EMPOWERMENT, HRM PRACTICES AND ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF JORDANIAN COMMERCIAL BANKS

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Received 17 March 2019; accepted 10 February 2020; published 30 June 2020

Abstract. This study aimed to identify the role of empowerment and Human Resource Management (HRM) practices on Organizational Performance (OP) amongst 13 Jordanian commercial banks. The research adopted a descriptive and analytical approach to highlight the concepts of the study, and analyzed and extracted the results through a random sample of 180 managers and vice-managers. To achieve the objectives of the study a questionnaire was developed to gather the optimum information from the study sample, and based on that, the data was collected, analyzed and tested and the hypotheses were selected by using the smart PLS. The response rate was 74 percent. The results indicated that of all independent variables assessed, empowerment and HRM practices, have positive and significant influence on OP.

Keywords: Empowerment; HRM practices; New Public Management; organizational performance; Jordanian banks


JEL Classifications: O32

1. Introduction

The success of a business depends on the performance of the organization, which means its capacity to implement effectively strategies to realize the institution's goals (Randeree & Al Youha, 2009). Some variables represent OP, such as business model effectiveness and efficiency (Almatrooshi et al., 2016; Boyatzis & Ratti, 2009).

The performance of any company or organization is dependent upon the skill set of its leaders in implementing the corporate strategy. Silva (2014) argues that the key to successful management rests with the conditional relationship, which exists between managers and their followers. Given that there are always a range of obstacles to achieving organizational goals and continuously improving performance, it is essential that the techniques and approaches adopted by management are flexible enough to accommodate and respond to change. In addition, organizational performance depends on employees, who are a work team to achieve organizational goals. The concepts of leadership and management are often put in the context of virtual teams. These teams are created to
overcome geographical and logistical barriers to achieve defined goals, and research has emphasized the importance of effective management in enabling these types of teams to succeed. The cognitive competence of teams and managers is also thought to be important for improved OP (Mukherjee et al., 2012).

Organizational competence is related to managers with cognitive, social, and emotional intelligence (EI). Social intelligence can be defined as a leader's ability to focus on innovation and motivate team members. These are often referred to as management directives and are highly dependent on delegation, where managers understand how to delegate management to team members and empower them to test out new ideas. Cognitive competencies highlight creative and critical abilities that help improve decisions, solve problems, and learning (Sun & Hui, 2012). A manager who develops the vision and strategy to achieve that vision must effectively communicate these elements to the employee. The methods implemented by leaders include consultation, influence, problem solving, training, and motivation (Almatrooshi et al., 2016; Tomal & Jones, 2015; Ryan et al., 2012).

The variables identified in this study include empowerment (structural and psychological approaches) and HRM practices (training and development, performance appraisal and compensation) and their direct impact on OP. All these elements are combined to facilitate the sustainability and success of a given organization and to support relationship building with others in the organization (Miyake & Friedman, 2012).

A range of competencies combine to contribute towards the ability of managers to create dynamic organizations. In order to be successful in OP, managers must blend all competencies to influence and drive employee performance. Establishing a positive relationship between management and employees impacts on performance which subsequently contributes to the effectiveness of an organization (Yahyazadeh-Jeloudar & Lotfi-Goodarzi, 2012; Babcock-Roberson & Strickland, 2010).

2. Literature review

New public management (NPM) has emphasized the relevance of human empowerment to organizations as it promotes the development of more decentralized organizations. This decentralization has led to changes in how organizations manage their workforce by increasing the importance of human factors in delivering OP, and by focusing on employee empowerment as a mechanism to improve OP (García-Juan et al., 2019; Nicholson-Crotty et al., 2017; Stanton & Manning, 2013; Hansen & Høst, 2012; Bernardi, 2019; Girdzijauskaite et al., 2019).

Although numerous studies have reported positive impacts from practices that promote employee empowerment on OP; this concept remains elusive. From a structural perspective, empowerment can be understood as a set of practices and structures that enable power and authority to be transferred from the higher levels of the organization to the lower levels, thereby increasing access to information and resources; this is referred to as a “macro” approach to empowerment. From a psychological perspective, however, empowerment is viewed as a psychological state – and employee’s attitude in response to managerial practices. This perspective therefore considers empowerment at the individual worker level and is referred to as a “micro” approach to empowerment (García-Juan et al., 2019; Maynard et al., 2012; Dewettinck & Van Ameijde, 2011).

