

**PERCIEVED RELATIONSHIP BETWEEN EMPLOYEE EMPOWERMENT  
AND ORGANIZATIONAL PERFORMANCE AMONG COMMERCIAL  
BANKS IN KENYA**

**BY**

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## **DECLARATION**

This project is my original work and has not been submitted for a degree to any other University.

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This project has been submitted for examination with my approval as University supervisor.

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## **DEDICATION**

I dedicate this work to my husband, Benson Mwaniki, for his support and encouragement throughout my studies.

And to my parents Andrew Ndegwa and Joyce Ndegwa, for their dedication and support during my undergraduate studies that provided the foundation for this work.

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## ABSTRACT

The banking industry builds competitive advantages by providing exceptional customer service. To achieve this, every institution must have an empowered workforce. Employee empowerment is a strategy and philosophy that enables employees to make decisions about their jobs and helps employees own their work and take responsibility for their results as well as serve customers at the level of the organization where the customer interface exists. It is one of the keys to implementing profitability improvement and other organizational change and maintaining continuous improvement. The objective of the study was to establish the perceived relationship between employee empowerment and organizational performance of commercial banks in Kenya. The study adopted a descriptive approach. The population of this study comprised of all licensed commercial banks in Kenya; which are 43 in total. The primary data was collected by use of a questionnaire which was used to record respondents' responses. After data collection, the filled-in and returned questionnaires was edited for completeness, coded and entries made into Statistical package for social sciences (SPSS version 20). Descriptive analysis was conducted, which involved the use of frequencies in their absolute and relative forms. Percentage, Mean and standard deviations were also be used as measures of central tendencies and dispersion respectively. The researcher found that employee empowerment positively and significantly influences organizational performance of commercial banks in Kenya to a very great extent. The study concludes that employee empowerment positively and significantly influences organizational performance of commercial banks in Kenya to a very great extent. Empowered employees equipped with tools, information, and support, people's skill base will improve, will increasingly make informed decisions and overall accomplish more, thereby benefiting the organization as a whole. The study concludes that employee empowerment improves the relationship between the employee and the customers to a greater extent and has a positive impact on organizational performance. The study also concludes that training enhances work performance and enables employees to meet their set targets to a very great extent. The study recommends that commercial banks should increase the level of employee empowerment because contributions by empowered employees are believed to have a significant impact on business productivity, revenue and the organization's overall effectiveness.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Employee empowerment means giving employees the authority, skills, and self-control to perform their tasks (Slocum and Hellriegel, 2007). Employee empowerment is a term that is used to express the ways in which non-managerial staff members can make decisions without consulting their managers. These decisions can be small or large, depending upon the degree of power with which the company wishes to invest in employees. Employee empowerment can begin with training and converting a whole company to an empowerment model. Conversely, it might merely mean giving employees the ability to make some decisions on their own. From the employee perspective, it's about responsibility, ownership, and accountability. It's also about trust; the employee is given the keys to the castle and trusted to do what's right for the customer and for the business (Patterson, 1998).

Kanter's theory of structural empowerment focuses on the structures within the organization rather than the individual's own qualities (Bradbury-Jones, Sam brook, & Irvine, 2007). Kanter believes that a leader's power will grow by sharing the power through empowering others and as a result, leaders will realize increased organizational performance (Fox, 1998). Furthermore, Kanter posits that with tools, information, and support, people's skill base will improve, they will increasingly make informed decisions and overall accomplish more, thereby benefiting the organization as a whole (Fox, 1998).

According to Kanter, two systemic sources of power exist in organizations, these being formal and informal power. Formal power is that which accompanies high visibility jobs and requires a primary focus on independent decision making. Informal power comes from building relationships and alliances with peers and colleagues (Wagner, 2010). The six conditions required for empowerment to take place according to Kanter include; Opportunity for advancement, access to information, access to support, access to resources, formal power and informal power. These six conditions are what many organizational behaviorists have based their work and studies on. The basis of structural empowerment and psychological empowerment is derived from Kanters work in the 1970's. They are identified as distinct sources of organizational power (Wagner, 2010). By providing these conditions to employees; it has been found that there is increased job satisfaction, commitment, trust and a marked decrease in job burnout. Kantor's theory has proven to have measurable impact on employee empowerment and job satisfaction as well as organizational morale and success. It has also been noted that employee retention rates improve when empowerment principles such as decreased work pressure, greater peer cohesion, support from supervisors, and staff autonomy are put in place (Krebs, Madigan, & Tullai, 2011).

The banking industry builds competitive advantages by providing exceptional customer service. To achieve this, every institution must have an empowered workforce (Murrmann & Perdue, 2010). As banking sector is a highly service-oriented sector and the lower level employees are the ones who are in direct contact with the customers, it essential for the employees to be empowered to provide better and prompt services to its customers. The degree of employee in the banking industry

varies from one institution to the other. The bank employees are in most cases supposed to strictly follow the laid down policies and procedure denying them opportunity to assess situations and make their own decisions. It is now widely recognized that in the banking sector decision making is concentrated at the top. This hampers flexibility and timely action at the lower levels. On the other hand, banks fear that pushing down decision making at lower levels, may lead to chaos, conflicting decisions and a discernible lack of common purpose.

### **1.1.1 Perception**

Perception is closely related to attitudes. Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977). In other words, a person is confronted with a situation or stimuli. The person interprets the stimuli into something meaningful to him or her, based on prior experiences. However, what an individual interprets or perceives may be substantially different from reality. Broadbent (1958) argued that due to limited capacity, a person must process information selectively and, therefore, when presented with information from two different channels (i.e., methods of delivery such as visual and auditory), an individual's perceptual system processes only that which it believes to be most relevant. However, perceptual defense creates an internal barrier that limits the external stimuli passing through the perception process when it is not congruent with the person's current beliefs, attitudes, motivation, etc. This is referred to as selective perception. Selective perception occurs when an individual limits the processing of external stimuli by selectively interpreting what he or she sees based on beliefs, experience, or attitudes (Sherif & Cantril, 1945).

Perception is influenced by internal and external factors. The internal factors reside in person concern. These include needs and desires, personality and experiences. The external factors relates to what is perceived and the situation. The external factors that influence perception include the intensity of stimuli, frequency, contrast and the status of the individual (Kottikkal, 2012). Perception is an aspect of human behavior, and as such it is subject to many of the same influences that shape other aspects of behavior. In particular, each individual's experience combine in a complex fashion to determine his reaction to a given stimulus situation. To the extent that certain classes of experiences are more likely to occur in some cultures than in others, differences in behavior across cultures, including differences in perceptual tendencies, can be great enough even to surpass the ever present individual differences within cultural groupings. These differences produced by the same kinds of factors that are responsible for individual differences in illusion susceptibility, namely, differences in experience. For all mankind the basic process of perception is the same; only the contents differ and these differ only because they reflect different perceptual inference habit (Bobbs-Merrill Co., 1966).

### **1.1.2 Employee Empowerment**

Employee empowerment is a strategy and philosophy that enables employees to make decisions about their jobs and helps employees own their work and take responsibility for their results as well as serve customers at the level of the organization where the customer interface exists. It is one of the keys to implementing profitability improvement and other organizational change and maintaining continuous improvement (Lashley, 2000). Employee empowerment has become a buzzword and a recent management trend in both the public and private sectors (Pitts, 2005).

Employee empowerment has received a wide recognition as an important subject in management circles mainly because it is seen as one of the fundamental elements of managerial and organizational effectiveness that increases when power and control are shared in organizations (Ergeneli, 2007). Thus employee empowerment has been hailed as a management technique which can be applied universally across all organizations as a means of dealing with modern global business (Demitriades, 2005). Generally, employee empowerment comprises of innovative approaches in working with people and a shift of power from the top management control to lower level management of the organization (Tzafirir, 2004).

