

**The Influence of Power Distance on the relationship between Employee  
Empowerment and Empowerment Outcomes in Multinational  
Corporations in Kenya**

**Presented by**

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## **Abstract**

A number of studies indicate that employee empowerment leads to increased organizational performance. To most researchers, empowerment is the perfect panacea for success in organizations. The main objective developed for this study is to determine the extent to which power distance moderates the relationship between employee empowerment and empowerment outcomes. Data for the study was collected using a questionnaire which contained measurements of power distance, employee empowerment and empowerment outcomes (employee commitment, job autonomy and job satisfaction). The questionnaire consisted of a Likert type scale ranging from 5 – very great extent to 1 – not at all. A census study of 60 multinational corporations operating in Kenya was conducted. The response rate was 65%. That is, 39 firms were interviewed. Data was analyzed using descriptive statistics. Multiple regression analysis was further conducted and the results showed that the relationship between employee empowerment and empowerment outcomes was moderately significant ( $r = 0.652$ ,  $p < 0.01$ ). This implied that power distance moderated the relationship between employee empowerment and empowerment outcomes.

**Key Words:** Power Distance Employee Empowerment and Empowerment Outcomes

## **1.0 Introduction**

### **1.1 Background of the Study**

In recent years, there has been considerable academic and practitioner interest in the relationship between employee empowerment and empowerment outcomes. However, tasks in multinational operations may become increasingly complex as the cultural distance in host countries increase (Li and Guisinger, 1992). The researchers agree that to manage this complexity, MNCs must be able to empower their employees through coaching and training to improve their skill development. Hence, many organizations have now realized that the most important resource for competitive advantage is the human resource (Pfeffer, 1994).

Throughout the world today, employee empowerment has become a tantalising notion for academics and practitioners since its emergence in the 1980s. Conger and Kanungo (1988) noted that the practice of empowering subordinates is a principal component of managerial and organizational effectiveness. In practice, the belief is that empowerment energizes employees to provide higher performance in organizations.

### **1.2 The Research Problem**

Despite the great emphasis laid on research in the field of employee empowerment and empowerment outcomes throughout the world, there is inadequacy of literature on this subject especially in developing countries and how the outcomes can be influenced by the practice of empowerment (Argyris, 1998; Eylon and Au, 1999 and Robert et al. 2000). Lawler (1992) reported that to achieve empowerment in organizations, managers must be sure that employees at the lowest hierarchical levels have the right mix of information, knowledge, power and rewards to work autonomously or independently of management's control and direction. Lawler further reported that, when employees are empowered, they experience more control or autonomy over their responsibilities and become more motivated and creative over their work duties. However, most researchers seem to conclude that empowerment is essential for companies that hope to succeed in this knowledge-based economy, where employee innovation and creativity is an asset to an organization (Bowen and Lawler, 1992). According to Randolph (1995) and Robert et al. (2000) employee empowerment outcomes depend, to a large extent on the prevailing host country culture. Thus, the studies emphasize that employee empowerment practice leads to favourable outcomes. Despite all this, no study has been conducted to show the influence of the prevailing culture on the link between empowerment and empowerment outcomes within

organizations. Yet, culture (low or high) is likely to dictate the empowerment practice in most organizations today.

The departure of this study from the previous ones is the inclusion of moderating variable in the equation that explains the relationship between employee empowerment and empowerment outcomes. This study is therefore an attempt to answer the question: is the relationship between employee empowerment and empowerment outcome influenced by power distance culture prevailing in a country?

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

This study seeks to investigate the influence of power distance on the relationship between employee empowerment and empowerment outcomes in multinational corporations in Kenya. More specifically, the following objectives are addressed

1. To establish the extent to which power distance influences the relationship between employee empowerment and organization commitment
2. To determine the extent to which power distance influences the relationship between employee empowerment and job satisfaction
3. To establish the extent to which power distance influences the relationship between employee empowerment and job autonomy

## **2.0 Literature Review**

### **2.1 Employee Empowerment**

This is a common theme that emphasizes the power of confident people, passionately committed to meaningful goals, acting in accordance with own higher values, taking risks and demonstrating initiative and creativity in the service of these goals. Underlying these beliefs, employee empowerment practice has been viewed as fulfilling employees' hygiene and motivator needs including a sense of security and achievement since the time of McClelland (1962). To this extent, empowered employees are motivated to pursue task accomplishment through independent action, a sense of meaning and efficacy.

