “Empowered people have a sense of self-determination, empowered people have a sense of meaning, empowered people have a sense of competence, empowered people have a sense of impact.

### **1.1.2. National Social Security Fund Sacco, (NASSEFU)**

SACCO societies in Kenya started way back in 1964 as thrift cooperative societies with the objectives of mobilizing domestic savings from members and consequently lending them for welfare and productive purposes. In 1966, the government through the Ministry of Cooperative Development enacted a new law, that is, cooperative societies Act and Thrift Societies were renamed Co-operative Savings and Credit Societies (SACCO).

NASSEFU was registered in October 1990 with the first offices at Soweto. The first AGM for the society was held at Pan Afric Hotel, Nairobi on 14<sup>th</sup> December, 1990. Minimum share contribution was raised from Kshs. 100 to Kshs 200 and to Kshs 100, 000 in 1990, improved to Kshs. 200, 000 in 1995, Kshs. 600, 000 in 1999 and finally, in June, 2001, the upper ceiling was removed and members can secure loans up to 3 times their savings subject to their ability to repay within a maximum period of 48 months. The loan waiting period has tremendously improved from 6 months in 1990 to 4 months in 2000, 3 months in 2001, 2 months in 2002 and currently the society is able to grant loans within the same month of application.

The Office Service Activity (FOSA) commenced operations in December 2000, to offer quasi-banking services to NASSEFU members at competitive rates. Most of the members have been marginalized from mainstream banking sector by stiff banking charges and high minimum balance. The SACCO was registered in August, 1990 with about 281 members and received its first check off of Kshs. 59, 000/= in September, 1990. To

date, the membership has grown to 3, 135 within an average monthly check off of Kshs. 25, 098, 616/=. The Sacco's membership was predominantly (NSSF) employees but with time, it has drawn members from other organizations such as Resort (K) Limited, Cobra Security, Hekima School, NAIVAS Limited, Kenya Sweets Limited, Smart Applications, Nairobi Christian Church, Hope Worldwide (K), Professor Elly Ogotu and East African Seeds.

## **1.2. Statement of the problem**

Employee empowerment is one of the critical issues confronting the managers in the process of transforming organizations. Theoretically it is accepted as democratizing function with the employee involvement and commitment as key factors. However, lack of a universally accepted definition as well as a concrete model for implementation continues to baffle most theorists. While there is a complete consensus on the expected outcomes in terms of increased performance and effectiveness, the debate on its key elements and structural issues carries on (Sharma and Kaur, 2003). Beardwell (2001) outlines some of the importance of employee empowerment to the organization as having greater awareness of business needs among employees, improved quality and productivity measures, reduced staff turnover and quick response by the organization to market changes. Although various benefits stand to be gained, organizations are still not willing to hand down power to employees and the 'control' mentality is still abundant Zairi and Jarrar (2009).

The concept of employee empowerment at National Social Security Fund is still an infant in terms of practical implementation. The level of letting employees participate in decision making, have the responsibility for their own training and accountability for the results of their work is still debatable. Further research suggest that despite the argument in favor of the concept of empowerment in SACCOs, few have yet made much progress with its development and use Hickey and Casner- Lott (1998). There is also the capacity challenge by way of lack of comprehensive understanding of the co-operatives and most of them operate under the learning curve Mc Cracken (2002).

Previous research on important aspects of employee empowerment have been done. For example, Gandz (1990) did a research on importance of employee empowerment in organizations and found out that employee empowerment is a fundamental engine for any firm's survival. Badenhorst (1999), carried out a study on measurement of employee empowerment and suggested that to measure empowerment, a measurement instrument must be developed. Kappelman and Richards (1996) carried out a research on importance of employee empowerment on organizational change and found that employee empowerment is critical because the larger forces of change are normally beyond the employee's control.

Moreover, studies on the aspect of employee empowerment have been carried out in the Kenyan context. examples include Musyoka (2008) and Baronya (2009). However, none of the studies have tackled the issue of challenges of employee empowerment to be specific at National Social Security Fund Savings and Credit Cooperative Society. This

study therefore intends to close the gap by answering the question: what are the challenges of employee empowerment at the National Social Security Fund SACCO?

### **1.3. Research Objective**

To establish the challenges of employee empowerment at the National Social Security Fund savings and credit cooperative society.

