

# EFFECTS OF PSYCHOLOGICAL EMPOWERMENT ON FIRM'S PERFORMANCE: MEDIATION OF AFFECTIVE COMMITMENT

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**Abstract** *The purpose of this study is to investigate the effect of psychological empowerment on firm performance by taking the employee affective commitment as mediator. Primary data based on 208 respondents has been analyzed to test the stated hypotheses. Initially exploratory factor analysis has been employed to clarify the underlying pattern of factors. Then correlation and multiple regression analyses have been used to check the relationship among study variables. Results of regression analysis revealed that affective commitment partially mediates the relationship between psychological empowerment and firm performance. So, to enhance affective commitment and firm performance, management and leaders must do every possible effort to empower their employees. The implications for HR practitioners and organizations are also discussed.*

**Keywords:** *Psychological Empowerment, Affective Commitment, Firm's Performance, India*

## INTRODUCTION

In this era of cut-throat competition, organizations are making every effort to improve or maintain their performance. Scholars and practitioners have asserted human resource as the most important organizational resource and a key to achieve high performance and competitive advantage over competitors (Delaney & Huselid, 1996; Pfeffer, 1994). A lot of studies have demonstrated the relationship of HR practices with higher firm performance (e.g., Bello-Pintado, 2015; Huselid, 1995; Kundu & Gehalawat, 2016a). It has also been proved that HR practices have effect on organizational outcomes by affecting employees' attitudes and behaviors (Kundu & Gahalawat, 2016b; Wood & Wall, 2007). Many researchers and practitioners have admitted the importance of employee job attitudes such as job satisfaction, organizational commitment, psychological empowerment, and organizational citizenship behavior for higher firm performance (Kirkman & Rosen, 1999; Steyrer, Schiffinger, & Lang, 2008).

If employees feel psychologically attached and identify themselves with the organization then they surely will contribute to its performance (Gong, Law, Chang, & Xin, 2009). In the words of Munjuri and K'Obonyo (2015), "An

empowered workforce that has the relevant knowledge, skills and competencies can produce exemplary organizational results." A lot of studies have proved the direct effect of psychological empowerment on firm performance (Berraies, Chahaer, & Yahia, 2014; Fernandez & Moldogaziev, 2013; Peccei & Rosenthal, 2001). But there is a lack of studies that uncovers the mechanism through which psychological empowerment affects firm performance. Psychological empowerment in itself makes employees psychologically capable to perform their jobs well, whether employees will use this psychological empowerment to contribute to firm performance depends on their commitment to the organization. Effectively committed employees provide valuable and inimitable resource to the organization that provides it competitive advantage over its competitors and also enhance performance of the organization (Gong, et al., 2009).

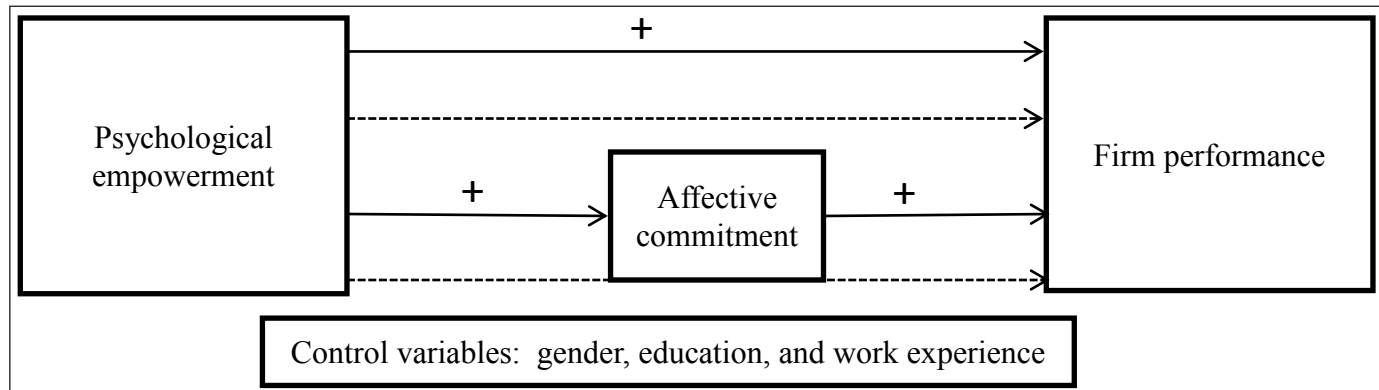
There is no study available till date, which has studied the constructs of psychological empowerment, affective commitment and firm performance together. This study fills this gap by taking affective commitment as a mediator between psychological empowerment and the firm performance. The present study seeks to meet few objectives. First, we examine the level of psychological empowerment