Hopson and Scally (1981) pointed out that empowerment is not an end state, but a process that

all human beings experience. That throughout employees' lives; an employee will behave in more or less empowered ways depending on his/her level of self-esteem and skill development, tempered by surrounding circumstances. That is, the practice of employee empowerment has been toughened as a panacea for improving organizational performance through enhanced employee motivation, morale, satisfaction, organization commitment and innovation, thus leading to favourable organizational performance. It involves a creative act that frees a person, a group, an organization, and even a total society, to behave in a new way. It provides options and degrees of freedom not allowed before (Argyris, 1998).

Thus, MNCs are able to achieve greater returns on sales than firms that do not involve their staff in organizational decision-making. However, the researchers seem to conclude that empowerment is essential for companies that hope to succeed in this knowledge-based economy, where employee innovation and creativity is an asset to an organization (Bowen and Lawler, 1992). However, the researchers have failed to recognize the effect of power distance on their organizational performance.

According to Vogt and Murrell (1997), employee empowerment (empowerment of individuals, groups, organizations and societies) is a noble, necessary and natural part of human development for the success of multinational corporations' operation throughout the world. The researchers further reported that employee empowerment is a technique to enable, to allow or to permit, that which, can be perceived as both self-initiated and initiated by others. That is, the process of empowerment enlarges the power in a situation as opposed to merely re-distributing it.

Randolph (2000) referred to employee empowerment as a means of transferring appropriate and sufficient authority to employees and making resources available to enable them succeed in their jobs, providing them with a conducive environment and proper tools to enable them contribute to the organizational performance at a higher level. The researcher reported that management must help employees achieve these goals by coaching; teaching and enabling them to acquire the right skills for effective performance.

## **2.2 Employee Empowerment Outcomes**

Employee empowerment practice results in outcomes, such as organizational commitment; job satisfaction and job autonomy which are expected to influence both the amount and quality of

products and services produced by employees in an organization. That is, employees who feel that what they do at work is meaningful, who have the skills necessary to do work, who are able to choose how to complete their work, and who believe that they have an impact on their decisions are expected to show higher levels of performance than those who perceive low levels of empowerment.

Literature has it that empowerment outcomes depend, to a large extent on the prevailing host country culture. According to Robert et al. (2000), MNCs originating from high power distance culture countries, especially Asia and Japan, where employee empowerment is low, the performance level is likely to be low since the employees may not have the power to make decisions. In addition, high power distance culture inhibits direct involvement in decision-making. For the purposes of this research, employee empowerment outcomes include the following:

### **2.2.1 Organizational Commitment**

Organizational commitment is the relative strength of an individual's identification with and involvement in decision-making within an organization or the extent to which employees are committed to their work (Mowday et al., 1979). Mowday and colleagues further reported that organizational commitment is an antecedent to job satisfaction to the extent that it involves a strong belief in and acceptance of the organization, a willingness to exert considerable effort on behalf of the organization, and a strong desire to maintain membership in the organization. That is, individuals who feel empowered at work are likely to be more committed to the organization and exhibit higher performance levels (Allen and Meyer, 1991).

Becker (1996) developed a three-component model of organizational commitment measuring affective (employees emotional attachment to, identification with and involvement in the organization and its goals or an employee wanting to remain in the relationship), continuance (calculative and exchange based in nature and refers to the costs associated with leaving the organization and that leaving will cost too much and the fact that they perceive fewer opportunities elsewhere) and normative (employee's desire to stay with the organization based on a sense of duty, loyalty and obligation) commitment.

Becker and Gerhart (1996) further reported that strong commitment to the organization on the

part of employees would lead to a favourable organization outcome. Other researches on organizational commitment have recently shown that individuals form different strengths of attachments towards an organization, supervisor, and workgroup (Cohen, 1993; Becker et al, 1996). Therefore, employees will generally be satisfied with their jobs, and will show commitment to their organizations, if they are content with the nature of their work, are involved in organization decisions, are satisfied with their supervisors and perceive current pay policies and future opportunities for promotion within their firm as adequate (Becker et al, 1996).