### **1.4. Significance of the Study**

The findings of this research study will be useful to management of cooperative societies in reinforcing employee empowerment and also provide additional knowledge to existing and future institutions that plan to undertake employee empowerment.

Stakeholders and the government will be guided on why employee empowerment is Key to SACCO's performance and why the challenges need to be addressed for better results.

The study will therefore assist in the development of policies in the government on how to combat the challenges of employee empowerment.

This study finding will be useful to scholars who will use it in further research. It will therefore help other academicians who plan to undertake the same topic in their studies.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1. Employee Empowerment

Power has been treated in various ways by social scientists. In management literature, power is primarily described as an influence or control that an individual has over others. Hence, it is the capacity of a person, team or organization to influence others. By this definition of power, an empowered person or a team has a better control over his/her surroundings. According to (Whetten, Cameron and Woods, 2000), to empower means to enable; it means to help people develop a sense of self worth; to overcome causes of powerlessness, to energize people to take action, and mobilize intrinsic excitement factors in work. It is more than just giving power to someone. Empowered people not only possess the will to accomplish something, they also think of themselves differently than they did before they were empowered.

Empowerment is recognized as releasing into the organization the power that people already have in their wealth of useful knowledge and internal motivation Randolph (2000). Frymier, Shulman and Houser (1996) have defined empowerment as the process of creating intrinsic task motivation by providing an environment and tasks which increase one's feeling of self efficacy and energy. Luechauer and Shulman (1993) view empowerment as the humanistic process of adopting the values and practicing the behavior of enlightened self-interest so that personal and organizational goals may be aligned in a way that promotes growth, learning and fulfillment. Frymeir, et al, (1996)



further argue that empowerment is a multi-faceted concept. Empowerment is taking the best from a person and using it to make that individual even better.

Bowen and Lawler (1992) focused on empowering management practices including delegation of decision making from higher to lower organizational levels. Employees are only empowered if they genuinely feel their voices are heard and that, not only will they be listened to and possibly involved but also that their knowledge will empower them to make decisions. A key factor in determining the success of an empowerment programme lies in the setting up of all the necessary conditions. Empowerment only works by involving all levels of management and employees Badenhorst (1999).

It's also evident that empowered personnel have responsibility, a sense of ownership, satisfaction in accomplishments power over what and how things are done, recognition for their ideas and the knowledge that they are important to the organization Turney (1993). It is clear that employee empowerment and organizational practices that support employee empowerment go hand in hand and cannot be separated. Empowerment of employees is an ongoing process that cannot happen overnight because it has to do with new ideas, new theories, thinking, processes, intellectualizing and reasoning.

(Cormier and Cormier 1998, P 276) summarize the cognitive theory as intellectualising; logical, rational, reasoned, computer like approach to problem solving and decision making; receptive to logic, ideas, theories concepts, analysis and synthesis. Kappelman and Richards (1996) view employee empowerment as providing workers with opportunities to influence decisions promote worker motivation and reduce worker

resistance towards organization change. Menon (1999) dwelt on three major psychological facts of power and defined psychological empowerment by a sense of perceived control, perceived competence and goal internalization.

## **2.2. Employee Empowerment programs**

According to Clutter Buck (1994) there are four general areas where empowerment programs may be applied. These are knowledge base for example extending people's knowledge and skills in job related matters as work design, discretion over tasks and involvement in policy making. Also, organizational change, for example, encouraging suggestions for change in other functions and developing cross-functional quality improvement teams. Empowered people have the necessary tools, information and support to make more informed decisions and act more quickly to accomplish more Kanter (1979).

In an empowering setting, people are engaged in making the decisions that influence the quality of their work life and quality of the product or service given to their customers. Empowered people have the necessary feedback, training and knowledge to successfully perform in their work. The best way to empower employees is to make them feel they are an important part of the company and that they are partially responsible for the success of the company. (Bowen and Lawler, 1995, p 75) cite a survey research conducted on how firms are adopting practices that redistribute power, information, knowledge and rewards and the results show that empowerment improves worker satisfaction and quality of work life. Also, quality, service and productivity are reportedly improved as a result of

employee involvement efforts. Profitability and competitiveness also improves tremendously when a relationship is drawn between a firm's financial performance and empowerment.

Employees may also be empowered by tapping into the talents of employees. Find out what each employee does well, in addition to what they enjoy doing. Assign tasks that will allow employees to enjoy their work and excel while doing it (Thomas Petzinger, 1997, P 31). He goes ahead and asks this rhetorical question, "What better way to tap into workers brains as well as their brawn than to encourage them to think on the job, to bring to it a greater sense of professionalism and self-motivation and to feel committed to the company's success?" By doing this he argues creativity and innovation is encouraged among employees.