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among employees in Indian context. Most of such studies have been done in Western context. There is a lot of cultural difference between Indian and Western culture (Hofstede, 1991). So, it becomes necessary to empirically examine whether positive outcomes of psychological empowerment are replicated in Indian context or not. Second, most of the empowerment studies have been done by taking the data from a single organization or industry. For this study, data have

been gathered from multiple companies operating in diverse sectors. This study, therefore, will advance the understanding of the link between psychological empowerment and firm performance by examining the mediating role of affective commitment between them. The proposed model depicting the relationship among these constructs is shown in Figure 1. In the next section, these concepts will be discussed in detail to develop hypotheses.



**Fig. 1: Proposed Conceptual Model for the Study**

Notes: — line depicts the direct relationships between predictor and dependent variables

- - - - line shows the mediating effect of psychological empowerment.

+ signs represent the direction of relationships between predictor and dependent variables.

## THEORETICAL BACKGROUND AND HYPOTHESES FORMULATION

### Psychological Empowerment

Two approaches of employee empowerment have emerged from the literature, namely, structural empowerment and psychological empowerment (Spreitzer, 2007). While structural empowerment refers to the efforts of an organization to provide more autonomy to its employees, psychological empowerment deals with the mental state of employees whether they are psychologically experiencing power over their job or not (Thomas & Velthouse, 1990). Spreitzer (1995) described psychological empowerment as a motivational construct with four dimensions i.e. meaning, competence, self-determination, and impact.

‘Meaning’ refers to the fit between individual’s work role and his beliefs, values and behaviors (Spreitzer, 1996). ‘Competence’ refers to individual’s assurance about his capability to perform work tasks effectively (Spreitzer, 1995; Thomas & Velthouse, 1990). ‘Self-determination’ refers to “a sense of choice in initiating and regulating actions” (Spreitzer, 1996). ‘Impact’ refers to the degree to which individual believes that he or she can influence work outcomes (Spreitzer, 1995). Combination of these four cognitions reflects an active rather than passive orientation

of an employee towards his or her work role (Spreitzer, 1995; Spreitzer, 2007).

### Affective Commitment

Commitment of employees towards their organizations has been divided into three categories i.e. affective commitment, normative commitment, and continuance commitment (Allen & Meyer, 1987). Affective commitment refers to the strong emotional attachment, involvement and identification of an employee with the organization (Meyer & Allen, 1991). Normative commitment refers to employee’s sense of obligation to remain with the organization (Allen & Meyer, 1987). In continuance commitment, individual remains with the organization because of the costs associated with leaving the organization (Meyer & Allen, 1991). Affective commitment has been found strong predictor of personal and organizational outcomes (Bhatnagar, 2005; Wasti, 2002). Thus, affective commitment has been taken in this study as a mediator between psychological empowerment and firm’s performance.

### Firm’s Performance

Usually two types of indicators are used to measure firm’s performance: objective performance indicators and

subjective performance indicators. In objective measure, actual performance indicators are used to assess the firm's performance such as profit, sales growth, cost-reduction, return on assets etc. (Nzuve & Bakari, 2012; Staw & Epstein, 2000). Subjective or perceived performance is measured by taking the perceptions of employees or managers regarding performance of the firm in comparison to competitors or past performance. Many researchers have advocated the use of subjective measures of firm's performance over objective measures (Delaney & Huselid, 1996; Kundu & Mor, 2017). Practically objective data about performance are difficult to obtain and also question arises about its reliability (Gong, Law, Chang, & Xin, 2009). So, subjective performance measures have been used in this study.