Empowering employees is not only about cheering them on or being nicer to them. It is about giving them real power. To do that, bureaucratic controls that keep workers in their place must be dismantled (Osborne & Plastrik, 2000). The process targets several control mechanisms which include highly centralized organizational structures, excessive layers of management, rigid job classifications and functional “silos, written rules, and inflexible labour-management contracts and grievance processes” (Osborne & Plastrik, 2000). Therefore, empowerment is not a product of any structure or system, but it is a process, which is ongoing, dynamic and fluctuating (Ongori and Shunda, 2008). Thorlakson and Murray (1996) stated that empowerment is getting employees to do what needs to be done rather than doing what they are told and involves delegation, individual responsibility, autonomous decision making and feelings of self-efficacy.

For employee empowerment program to be successful in an organization, management must put in place a structure in the system to support the whole process (Bogler & Somech, 2004). It is recommendable that empowerment process should take place in an environment where it is allowed, nurtured and promoted by management and employees (Ongori and Shunda, 2008). Employee's empowerment is one of the effective techniques for improving employee productivity and optimal use of capacities and capabilities in the organization (Naderi, 2008). Randolph (2003) believes that empowerment is not only "giving power to the people to decide" but he believes empowerment is intelligent decision-making powers to help the company to perform the effective activity. So, in practice, he knows empowerment as indulge organizational power and believes that people should be helpful with knowledge and internal motivation (Kondalkar, 2009). Reduction of costs is another advantage of empowering employees. Many factors contribute to this advantage. For instance, as employee satisfaction increases for empowered employees, employees' sense of loyalty and dedication to their job and the organization also increases. According to Wagner & Harter (2006), these actions result in longer-term employees, less job transitioning, and improved retention rates, thus reducing employee turnover costs

### **1.1.3 Organizational Performance**

Organizational performance comprises the actual output or results of an organization as measured against its intended goals and objectives. The balanced scorecard focuses on four perspectives. These perspectives are financial, customer, internal business process and learning and growth (Kaplan and Norton, 1996). Organizational performance is the concept of measuring the output of a particular process or procedure, then modifying the process or procedure to increase the output, increase

efficiency, or increase the effectiveness of the process or procedure. The concept of organizational performance can be applied to either individual performance such as an athlete or organizational performance such as a racing team or a commercial enterprise or even a farm or livestock production. In performance improvement organizational performance is the concept of organizational change in which the managers and governing body of an organization put into place and manage a programme which measures the current level of performance of the organization and then generates ideas for modifying organizational behavior and infrastructure which are put into place to achieve higher output.

The primary goals of organizational performance are to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and or services. Another area in organizational performance that sometimes targets continuous improvement is organizational efficacy, which involves the process of setting organizational goals and objectives in a continuous cycle. Organizational performance at the operational or individual employee level usually involves processes such as statistical quality control. At the organizational level, performance usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the viewpoint of customers (Robert, 2001).

Organizations have an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Thus, many economists consider organizations and institutions similar to an engine in determining the economic, social and political progress. Precisely for this reason, in the last 22



years, there were 6 Nobel prizes awarded to researchers who have focused on the analysis of organizations and institutions. Continuous performance is the focus of any organization because only through performance organizations are able to grow and progress. In the current economic and financial crisis knowing the factors that generate success and the ways in which it can be measured has a critical importance.

#### **1.1.4 Commercial Banks in Kenya**

According to the Central Bank of Kenya Report 2014, banking sector comprised of 43 commercial banks during the period ended 30<sup>th</sup> of June 2014. The banks are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under. Commercial banks are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting surveillance to ensure that they are in compliance with the laws and regulation. Out of the 43 commercial banks in Kenya, 30 are locally owned and 13 are foreign owned. The locally owned commercial banks comprise 3 banks with significant shareholding by the Government and State Corporations and 27 privately owned commercial banks. The banking sector registered 15.4 percent increase in pre-tax profits during the year ended June 2014 compared to profits for the year ended June 2013. However the total expenses increased by 10.4 percent. The gross none performing loans also increased by 31.6 percent The sector is expected to maintain its growth momentum mainly driven by the rollout of full file credit information sharing, regional integration initiatives, advances in information and communication technology and introduction of devolved governance system of Kenya (Central Bank of Kenya report, 2014).

The banking environment in Kenya has, for the past decade, undergone many regulatory and financial reforms. These reforms have brought about many structural changes in the sector and have also encouraged foreign banks to enter and expand their operations in the country (Kamau, 2009). Oloo (2009) describes the banking sector in Kenya as the bond that holds the country's economy together. Sectors such as the agricultural and manufacturing virtually depend on the banking sector for their very survival and growth. The performance of the commercial banks in Kenya has improved tremendously over the last ten years, as only two banks have been put under CBK statutory management during this period compared to 37 bank-failures between 1986 and 1998 (Mwega, 2009). The changing social factors in Kenya have had pervasive effect on the quality of asset portfolio of banks and the impact is complex and not unidirectional (Upadhyaya, 2011). Due to the stiff competition, banks are now focusing on diverse customer needs rather than the traditional banking products (Mwende, 2014)

## **1.2 Research problem**

In a competitive environment in which organizations must be faster, leaner, provide better service quality, be more efficient, and more profitable, an empowered and proactive service worker is thought to be essential (Melhem,2004). Amid subjective changes in “process” and “information technology” aspects of organizations, human development is left to be the most viable alternative to traditional organizational development as a strategy for bringing about dramatic performance improvements (Jarrar and Zairi, 2002). There has been a growing interest in the concept of empowerment and related management practices among both management researchers and practitioners. This interest is due to the fact that the practice of

empowering subordinates is a principal component of managerial and organizational effectiveness and empowerment techniques play a crucial role in group development and maintenance (Conger and Kanungo, 1988). Employee empowerment leads to positive performance (Argyris, 1998; Eylon and Au, 1999). Researches that have been advanced in this area show that employee empowerment directly lead to high performance. For example, Denison and Mishra (1995) conducted a study on the U.S. firms to find out how employee empowerment influences organizational decision-making. The researchers reported that for effective organizational decision-making, employee empowerment is paramount and that employees may be well versed with their work conditions.

This notion has also been supported by other researchers like, Eylon and Au (1999), Robert and colleagues (2000) and Randolph and colleagues (2002) who conducted studies on empowerment and performance and concluded that, when employees are empowered, organizational productivity increases. Empowerment is positively associated with managerial and organizational effectiveness since it enhances employees' responsiveness to rapid changes in work environments and customer needs, increases creativity and innovativeness in performing tasks, and improves the quality of output and the productivity of an organization (Kirkman & Rosen, 1999; Lawler, Mohrman, & Ledford, 1992, 1995; Spreitzer, 1995). Empowerment increases intrinsic task motivation by fulfilling one's need for self-determination and internalizes commitment to the task (Conger & Kanungo, 1988). Employee empowerment among commercial banks provides workers with opportunities to influence decisions, promotes worker motivation and reduces worker resistance towards organizational changes (Nesan & Holt 2002). Employee empowerment is

important to the organizational change process because empowerment fulfills the individual's need for a sense of control. This is a particularly critical need during a time of organizational change because the larger forces of change are usually beyond the individual employee's control. Hardly anyone likes to feel like they are being pushed around (Muriuki, 2008).

The commercial banks in Kenya are facing challenges including: stiff competition among the existing banks. Microfinance (MFI) and savings and credit societies (SACCO) institutions are emerging key players in delivery of financial services. In addition the entrance into the industry of such players as insurance agencies and mobile money services continue to make the competition even tougher. Commercial banks will remain competitive by provide excellent customer service and being highly innovative. The level of employee empowerment among commercial banks in Kenya is low as employee are supposed to follow the laid down procedures and policy. Employees are therefore not able to perform as expected because they are not adequately empowered. Customers do not receive required services as expected. It's on this premise that I seek to investigate the concept of employee empowerment and Organizational performance.

A number of studies on employee empowerment have been documented both locally and internationally. Some of the local studies include those by Nzuve and Bakari (2012) on the relationship between empowerment and performance in the city council of Nairobi. The study found that there is a very strong positive correlation between employee empowerment and performance. Another local study is the one done by Oloko (2012) on the influence of power distance on employee empowerment. The

study concludes that employee empowerment leads to favorable MNC performance only possible in countries that experience low power distance cultures (Western countries). Among studies done outside Kenya includes the study done by Ragen (2011) on the analysis of factors influencing employee empowerment in an organization: A case study of banking industry. This study concludes that organization's structure influence employee empowerment within the banking sector. It also concludes that organizational culture influence employee empowerment. Another study outside Kenya is the one done by Fernandez & Kim (2013) on whether employee empowerment reduces Turnover: Case study of the U.S. Federal Bureaucracy. The study found out that the relationship between employee empowerment and turnover intention is negative and is mediated by job satisfaction.