Drawing on, Aeppel (1997) and Freeman (1998) outline training as another powerful program of employee empowerment. According to them managers should provide training to employees to acquire the needed skills and knowledge. As a result, competency in the form of training for employees is developed and enhanced. Providing training as Gary Dessler (1992) suggests not only helps them develop their skills and knowledge, but it is also motivational and a building block to organizational success. Andre Gorz (1990) goes further to argue that a highly trained workforce is the key to organizational transformation.

Another important program of employee empowerment is coaching. Gandz (1990) indicates that managers ought to be willing and capable of changing their roles from supervisors and work directors to visionaries and coaches. Coaching according to Blanchard and Bowles (1998) is defined as teaching and practice focused on taking action, with celebration when things go well and supportive redirection when things go wrong, while at the same time creating excitement and challenge for those being coached. Ward (1996) views coaching as an objective to keep give employees responsibilities which move them along the capability continuum, and eventually reaching fully capable of the task. Caudron (1995) points out that manager's also have to learn how to nurture and reward good ideas.

According to Conger and Kanungo (1988), there are four coaching strategies namely; Expressing confidence in subordinates accompanied by high performance expectations, fostering opportunities for subordinates to participate in decision making, providing autonomy from bureaucratic constraint, and setting inspirational goals. Thomas and Velthouse (1990) also add that events such as inputs from supervisors, staff peers, and subordinates, for example, performance evaluations, charismatic appeals, training sessions, and mentoring advice provide data on which to base task assessments.

Communication is another powerful program of employee empowerment. It is necessary to build a strong communication network which is transparent and straightforward. Blanchard, Carlos and Randolph (1996) propose that people without information cannot act responsibly. Furthermore, Bowen and Lawler (1995) outline communication and

information as the lifeblood of empowerment. Ginnodo (1997) also argue that in the absence of information, employees do not know the ramifications of their actions and therefore, they will not be responsible. Randolph (1995) reveal that employees who have information about current performance levels will set more challenging goals and when they achieve those goals, they will reset the goals at a higher level and this is good for the company. Byham (1997) however insist that communication about the organizations plans, success and failures should be effective.

Researchers have also attempted to explain the role of positive reinforcement as a core Programme in employee empowerment. Employees are likely to second guess their work if they don't receive feedback about their work. Let them know when they have done a great job. Cauldron (1995) indicates that empowerment is developed by creating an empowering environment in which employees are given goals, information, feedback and most importantly, positive reinforcement. Without positive reinforcement, employees do not easily realize how skilled they really are and how important their work is to the success of the organization.

Byham (1997) and Spreitzer (1995) identified that performance management systems that provide a clear understanding of job responsibilities and methods for measuring success, are fundamental to reinforcing a sense of competence and believing that one is a valued part of an organization. In conclusion, empowerment programmes that provide emotional support for subordinate and those that create a trusting group atmosphere can be effective in strengthening self-efficiency beliefs.

According to Keighley (1993) self management teams in employee empowerment involves team consisting of small groups of employees. They take responsibility for 'ownership' of some aspect of the work process and endeavor to solve problems or improve performance in some specific way. They may undertake to co-manage a program or they address a broader set of issues related for example, to technological innovation in customer service. When they enjoy both employee and management support, they regularly achieve their goals, either by improving performance or by successfully introducing a quality-enhancing innovation. In addition to solving problems, self management teams help improve employee morale and job satisfaction.

Total quality management (TQM) is another powerful employee empowerment Programme. Ginnodo (1997) notes that (TQM) involves articulating a vision of values, strategies and goals; aligning policies, practices and business plans, improving process, organizing, communicating and walking the talk of (TQM). For Johan Olsson (1990) the result is a win-win- win situation. You win by delegating, the business wins by improving processes and most importantly, the employee feels like the primary winner because they have the opportunity to implement their own ideas to an issue and bring about resolution. He notes however, that amid all of this enthusiasm, it is important to recognize two enduring themes in this approach first, empowerment is not about power and second, empowerment is about productivity

### **2.3. Challenges of employee empowerment**

Challenges of employee empowerment are important because we can only receive the benefits if the challenges are addressed. The foremost challenge of employee empowerment is lack of sufficient communication. Wang (2000) argues that communication should be a two way process so that it can provide information to improve understanding, responsibility and motivation among staff. He further argues that communication should be an ongoing activity throughout the empowerment process.

