



Moderating effects of psychological empowerment on rewards and Performance among tile supervisors in Southern Malaysia

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Abstract

This empirical study explores the influence of rewards in the relationship towards improving and enhancing employees' performance. The study also looks into whether psychological empowerment has any influence on the relationship between rewards and performance. The study encompasses 239 supervisory staff from southern Malaysia's glazed ceramic tiles companies. Using regression analysis to test the research hypotheses, this study shows that rewards have an influence on employees' performance but in the presence of psychological empowerment as a moderator, rewards do not improve their performance.

Keywords: rewards, psychological empowerment, employee performance supervisory level staff, ceramic tile industry

INTRODUCTION

Based on statistics provided by the Malaysian Investment Development Authority (MIDA) in 2015, the non-metallic mineral products industry was the 15th largest export earner with total exports amounting to RM6.0 billion, contributing approximately 0.8 per cent to the total exports of Malaysian manufactured goods. One main product under the non-metallic group of products is ceramic tiles, especially the glazed ones. Tiles have been used for centuries as it helps add beauty and style to any home or business. Tiles also last for many years with the least maintenance. However, Malaysia's ceramic tile manufacturing industry is facing numerous challenges. Among them include the threat from lower priced ceramic tile imports from low-cost Chinese manufacturers. China has provided major incentives to its tile industry for export growth resulting in difficulties for global tile manufacturers including Malaysian tile manufacturers to compete with imports from China (Iqbal, 2009).

In the manufacturing sector, for organisations to stay competitive, two areas that they have to look seriously into are, firstly, their organisation's labour cost, which is an indicator of its competitiveness (Mertsina and Janes, 2012), and secondly, the organisation's productivity growth. Unit labour cost is defined as labour compensation per person employed relative to output produced per employer. For an organisation to stay competitive, it has to either lower its unit labour cost or increase its labour productivity. Since it is imperative to lower the unit labour cost and to improve productivity growth in any organisation, employers must focus on having a team of high performing employees and they have to be motivated to produce high quality work by putting in enough efforts on their jobs (Valencia, 2005).

When employees do not perform well, the organisation's productivity and profitability are affected. Based on a study done by Felps et al (2006), it was found that one poor performer was enough to bring down the organisation's productivity by 30-40 percent. Another study by Willyerd (2014) shows that a high performing employee can deliver 400 percent more productivity than average and poor performers. Therefore, poor performing employees are a liability to any organisation.

The above indicate that despite knowing the importance of having and sustaining a team of high performing employees, the problem remains as to why organisations are unable to effectively tap into and leverage the full potential of their employees in order to enable them to operate at their peak level of performance (Kraines, 2001; Ferdowsian, 2002).

More research needs to be conducted on how employee performance can be improved in order to help companies

face the ever increasing challenges in today's marketplace.

A substantial amount of research work has been done to determine the factors that could influence employee's job performance. The existing literature reveals the role of organisational antecedent factors. These factors which are external to the employee consist of the work environment, standard operating procedures and management's own behaviours. Past literature have indicated that one organisational factor with a strong influence on employee performance is by rewarding employees appropriately (Danish and Usman, 2010; Qureshi et al. 2010; Sandilyan et al. 2012). In a study conducted by Ahmad et al. (2010), it was noted that employees were likely to feel rewarded and motivated to perform if they knew they would get a fair pay based on the amount of work that they did. However, when rewards offered for a job carried out by merely following instructions and without being empowered by their managers, employees will not be able to appreciate the rewards offered to them. This is because they may not feel any influence on its outcome. This reaction will have an impact on their performance (Fernandez and Moldogaziev, 2011). As long as this performance-reward gap remains wide, employee commitment will be low, and any self-motivation the employee has, will not be sustainable (Tan, 2000). Therefore, this study was conducted to determine the role of rewards towards improving and enhancing employees' performance.