### Psychological Empowerment and Affective Commitment

Psychological empowerment and affective commitment are closely associated with each other as both deal with the attitude and perceptions of employees towards their work environment (Spreitzer, 1996). In a study of 332 Indian IT executives, Jha (2011) found significant positive effect of meaning, competence, and impact on affective commitment but self-determination was not found significantly relating to affective commitment. Using the sample of 605 knowledge workers from four different nations, Pentareddy and Suganthi, (2015) found that psychological empowerment partially mediates the effect of job characteristics on affective commitment. Psychological empowerment also mediates the relationship of empowering and transformational leadership with organizational commitment (Avolio et al., 2004). Positive relation of psychological empowerment and affective commitment has been interlinked as a process of reciprocation (Liden, Wayne, & Sparrowe, 2000).

When employees feel that organization has provided them a meaningful job and opportunity to handle their job in their own way, they feel obliged to reciprocate to the organization by being more committed to it (Brunetto, Shacklock, Bartram, Leggat, Farr-Wharton, Stanton, & Casimir, 2012; Liden et al., 2000). In a study of public and private Australian nurses, Brunetto et al. (2012) found that higher level of psychological empowerment leads to higher level of affective commitment. Employees feel more committed to the organization when their needs for growth and achievement are satisfied (Brunetto et al., 2012). In Chinese context, Humborstad and Perry (2011) found that employee empowerment enhances turnover intentions among hotel frontline service workers with the mediation of job satisfaction and affective organizational commitment.

In a study of 640 Indian managers from 50 different organizations, Bhatnagar (2007) found psychological empowerment to be a predictor of organizational commitment along with strategic HR roles and organizational learning capability. In another study of Indian managers, Bhatnagar (2005) found psychological empowerment as an antecedent of all the three components of organizational commitment (affective, normative, and continuance) and organizational commitment as a whole. But affective commitment was found to be a stronger outcome of psychological empowerment than other two types of commitments (Bhatnagar, 2005). On the basis of these empirical findings, the hypothesis is proposed as:

*Hypothesis 1:* Psychological empowerment is positively related to affective commitment.

### Affective Commitment and Firm's Performance

Although most of the previous researches studying the relationship of commitment with firm's performance have studied organizational commitment as a whole (including affective, normative and continuance commitment) rather than studying affective commitment individually (Steyrer et al., 2008; Rashid et al., 2003). Steyrer et al. (2008) found organizational commitment a significant contributor to organizational performance in German cultural context. Miller and Lee (1999) found positive impact of organizational commitment on return on assets. Rashid et al. (2003) found that organizational commitment has positive influence on financial performance of the corporates in a study of Malaysian companies. Gong et al. (2009) studied the mediating role of affective commitment between performance oriented HR subsystems and firm's performance by using a large sample of 2,148 managers from 463 firms operating in China. Their study empirically proved that performance oriented HR subsystems improve performance of the firms by increasing affective commitment of managers (Gong, et al., 2009).

Affective commitment also enhances effectiveness and efficiency of administration at organizational level (Ostroff, 1992). In a recent study of 563 Indian employees, Kundu and Gahlawat (2016a) found affective commitment to be a significant predictor of firm's performance. Affective commitment may enhance the level of firm's performance because it has positive influence on individual outcomes such as job performance (Chang & Chen, 2011; Cohen, 1991) and pro-social behavior (O'Reilly & Chatman, 1986). On the basis of the above literature, the hypothesis is proposed as:

*Hypothesis 2:* Affective commitment of employees leads to higher firm's performance.