(Spreitzer 1995 P. 1448) notes that information about mission is an important antecedent of empowerment because it helps create a sense of meaning and purpose and also it enhances an individuals ability to make and influence decision that are appropriately aligned with the organization's goals and mission either, (Zollers and Collahan, 2003) add that open communication tends to flatten out the organization and de-emphasize the hierarchy. Block ( 1987) also advises managers to share as much information as possible with employees. Lack of sufficient communication from top to down continues to be a major challenge in employee empowerment.

Another challenge in employee empowerment is the inadequacy of resources, lack of education and training for employees. Several authors indicate the importance of training throughout literature. (Caudron 1995, P 32) indicates that once employees understand what needs to be done to improve the company, they must have all the skills and resources necessary to be able to accomplish those improvements. Kanter (1979) notes that spreading power means educating people Ginn (1997) adds that empowerment

training is more than remedial. It prepares people collaborations and higher level performance and sends a message to employees that we are spending money on you because this is important to the organizations future.

Training in most organizations does not come cheaply which makes empowerment difficult. For organizations to be empowered they must invest in training materials and facilitators, they must value training sufficiently to release employees from regular work duties to attend. Most training programmes fail due to under funding and embezzlement of training funds among officials. Gandz (1990) reports that it is a common experience for organizations that seek to empower employees to find that their training and development budgets are woefully under-funded.

Drawing on, employee empowerment faces another challenge in its definition. There is no universally accepted definition as well as a concrete model for implementation. Many authors have provided different definitions, some clear and some vague. This lack of clear understanding is an obstacle to employee empowerment. Quinn (1997) provides two classifications in an attempt to understand employee empowerment. The mechanistic and organic approach. In the mechanistic approach managers and researches belief that empowerment is about delegating decision making within a set of clear boundaries. Delegate responsibility and hold people accountable for results. In the organic approach to empowerment, researchers and managers belief that empowerment is about risk taking, growth and change, understanding employee needs and trusting people to perform.



Thomas and Velthouse (1990) provide their own definition and argue that to empower is to give power. Honold (1997) summarizes by saying that for organizations to be successful, each must create and define empowerment for itself. That empowerment must address the needs and culture of each unique entity. Burdett (1999) however, notes that in organizations where empowerment has been enacted successfully, both the philosophy and the term itself enjoy a high level of acceptance.

Resistant to change is another common challenge to employee empowerment. Conger and Kanungo (1988) raise the possibility of major organizational changes as having an impact on employee's sense of control and competence as they deal with the uncertainty of change and accept new responsibilities, skills and guidelines for action behavior. Bridges (1991) indicates that stability through change demands clarity about what you are trying to do. Bryson (1995) notes that changes do not implement themselves and it is only people that make them happen. For organizations to stay competitive in the global market they need to change. Both the organization and the employee need to change and practice empowerment strategies.

Employee empowerment is important to the process of organizational change because empowerment fulfills the individual need for a sense of control Kappelman & Richards, (1996). However, this is not the case as many people in organizations resist change making employee empowerment difficult to implement. Cooper and Markus (1995), Reger et al, (1994) add that to manage change companies must not only determine what

to do and how to do it, they also need to be concerned with how employees will react to it. However many people resist change by all means due to conformity making empowerment difficult

Lack of visionary leadership is more so another challenge facing employee empowerment. Empowerment must work in sync with the strategic goals and business processes with each individual as a behavioral partner in business. This kind of empowerment calls for the kind of courage and honesty that most managers never dream of Allen (1997). The decision making authority expected by the employees might not be the same one that managers are willing to accept thus, employees could stop the efforts, become cynical and lose interest.

Managers might not be willing to give up the necessary power. Management's fear of letting employees make decisions which can impact the profitability of the company is a major factor in the ineffectiveness of many empowerment programs Kanter (1979).

Managers feel that giving up control is threatening to people who have fought for every shred of it, that people do not want to share power with those they look down on and that managers fear losing their own place and special privileges in the system. (Kanter 1979, P 73) however retorts that by empowering others, managers need to understand that their power is not decreased. Instead, he may increase it especially if the whole organization performs better. That the productive capacity of organizations grows if the skill base is upgraded.