Most of the studies done on the relationship between employee empowerment and organizational performance are done outside Kenya. Other studies have laid focus on different conceptual aspects of empowerment, while others have focused on specific factors that affect employee empowerment. There is no known study that has been done to lay focus on the perceived relationship between employee empowerment and organizational performance among commercial banks in Kenya. This study will therefore answer the research question; what is the perceived relationship between employee empowerment and organizational performance among commercial banks in Kenya?

### **1.3 Objectives of the Study**

The objective of the study was to establish the perceived relationship between employee empowerment and organizational performance of commercial banks in Kenya.

### **1.4 Value of the Study**

It is evident that the commercial banks contribute a great deal to the economy. It is for this reason that it had become a focus of many strategic research studies. The findings of this study will help human resource managers in commercial banks and banking industry at large to enhance their understanding of the importance of employee empowerment practices. Managers in other organizations will also find the study useful in enhancing their appreciation of the need to empower employees.

The findings of this study will also be valuable to the banks as they will be able to understand the relationship between employee empowerment and organizational performance. The recommendations given in the study will help the banks by equipping them with adequate tools and information.

The study will contribute to the literature on employee empowerment and organizational performance which will form part of articles that will be useful to researchers who want to further in this study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter gives an overview of significant literature on employee empowerment, organizational performance as well as the relationship between employee empowerment and organizational performance. It looks at the scholarly knowledge and theories related to employee empowerment and organizational performance.

#### **2.2 Theoretical Foundation**

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions. The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory which explains why the research problem under study exists. A theoretical framework consists of concepts, together with their definitions, and existing theory/theories that are used for the particular study (Torraco, 2011).

##### **2.2.1 Theory X and Theory Y (Douglas McGregor, 1960)**

Theory X states that People inherently dislike work. It continues to state employees must be coerced into working and achieving desired results, thus Managers must be authoritative and autocratic. Douglas McGregor proposed that different sets of workers exhibit different sets of behaviors therefore management must consider different assumptions about people. These assumptions are explained by what he called theory X and theory Y. Theory X assumes that an average worker is lazy and dislikes work and would do as little as possible.

Theory Y argues that people inherently like work and want to do their best, thus Manager's job is to encourage and facilitate employees to perform at the optimum level. Theory Y assumes that workers are not lazy and that workers want to do a good job and therefore they would go out of their way to do a good job out of their own self-motivation decisions about their work so that they are motivated to produce good result. These assumptions are based on social science research which has been carried out, and demonstrate the potential which is present in man and which organizations should recognize in order to become more effective. McGregor sees these two theories as two quite separate attitudes. Theory Y is difficult to put into practice on the shop floor in large mass production operations, but it can be used initially in the managing of managers and professionals. In "The Human Side of Enterprise" McGregor shows how Theory Y affects the management of promotions and salaries and the development of effective managers. McGregor also sees Theory Y as conducive to participative problem solving.

It is part of the manager's job to exercise authority, and there are cases in which this is the only method of achieving the desired results because subordinates do not agree that the ends are desirable. However, in situations where it is possible to obtain commitment to objectives, it is better to explain the matter fully so that employees grasp the purpose of an action. They will then exert self-direction and control to do better work - quite possibly by better methods - than if they had simply been carrying out an order which they did not fully understand.



The situation in which employees can be consulted is one where the individuals are emotionally mature, and positively motivated towards their work; where the work is sufficiently responsible to allow for flexibility and where the employee can see her or his own position in the management hierarchy. If these conditions are present, managers will find that the participative approach to problem solving leads to much improved results compared with the alternative approach of handing out authoritarian orders. Once management becomes persuaded that it is under estimating the potential of its human resources, and accepts the knowledge given by social science researchers and displayed in Theory Y assumptions, then it can invest time, money and effort in developing improved applications of the theory.

### **2.2.2 Expectancy Theory (Victor Vroom, 1964)**

Individuals are constantly predicting likely future outcomes and create expectations about future events. If things seem reasonably likely and attractive and they know how to get there individuals effort depends on their characteristics and role to make the difference, then this will motivate us to act to make this particular act come true. Expectancy theory suggests that motivation is based on how much we want something and how likely we think we are to get it. The formal framework of expectancy theory was developed by Victor Vroom (1964). This framework states basically that motivation plus effort leads to performance, which then leads to outcomes. According to this theory, three conditions must be met for individuals to exhibit motivated behaviour: Effort-to performance expectancy must be greater than zero; performance-to-outcome expectancy must also be greater than zero; and the sum of the valances for all relevant outcomes must be greater than zero. Effort-to-performance expectancy is the individual's perception of the probability that effort will lead to high performance.

This expectancy ranges from 0 to 1, with 1 being a strong belief that effort will lead to high performance. Performance-to-outcome expectancy is the individual's perception that performance will lead to a specific outcome. This expectancy ranges from 0 to 1. A high performance-to-outcome expectancy would be 1 or close to it. Outcomes are consequences of behaviour. An individual may experience a variety of outcomes in an organizational setting. Each outcome has an associated valence, which is an index of how much an individual desires a particular outcome. An outcome that an individual wants has a positive valence. An outcome that the individual does not want has a negative valence. When the individual is indifferent to the outcome, the valence is zero. Porter and Lawler extended the basic expectancy model by suggesting that high performance may cause high satisfaction. When performance results in various extrinsic and intrinsic rewards, the individual evaluates the equity of these various rewards relative to the effort expended and the level of performance attained. The individual is satisfied if the rewards relative to the effort expended and the level of performance attained. The individual is satisfied if the rewards are felt to be fair.

### **2.3 Types of Employee Empowerment**

Different authors have different ways classifying employee empowerment. According to Lashley (2000) referred to the first type of employee empowerment as 'suggestive involvement'. In suggestive involvement employees are encouraged to contribute ideas through formal suggestion programmes or quality circles but their day-to-day work activities do not really change. The second type of employee empowerment being 'job involvement' Jobs are re-designed so that employees use a variety of skills. Employees believe their tasks are significant, they have considerable freedom in deciding how to do the work, they get more feedback than employees in a command

and control organizations and they each handle a whole, identified piece of work. The third class of employee empowerment is High involvement according to Lashley (2000) High involvement organizations give their lowest level employees a sense of involvement not just in how they do their jobs or how effectively their group performs, but in the total organization's performance.

According to McQuerrey (2012) there are four types of employee empowerment. The first type of employee empowerment is 'decision-making empowerment'. Employees are empowered to make decisions about simple workplace issues, such as what type of office supplies to order, but be required to consult a manager for larger decisions, such as whether to extend credit to a particular customer. The second type of employee empowerment is financial Empowerment. This means allowing employees to decide the best uses of the budget for supporting their positions and achieving company goals. The third type of employee empowerment is time management empowerment. This refers to empowering employees to managing their own time focus and more on outcomes other than on hours worked. 'Shared Information Empowerment' is the fourth type of employee empowerment. When open and honest communication is promoted, employees will feel like valued and important members of the small business team. They will be more likely to feel empowered to help with problem solving and new program implementation.

#### **2.4 Dimensions of Employee Empowerment**

In positive work environments people are empowered to do their job successfully. According to the progress principle, people are happier at work when they feel they are making consistent progress toward meaningful goals. Managers can, therefore,

increase the amount of positive emotions experienced at work by helping people to achieve their goals (Amabile, 2011). According to Beth (2012) there are three dimensions of employee empowerment: the first one being clarity. The first step in empowering employees is to clarify goals and expectations. People can only progress at work if they have a clear idea of what results they are expected to deliver. The second dimension is Support. The second step in empowering others is to support them by providing the resources they need to succeed and removing any obstacles that may hinder progress. Finally, empowering employees require autonomy. Empowering people means giving them the autonomy they need to do their work.