Researches have also been carried out on the relationship between psychologically empowering employees and their performance. Most results obtained have shown a clear relationship between these two variables (Tjosvold and Sun, 2005; Ergeneli et al. 2007; Bartol, 2010). One such example is to be recognized for a job that was done successfully when employees felt empowered by their employers. However, Siebert et al. (2004) has suggested that more studies were needed to examine the moderating roles of psychological empowerment on employee job performance. This includes the effect of psychological empowerment in enhancing the value of rewards in order to obtain better employee performance. For this reason, this study will also look into the impact of psychological empowerment as a moderator in the relationship between rewards and employee performance.

There is a dearth of knowledge on the role of psychological empowerment, as a motivator, being able to strengthen the rewards basis for employees who truly value the work they do. It is hoped that this study will be able to foster employees to have a sense of responsibility and self-worth that goes beyond what the rewards offered can afford them. This will then improve their performance at the workplace.

The results of this study will contribute to the existing body of knowledge on improving and enhancing employee performance. This study will look into specifically the supervisory level of staff in the ceramic tile companies in Southern Malaysia. The supervisory level staff was chosen as respondents for this study as they are the group of people whose main job function is to coordinate and direct staff, train them and motivate them (Blumentritt and Hardie, 2000). They play a very important role in being between the top management and team members in any business organisation (Caye et al. 2010).

LITERATURE REVIEW

This section deals with review of related literature concerning varied forms of behaviours exhibited by customers in typical complaint context, approaches adopted by organizations to respond to customers' complaints and possible areas of failures evidenced in service delivery.

Employee Performance

Performance is a function of ability and motivation. This means that besides employees' ability, their performance is also determined by the strength of their motivation (Mullins, 2001; Iqbal et al. 2012). Therefore, managers' top priority is to motivate their employees in order to produce effective work performance by all their employees (Anyim et al. 2012).

Motivation represents the forces acting either on or within a person that causes the person to behave in a specific goal directed manner (Hellriegel and Slocum, 1995). For this reason, motivation can be defined as the "set of processes that arouse, direct and maintain human behaviour towards attaining some goal" (Greenberg and Baron, 2003, p. 190). Armstrong (2009) highlighted that one is motivated when the effort put in will lead to the attainment of the set goal and the rewards associated with its achievement.

The subject of individual employee performance and the need to have them perform at their highest capacity levels have become important subjects today (Ferdowsian, 2002). This is further pointed out by Cole (2004) who indicated that when employees experience a sense of personal worth and the feelings of importance of being a member of an organisation, high performance can be obtained from them. Desired performance is achieved only when employees perform effectively and efficiently when they get a sense of mutual gain for themselves and for their organisation when they attain a certain goal or target set by their employers (Aktaret et al. 2012).

In order to optimize employees' performance, employers have to determine the appropriate individual and organisational

factors that would contribute towards enhancing employee performance at the workplace (Abbas and Yaacob, 2009). This includes creating a work environment that is able to enhance their performance.

Rewards

Rewards is defined as an external agent administered when a job or task is successfully completed (Wilson, 2010). Rewards system is created to reward good performing employees as well as to serve as a motivator to all employees so that they will continue to maintain their good performance. Three different categories of rewards have been identified from the literature. Firstly, according to Luthans (2000) there are two basic types of rewards, financial and non-financial. Secondly, rewards can be either intrinsic (focuses on the employee's sense of achievement) or extrinsic (determined by employers). Thirdly, rewards may be based on both individual and group performance.

A well balanced rewards system will motivate employees to improve their performance and make them feel appreciated for the efforts put in (Sarvadi, 2005). Based on the expectancy theory, employees are more likely to be motivated to perform well in their tasks assigned to them when they perceive there is a strong link between their performance and the reward they receive from the efforts that they have put into the job or task (Mendonca, 2002; Guest, 2002; Redmond, 2010). This is supported by Aarabi, Subramaniam and Akeel (2013) who highlighted that in order to motivate employees to perform better on the job, rewards are an important factor that can magnetise, maintain and motivate them. Therefore, employers have to design and align their rewards system so that it can increase the motivational level of the employees.

Based on the above reasons, it is predicted that rewards affect employee performance as stated in the hypothesis below:

H₁= There is significant positive relationship between rewards and employee performance.