Another barrier to employee empowerment is the aspect of organization culture.

(Schein 1985, P9), defines organizational culture as a pattern of basic assumptions, invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems. If an organizations culture does not already support empowerment, it must be changed. The culture of the organization must support the thrust of empowerment if there is any chance for success. Deep rooted culture biases hamper empowerment programs. This is because many see that changing the culture may be a threat and therefore favor “continuity” and “security” (Wang 2000

Organizational politics remains another key challenge to employee empowerment. Organizations politics are factors that managers engage in to obtain and use power to influence organizational goals in favor of their own interests Stacey (1993). Wang (2000), also states that it is important to overcome resistance of powerful groups because they may regard the changes brought about by employee empowerment as a threat to there own power. Top-level managers constantly come into conflict over what correct policy decisions should be. According to them, the challenge organizations face is that the internal structure of power always lags behind changes in the environment because in general the environment changes faster than the organization can respond.

Employee empowerment needs further empirical authentication for the decision makers to be convinced of its positive outcomes. In addition, a holistic approach model that incorporates all the interventions is needed to implement it in a systematic structured manner. In the light of this discussion, the purpose of this paper is to build and demonstrate a tool for the proactive assessment of the levels of empowerment in organizations periodically so that the challenges facing it can be addressed to ensure high quality in process and outcome.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1. Research design**

The researcher employed a case study design to collect data. The design brought a clear and an in- depth understanding of the objectives. It emphasized a contextual analysis of challenges of employee empowerment at the National Social Security Fund Savings and Credit Cooperative Society. According to Feugan, Orum and Sjoberg (1991) a case study design is an ideal methodology when a holistic- in-depth investigation is needed. Also, Cooper and Schindler (2003) assert that case studies place more emphasis on a full contextual analysis of fewer events or conditions. The researcher in order to achieve the objectives employed an interview guide to produce tangible evidence that led to the understanding of the case and answered the research question which targeted departmental heads of the SACCO.

### **3.2. Data collection method**

The study used both primary secondary data. Primary data was collected through the use of an interview guide with the heads of departments in key sections. The interviews were key to gaining an insight into the SACCO and provide better opportunity to probe and get exhaustive information useful for the study. Interviews were conducted on departmental heads who are engaged directly in employee empowerment. Relevant data was collected that was consistent with the objectives of the study. Secondary data was obtained from the SACCOs existing records. The researcher stated her intend and requested for this documents

### **3.3. Data Analysis**

The researcher used content analysis to analyze the data since the information collected was qualitative in nature. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages using the same approach to relate trends. Mbogo (2003) also employed this kind of approach and argued that it is useful in gaining fresh material in areas thought to be unknown. The findings were later presented under themes which provided information on conclusions and implications.

# CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

## 4.1. Introduction

The objective of this study was to establish the challenges of employee empowerment at NASSEFU SACCO through an interview guide with the heads of departments. The researcher had a target of interviewing six of them but managed to interview five, mainly the General Manager, Information technology manager, administration manager, Fosa accountant and the marketing officer. Through these interviews, the researcher was able to collect useful information on the demographics of the respondents, empowerment programmes and the challenges of employee empowerment.

## 4.2. Demographic information of respondents

The purpose of this section was to ascertain the demographic information of the respondents. The researcher established that of the five correspondents, four were males and one was female. The research also established that all the five respondents were university graduates therefore understand the concept of employee empowerment well. The findings further revealed that the General Manager and the FOSA accountant have served in the Sacco for eleven years, the administration manager four and half years, six years for the marketing officer, and four years for the information technology manager. This implies they have served in the SACCO long enough and have more information and knowledge about employee empowerment and the challenges that come with it.

### **4.3. Empowerment programmes**

Regarding Empowerment Programmes, the respondents confirmed knowledge that the SACCO indeed offers its employees job descriptions that allow them to find their own solutions. They also confirmed that they are given the opportunity to implement their own ideas to an issue and this was exemplary in the sales department that has been aggressive in attracting new members into the Sacco. The respondents however revealed that talent recognition was not being practiced in the SACCO and suggested cooperation and support from management for the programmers to succeed.