Although there is an increasing body of research on organizational empowerment and performance, which frequently indicates positive relationships, several studies have focused on the indirect impacts of job-related attitudes (Fernandez & Moldogaziev, 2013). In line with this, Boxall et al. (2011) argue that although the range of general HRM practices, including empowerment, has attracted much research attention, more investigation is required to further understanding of HRM practices and their relationship with OP. Furthermore, it could be argued that it is important to explore sub-dimensions of HRM practices, such as empowerment, since such dimensions can be associated with differing employee and organizational outcomes (Aryee et al., 2012; Van De Voorde et al., 2012; Jiang et al., 2012). Therefore, through examining employee empowerment specifically, its
impact can be measured more accurately (Van De Voorde et al., 2016). Within the empowerment field, many scholars advocate the integration of the structural and psychological approaches to gain a more in-depth understanding of the empowerment process (García-Juan et al., 2019; Boxall, 2014; Fernandez & Moldogaziev, 2013; Maynard et al., 2012).

Organizational performance depends on employee behavior and these behaviors can be a source of sustained competitive advantage. HRM practices influence OP through its impact on employee development and behavior (Alkhazali et al., 2017; Katou & Budhwar 2015; Almazari, 2014; Nigam et al., 2011). These practices influence which type of employees are selected, what skills and motivation these employees have, and the opportunities and incentives that these employees need to create new and improved ways of doing their jobs. This set of HRM practices (training and development, compensation, performance appraisal) which promote skill development, employee motivation and discretionary effort is often referred to as high-involvement HRM practices (Moideenkutty et al., 2012). Current research in the field of OP and HRM has gone beyond testing for the relationship between the two, to instead focusing on the mechanisms by which HRM practices influence OP (Moideenkutty et al., 2012; Collins & Smith, 2006). However, some commentators have questioned the methodological rigor of these studies (Alkhazali & Mohd, 2015; Katou & Budhwar 2015; Moideenkutty et al., 2012), and suggest that it is premature to assume an unequivocal positive relationship between HRM practices and OP, and supports the view that further research is needed using more rigorous research designs and approaches.

Alkhazali et al., (2019) has proposed two different HR practices frameworks for acceptable OP. This is a development framework and an internal acquisition framework. These frameworks are in line with traditional HRM and HRM involvement or HR system commitment and control. The development framework emphasises the development of current employees to meet the skill requirements of the organisation. The acquisition framework focuses on buying in the skills needed from the external labor market. While internal development is linked to organizational human resource stability and commitment, there are significant costs associated with this. Revenue frameworks have lower cost advantages and offer more flexibility. From a contingency perspective, if contexts support acquisition strategies, then traditional human resource management practices may not have more impact than high-involvement human resource management practices with regard to their impact on OP.

Almazari (2014) and Nigam et al., (2011) propose that three different perspectives are associated with the high involvement approach to HRM. One is a universal perspective, which suggests that some HRM practices are always better than others and that these practices will have a positive relationship with OP. This perspective also suggests there is an “internal fit” between practices, which deliver more synergistic effects which are greater than the sum of each individual part. The second approach is a contingency perspective, which suggests that effective HRM practices must be aligned with other aspects of the organization. Finally, the third is the configuration perspective, which suggests that effective HRM practices comprise of internally consistent and congruent patterns of practice which are in line with the performance of other organizational characteristics. Nigam et al., (2011) have argued that these perspectives are not necessarily in conflict with each other and may simply just operate at different levels. As a study of HRM practices and OP in an Arab Gulf country, this paper adopts the universalistic perspective. It is acknowledged that while universal practices can add value to an organization, additional benefits can be gained by ensuring that these practices are internally consistent and externally congruent. From the universalistic perspective it is reasonable to anticipate that high-involvement HRM practices will be positively correlated with both subjective and quantitative measures of OP.

3. Research methodology

Based on an extensive review of the current literature, the study identified two independent variables (IVs); empowerment perspectives (EMP) and high involvement HRM practices (HRMP). The dependent
variable (DV) of the study is organizational performance (OP). Figure 1 below illustrates the schematic framework for this study and the proposed relationships, which exist amongst the variables:

![Theoretical Framework of the Research](image)

**Research hypotheses**

Based on the theoretical framework of the research, two main hypotheses were developed in order to reflect the relationships outlined in the framework which could be enhanced by testing alternative models. These alternative models are often referred to in the current literature as “relationships” which exist between empowerment, HRM practices and OP, as shown in Figure 2.

![Model of Empowerment, HRM Practices and OP](image)

**Independent effects model**

H1: There is a positive relationship between empowerment (structural and psychological approaches) and OP.