According to Bianca (2012) there are five dimensions of employee empowerment. Surrender Control is the first dimension of employee empowerment. The biggest concept behind empowerment is that you are going to give up some control of decision-making to employees. She referred to the second dimension of employee empowerment as 'Create Buy-In'. This refers to giving people more responsibility and input into decision-making processes creates the opportunity for them to "buy-in" to their work. The third dimension of employee empowerment is 'Source New Idea'. This involves getting employee input into as many aspects of the organization as possible, not just work processes. The fourth dimension is 'Get the Employees' Vote. In these case employees should get to vote on decisions that affect everyone in the company. Bianca referred to the fifth dimension of employee empowerment as 'Create Team Decisions'. This dimension refers to empowering employees through work teams. For example, team members can set their goals and choose how to best accomplish them.

## **2.5 Factors affecting Employee Empowerment**

Different authors have identified several factors that affect employee empowerment. Empowerment happens when the culture of the company enables the employees to take control of their work, decision making and professional developments. Organizations have the responsibility to create a work environment which helps foster the ability and desire of employees to act in empowered ways (Rosser, 2012). Organizations with employee empowerment cultures recognize the importance of their workers and pride themselves on seeing employees and their contributions as important business assets (Maxwell, 2005).

To foster empowerment Change in the mentality & participation of staff particular employee should change his/her mentality. This can be done either by self effort, and/or by the group support. By allowing employee to contribute more active to the group, he/she can start build his self-confidence and then take active participation to the business (Yazdani, 2011). Organization must create positive environment and friendly working relationships between employees and increase trust between managers and employees (Hugman, 2001)

Empowerment will cost employee extra responsibilities that can cause frustration (Chan, 2011). Sometimes it's important for firms to offer incentive to encourage employee to take the challenge. Incentive such as credit to be considered on appraisal, bonus, etc may encourage staff to take the responsibility (Yazdani, 2011). When employees feel under-compensated, under-titled for the responsibilities they take on, under-noticed, under-praised, and under-appreciated, don't expect results from empowerment. The basic needs of employees must be met for employees to give you

their discretionary energy, that extra effort that people voluntarily invest in work. For successful employee empowerment, recognition plays a significant role (Heathfield, 2005). Organizational Support is key to employee empowerment without a concrete support of the director, securing attendance of the supervisors and managers to training workshops would be almost impossible. Beside this, to plan for access to staff meetings would not be expected to be successful. Therefore executive director has a critical effect and role on the successfully implementation of the empowerment project in the organization (Herrenkohl, Judson and Heffner, 1999; Wooddell, 2009).

Communication affects employee empowerment. Management might decentralize resources in objective reality, but if employees are not informed about the resources that are available for their use, then access to resources will have little influence on feelings of empowerment, nor will employees utilize these resources to affect desired organizational outcomes (Kaplan, 1991). Organization should include communication and easy access employees to managers and supervisors, transparency and clarity work community of employees with managers and supervisors (Hugman, 2001). There is nothing so demoralizing to a staff member than to be kept in the dark about their work and what is going on in the company (Kotelnikov, 2007).

## **2.6 Employee Empowerment and Organizational Performance**

Employee empowerment has widely been recognized as an essential contributor to organizational success with many authors observing a direct relationship between the level of employee empowerment and employee performance (Spreitzer, 1995; Kirkman and Rosen, 1999). Empowering employees enables organizations to be more flexible and responsive and can lead to improvements in both individual and

organizational performance (Dainty et al., 2002; Ozaralli, 2003; Bordin et al., 2007). Similarly, it is maintained that employee empowerment is critical to organizational innovativeness (Gomez and Rosen, 2001) and effectiveness (Morrell and Wilkinson, 2002; Bartram and Casimir, 2007).

Empowering employees enables organizations to be more flexible and responsive and can lead to improvements in both individual and organizational performance (Dainty et al., 2002; Ozaralli, 2003; Bordin et al., 2007). Similarly, it is maintained that employee empowerment is critical to organizational innovativeness (Gomez and Rosen, 2001) and effectiveness (Morrell and Wilkinson, 2002; Bartram and Casimir, 2007). Employee empowerment brings decision-makers and employees closer, hence shortening the duration of tasks. Any type of managerial style that can pave the way for developing the feeling of self-efficacy will yield employee empowerment. Empowered individuals will have a more active role in the organization, will take on initiatives, and their participation in the activities of the organization will be enhanced. Entrepreneurs, managers and researchers in the field of management regard the employee as the major

Employee empowerment leads to increased Productivity, Efficiency and Effectiveness because managers are freed up to be coaches, mentors and advisers. Use of teams increase productivity and reduced costs. Empowered employees are able to improve service delivery within their sphere of operations, thus enabling cost savings. Empowerment sparks new ideas and concepts throughout the organization, including ways to reduce waste and increase productivity and efficiency (Bednarz, 2012). Empowered employees are more engaged resulting in better retention and a higher

quality of customer service. Empowered people also are more motivated, leading to better performance and higher productivity. Employees often have excellent ideas about how productivity can be improved and costs reduced within their company. Often, they do not share these thoughts with their superiors, as they feel unsure whether their contributions will be appreciated (Kwalker, 2013). The ability of employee to easily embrace change is crucial for the performance of organizations. Empowered employees feel free to challenge the status quo, which is critical for companies in today's fast-changing, technology-driven environment. Employees and the companies they work for can become too complacent, doing things the way they've always done them. Unless employees feel comfortable questioning the status quo, those companies are likely to stagnant as competitors move swiftly past them (Pophal, 2010).



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section discusses the research design, target population, sample and sampling procedure, research instruments, data collection and data analysis procedure.

#### **3.2 Research Design**

The study adopted a descriptive approach. According to Schinler and Coopers (2004) descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. A research design is the scheme, outline or plan that is used to generate answers to research problems. Descriptive research is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation.

#### **3.3 Population**

Borg and Gall (1996), define population as all members of a real set of people, event or objects to which a researcher wishes to generalize the results of the study. The population of this study comprised of all licensed commercial banks in Kenya; which are 43 in total (Central Bank of Kenya report, 2014). A census survey was done.

#### **3.4 Data Collection**

The researcher collected information from the Human resource managers of the 43 commercial banks. The primary data was collected by use of a questionnaire which was used to record respondents' responses. The questionnaire was ideal because the researcher gave the respondents time to respond to the items during their free time

bearing in mind that they were administered when the respondents were on duty. The respondents were issued with questionnaires to fill by themselves. The questionnaire items aimed to elicit background information and the effects of employee empowerment on organizational performance.

### **3.5 Data Analysis**

After data collection, the filled-in and returned questionnaires were edited for completeness, coded and entries made into Statistical package for social sciences (SPSS version 20). This was to ensure that the data is accurate, consistent with other information, uniformly entered, complete and arranged to simplify coding and tabulation. With data entry, the data collected was captured and stored. Descriptive analysis was conducted, which involved the use of frequencies in their absolute and relative forms. Percentage, Mean and standard deviations were also be used as measures of central tendencies and dispersion respectively.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

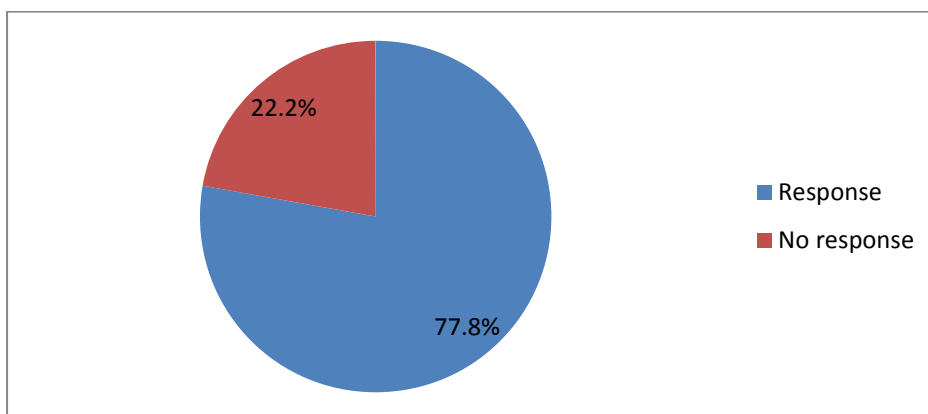
#### 4.1 Introduction

This chapter presents analysis of the data on the perceived relationship between employee empowerment and organizational performance of commercial banks in Kenya. The chapter also provides the major findings and results of the study. Finally, the chapter presents a discussion on the findings.