The respondents were able to confirm that the SACCO uses both on the job and off the job training methods to train its employees. On the job methods include induction of new staff, job rotation, job enlargement and enrichment. Off the job methods, include use of workshops and seminars, which are organized annually by the SACCOs management. The number of individuals selected to attend depends on the budget and SACCOs needs for that particular year. The individuals are also selected depending on their job evaluation results and availability. The SACCO more over uses umbrella bodies and training consultants to train its members. For example in 2009 it was able to take its members through a customer care-training course with Eureka training consultants.

The respondents when probed further revealed that there were no coaching and mentoring programmes in the SACCO but rather regular staff meetings organized by the SACCO were being used. The respondents however were of the view that the situation could be changed if managers are willing and capable of changing their roles from supervisors and



work directors to that of coaches and mentors. Further findings indicate that there is a strong relationship between the adoption of employee empowerment and the use of TQM practices in the SACCO. This is evident in the way the sales department is aggressive to attract new members and retain its current ones. The staff is also more pro-active in responding to customer concerns. The adoption of total quality management as revealed by the respondents is a big plus for the SACCO as the business has been able to gain by improving processes with employees as overall winners because they feel they have the opportunity to implement their own ideas to an issue and bring about resolution.

The study further revealed that employees room for consultations with heads of departments and opportunities to give the relevant feedback were minimal though found to be necessary by the management. This is a challenge to the empowerment process as respondents felt that employees who lack feedback are likely to second guess their work if they don't receive feedback on how they are performing. Moreover without positive reinforcement, the respondents revealed that employees do not easily realize how skilled they are and how important their work is to the organization. However, the general view was that the SACCO has been able to run smoothly because of its efforts to organize regular meetings for its staff.

## **4.4. Challenges of employee empowerment**

This section sought to identify the challenges of employee empowerment at the SACCO and established that poor methods of communication, insufficient training, inadequate financial resources, resistant to change, and poor leadership were the major challenges facing empowerment with organization culture affecting it to a small extent. Challenges of employee empowerment are important because we can only receive the benefits if the challenges are addressed.

### **4.4.1. Communications**

The main objective of this study was to establish the challenges of employee empowerment at the National Security Fund SACO. The study was able to find out that poor communication was a major challenge to the Saccos performance. One respondent lamented that the ICT network in the SACCO was underdeveloped, there is a shortage of machines such as computers and that the SACCO lacked a central system for distribution of information to various individuals or departments. It was also revealed that information flow is poor with departmental heads not finding it necessary to share information with their subordinates. The study findings also showed that communication is hampered due to the inadequacy of effective communication systems and deficient information communication technology policy. This is because the respondents indicated that the existing policies, procedures and support systems were not supportive of employee empowerment thus a challenge.

#### **4.4.2. Training and Quality of education**

Training is critical for any employee empowerment programme to succeed. The study revealed quite a number of challenges facing training programmes within the SACCO. Low budgetary allocation in training as compared to other key sections like marketing; poor timing for the training programmes in that members were torn between whether to go for training or remain at work. The respondents revealed that they would prefer to go for training when they are off duty; biasness in selection of member to undergo training and that there was lack of 'ownership' and participation by the lower staff in the trainings. The study findings revealed that the SACCO lacks adequate competent staff leading to a hindrance in execution of employee empowerment. One respondent said that there was lack of professionalism and this seemed to hinder workflow. Training is further hindered by poor management of training funds. Despite the above pitfalls, the SACCO's response has been minimal and slow.

#### **4.4.3. Financial Resources**

Study findings show that inadequacy in provision of finances is a major challenge to the empowerment process. The respondents suggested that lack of resources in rural areas was a key problem that needed to be addressed quickly. Because of this, low productivity and reduced expansion rates for the SACCO was being experienced countrywide. The study findings from the SACCO's records revealed that NASSEFU has over time been faced with inadequate finances due to low budgetary allocation. More so, the allocation is hampered by lack of accountability and transparency leading to poor utilization. This in turn has led to a network of corruption and embezzlement of SACCO's funds. Poor

quality staff is worsened by inadequate Human Resource policy which leads to recruitment of employees whose areas of competence does not match job specifications.

#### **4.4.4. Organization culture**

It was established that the SACCO's culture impedes employee empowerment since it does not support teamwork largely. However, when asked on how the culture supports employee empowerment the respondents listed a number of ways including believing in 'together we stand, divided we fall', bonding sessions after annual general meetings, provision of loans that allow employees to pay up their educational needs and fulfill their personal goals. The findings further revealed that the SACCO's culture advocates for promotion from within and this helps reduce turnover to other competing SACCO's.