Psychological Empowerment

Empowerment is the dynamic process of redistribution of power between management and the employee (Greasley et al. 2005). Two key perspectives of empowerment from the literature have been identified. The first perspective is on the psychological dimension and second perspective is the structural perspective which examined the role of managers and leaders. This psychological perspective is based on how employees experience or feel empowered at work. Conger and Kanungo (1988) defined this perspective as a "process of enhancing the feeling of self-efficacy among organisational members through the identification of conditions that foster powerlessness and through their removal by formal techniques of providing efficacy information" (p.474). Therefore, empowerment can be considered as the personal belief that employees have about their role in relation to the organisation.

This point was further stressed by Thomas and Velthouse (1990) who highlighted that empowered individuals will perform better than those employees who are relatively less empowered as empowerment is a process that makes workers utilise their full potentials to carry out their tasks effectively, allows them to stand confidently behind their decisions, assume risks, and take the necessary actions at the workplace. Based on these four cognitions, Spreitzer (1995) indicated that psychological empowerment is defined as a motivational construct manifested in four cognitions, meaning, competence, self-determination and impact where they reflect an active orientation towards a work role. These four cognitions refer to the individual employee's intrinsic motivation in relation to the job.

Empowered employees were expected to perform better if the task assigned was meaningful to them; they had a choice to carry out the task, had the appropriate skills to perform confidently and the results of their efforts had an impact to their organization. This reasoning is further strengthened by Kemal (2010) who analyzed the relationship between psychological empowerment and employee performance and noted that empowerment had a direct and positive effect on employees' behaviours and thus improved on their performance. Psychologically empowered employees believe about their own roles and their influence in an organization that makes them feel confident in performing their tasks.

Moderating role of psychological empowerment

A variable functions as a moderator when it affects the direction and / or the strength of the relationship between the independent and dependent variable (Baron and Kenny, 1986). Thomas and Velthouse (1990) and Spreitzer (1995) highlighted that psychological empowerment is a type of intrinsic motivational construct related to employee performance. Spreitzer et al. (1997) stated that employee's feel psychologically empowered when they perceive that they have some control on the works that they are doing. This means that its presence is expected to show increased

employee performance when it is linked with other independent variables such as rewards. This is because employees who feel psychologically empowered are assumed to feel an increase in intrinsic work motivation and therefore will be more motivated to perform well in their jobs. For this reason Indradevi (2011) concluded that psychological empowerment should be seen as an intrinsic motivator.

In order for the performance-contingent rewards to be effective in improving employee performance, it must be able to increase the intrinsic motivation of the employee by leading them to believe that they are competent to carry out the task (Bandura, 1997). Deci and Ryan (1985) stressed that surpassing a performance standard might in itself indicate self-efficacy (competence) which is a facet of psychological empowerment. This indicates that employees who feel they have the competency with their job will be able to appreciate the effects of rewards provided by their management and this in turn, will improve their job performance

Based on these findings, the following relationship was hypothesized.

H₂ = Psychological empowerment moderates the relationship between rewards and employee performance

Methodology

The Work Satisfaction and Motivation questionnaire, developed by De Beer (1987) was used to measure the dimensions of payment, benefits and recognition under rewards. For psychological empowerment, the Spreitzer's Empowerment Scale (1995) consisting of a twelve item scale on four aspects: meaning, competence, self-determination and impact were used. Employee performance was measured using the Employee Work Performance questionnaire, developed by Suliman (2001) which was based on five factors, work skills, work duties, work enthusiasm, readiness to innovate and job performance factors.

Based on Krejcie-Morgan (1970) to determine the sample size, 600 sets of questionnaire were distributed to supervisory staffs at tile manufacturing companies in Southern Malaysia. A five point Likert scale was used in which 1 referred to strongly disagree and 5 as strongly agree for all the 600 sets of questionnaires. The rate of response was 39%.

Reliability of the each item in the questionnaire was then determined to ensure that the measures are free from error and will therefore, yield consistent results (Zikmund, 2003). In order to determine the reliability of the instruments, Cronbach coefficient alpha was used as this is the most commonly used procedure (Norusis, 1990). Frequencies and percentages of gender, age, academic background and years of service of respondents were first analyzed followed by their frequency distribution for each of the study variable according to their mean and standard deviation scores.

