

Human Capital and Employee Empowerment

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Since human resources are the most valuable and most important factor of production capital and the main source of competitive advantage and creating basic functionality of any organization, one of the most effective ways to achieve a competitive advantage in the current situation is to make staff more efficient. What is important in the development of human resources is that the improvement of human resources do not achieve only with technical training, but instead should be developed staff training in different ways and this will not be possible unless with implementing programs in the realm of strategic human resource management. Consistency in human resource development programs requires the development of employee empowerment programs that human resource management plays a key role in the integration and combination of the programs to provide an appropriate model for empowerment. In order to achieve this goal and to help the researchers and director of human resources, in this paper, we review the models of empowerment and present a comprehensive model of empowerment.

Introduction

A firm's human capital is an important source of sustained competitive advantage and therefore investments in the human capital of the workforce may increase employee productivity and financial results. Helping the individuals to develop knowledge, skills and competence increases the human capital of the organization. People are better equipped to do their jobs and this is generally of value to the organization. The resource-based theory argues that firm performance is a function of how well managers build their organizations around resources that are valuable, rare, inimitable, and lack substitutes. Human capital as resources meet these criteria, hence the firm should care for and protect resources that possess these characteristics, because doing so can improve organizational performance. Changes in business environment have forced organizations to review management systems in order to remain competitive in today's turbulent economy. "Empowering" employees has become a central theme of related managing organization. The overall effect is to build customer loyalty by creating internal employee ownership of productivity, quality and the principles for which an organization stands. It has been demonstrated empirically that the human capital

of a firm becomes a strategic asset when that knowledge is valuable and unique, thus generating greater competitiveness and ultimately more profit. Contributions by empowered employees are found to have a significant impact on business productivity, revenue and the organization's overall effectiveness

Human Capital

Human capital is defined as unit level knowledge, skills, and abilities used to produce a given set of outcomes. Human capital refers to the collective knowledge skills, and abilities of the individuals working in an organization. From an organizational perspective, human capital is the result of a firm's deliberate investment through the selective hiring of employees with high general skills (or formal education) plus a firm investment in training of more specific skills through "in-house" training activities Firms can thus increase their human capital levels through human resource management practices related to employee selection and training. Organizations can use selection to increase their generic human capital, while focusing on training to develop firm-specific human capital. Human capital generates value through investments in increasing individuals' knowledge, skills, talents and know-how. One type of investment is education. Higher levels of education reflect greater investments in human capital. An individual who is highly educated is more knowledgeable and performs better than others, and gets more opportunities to move upward. Human resources are crucial in creating human capital because organizations do not create knowledge otherwise organizations can increase their human capital by attracting individuals with high skills from the external labor market and/or by internally developing the skills of their current members. In the latter, a big role is played by employee retention. In terms of human capital, senior managers are crucial in attracting, selecting and retaining the right people in the organization as well as in devising and addressing training needs to develop the participation of employees and volunteers

Employee Empowerment

"Employee empowerment" is a term that is used to express the ways in which non-managerial staff members can make decisions without consulting their bosses or managers. These decisions can be small or large, depending upon the degree of power with which the company wishes to invest employees. Employee empowerment can begin with training and converting a whole company to an empowerment model. Management and leadership practices that have been endorsed to allow organizations to become more competitive. The purpose of empowerment in an organization is to decentralize management and control throughout the

conversely, it might merely mean giving employees the ability to make some decisions on their own.

Employee empowerment has been defined in many ways but generally means the process of allowing employees to have input and control over their work, and the ability to openly share suggestions and ideas about their work and the organization as a whole. Empowered employees are committed, loyal and conscientious. They are eager to share ideas and can serve as strong ambassadors for their organizations. Many managers feel that by empowering employees, they relinquish the responsibility to lead and control the organization. This is not the case. Empowerment is actually a culmination of many of the ideas and tenets of employee satisfaction. Empowered employees are not just proud of their work they are more productive than their disempowered colleagues are. In general, they are also more satisfied, so they bring in more business by making customers happier, which translates into greater profits. This holds true in both the individual and collective senses. From a financial perspective, employee empowerment is good business empowering employee's leads to organizational encouragement of entrepreneurial traits and prompts employees to make decisions, take action, and foster their belief that they can take control of their own destinies. This belief leads to self-motivation and a sense of independence that is translated into greater loyalty and extra effort for the organization. Empowered employees come to believe that they control their own success through their efforts and hard work, which in turn benefits the success of the entire institution.