H2: There is a positive relationship between HRM practices (training and development, compensation, performance appraisal) and OP.

This study used a survey research tool as its quantitative approach; which is recognised as a suitable data gathering instrument. Notably, each of the variables to be investigated in this study were continuous variables. These were empowerment (structural and psychological approaches), HRM practices (training and development, compensation and performance appraisal) and OP (Zikmund, Babin, Carr, & Griffin, 2010).
This methodology was justified because this study was interested in gathering the opinions and experiences of employees of the Jordanian commercial banks. It was assumed that the information gathered would be best derived from the individuals’ reflections of the workplace reality and its variation.

The population was all managers and vice-managers working in Jordanian commercial banks. The total number of employees from the Jordanian commercial banks was 22,886 at the time of the study. There were 255 managers and vice-managers, which was the population size for this study. Sampling was the technique used to determine the sample size and the subsequent administration of the survey methodology (Zikmund, et al., 2010). In this study, a proportionate random sampling method was (Pallant, 2011) so as to effectively cover all the 13 Jordanian commercial banks. This sampling method also improved the representativeness of the sample by reducing sampling error. Additional analyses provided an opportunity for data screening and cleansing and control for non-response data, and some other forms of data collection error (Krejcie & Morgan, 1970).

Moreover, the results that are derived from a large sample could be generalized to the whole population (Hair Jr, 2006). Sweidan mentioned that determining the appropriate sample size is an important element for a successful study because small samples may lead to inaccurate results and large samples may waste time, money, and resources (Sweidan, Al-Dmour, Al-Zu’bi, & Al-Dmour, 2012). Based on this evidence, this study aimed for 180 returns. Therefore, 255 questionnaires were distributed to managers and vice-managers working in Jordanian commercial banks, so that at least 180 responses could be achieved.

For this study, items addressing questions relating to empowerment (structural and psychological approaches), HRM practices (training and development, compensation, performance appraisal) and OP were integrated into parts of the questionnaire. The development of the survey instrument was guided by relevant literature, and the adaptation of related past items, where appropriate.

A standard 5-point Likert response rating scale was used to measure the dependent, independent, and moderating variables. The 5-point Likert scale is generally considered to be consistent with the original design of Likert (1932) and it has been argued that it measures more accurately than the 7-point scale which is popularly used in social science research (Dawes, 2008). Also, it was considered that this method would avoid the ambiguity frequently associated with the 7-point scale, which is usually consolidated in some studies before accuracy is achieved. The scale rating used was therefore as follows: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

**Coefficient of determination (R²)**

Alongside the assessment of significance and relevance, another commonly used measure to evaluate the relationships in the PLS-SEM model is the coefficient of determination of the level of R-square (Hair et al., 2014, 2010; Henseler et al., 2009). $R^2$ is a measure of the predictive accuracy of a model, and is calculated as the squared correlation between the construct’s actual and predicted value (Hair et al., 2014). The $R^2$ value is representative of the combined effects of the exogenous latent variables on the latent endogenous variable (Hair et al., 2010; Hair et al., 2006; Hair et al., 2014). This is illustrated in Table 1 below:

<table>
<thead>
<tr>
<th>Endogenous Variable</th>
<th>Coefficient of Determination (R-Square)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP</td>
<td>0.69</td>
</tr>
</tbody>
</table>

**Table 1. Coefficient of Determination (R-Square)**
Although it is difficult to identify a threshold for what could be considered an acceptable level of $R^2$ value as it heavily dependent on a model’s complexity and the area of research, commentators have offered indicative values (Hair et al., 2014). For example, Chin (1998) proposed that the $R^2$ values of 0.67, 0.33, and 0.19, should be considered as substantial, moderate, and weak respectively in the PLS-SEM modeling.

As shown in Table 1 the exogenous latent constructs of this study (i.e., empowerment and HRM practices) explain a 0.69 percent variance in OP. Following Chin’s (1998) recommendation, the $R^2$ value explained by the exogenous constructs on the endogenous construct in their direct relationships is equated to a substantial effect. It indicates that OP is 0.69 percent dependent on the eight predictors considered in this study.

**Hypotheses testing for direct relationships**

In order to test the hypotheses for any direct relationship, the first step was to run a PLS algorithm thereby enabling the researcher to generate path coefficients to examine the relationships between exogenous and endogenous constructs in this study. The second step involved ‘bootstrapping’ to calculate the t-value to test the significance of the relationship., Hair et al. (2013) propose that bootstrapping can be run with a 500 sub-sample while Hair et al. (2014) recommended 5,000. This study followed the recommendation of Hair et al. (2014) by using 5,000 as the sub-sample.