Pearson moment correlation was used to determine if the variables were independent or correlated. The last technique applied was linear regression analysis to test the hypothesis generated in this study. Violations to this assumption were determined first.

RESULTS

Demographic Profile of Respondents

Table 1. Demographic profile of respondents

Variables	N	Percentage (%)
Gender		
Male	195	82.6
Female	41	17.4
Age		
18-25 years	47	19.9
26-30 years	48	20.3
31-40 years	80	33.9
41-50 years	48	20.3
Above 50 years	13	5.5
Academic Background		
Form 3 and below	11	4.7
Form 3 and below	11	4.7

Table 1 Contd.

Form 3 and below	11	4.7
Form 5 / O-level	53	22.5
Form 6 / O-level	31	13.1
Certificate	55	23.3
Diploma	41	17.4
Degree	45	19.1
Years of Service		
<1 year	38	16.4
1-5 years	64	27.1
6-10 years	48	20.3
11-15 years	31	13.1
>15 years	55	23.3

Frequency Distribution of Variables

The frequency distribution for each study variable obtained is as follows:

Table 2.Frequency distribution

Items	Mean Rating	Standard Deviation
Rewards	3.16	.66
Psychological Empowerment	3.33	.76
Employee Performance	3.59	.57

Reliability Analysis: Reliability Analysis of variables of the study

Table 3.Reliability analysis between variables

Variable	Cronbach Alpha
Performance	.885
Rewards	.893
Psychological Empowerment	.913

From the results obtained, as shown in the table above, all alpha values were greater than .70 which Nunnally and Berstein (1994) suggested as the minimum alpha value to be considered reliable for group research.

Correlation Analysis

Table 4. Correlations

	Performance	Rewards	Psychological Empowerment
Performance	1		
Rewards	.607**	1	
Psychological Empowerment	.747**	.681**	1

The correlation analysis was performed to quantify the strength of association between two numeric variables. This analysis showed how strongly two variables were related to each other or the degree of association between the two variables. From the table above, all inter correlations among the variables researched were positive and statistically significant, ranging from $r = .607$ ($p < 0.05$) to $r = .747$ ($p < 0.01$). The relationship between psychological empowerment and employee performance showed a strong correlation ($r = .747$, $p < 0.01$) and the relationship between performance and rewards was strong ($r = .607$, $p < 0.01$).

Table 5. Regression analysis

Independent Variable	R ²	Beta (β)	Std. Error	t- value	Significance (F)
Rewards	.367	.606	.040	11.616	.000

Table 6. Regression Analysis of the relationship between the independent variable (rewards) and the interaction variable and employee performance

Model	β	R Square	Adjusted R	R Square Change	F Change	Sig F Change
1	.116	.668	.665		231.042	.000
2	-.113	.680	.676	.012	8.643	.004

Regression Analysis for Hypothesis

Regression analysis was used to predict the outcomes between variables. Standard regression analysis was used to study the relationship between rewards and employee performance while the two step multiple hierarchical regression analysis was used to study the moderating role of psychological empowerment in the relationship between rewards and performance.

From table 5, the ΔR^2 change for rewards was .367 which meant that the variability percentage of employee performance increased by 36.7 percent with the addition of rewards. Similarly, 1 percent increase in rewards resulted in a .61 percent increase in employee performance.

The moderating effects of psychological empowerment on the relationship between rewards and employee performance were first tested. Table 6 depicts the regression results of the study.

When the independent variable, rewards and the moderating variable, psychological empowerment were added into Step 1, the ΔR^2 was equal to .668, meaning that the independent variables explained 66.8 per cent of the variances in employee performance. This result is further supported by the F-statistics (231.042) which indicated that the p-value is highly significant (p value = 0.001, $p < 0.05$) or lower than the alpha value of 0.05.

In Step 2, an interaction variable was first created to test the dependency of one variable on the level of another (Frazier et al. 2004). With the inclusion of this interaction variable, ΔR^2 increased slightly from 66.8 percent to 68.0 percent with the change in ΔR^2 at 1.20 percent and it was significant ($p < 0.05$). This means that the regression coefficient was statistically significant.