#### 4.2 Response Rate

The study targeted all human resource managers of the 43 commercial banks in Kenya from which 32 filled in and returned the questionnaires making a response rate of 77.8% as presented in Figure 4.1. This response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting.

**Figure 4. 1: Response rate**



**Source: Researcher (2015)**

### 4.3 Demographic Information of the Respondents

The study sought to establish the age, gender and number of years worked in the bank of the respondents.

#### 4.3.1 Age of the Respondents

The study sought to establish the age of the respondents. The ages of the respondents are as presented in Table 4.1

**Table 4. 1: Age of the Respondents**

	Frequency	Percent
21-25 years	1	3.1
26- 30yrs	2	6.3
30-35 yrs	7	21.9
36- 40 years	10	31.3
40- 50 years	9	28.1
Above 50 years	3	9.4
Total	32	100.0

**Source: Researcher (2015)**

The findings in Table 4.1 reveal that majority of the respondents were aged between 36 and 40 as represented by 31.3%, 28.1% of the respondents were between 40 and 50, 21.9% were between 30 and 35 ages. The results also showed that only 6.3% of the respondents were between 26 and 30 years of age while 3.1% of the respondents were between 21 and 25 ages.

### 4.3.2 Gender of the Respondents

The study further sought to establish the gender of the respondents. Data collected is as shown in Table 4.2.

**Table 4. 2: Gender of the Respondents**

	Frequency	Percent
Male	20	62.5
Female	12	37.5
<b>Total</b>	<b>32</b>	<b>100.0</b>

**Source: Researcher (2015)**

From the results, majority of the respondents are male as represented by 62.5%. 37.5% of the respondents are female

### 4.3.3 Working Experience

**Table 4. 3: No of years worked in the bank**

	Frequency	Percent
1 – 5 years	1	3.1
6 – 10 years	8	25.0
11 – 15 years	10	31.2
16 – 20 years	6	18.8
Over 20 years	7	21.9
<b>Total</b>	<b>32</b>	<b>100.0</b>

**Source: Researcher (2015)**

From the findings, the majority of the respondents had worked with the bank for a period of between 11 and 15 years as depicted by 31.2%, 25.0% between 6 and 10 years, 21.9% for over 20 years and 18.8% between 16 and 20 years while only 3.1% of the respondents had worked for a period of 1 and 5 years.

#### 4.4 Employee Empowerment and Organisational Performance

##### 4.4.1 Employee Empowerment

The researcher sought to establish the extent of employee empowerment among commercial banks in Kenya. The findings are analyzed in the table 4.4.

**Table 4. 4: Extent of agreement with statements about employee empowerment**

	Mean	Std. Deviation
I have confidence in the leadership of my company	3.688	0.535
Bank work gives employees a feeling of personal accomplishment	3.250	0.568
Employees have variety in their job at the bank	3.106	0.818
Employees value their job as important	4.125	0.660
Employees have input into decisions made in their department	3.688	0.535
The supervisors encourage employees to suggest new ways of doing things	3.625	0.609
Employees are allowed to make decisions concerning their work	4.156	0.884
Employee empowerment has received a wide recognition as an important subject in management circles.	4.313	0.965
Line managers encourage new ideas and feedback from team	3.506	0.928
Staff have a good understanding of organizations vision and mission	3.219	1.039
Employees are highly valued and are an integral part of the organization	3.500	0.672
Employees know exactly what is expected of them and can make decisions regarding their work.	4.406	0.615

**Source: Researcher (2015)**

The results in the table above reveal that employees in most banks know exactly what is expected of them and can make decisions regarding their work to a very great extent as shown by a mean of 4.406. Employee empowerment has received a wide recognition as an important subject in management circles to a great extent as expressed by a mean of 4.313. The Employees are allowed to make decisions concerning their work and at the same tie the employees value their job as important to a great extent as expressed by means of 4.156 and 4.125 respectively. Majority of the respondents also revealed that they have confidence in the leadership of their company and employees have an input into decisions made in their department to a moderate extent as shown by a mean of 3.688 respectively. The supervisors encourage employees to suggest new ways of doing things, line managers encourage new ideas and feedback from team and employees are highly valued and are an integral part of the organization to a moderate extent as indicated by means of 3.625, 3.506 and 3.500 respectively. In addition the researcher found that to a little extent the bank work gives employees a feeling of personal accomplishment, staff have a good understanding of organizations vision and mission and employees having variety in their job at the bank was moderate as represented by means of 3.250, 3.219 and 3.106 respectively.

#### 4.4.2 Employee Empowerment and Organisational Performance

**Table 4. 5: Extent of agreement with statements about employee empowerment and Organisational Performance**

	<b>Mean</b>	<b>Std. Deviation</b>
Employees are constantly trained to develop and enhance their knowledge and skill.	3.5034	.67202
High degree of trust is highly encouraged and maintained between managers and employees and among employees	4.2813	.63421
Necessary information is readily availed to all concerned employees in good time to enable them make thoughtful decision	4.8750	.42121
Management encourages employees to develop creativity and innovative ideas	4.3613	.67202
Employees are motivated by being assigned challenging work.	3.9375	1.24272
Employee empowerment strategies are properly communicated to the line managers and supervisors.	3.2500	1.24434
High service quality results from an empowered human resource.	3.8750	1.07012
Empowered employees are more responsive to customer needs.	4.0625	.71561
Empowered employees are more reliable.	4.2500	.62217
Efficiency in service delivery results from an empowered workforce.	4.2815	.728869
Employee empowerment leads to greater job satisfaction.	3.8125	.89578
Empowered employees are more committed to their work.	4.3438	.60158
Employee empowerment improves the relationship between the employee and the customers	4.2813	.45680
Employee empowerment leads to cost reduction	3.2500	.50800
Employee empowerment allows efficiency and innovation	3.5312	.50701
Employee empowerment has a positive impact on organizational performance	4.2500	.43994
Failure of organizations to pay more attention to employee empowerment affects overall organizational productivity	3.7188	.45680
Training enhances my work performance and enables me to meet my set targets	4.4063	1.01153
Employee empowerment helps in meeting strategic objectives	3.3938	.55992
Employees are encouraged to take quick action to improve service quality or to correct quality problems in their jobs	3.5625	.61892

**Source: Researcher (2015)**



Results from Table 4.5 above shows that the necessary information is readily availed to all concerned employees in good time to enable them make thoughtful decision to a very great extent as indicated by a mean of 4.8750. Training enhances work performance and enables employees to meet their set targets to a very great extent as represented by a mean of 4.4063. The respondents further revealed that management encourages employees to develop creativity and innovative ideas, empowered employees are more committed to their work, efficiency in service delivery results from an empowered workforce, high degree of trust is highly encouraged and maintained between managers and employees and among employees, employee empowerment improves the relationship between the employee and the customers, employee empowerment has a positive impact on organizational performance, empowered employees are more reliable and empowered employees are more responsive to customer needs to a great extent as shown by mean scores of 4.3613, 4.3438, 4.2815, 4.2813, 4.2813, 4.2500, 4.2500 and 4.0625 respectively. The respondents also found that employees are motivated by being assigned challenging work, high service quality results from an empowered human resource, employee empowerment leads to greater job satisfaction, failure of organizations to pay more attention to employee empowerment affects overall organizational productivity, employees are encouraged to take quick action to improve service quality or to correct quality problems in their jobs, employee empowerment allows efficiency and innovation and employees are constantly trained to develop and enhance their knowledge and skill to a moderate extent as represented by mean scores of 3.9375,3.8750,3.8125,3.7188,3.5625,3.5312 and 3.5034 respectively. The respondents also revealed that employee empowerment does not lead to cost reduction to a moderate extent as represented by a mean score of 3.2500.