Most of the literature on organizational commitment has focused on the nature and outcomes of empowerment, but no study has shown how power distance will affect the relationship between organizational commitment and MNC performance. For example, Becker and Gerhart (1996) reported that employees make strong commitments to supervisors and co-workers only if they view them as important references to themselves. The researchers further suggested that in high power distance countries, employee commitment is low due to high power distance culture practice leading to unfavourable performance.

### **2.2.2 Job Autonomy**

Job autonomy can be defined as the freedom to participate in decision-making rather than being restricted by procedure. That is, it may enhance organizational outcome when employees are allowed the freedom in their work accomplishment (Miller and Monge, 1986). In addition, individuals who have more control over their work-related decisions are rated higher on job performance by their superiors than those with less control over their work. Furthermore, a sense of control and self-determination over one's work may be satisfying because any accomplishments can be attributed to oneself rather than to other individuals. Thomas and Tymon (1994) reported that employees who have a choice regarding how to perform their own work are found to be higher performers than those with little work autonomy. According to the researchers, in a high power distance country culture, job autonomy is likely to be low and employees might be unwilling to work independently, thereby, leading to an unfavourable MNC performance. Blanchard et al. (1996) reported that countries experiencing high power distance cultures find it easier to create autonomies with boundaries, since people in such countries expect managers to define boundaries for their work and thus, organizational performance may not be high.

### **2.2.3 Job Satisfaction**

After two decades of research, empowerment is now widely accepted as a potent way of enhancing job performance and employee satisfaction or the feeling a person may have about his or her job (Conger and Kanungo, 1988). Spreitzer (1995) examined this relationship between empowerment and job satisfaction and found that meaning, self-determination and impact were the strongest predictors of job satisfaction. Kirkman and Rosen (1999) found support for this notion and reported that employee empowerment is positively related to job satisfaction, job autonomy and organizational commitment, thus leading to a high organizational outcome. But, in a high power distance culture country, this may not be true due to low empowerment level and high power distance.

Furthermore, research on job satisfaction reports that, highly satisfied employees tend to have better mental and physical health, learn new job-related tasks more quickly, have fewer on-the-job accidents, file fewer grievances and are more likely to exhibit 'pro-social citizenship' type of behaviour, get involved in activities like helping co-workers, customers and become more cooperative, as well as less likely to leave the firm and in turn increases employee motivation (Blanchard et al., 1999). Therefore, in a high power distance country culture, job satisfaction is likely to be low leading to low MNC performance due to employee disillusionment in the organization. Kaloki (2001) conducted a study on job satisfaction as a function of cultural beliefs, expectations and goals in foreign-owned firms in Kenya. The researcher found that adherence to national culture was very important for effective management of foreign-owned firms and concluded that the understanding of this relationship would enable managers to implement the right employee empowerment techniques.