However, the β value of -.113 indicates that one standard deviation increase in rewards led to a .113 standard deviation decrease in employee performance. This significant interaction shows that psychological empowerment does moderate the relationship between rewards and performance but in a negative manner. This is interpreted as the higher the rewards provided, the lower was the employee's performance in the presence of psychological empowerment. This result stands in contradiction to what was expected and to what has been demonstrated in previous researches in that psychological empowerment has a strong influence on employees' performance at their workplaces. The results show that in the presence of psychological empowerment, rewards have a significant but negative relationship with performance. The higher the employees felt they were empowered at their workplaces, the lower was their performance in the presence of rewards.

DISCUSSION AND CONCLUSION

The purpose of this research was to test the relationships between rewards and employee performance as well as the role of psychological empowerment in moderating the relationship between rewards and their performance.

Organisations need to relate rewards directly to their employees' performance and also ensure the rewards offered are the ones that are desired by the employees for the effort that they have put in (Montana and Charnov, 2008). Lawler (2003) argued that when the employee places more value on the type of reward offered, his or her motivation to perform will increase.

From the frequency distribution, the overall mean rating for rewards was 3.16, implying that overall the level of rewards was quite good and the respondents were generally happy with their organisation's rewards system. This shows that employees appreciated the rewards provided by their employers for the efforts that they had put into their work.

Pearson's Moment correlation between rewards and performance was .61 which reflected a strong degree of relationship between these two variables. This was supported by the standard regression analysis as in Table 5 ($\beta = .606$,

$p=.000$) which showed that the higher the level of rewards, the better was their performance among employees in the tile industry.

The results obtained as above were in line with the results of previous studies where the firm's rewards system plays an important role in motivating employees to perform better (Eisenberger and Rhoades, 2001; Aarabiet.al. 2013). This shows that if more focus is placed on rewards, it would result in a positive impact on employees' motivation, resulting in higher levels of employee performance.

This finding of this study was also in line with the expectancy theory which proposes that individual employee's work motivation depends upon the perceived association between his / her performance and the outcomes (rewards). From these statements, it can be concluded that the first hypothesis which was about the significant positive relationship between rewards and employee performance was fully supported.

With the inclusion of psychological empowerment as the moderating variable, the effect on performance was significant ($p=.004$) but the coefficient ($\beta = -.113$) was negative which indicated that the greater the proportion of psychological empowerment, the lower was the employees' performance with the presence of rewards. It can be concluded that for employees with lower rewards, increasing empowerment by having more autonomy and freedom to make decisions, would increase their performance. However, for employees who are well rewarded, increases in empowerment would not have much impact as they already have sufficient authority, autonomy and responsibility to make decisions. Additional empowerment may be interpreted as additional burden and may reduce performance. For them, enhancing the value of rewards through empowerment practices have shown to have no meaningful effect on their performance.

On the moderating role of psychological empowerment in the relationship between rewards and performance, this research has shown a strong but negative association between these variables among the supervisory staff of Malaysia's ceramic tile industry. This shows that although psychological empowerment offers numerous benefits for employers and employees alike, it must be utilised properly by employers as it could have a serious impact on employee performance when associated with rewards being offered.

This research has led to a number of managerial implications to Human Resource practitioners when discussing about improving employee performance. Employers must provide the right level of empowerment to their employees such as allowing them to make certain decisions and provide them with appropriate feedback so that they will be able to perform better. At the same time, empowered employees must enhance their skills, knowledge and abilities so that they can improve their work performances.

There are limitations that should be considered. First, this study was conducted within a single sector of the manufacturing industry i.e. ceramic tile manufacturing in two most southern states in Malaysia. In future, researches should be conducted across various manufacturing industries to determine a better understanding on the relationships of the variables. Secondly, the respondents for this study were from the supervisory level due to the role played by them in enhancing the total performance of the company. Future research should include all levels of employees, from managers until general workers.

Suggestions for future research include consideration of the different levels of management as respondents rather than just the supervisory level. This is because different levels of management will have different views on what motivates them to perform well. Secondly, as there was a negative relationship between rewards and employee performance in the presence of psychological empowerment, this study should be replicated to determine if the same results can be generated.

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