## Psychological Empowerment and Firm's Performance

Previous research has documented the positive relationship between empowerment and firm's performance (e.g., Berraies, et al., 2014; Raquib, Anantharaman, Eze, & Murad, 2010). Berraies et al. (2014) found that empowerment has direct positive influence on organizational performance and also indirect effect through the mediation of trust and innovation. In a study of commercial banks and insurance firms in Kenya, Munjuri and K'Obonyo (2015) found that effects of human capital on firm performance are fully mediated by employee empowerment. Fernandez and Moldogaziev (2013) found that empowerment has direct as well as indirect positive influence on firm's performance with the mediation of job satisfaction and innovativeness among employees. Based on the three service sectors of Malaysia including higher education, information technology, and telecommunication, Raquib et al. (2010) concluded empowerment as a strategy to accelerate organizational performance.

Empowerment practices also make positive influence on firm's performance by enhancing the impact of group-based pay-for-performance plans as a moderator (Kim, Sutton, & Gong, 2013). Psychological empowerment makes positive influence on firm's performance through various mechanisms such as customer-oriented behavior (Peccei & Rosenthal, 2001), employee effectiveness, and productivity (Spreitzer et al., 1997). With a multi-level model of empowerment, Seibert et al. (2004) studied the impact of empowerment climate on unit as well as individual-level outcomes. They proposed empowerment climate as work-unit level variable and found that empowerment climate directly leads to higher unit-level performance and also leads to individual outcomes including higher job performance and satisfaction through the mediation of psychological empowerment (Siebert et al., 2004). Considering the findings from these different research areas, we expect psychological empowerment to have positive impact on firm's performance. So, we propose the hypothesis as:

*Hypothesis 3:* Psychological empowerment is positively related to firm's performance.

## Psychological Empowerment, Affective Commitment, and Firm's Performance

Various studies have checked the relationship of psychological empowerment with firm's performance by taking various individual and contextual factors as mediators such as organizational citizenship behavior, job satisfaction, affective commitment, innovativeness etc. (Azeem, Abrar, Bashir, & Zubair, 2015; Fernandez & Moldogaziev, 2013; Humborstad & Perry). In a study of Pakistani banks, Azeem

et al. (2015) found that organizational citizenship behavior fully mediated the relationship between psychological empowerment and perceived organizational performance. Kirkman and Rosen (1999) extended the concept of psychological empowerment to the team level and found that higher empowered teams are more productive and proactive than less empowered teams and these teams also have higher levels of team and organizational commitment, job satisfaction, and customer service. Humborstad and Perry (2011) found in Chinese context that empowerment did not have any direct relation with service efforts of employees but it had indirect relation through job attitudes including job satisfaction and affective commitment.

Performance oriented HR subsystem tends to increase performance of the firm by positively influencing the affective commitment of middle managers (Gong, et al., 2009). Kazlauskaitė, Buciuniene, and Turauskas (2012) found positive impact of structural empowerment on psychological empowerment, affective commitment, and job satisfaction. Further, both psychological empowerment and affective commitment were found to mediate the relationship of structural empowerment with the customer-oriented behavior (Kazlauskaitė et al., 2012). A longitudinal study has also proved that employee empowerment has indirect effect on performance by directly influencing employee attitudes of job satisfaction and innovativeness (Fernandez & Moldogaziev, 2013). Further, all the studies have not found positive relationship between empowerment and firm's performance. For example, while assessing the effects of popular management techniques, Staw and Epstein (2000) found that empowerment to be associated with firm's reputation and innovativeness but not with firm's performance. So, we can propose the hypothesis as:

*Hypothesis 4:* The effect of psychological empowerment on firm's performance is mediated by affective commitment.

## RESEARCH METHODOLOGY

### Sample and Data

Employees working in various companies were chosen as a sample for the study for collecting primary data. A structured questionnaire was administered to 400 employees working in various organizations operating in India. Questionnaires were administered to employees by meeting them face-to-face or via email. Out of them, 250 employees returned the filled questionnaires. When filled up questionnaires were screened, 42 questionnaires were found unusable due to incomplete information. Finally, 208 questionnaires were found appropriate for the study and used for further analysis resulting in effective response of 52 percent. Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity assured about the adequacy of the sample.