#### **4.4.5. Resistance to change**

The respondents agreed that resistance to change was a key challenge to the SACCO but argued that it can be overcome with time through persuasion and if proper measures are put in place. Because of the rapid technological advancements in the SACCO industry and the rush to be ISO certified, any form of resistance to change is a blow for NASSEFU. Study findings showed that the rate of embracing change was slow and that the SACCOs response to these challenges has been faced with many setbacks for example lack of cooperation from some members who preferred maintaining their status quo. This in turn kills creativity and innovation leading to stagnated growth within the SACCO. The findings also revealed that the departments lack harmony and the policies are not clearly drawn to the staff to implement the new change.

#### **4.4.6. Poor Leadership**

The study findings revealed that a number of challenges face the leadership at the SACCO, including lack of focus in the management which leads to failure of empowerment programmes. The leadership style was established to be bureaucratic in nature and this was found to be a threat to empowerment programmes. The respondents were able to reveal that because of poor leadership, they have had to deal with high staff turnover and low morale among staff. The study findings further revealed that poor leadership is exhibited when the staffs are denied salary increments thus reducing productivity. Moreover, the findings were able to reveal that leadership lacked a formal organizational structure, and that there was no proper criterion for promotion of employees leading to biasness.

Also leadership has failed in the way it distributes remuneration for its staff. The study findings revealed that there is no reward system put in place to motivate employees and increase performance. As a result, the SACCO needs to develop and document an effective reward policy that is staff friendly. However, working relationships have improved tremendously owing to the fact that the culture of bureaucracy has reduced to minimum levels. The research also established that inadequate staff knowledge on FOSA operations, defection by members and competition from other SACCOs were recurrent problems facing its operations.

# **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

## **5.1. Introduction**

The researcher in this chapter summarized the findings of the study, the conclusions and recommended measures to be taken by the SACCO for successful employee empowerment. The chapter further elaborated on the limitations of the study and suggested areas for further research.

## **5.2. Summary of findings**

While the SACCO appreciates the importance of employee empowerment, several challenges face it. From the findings the researcher established that of the five correspondents, four were males and one was female. The research also established that all the five respondents were university graduates therefore understand the concept of employee empowerment well. The findings further revealed that the General Manager and the FOSA accountant have served in the SACCO for eleven years, the administration manager four and half years, six years for the marketing officer, and four years for the information and technology manager. This implies they have served in the SACCO long enough and have more information and knowledge about employee empowerment and the challenges that come with it.

The research established that the SACCO uses both on-the-job and off-the-job training methods to train its employees but revealed that talent and individual efforts are not being recognized and suggested cooperation from all stakeholders and support from management. The respondents further added that they are given the opportunity to implement their own ideas to an issue and that the job descriptions allowed them to find solutions to such compelling issues. The study findings further showed that there is a strong relationship between adoption of employee empowerment and the use of total quality management practices and therefore a plus for the SACCO in terms of securing competitive edge. The respondents were able to reveal that there were no coaching and mentoring programmes but rather regular staff meetings organized by the SACCO are being used. The study also showed that consultations between supervisors and employees were minimal but the management is seriously improving on it.

The study findings from respondents revealed that the SACCO lacks adequate financial resources to continuously support training of its workforce. This is because the budgetary allocation for training compared to other departments like marketing was small and because of this it has had to deal with declining profits and increased competition from other SACCOs. The findings also revealed that adoption of effective communication channels is hindered by lack of employee skills and an underdeveloped ICT network. The leadership style was found to be bureaucratic in nature and this has led to increased staff turnover and reduced morale. Poor leadership is also exhibited when staff are denied salary increments hence reduced productivity.

Resistance to change was another impediment to employee empowerment at the SACCO. The respondents revealed that the rate of embracing change was slow and that the SACCOs response to this has hit a snag because of lack of cooperation from members who preferred maintaining their status quo. The study also revealed that the culture of the SACCO does not support teamwork. The research also established that inadequate staff knowledge on FOSA operations, defection by members and competition from other SACCOs were recurrent problems facing its operations.



### **5.3. Conclusion**

With Kenya's view to achieve vision 2030, it is imperative that the management at the National social Security Fund savings and Credit Co-operative seriously considers adopting a culture change that favors empowerment for employees. The SACCO needs to embrace change by allowing young people to take up management positions and encourage and facilitate further learning for its members. There is also need to entrench minimum number of meetings held weekly among staff to encourage team spirit.