#### 4.5 Factor Analysis

Factor analysis is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors (Yount, 2006). The study carried out factor analysis.

**Table 4. 6: Communalities**

	Initial	Extraction
I have confidence in the leadership of my company	1.000	.957
Bank work gives employees a feeling of personal accomplishment	1.000	.915
Employees have variety in their job at the bank	1.000	.907
Employees value their job as important	1.000	.900
Employees have input into decisions made in their department	1.000	.685
The supervisors encourage employees to suggest new ways of doing things	1.000	.791
Employees are allowed to make decisions concerning their work	1.000	.832
Employee empowerment has received a wide recognition as an important subject in management circles.	1.000	.915
Line managers encourage new ideas and feedback from team	1.000	.891
Staff have a good understanding of organizations vision and mission	1.000	.870
Employees are highly valued and are an integral part of the organization	1.000	.949
Employees know exactly what is expected of them and can make decisions regarding their work.	1.000	.872
Employees are constantly trained to develop and enhance their knowledge and skill.	1.000	.879
High degree of trust is highly encouraged and maintained between managers and employees and among employees	1.000	.832
Necessary information is readily availed to all concerned employees in good time to enable them make thoughtful decision	1.000	.805
Management encourages employees to develop creativity and innovative ideas	1.000	.869
Employees are motivated by being assigned challenging work.	1.000	.786
Employee empowerment strategies are properly communicated to the line managers and supervisors.	1.000	.808
High service quality results from an empowered human resource.	1.000	.690
Empowered employees are more responsive to customer needs.	1.000	.759
Empowered employees are more reliable.	1.000	.737

Efficiency in service delivery results from an empowered workforce.	1.000	.851
Employee empowerment leads to greater job satisfaction.	1.000	.815
Empowered employees are more committed to their work.	1.000	.735
Employee empowerment improves the relationship between the employee and the customers	1.000	.600
Employee empowerment leads to cost reduction	1.000	.788
Employee empowerment allows efficiency and innovation	1.000	.705
Employee empowerment has a positive impact on organizational performance	1.000	.814
Failure of organizations to pay more attention to employee empowerment affects overall organizational productivity	1.000	.783
Training enhances my work performance and enables me to meet my set targets	1.000	.818
Employee empowerment helps in meeting strategic objectives	1.000	.833
Employees are encouraged to take quick action to improve service quality or to correct quality problems in their jobs	1.000	.868

Extraction Method: Principal Component Analysis.

**Source: Researcher (2015)**

Communality is the proportion of variance that each item has in common with other factors. From Table 4.6, I have confidence in the leadership of my company (95.7%), employees are highly valued and are an integral part of the organization accomplishment (94.9%) and employee empowerment has received a wide recognition as an important subject in management circles and bank work gives employees a feeling of personal accomplishment (91.5%) have the greatest communality or shared relationship with other factors while high service quality results from an empowered human resource (69.0%), employee empowerment improves the relationship between the employee and the customers (60.0%) and employee empowerment allows efficiency and innovation (70.5%) have the lowest communality with others.

**Table 4. 7: Total Variance Explained**

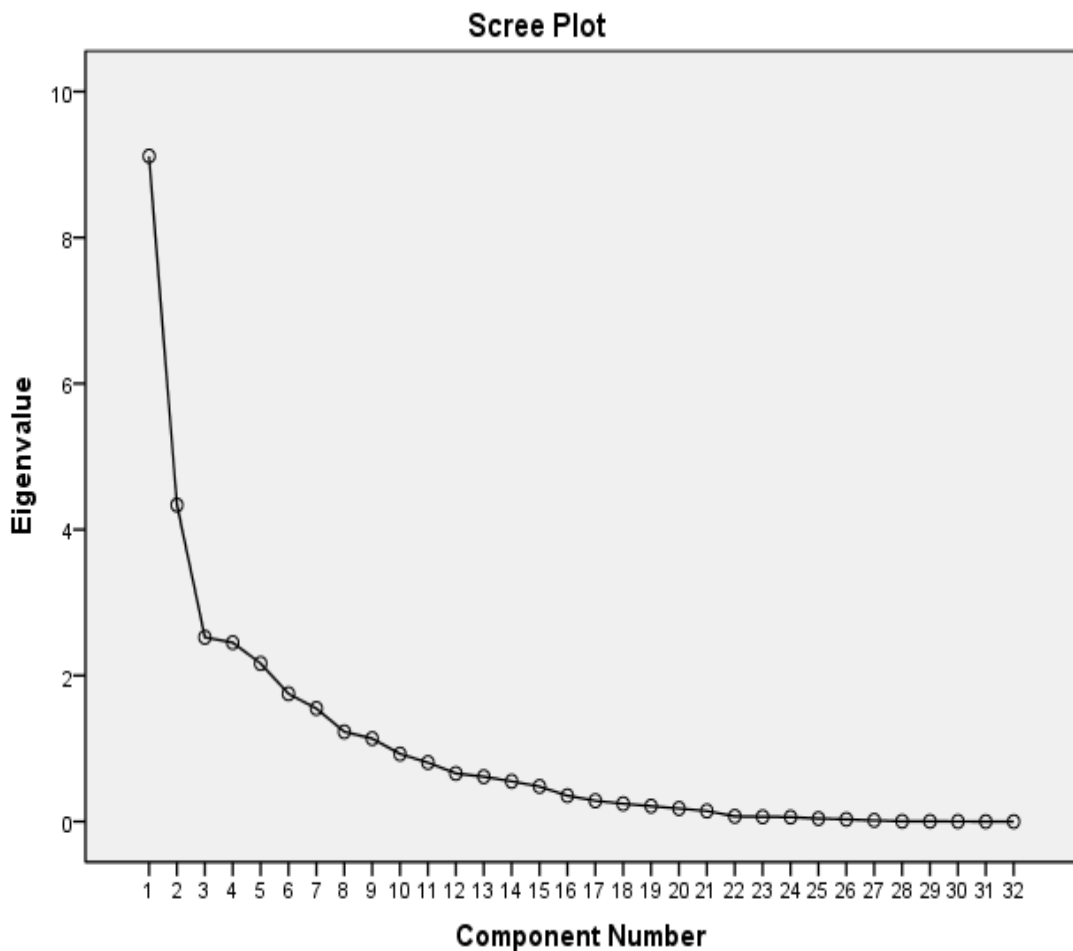
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.116	28.486	28.486	9.116	28.486	28.486
2	4.336	13.550	42.036	4.336	13.550	42.036
3	2.524	7.887	49.923	2.524	7.887	49.923
4	2.450	7.657	57.580	2.450	7.657	57.580
5	2.166	6.768	64.348	2.166	6.768	64.348
6	1.750	5.470	69.818	1.750	5.470	69.818
7	1.549	4.840	74.658	1.549	4.840	74.658
8	1.229	3.842	78.500	1.229	3.842	78.500
9	1.136	3.551	82.052	1.136	3.551	82.052
10	.925	2.892	84.944			
11	.808	2.524	87.468			
12	.659	2.058	89.525			
13	.614	1.919	91.445			
14	.551	1.722	93.167			
15	.480	1.499	94.666			
16	.354	1.106	95.772			
17	.285	.889	96.661			
18	.244	.762	97.423			
19	.212	.661	98.084			
20	.178	.557	98.641			
21	.144	.451	99.092			
22	.071	.223	99.315			
23	.065	.203	99.518			
24	.061	.189	99.708			
25	.041	.128	99.836			
26	.031	.096	99.931			
27	.015	.047	99.979			
28	.003	.011	99.990			
29	.002	.006	99.996			
30	.001	.004	100.000			
31	7.574E-17	2.367E-16	100.000			
32	-9.973E-17	-3.117E-16	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher (2015)

From Table 4.7, the Kaiser Normalization Criterion was used, which allows for the extraction of components that have an Eigen value greater than 1. The principal component analysis was used and 9 factors were extracted. As the table above shows, these 9 factors explain 82.052% of the total variation. Factor 1 contributed the highest variation of 28.486%. The contributions decrease as one move from one factor to the other up to factor 9.