**Table 1 Demographic Profile of the Respondents**

Demographics	Categories	Frequencies	%	Average
Gender	Female	20	9.6	
	Male	188	90.4	
Age (years)	Below 25	30	14.4	31.990
	26-30	106	51	
	31-40	52	25	
	41-50	2	1	
	50-60	18	8.6	
	60 and above	0	0	
Experience (years)	Below 5	130	62.5	5.777
	5-10	40	19.2	
	10 and above	38	18.3	
Education	Undergraduate	130	62.5	
	Postgraduate	78	37.5	

Table 1 provides the basic information of the respondents. Most of the respondents were in 26 to 30 years age category. Average age of the respondents was 31.9 years. Majority of the employees (62.5%) were having below 5 years work experience. 62.5% of respondents were undergraduates while 37.5 % of the respondents were postgraduates.

## Measures

Following measures were used to gather data from employees regarding psychological empowerment, affective commitment, and firm's performance.

### Psychological Empowerment (Independent Variable)

Psychological empowerment of employees was assessed using twelve item scale developed by Spreitzer (1995). The scale measured four dimensions of psychological empowerment, with three variables for each dimension. These four dimensions were as follows: meaning (e.g., "the work I do is very important to me"), competence (e.g., "I am confident about my ability to do my job"), self-determination (e.g., "I have significant autonomy in determining how I do my job"), and impact (e.g., "my impact on what happens in my department is large"). Respondents were asked to rate their level of psychological empowerment on five-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). Higher scores indicated higher level of empowerment experienced by employees. Individual items, factor loadings, and Cronbach's alpha values are given in table 2.

### Affective Commitment (Mediating Variable)

For measuring affective commitment, 6 items scale has been adopted from organizational commitment scale developed by Allen and Meyer (1990). The original scale has three components of commitment: (a) affective commitment; (b) normative commitment; (c) continuance commitment. Respondents were asked to rate their level of affective commitment on five-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). High score indicated higher level of affective commitment among employees. Details of the items, factor loadings, and Cronbach's alpha values are given in table 3.

### Firm's Performance (Dependent Variable)

To assess the firm's performance, a perceptual measure of five items was adopted from the study of Khandwalla (1977) and Som (2008). The items were measured on a 5-point Likert scale ranging from 1 (much lower) to 5 (much higher). The respondents were asked to rate the performance of their firms in comparison to other competing firms in the same industry over the past 3 years. These five aspects of firm's performance were included: (a) product/ service quality, (b) productivity, (c) profitability, (d) customer satisfaction level, and (e) market share. Higher score indicates higher performance of the firm in comparison to its competitors. Details about the items can be seen from table 4. The five items were averaged to form a single measure of firm's performance.

### Control Variables

In all the analyses, three variables were included for possible statistical control. These were respondent's gender, age, and work experience in the present organization. Prior research have reported that these variables may have direct or indirect impact on the constructs under the study (Govender, 2017; Seibert et al., 2011; Wang & Zhang, 2012). Gender was classified into two categories; male and female. Age was classified into six categories: less than 25 years, 26-30 years, 31-40 years, 41-50 years, 51-60 years, and above sixty years. Work experience was measured in years for which the employee had worked for the present organization.

## RESULTS

### Factor Analysis

Before testing the hypothetical relations among study variables, all the factors were subjected to a principal component factor analysis with varimax rotation with the criterion that factors having greater than 1.00 eigenvalue were

retained. To clearly state the factors, items having greater than 0.500 loadings were retained. Details of the results of factor analysis regarding psychological empowerment are given in Table 2. When all the variables of psychological empowerment were subjected to factor analysis, four factors emerged as expected, with the eigenvalues of 5.154, 1.011, 1.160, and 1.895, respectively, explaining 76.827 of the variance.