The SACCO must adopt a culture change that preaches the value of empowerment and walk talk employee empowerment at all times. All members need to work as a team and their motto of "together we stand divided we fall" reinforced. In general, all persons in the SACCO must be committed to ensuring that the execution of employee empowerment is a success.

## 5.4. Recommendations

In view of the research findings, the researcher recommends the following:

The SACCO's top management to consider culture change by adopting a "bottom –up" approach in order to bring all employees and the relevant stakeholders together, organize frequent retreats that will help promote and build the team work spirit among the employees and this will with no doubt reinforce empowerment. The researcher also recommends that the SACCO provide standards and values that motivate and nurture employee's to do their work, increase budgetary allocation for training activities and source for alternative funding.

Furthermore, the SACCO could consider developing a Human Resource policy that embraces competent manpower, who will be undergoing regular training in order to better perform in their duties and excel at the workplace. The Researcher further argues the management to introduce a reward management and recognition policy to motivate employees and increase productivity. More so, stakeholders should be incorporated in the quest to empower employees fully. These are mainly Kenya Union of Savings and Credit Co-operatives and Co-operative Alliance of Kenya (CAK) whose role is to advocate on behalf of the Co-operative Societies in Kenya.

In addition, continuous feedback on performance and progress of employees should be instituted in the SACCO to eliminate cases of second guessing among its staff. Finally, the researcher recommends that more procedures be sought and put in place to avoid the

possibility of mismanagement of SACCO's funds, this could be through continuous improvement and sealing loopholes for embezzlement of funds.

## **5.5. Limitations of the study**

The main limitations of the study were that an in-depth case study of NASSEFU was done therefore; the findings and result are unique to the SACCO.

Another limitation was the fact that the study narrowed to mainly heads of departments thus not representative of all staff in the SACCO.

## **5.6. Suggestions for further research**

The researcher is of the view that further research is needed where all persons are represented. That is top management, middle level management and lower cadre staff in the SACCO.

Moreover, further research needs to be replicated among different SACCOs to determine the challenges of employee empowerment in diverse settings as well as to gauge the generalizability of the relationship dimensions identified. Such kind of approach could serve as the basis for greater understanding of the challenges of employee empowerment in SACCOs and their impact in the financial sector.

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11

## APPENDICES

### APPENDIX 1: LETTER OF INTRODUCTION

August, 2011

Dear Sir/Madam,

#### **RE: REQUEST FOR RESEARCH DATA.**

I am a Master of Business Administration (M.B.A) student at University of Nairobi. I am required to submit as part of my course work assessment a research project report on **challenges of Employee Empowerment at the National Social Security Fund savings and credit cooperative society.** This is to kindly request you to assist me collect data by availing yourself for a face to face interview on issues relating to the subject. The information will be used exclusively for academic purposes. Findings of the study, shall upon request, be availed to you.

Your assistance and cooperation will be highly appreciated.

Thank you in advance.

*Shiundu Ogunja Miriam*  
**M.B.A. Student- Researcher**  
University of Nairobi

*Mrs. Florence Muindi*  
**University Supervisor**  
University of Nairobi

## APPENDIX II: INTERVIEW GUIDE

### Section A: Demographic information

1. Gender

Male

Female

2. Position held in the organization.

3. Period of service in the Sacco?

4. Level of education.

## **SECTION B: Information on employee Empowerment Programmes**

5. Do you recognize talent among your employees?
6. Do your employees feel they have job descriptions that give them autonomy and allow them to find their own solutions or are they simply told what to do?
7. Are there coaching and mentorship programs in your SACCO? If yes, how are they conducted?
8. Do your employees feel listened to and heard?
9. Are the employees consulted? If they are consulted, are their opinions taken seriously?
10. (a) Are there regular opportunities for them to give feedback?  
(b) What kind of training methods does your SACCO use? Briefly explain.



## **SECTION C: Information on challenges of employee empowerment**

11. What are the challenges facing the communication system within the SACCO?
12. What are the challenges encountered in conducting training for employees?
13. Is lack of resources and poor quality education among employees a challenge to employee empowerment? How does this impact on productivity in the SACCO?
14. In what ways does the SACCOs culture support employee empowerment?
15. Is resistance to change a challenge in the SACCO?
16. In your own view, how does poor leadership affect the success of employee empowerment programmes?

**Thank you for your co-operation**