In a scree plot, the components are plotted on X axis whereas the Eigen values are on the Y axis. As one moves to the rights on the Scree plot, the Eigen values drop as shown below. From the scree plot obtained below, only nine factors are significant because the curve becomes less steep from this point due to low Eigen values.



Source: Researcher (2015)

**Table 4. 8: Component Matrix**

	Component								
	1	2	3	4	5	6	7	8	9
I have confidence in the leadership of my company	.425	.757	.101	.144	.061	.259	.236	.007	.216
Bank work gives employees a feeling of personal accomplishment	.321	.831	.159	.061	.055	.012	.042	.090	.282
Employees have variety in their job at the bank	.569	.664	.015	.088	.328	.133	.023	.091	.024
Employees value their job as important	.397	.800	.068	.122	.156	.156	.002	.032	.181
Employees have input into decisions made in their department	.491	.051	.043	.343	.275	.167	.353	.187	.243
The supervisors encourage employees to suggest new ways of doing things	.744	.182	.004	.273	.048	.170	.159	.179	.200
Employees are allowed to make decisions concerning their work	.616	.273	.300	.038	.020	.423	.064	.040	.318
Employee empowerment has received a wide recognition as an important subject in management circles.	.764	.030	.171	.222	.159	.422	.163	.146	.027
Line managers encourage new ideas and feedback from team	.672	.034	.432	.137	.136	.129	.303	.001	.326
Staff have a good understanding of organizations vision and mission	.740	.061	.053	.056	.014	.331	.385	.161	.168
Employees are highly valued and are an integral part of the organization	.791	.323	.170	.362	.124	.049	.147	.075	.119
Employees know exactly what is expected of them and can make decisions regarding their work.	.834	.017	.207	.058	.018	.304	.188	.026	.027
Employees are constantly trained to develop and enhance their knowledge and skill.	.822	.147	.032	.272	.201	.005	.184	.062	.167
High degree of trust is highly encouraged and maintained between managers and employees and among employees	.671	.092	.296	.032	.185	.001	.498	.048	.006
Necessary information is readily availed to all concerned employees in good time to enable them make thoughtful decision	.014	.211	.585	.172	.410	.433	.041	.079	.159
Management encourages employees to develop creativity and innovative ideas	.279	.210	.568	.003	.421	.317	.131	.201	.298
Employees are motivated by being assigned challenging work.	.584	.343	.395	.232	.156	.224	.172	.074	.089
Employee empowerment strategies are properly communicated to the line managers and supervisors.	.168	.058	.285	.252	.542	.379	.315	.306	.033

High service quality results from an empowered human resource.	.182	.117	.292	.640	.002	.203	.299	.096	.091
Empowered employees are more responsive to customer needs.	.643	.127	.099	.087	.465	.156	.146	.216	.058
Empowered employees are more reliable.	.111	.533	.260	.082	.012	.270	.205	.490	.108
Efficiency in service delivery results from an empowered workforce.	.333	.066	.073	.643	.432	.121	.015	.273	.202
Employee empowerment leads to greater job satisfaction.	.256	.423	.059	.215	.484	.349	.290	.271	.084
Empowered employees are more committed to their work.	.312	.302	.264	.403	.109	.112	.167	.301	.415
Employee empowerment improves the relationship between the employee and the customers	.421	.352	.295	.104	.148	.044	.395	.064	.132
Employee empowerment leads to cost reduction	.066	.250	.299	.578	.071	.167	.181	.397	.272
Employee empowerment allows efficiency and innovation	.433	.268	.321	.322	.485	.023	.001	.026	.049
Employee empowerment has a positive impact on organizational performance	.452	.392	.213	.341	.133	.289	.056	.433	.044
Failure of organizations to pay more attention to employee empowerment affects overall organizational productivity	.549	.367	.074	.108	.444	.159	.315	.060	.073
Training enhances my work performance and enables me to meet my set targets	.372	.291	.613	.060	.157	.213	.025	.169	.342
Employee empowerment helps in meeting strategic objectives	.721	.300	.360	.255	.001	.057	.116	.006	.106
Employees are encouraged to take quick action to improve service quality or to correct quality problems in their jobs	.656	.472	.186	.302	.024	.224	.117	.144	.053

Extraction Method: Principal Component Analysis.

a. 9 components extracted.

**Source: Researcher (2015)**

Factor analysis of the employee empowerment is presented in Table 4.8 below with 9 components extracted. The component represents the correlation between the variable and the factor (for example correlation between I have confidence in the leadership of my company and factor 1 is 0.425).

#### **4.6 Discussion**

The objective of the study was to establish the perceived relationship between employee empowerment and organizational performance of commercial banks in Kenya. The researcher found out that employees in most banks know exactly what is expected of them and can make decisions regarding their work to a very great extent. Employee empowerment has received a wide recognition as an important subject in management circles to a great extent. The Employees are allowed to make decisions concerning their work and at the same time the employees value their job as important to a great extent. This correlates with Kanter as posited by (Fox, 1998) who believes that a leader's power will grow by sharing the power through empowering others and as a result, leaders will realize increased organizational performance. In addition, Kanter posits that with tools, information, and support, people's skill base will improve, they will increasingly make informed decisions and overall accomplish more, thereby benefiting the organization as a whole (Ongori and Shunda, 2008). Nzuve and Bakari (2012) who investigated the relationship between empowerment and performance in the city council of Nairobi found that there is a very strong positive correlation between employee empowerment and performance. On the other hand, Denison and Mishra (1995) conducted a study on the U.S. firms to find out how employee empowerment influences organizational decision-making. In addition, Yazdani (2011) expressed that to foster empowerment Change in the mentality & participation of staff particular employee should change his/her mentality. This can be done by allowing employee to contribute more active to the group, he/she can start build his self-confidence and then take active participation to the business and organization must create positive environment and friendly working relationships between employees and increase trust between managers and employees.



On employee empowerment and organizational performance, the researcher found out that necessary information is readily availed to all concerned employees in good time to enable them make thoughtful decision to a very great extent. Training enhances work performance and enables employees to meet their set targets to a very great extent. Management encourages employees to develop creativity and innovative ideas, empowered employees are more committed to their work. Efficiency in service delivery results from an empowered workforce and high degree of trust is highly encouraged and maintained between managers and employees and among employees.

This agrees with Nesan and Holt (2002) that employee empowerment among commercial banks provides workers with opportunities to influence decisions, promotes worker motivation and reduces worker resistance towards organizational changes and in addition, increases intrinsic task motivation by fulfilling one's need for self-determination and internalizes commitment to the task. Randolph and colleagues (2002) also found that empowerment is positively associated with managerial and organizational effectiveness since it enhances employees' responsiveness to rapid changes in work environments and customer needs, increases creativity and innovativeness in performing tasks, and improves the quality of output and the productivity of an organization.

The researcher also found that employee empowerment improves the relationship between the employee and the customers to a greater extent and has a positive impact on organizational performance hence empowered employees are more reliable and more responsive to customer needs. This is in line with Kwalker (2013) who found that empowered employees are more engaged resulting in better retention and a higher

quality of customer service since motivated, leading to better performance and higher productivity. Dainty et al. (2002) also established that empowering employees enables organizations to be more flexible and responsive and can lead to improvements in both individual and organizational performance (Employee empowerment brings decision-makers and employees closer, hence shortening the duration of tasks. Employee empowerment leads to increased Productivity, Efficiency and Effectiveness because managers are freed up to be coaches, mentors and advisers.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

In this chapter, the researcher presents the summary, conclusion and recommendations based on the findings and interpretations of the research. The researcher also presents the limitations that were identified when carrying out this research. Further, the researcher provides suggestions for further research on the area and closes the chapter with providing implications for policy and practice that can emanate from the findings of the research.

#### **5.2 Summary of the Findings**

The objective of the study was to establish the perceived relationship between employee empowerment and organizational performance of commercial banks in Kenya. The researcher found that employee empowerment positively and significantly influences organizational performance of commercial banks in Kenya to a very great extent. The researchers reported that for effective organizational decision-making, employee empowerment is paramount and that employees may be well versed with their work conditions.