Steps to Empower Employees

Identify the reasons of empowerment: Upper management starts the empowerment process. They must be identifying the reasons and benefit to relinquish authority and decision making power to lower levels of the organization.

Choose employees to empower: Employees must want to be empowered. Some employees are unwilling to accept additional responsibilities and decision-making power regardless of potential rewards. They need skills to make correct decisions and accomplish additional responsibilities.

Provide role information: The management must be define the role and assigns responsibilities, authority, and decision-making power to meet company and department goals and also define boundaries to clarify decisions employees will and will not make. Also, specify performance criteria and rewards for outstanding achievement.

Share company information: the management shares the information relating to organization issues. Explain company vision and values, clarify priorities, share some sensitive information, list facts people have and need, share good and bad information, and view mistakes positively and teach decision-making and problem-solving skills it help people to understand the need for change.

Provide training to employees: Teach them the basics of cost and revenue. Open financial books and inform employees of the situation so they can feel more related to the company. Let employees decide how to handle clients, and give them discretionary power when deciding what to spend in order to mend a certain problem.

Inspire individual initiatives: An inspired employee is a highly productive resource to a company and department. Management should take initiation to motivate the employees through rewards.

The Purposes of Employee Empowerment

The purpose of empowerment is to facilitate the achievement of organizational goals. In any case, any increase in power ought not to lead to increasing conflict between managers and employees. The purpose of empowerment is to provide the best intellectual resources related to the field of organizational performance. The aim is that the most competent personnel impose the highest population relations in the most appropriate practices. The purpose of empowerment is not about involving more people in decision-making processes of the organization, but it is to find ways to better utilize employees' thoughts and make the best possible decision. The purpose of empowerment id not to organize and develop of teams but it is increasing the competence to create new ideas and solve problems through the interaction and synergy of team members.

Performance

Performance management is concerned with actions taken to improve performance in order to achieve organizational, team or individual effectiveness. Improving performance is only achievable where there are effective processes of continuous development. This in turn addresses the core competencies of the organization and the capabilities of individuals and teams. Performance management is the principal set of practices by which control is manifested in organizations. Control is defined as any process that is used to align actions of individuals to the interests of the organizations. Performance management is expected to

regulate motivation and ability. It is a cybernetic system with feedback from both employee driving modifications at each point in the system.

Since performance management is concerned with satisfying the needs and expectations of various stakeholders such as owners, management, employees, customers, suppliers and the general public, employees should be treated as partners in the enterprise whose interests are respected. To this end, Performance Management encourages communication and involvement of managers and their team members in defining expectation and sharing information on the organization's mission, values and objectives.

Empowerment and Performance

Most of the studies that relate empowerment and performance use an individual level of analysis, typically focusing on the association between job design and task performance. Little is known of the relationship between job enrichment and company performance. This is an important omission, as several of the potential benefits of job enrichment may occur at the organizational level. For example, lower cost from a reduction in a supervisory, engineering, and other support staff are important at an organizational level of analysis but would not register in a measure of task performance.

Research on the effectiveness of human resources management (HRM) practices to some extent mitigates the above problem. Measures of HRM typically encompass job enrichment and skill enhancement, and studies have found HRM to be positively associated with company performance. In research, HRM is typically measured as a multi-dimensional construct covering a wide range of different practices additional to those of current interest (for instance, performance and profit-related pay, harmonization).

More direct support for the importance of empowerment to firm performance is provided by Huii, Bierman, Shimizu, and Kochhar's (2001) study, who found a positive relationship between human capital (based on intellectual capabilities, knowledge, and social capital) and firm performance in a sample of professional organizations.

In another study, Hechanova et al. (2006) did a study on the relationship between psychological empowerment, job satisfaction and performance among Filipino service. The study found that psychological empowerment was positively correlated with performance. Although there are few empirical tests of the impact of empowerment practices on company performance, there are strong conceptual grounds for arguing that each initiative will

contribute to company performance, and it is precisely because they should do so that they have proved so attractive to companies.

The Relationship between Employee Empowerment and Performance

Performance management is linked to employee empowerment in two ways; first, through goal setting. The more an employee understands his or her job, and how the job contributes to the overall organization, the better they will be able to make decisions on their own, informed and expert decisions. Employee empowerment requires this clarity, or the decisions that get made will often be the wrong ones. Second, empowerment implies accountability, along with the freedom to make decisions. The performance management process helps to ensure that accountability for results and the outcomes of decisions the employee makes through ongoing communication, and of course, the performance review process.