The results of the structural model are presented in Table 2 below. These results were interpreted using the coefficients (Beta) of the path relationship, the standard error, t-value (T Statistics) and P-value.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Hypothesized Relationships</th>
<th>Path Coefficient</th>
<th>Standard error</th>
<th>T statistics</th>
<th>P Value</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1a</td>
<td>ESP -&gt; OP</td>
<td>0.187</td>
<td>0.052</td>
<td>3.559</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H1b</td>
<td>EPP -&gt; OP</td>
<td>0.195</td>
<td>0.050</td>
<td>3.584</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2a</td>
<td>TD -&gt; OP</td>
<td>0.136</td>
<td>0.062</td>
<td>2.192</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2b</td>
<td>PA -&gt; OP</td>
<td>0.177</td>
<td>0.075</td>
<td>2.430</td>
<td>0.001</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2c</td>
<td>COM -&gt; OP</td>
<td>0.335</td>
<td>0.064</td>
<td>5.304</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

4. Findings, discussion and conclusion

**The relationship between empowerment and organizational performance**

Empowerment as a variable was found to positively influence OP among managers and vice-managers in Jordanian commercial banks as proposed in hypothesis H1 (H1a and H1b). As predicted, the result supports the relationship as reported in Table 2, at the 0.001 level of significance, path coefficient is: (ESP is 0.187 and EPP is 0.195), T-statistics and P-value are: (ESP is t= 3.559 (P< 0.000) and EPP is t= 3.584 (P< 0.000)). This result indicates that empowerment amongst Jordanian commercial banks needs to be considered in any strategies to improve the level of OP. In summary, the tests suggest a statistically positive and significant relationship between empowerment and OP. This finding concurs with previous research studies which have also shown a positive relationship between empowerment and OP (García-Juan et al., 2019; Nicholson-Crotty et al., 2017; Maynard et al., 2012; Dewettinck & Van Ameijde, 2011).

**The relationship between HRM practices and organizational performance**

The study found that HRM practices positively influence OP from the perspective of managers and vice-managers in Jordanian commercial banks, as proposed in hypothesis H2 (H2a, H2b, and H2c). The result of this
relationship, as reported in Table 2, is at the 0.001 level of significance, with path coefficient (TD is 0.136, PA is 0.177 and COM is 0.335), T-statistics and P-value (TD is t= 2.192 (P< 0.000), PA is t= 2.430 (P< 0.001) and COM is t= 5.304 (P<0.000)). This result indicates that HRM practices are the most important determinant of OP. These results are in line with the findings of previous studies (Alkhazali et al., 2017; Katou & Budhwar 2015; Alkhazali & Mohd, 2015; Maruf & Raheem, 2014; Almazari, 2014; Nigam et al., 2011). This study demonstrates that it would be in the best interest of commercial sampled banks in particular, to apply a relationship management approach in the delivery of their services and workforce strategies in light of the employee performance challenges currently facing the sector. By using specific empowerment (structural and psychological perspectives) and HRM practices (training and development, compensation and performance appraisal), employees’ participation at all levels of the banking sector may be able to be increased leading to an enhanced sense of belonging or recognition, which ultimately may contribute towards improved OP.

Apart from theoretical contributions, the findings of this study provide important managerial implications, particularly for the banking sector. In addition, the study identifies a number of areas for future research. In conclusion, this study provides a valuable theoretical and practical contribution to expand the body of knowledge in the field of OP, and can help the commercial banks in Jordan to increase employee performance. The study highlights the complexity of the management task and recommends that Jordan banks adopt empowerment based HRM practices. Resources can be provided by Universities, employees and banks, which require an interactive approach through which the parties can integrate these resources. Jordan stands to gain if the recommendations are implemented to become capable of attaining its vision in the future.

It is recommended that future studies consider: further enlarging the study population involving the whole banking sector, and take evidence from other industries, and over a longer period for data. The relationship between empowerment, HRM practices and OP can also be further explained, if future researchers conduct studies which include additional variables to cover other dimensions of empowerment in terms of banking perception and operations. Changing empowerment from an independent to moderating variable or even to a mediating variable may also change the results and relationships. Since commercial banks are still growing in Jordan, performance evaluation must be conducted from time to time in order to take any corrective actions, when needed.

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