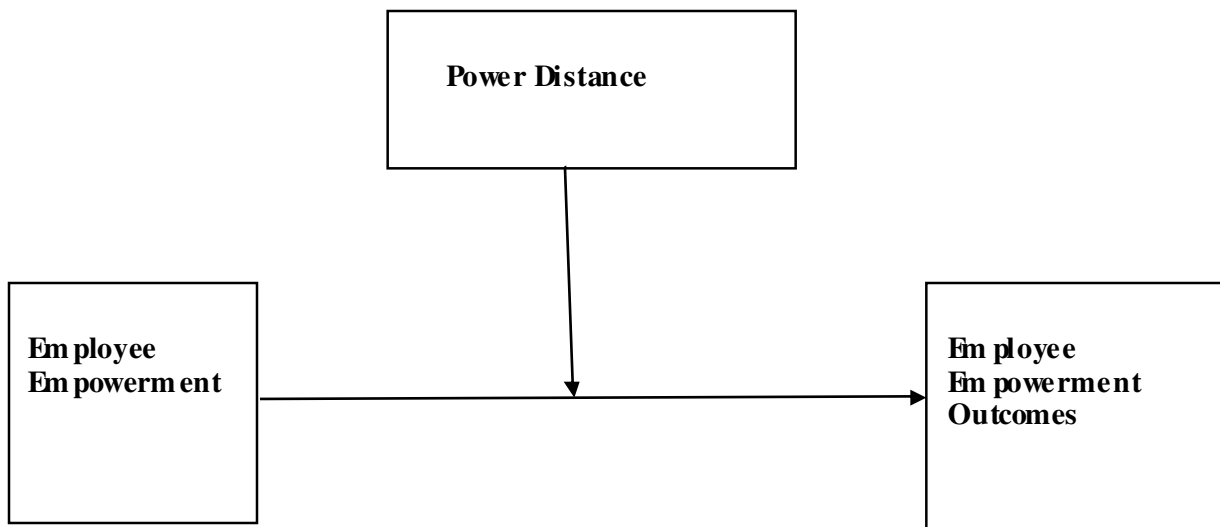
### **2.3 Power Distance**

Culture is a concept that is familiar to all of us. However, it is difficult to specify what it means. It is further compounded by the fact that the word has several separate meanings from one host country to another. Hofstede (1980) defined culture as the collective programming of the mind that distinguishes one society from another and their behaviour patterns. It can be understood in terms of high or low power distance. Hofstede (1980) reported that subordinates in high-power distance cultures are highly dependent on their superiors and tend to agree with Mc Gregor's (1960) Theory "X." whereas, subordinates in low - power distance country cultures tend to agree more frequently with Mc Gregor's Theory "Y." Hofstede (1984) further reported that employee

empowerment in high power distance cultures inhibit sharing of information since the employees feel that it is the managers' prerogative to make decisions and solve problems. The question is whether these differences among the MNC management practices and host country cultures matter to work place performance. The argument is that they do.

This study adopts Hofstede's (1980) concept of power distance culture. Hofstede's work to date still remains the most dominant piece of cross-cultural research. Miller (1994) further suggested that the search for the understanding of this global concept of cultural diversity is often frustrating and elusive. That is, everyone is aware of these differences, but this awareness is compounded by many half-truths and stereotypes and the ever-changing business landscapes. This implies that, MNCs' practices that reinforce cultural values of a host country are more likely to yield predictable behaviour, self-efficacy and increases output for organization (Earley, 1994).

#### **A Model of Empowerment and Empowerment Outcomes**



The conceptual framework shows the relationship between employee empowerment and empowerment outcome as moderated by power distance. In the model, employee empowerment is the independent, empowerment outcome is the dependent variable and power distance (culture) is the moderating variable.

### **3.0 Research Methodology**

This study used descriptive research design that allowed the researcher to integrate empowerment research literature. The questionnaire as a main procedure to gather accurate, less bias data and increase the quality of data being collected (Sekaran, 2003). The interviews were conducted on employees who hold management and non-management positions. Their opinion was sought about the nature of the relationships between employee empowerment and empowerment outcomes. To determine the influence of power distance on the relationship between employee empowerment and empowerment outcomes, a correlation analysis was conducted.

A stratified random sampling technique was used to select the respondents from each of the multinational corporations. The stratification was based on the respondents' position in the organization - managers and non-managers. The total number of questionnaires targeted for research was 240. Out of this, 160 questionnaires were filled and returned. That is, 34 (21.2%) responses were from firms whose background is high power distance country culture, while 126 (78.8%) were from low power distance country cultures. This represented a response rate of 65% of the study population. Data was collected using personal interviews. Both primary and secondary data was collected. Primary data covered information on employee empowerment, empowerment outcomes and host country culture. A questionnaire was used to collect primary data. It contained both structured and unstructured questions. The instrument testing reliability used different numbers of scale items. Cronbach's alpha was used to test the consistency of items in the scales. This method is however strongly affected by the number of items in the scale. The logic here is that high internal consistency within a scale inevitably leads to strong test-retest reliability since the major source of measurement error is due to the sampling content (Nunnally, 1978). In this case, power distance was measured using 30 items, employee empowerment was measured using 17 items, employee empowerment outcome measured using 20 items, organization commitment measured using 17 items, job autonomy 10 items and job satisfaction 20 items.