There is limited research on the relationship between employee empowerment and performance. Most of the available literature on employee empowerment has linked to it job satisfaction. There are vast studies done on the relationship between job satisfaction and employee empowerment. Thus, job satisfaction often has an intervening effect between employee empowerment and performance. Hitt, Bierman, Shimizu, and Kocher's (2001) provide one of the studies that provide direct support for the relationship between empowerment and firm performance. This study found a positive relationship between human capital (based on intellectual capabilities, knowledge, and social capital) and firm performance in a sample of professional organizations.

Another study that makes a possible link between empowerment and performance was done by Hechonova et al. (2006) on the relationship between psychological empowerment, job satisfaction and performance among Filipino service workers. The study found that psychological empowerment had a positive correlation with performance.

Wood (2007) also did a study which found that employee empowerment was the key to improving performance and promoting innovation among manufacturing firms in Ireland. The study found that empowerment is the only practice that has significant effects on performance in all companies surveyed. The study found that performance in companies that empowered their employees was 7% higher than that of companies that did not empower their employees.

The Potential Benefits of Empowerment

The espoused benefits of empowerment can be broadly divided into two areas: benefits for the organization and benefits for the individual. Much of the research into empowerment has focused on organizational benefits assuming these are the driving force behind attempts to endanger empowered working. Global competition and a changing business environment have instigated organizational change in response to increased pressures to improve efficiency and performance (Lawler et al., 1992). Specifically organizations have sought improvements in various economic performance areas. However, measurement of the economic benefits of empowerment specifically may be difficult as often it is introduced as part of a broader initiative such as BPR and TQM.

While the primary motive of empowerment is usually to improve the economic performance of the organization, benefits to the individual employee have also been identified. Nykodym et al. (1994) found that employees who consider themselves empowered have own environment. They suggested that this reduces the emotional strain on their employees. On a similar theme, it was reported that empowered employees have a greater sense of job satisfaction, motivation and organizational loyalty, as they feel more involved in the achievement of the organizational goals. Despite these benefits frequently cited, the nature and meaning of this job satisfaction and motivation have not been fully explored within the academic field.

Measurement of the employee benefits is very difficult to achieve. Unlike organizational benefits, which can be measured using objective “facts”, individual benefits are much more subjective and complex. Certain factual measures, such as absence and turnover rates have been applied in this aim, as too have the investors in people awards which can be used as an indirect indicator of the company’s commitment to the development skills. However, it is often considered that softer measures of employee ‘attitudes may be more appropriate than those “objective” measures. Managers are faced with many difficulties when attempting to empower employees and these may prevent a business from becoming and empowering organization. First, there is often resistance to the change both from managers/leaders and from employees themselves. It is often assumed that employees will buy into empowerment, as the benefits are “obvious”. However, this has been disputed by Johnson (1994) who claims that previously disempowered employees may resist empowerment, as they fear the increased levels of responsibility and accountability. Further, employees may consider empowerment to be just empty rhetoric and yet another management attempts to exploit them. Alder (1993)

demonstrated that empowerment is linked to downsizing as frequently those two activities occurred simultaneously. Therefore, it is hardly surprising that employees are suspicious of management schemes.

Managers/leaders may also be resistant to empowerment for this may be perceived as relinquishing power. They may view the reduction of their power as a threat particularly as they too fear job loss or loss of status as the organizational structures become flatter during the downsizing process. They may also vary in their inclination to introduce empowerment in spite of its being a component of organizational policy.

The gap between rhetoric and practice is a further area that is open to criticism. A number of studies have identified that, in some instances, the problems encountered are present in name only. While this is not a barrier to empowerment per se, it can lead to inaccurate criticisms of the empowerment concept and more importantly, those who are empowered may be disillusioned and reject empowerment as ineffective. Furthermore, it is important that those who incorporate an empowerment strategy do not believe that it will solve all organizational problems; if they do they will ultimately be disappointed.

Conclusion

Since human resources are the most valuable and most important factor of production capital and the main source of competitive advantage and creating basic functionality of any organization, one of the most effective ways to achieve a competitive advantage in the current situation is to make staff more efficient. What is important in the development of human resources is that the improvement of human resources do not achieve only with technical training, but instead should be developed staff training in different ways and this will not be possible unless with implementing programs in the realm of strategic human resource management. Consistency in human resource development programs requires the development of employee empowerment programs that human resource management plays a key role in the integration and combination of the programs to provide an appropriate model for empowerment.

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