The researcher found out that employees in most banks know exactly what is expected of them and can make decisions regarding their work to a very great extent. Employee empowerment has received a wide recognition as an important subject in management circles to a great extent. The Employees are allowed to make decisions concerning their work and at the same time the employees value their job as important to a great extent.

On employee empowerment and organizational performance, the researcher found out that necessary information is readily availed to all concerned employees in good time to enable them make thoughtful decision to a very great extent. Training enhances work performance and enables employees to meet their set targets to a very great extent. Employee empowerment aims to provide workers with opportunities to influence decisions, promotes worker motivation and reduces worker resistance towards organizational changes and in addition, increases intrinsic task motivation by fulfilling one's need for self-determination and internalizes commitment to the task. The researcher also found that employee empowerment improves the relationship between the employee and the customers to a greater extent and has a positive impact on organizational performance hence empowered employees are more reliable and more responsive to customer needs. Empowered employees are found to be more engaged resulting in better retention and a higher quality of customer service which leads to better performance and higher productivity

### **5.3 Conclusion**

The study concludes that employee empowerment positively and significantly influences organizational performance of commercial banks in Kenya to a very great extent. Empowered employees equipped with tools, information, and support, people's skill base will improve, will increasingly make informed decisions and overall accomplish more, thereby benefiting the organization as a whole. This correlates with Kanter as posited by (Fox, 1998) who posits that with tools, information, and support, people's skill base will improve, they will increasingly make informed decisions and overall accomplish more, thereby benefiting the organization as a whole.

The study also concludes that training enhances work performance and enables employees to meet their set targets to a very great extent. Necessary information is readily available to all concerned employees in good time to enable them make thoughtful decisions. Management encourages employees to develop creativity and innovative ideas, empowered employees are more committed to their work. Efficiency in service delivery results from an empowered workforce and high degree of trust is highly encouraged and maintained between managers and employees and among employees. This agrees with Nesan and Holt (2002) that employee empowerment among commercial banks provides workers with opportunities to influence decisions, promotes worker motivation and reduces worker resistance towards organizational changes and in addition, increases intrinsic task motivation by fulfilling one's need for self-determination and internalizes commitment to the task.

The study concludes that employee empowerment improves the relationship between the employee and the customers to a greater extent and has a positive impact on organizational performance hence empowered employees are more reliable and more responsive to customer needs. Empowered employees are more engaged resulting in better retention and a higher quality of customer service since motivated, leading to better performance and higher productivity. This is in line with Kwaker (2013) who found that empowered employees are more engaged resulting in better retention and a higher quality of customer service since motivated, leading to better performance and higher productivity.

#### **5.4 Recommendations**

The study recommends that commercial banks should increase the level of employee empowerment because contributions by empowered employees are believed to have a significant impact on business productivity, revenue and the organization's overall effectiveness. Employees with the relevant knowledge, skills and competencies should be encouraged to obtain and share information through the established social networks to achieve greater synergy in increasing competitiveness.

The study also recommends that the banks should occasionally conduct employee satisfaction surveys so as to establish ways in which the banks can provide the best working conditions for their employees to improve their productivity and that of the firm. The study further recommends that banks should conduct customer satisfaction surveys so as to establish how best they can serve their clients.

The study finally recommends that employee empowerment practices should be supported by management in the commercial banks as this will enable employees to adequately perform their tasks. The management has obligation to create environment that fosters employee empowerment. There is no doubt that performance improvement is only achievable where there is effective process of continuous development.

#### **5.5 Limitation of the Study**

The researcher encountered many limitations while conducting the research. One of them came when collecting the data. The respondents were supposed to be all human resource managers of the 43 commercial banks in Kenya. These are senior employees who generally have very busy schedules. This made it difficult for the researcher to

get the questionnaires to be filled in time and which finally resulted in some questionnaires not being returned regardless of the fact that the number of respondents was small. The researcher however made several visits and communicated through e-mail to contact persons in the said companies to get favorable responses.

Another limitation is that the respondents were reluctant in giving some information about the employees empowerment in their banks which they viewed being confidential. The researcher however reassured the respondents that information obtained from them would be used for the purposes of the study only. The researcher also obtained a letter from the university as evidence.

### **5.6 Suggestion for Future Research**

The study recommends that in future, a study be conducted on the effectiveness of empowerment practices in improving the employee performance. This study will be key in identifying whether the empowerment practices adopted by organizations are important in improving the performance of the employees and what other strategies can be adopted so as to improve employee productivity.

This study concentrated on commercial banks in Kenya alone and thus did not collect the views from other financial institutions such as MFIs (Micro-financial Institutions) and SACCOs (Savings and Credit Cooperative Organizations). It is therefore recommended that in future, the study be conducted across all financial institutions. This will be important so as to generalize findings for the entire financial service sector.

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## APPENDICES

### Appendix I: Cover Letter

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Date: ..... / ..... / 2015

**REF: LETTER OF REQUEST TO CARRY OUT RESEARCH IN  
COMMERCIAL BANKS IN KENYA**

I am currently a student at **Nairobi University**. Pursuant to the fulfillment of the award of master degree, I am expected to carry out a research project on a topic of my own. I therefore plan to research on **“PERCIEVED RELATIONSHIP BETWEEN EMPLOYEE EMPOWERMENT ON ORGANIZATIONAL PERFORMANCE AMONG COMMERCIAL BANKS IN KENYA**. The information and data provided is needed for academic purposes only and will be treated with confidentiality.

Thank you in participating.

Yours truly,

Sign.....

**Tabitha Ndegwa**

## Appendix II: Research Questionnaire

Note: The information in this questionnaire will be used strictly for academic purposes only and will be treated with utmost confidentiality.

### Section A: Demographic Data

1. Indicate by ticking your age bracket.

Below 20years     21-25 years       26- 30yrs      
 30-35 yrs        36- 40 years       40- 50 years     
 Above 50 years   

2. Gender            Male             Female

3. For how long have you worked in this bank?

1 – 5 years                6 – 10 years        11 – 15 years     
 16 – 20 years            Over 20 years  

### Section B: Employee Empowerment

To what extent do you agree with the following statements about your job in your organization?

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I have confidence in the leadership of my company					
Bank work gives employees a feeling of personal accomplishment					
Employees have variety in their job at					

the bank					
Employees value their job as important					
Employees have input into decisions made in their department					
The supervisors encourage employees to suggest new ways of doing things					
Employees are allowed to make decisions concerning their work					
Employee empowerment has received a wide recognition as an important subject in management circles.					
Line managers encourage new ideas and feedback from team					
Staff have a good understanding of organizations vision and mission					
Employees are highly valued and are an integral part of the organization					
Employees know exactly what is expected of them and can make decisions regarding their work.					
Employees are constantly trained to develop and enhance their knowledge and skill.					
High degree of trust is highly					

encouraged and maintained between managers and employees and among employees					
Necessary information is readily availed to all concerned employees in good time to enable them make thoughtful decision					
Management encourages employees to develop creativity and innovative ideas					
Employees are motivated by being assigned challenging work.					

### Section C: Employee Empowerment and Organisational Performance

To what extent do you agree with each of the following statements about employee empowerment in your bank?

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Employee empowerment strategies are properly communicated to the line managers and supervisors.					
High service quality results from an empowered human resource.					
Empowered employees are more responsive to customer needs.					
Empowered employees are more reliable.					
Efficiency in service delivery results from an empowered workforce.					
Employee empowerment leads to greater job satisfaction.					
Empowered employees are more committed to their work.					
Employee empowerment improves the relationship between the employee and the customers					

Employee empowerment leads to cost reduction					
Employee empowerment allows efficiency and innovation					
Employee empowerment has a positive impact on organizational performance					
Failure of organizations to pay more attention to employee empowerment affects overall organizational productivity					
Training enhances my work performance and enables me to meet my set targets					
Employee empowerment helps in meeting strategic objectives					
Employees are encouraged to take quick action to improve service quality or to correct quality problems in their jobs					