### **4.0 Data Analysis and Results**

Data was analyzed using descriptive statistics which showed the mean, standard deviation and the Pearson correlations for the variables under study. The mean values of each variable ranged between 3.01 and 4.03, indicating that the level of employee empowerment and empowerment

outcomes (organization commitment, job autonomy and job satisfaction) were high. The moderated multiple regression analyses were used to test the extent to which power distance moderated the relationship between the employee empowerment and empowerment outcomes (organizational commitment, job autonomy and job satisfaction). Based on recommendation by Stone & Hollenbeck (1988), linear-by-linear interaction terms were created by multiplying the proposed moderator by the independent variables. The analysis was conducted per each sub-objective.

**Table 1: Results for the Multiple Regression Analysis for Empowerment and its Outcomes**

Model		Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.320	0.465	1.454	0.148
	Organisational commitment	0.093	0.028	0.320	0.749
	Job autonomy	0.092	0.157	1.902	0.059
	Job satisfaction	0.140	0.511	5.245	0.000
2	(Constant)	0.321	0.507	1.583	0.115
	Organisational commitment	0.097	-0.007	-0.070	0.944
	Job autonomy	0.093	0.141	1.703	0.091
	Job satisfaction	0.140	0.500	5.132	0.000
	Power distance of Parent company	0.088	0.098	1.338	0.183

Dependent Variable: Employee empowerment

**H<sub>1</sub>: The strength of the relationship between Employee Empowerment and Organization Commitment depends on power distance**

The moderated multiple regression results provide support for objective hypothesis a, since the value of the standardized regression coefficient for the product term between employee empowerment and organization commitment, was not equal to 0 (i.e.  $\beta \neq 0$ ). The value of the beta coefficient ( $\beta = -0.007$ ) shows that there is an inverse relationship between employee empowerment and organization commitment. That is, when the value of organization commitment rises, the value of employee empowerment outcome falls by 0.007. The results further showed that power distance had an insignificant effect on the relationship between employee empowerment and organization commitment since  $\beta = 0.098$  was not significant at  $p <$

0.05. Thus, the hypothesis that the strength of the relationship between employee empowerment and organizational commitment was moderated by power distance was not confirmed.

**H<sub>2</sub>: The strength of the relationship between Employee Empowerment and Job Autonomy depends on Power Distance**

The results of the regression test for the moderating effect of power distance on the relationship between employee empowerment and job autonomy are presented in Table 1. The results provide support for hypothesis b, where the standardized regression coefficient for the product term between employee empowerment and job autonomy or the value of beta coefficient is not equal to 0 (i.e.  $\beta \neq 0$ ) but, rather equals to 0.141 which is significant at  $p < 0.05$ . This indicates that power distance moderates the relationship between employee empowerment and job autonomy. Therefore, hypothesis b was accepted.

**H<sub>3</sub>: Power Distance influences the relationship between Employee Empowerment and Job Satisfaction**

The moderated multiple regression results Table 1 provide support for hypothesis c, where the standardized regression coefficient for the product term between employee empowerment and job satisfaction or beta coefficient is not equal to 0 (i.e.  $\beta \neq 0$ ). The beta coefficient is 0.500 which is significant at  $p < 0.05$ . This indicates the presence of a moderating or interaction effect between the variables (Cohen and Cohen, 1988). The results of analysis indicate that the relationship between employee empowerment and job satisfaction is moderately significant. Therefore, hypothesis c was confirmed.

Therefore, the results of multiple regression analysis indicate that job autonomy and job satisfaction are statistically significant, while the standardized coefficient for organization commitment is 0.028 which is not significant at  $p < 0.05$ . This implied that power distance did not moderate the relationship between employee empowerment and organization commitment. It is clear from this analysis that power distance influences the relationship between employee empowerment and job autonomy and between employee empowerment and job satisfaction. It is also clear from the table that a unit change in employee empowerment produces greater change in job satisfaction ( $\beta = 0.5$ ) than in job autonomy ( $\beta = 0.141$ ).

## **5.0 Conclusion**

This study sought to examine the influence of power distance on the relationship between employee empowerment and empowerment outcome. This objective can be achieved if organizations focus on two major issues. Firstly, especially in terms of coaching and training activities which should not only stress on technical aspects, but also need to give more attention to interpersonal communication skills, problem-solving and decision-making techniques in organizations. Organizational managers who have these skills are likely to feel confident in providing better explanations, openly and honestly conducting discussions and motivating employees on empowerment policies and procedures in organizations. That is when employees feel empowered, their performance levels increase.

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