**Table 2: Factor Loadings of Varimax Rotated Principal Components Regarding Psychological Empowerment**

Factors	Loadings	Eigen values	%of variance	Cronbach alphas
Meaning		5.154	21.622	.866
The work I do is very important to me.	.854			
My job activities are personally meaningful to me.	.777			
The work I do is meaningful to me.	.799			
Competence		1.011	16.235	.715
I am confident about my ability to do my job.	.720			
I am self-assured about my capabilities to perform my work activities.	.840			
I have mastered the skills necessary for my job.	.686			
Self-determination		1.160	18.489	.837
I have considerable opportunities for independence and freedom in how I do my job.	.868			
I can decide on my own how to go about doing my work.	.864			
I have significant autonomy in determining how I do my job.	.709			
Impact		1.895	20.482	.840

Factors	Loadings	Eigen values	%of variance	Cronbach alphas
My impact on what happens in my department is large.	.685			
I have a great deal of control over what happens in my department.	.861			
I have significant influence over what happens in my department.	.844			
Total scale (12 items)			76.827	.873

All the four factors were loaded significantly with three variables in each factor. Based on the original scale (Spreitzer, 1995), these factors were named as meaning, competence, self-determination, and impact respectively. Cronbach’s alpha values for the subscales were 0.866, 0.715, 0.837, and 0.840 respectively. All the alpha values were higher than the suggested value of 0.70 (Nunnally & Bernstein, 1994). Following previous research (Liden et al., 2000; Seibert et al., 2011; Spreitzer, 1995), all the four dimensions of psychological empowerment were added to create a composite scale of psychological empowerment. The Cronbach’s alpha value of the composite scale was 0.873 (Hair, Anderson, Tatham, & Black, 1998).

**Table 3: Factor Loadings of Varimax Rotated Principal Components Regarding Affective Commitment**

Factors	Loadings	Eigen values	% of variance	Cronbach alpha
Affective commitment		3.918	65.297	.891
I would be very happy to spend the rest of my career with this organization.	.820			
I really feel as if this organization’s problems are my own.	.757			
I feel a sense of belonging to my organization.	.843			

Factors	Loadings	Eigen values	% of variance	Cronbach alpha
I feel emotionally attached to this organization.	.813			
I feel like I am a part of the family at my organization.	.768			
This organization has a great deal of personal meaning for me.	.843			

Results of factor analysis of affective commitment are presented in table 3. When factor analysis was applied on all the six items of affective commitment, they emerged as a single factor with the eigen value of 3.918 explaining 65.297 % of variance. All the factor loadings were higher than 0.500. Cronbach alpha for the scale was 0.891, quite greater than the recommended value of 0.70 (Nunnally & Bernstein, 1994). The factor was named as 'affective commitment'.

## Descriptive Statistics

**Table 5: Means, Standard Deviations, and Correlations**

Variables	No. of items	Mean	SD	Gender	WE	Edu	PE	AC	FM
Gender	-	-	-	1					
WE	-	5.777	7.019	-.029	1				
Edu	-	-	-	.017	.072	1			
PE	12	3.869	.598	.047	.169*	.179**	1		
AC	6	3.917	.724	-.015	.189**	.135	.578**	1	
FM	5	3.844	.716	.066	.078	.126	.527**	.650**	1

Notes: \*Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at 0.01 level (2-tailed).

WE-work experience, Edu-education, PE-psychological empowerment, AC-affective commitment, FP-firm's performance

Means, standard deviations, and correlation coefficients are provided in table 5. Mean value of psychological empowerment was 3.869, with standard deviation of 0.598, indicating high level of psychological empowerment among employees. 3.917 mean of affective commitment indicated that employees feel affectively committed to their organizations. Further, firm's performance mean was 3.844 which indicated that employees perceive performance of their organization higher than their competitors. In further analysis, correlations among study variables were analyzed. Psychological empowerment was significantly related with both affective commitment ( $r=0.578^{***}$ ) and

**Table 4: Factor Loadings of Varimax Rotated Principal Components Regarding Firm's Performance**

Factors	Loadings	Eigen values	% of variance	Cronbach alpha
Firm's performance		3.078	61.554	.832
Product/ Service quality	.827			
Productivity	.791			
Profitability	.882			
Customer Satisfaction Level	.795			
Market Share	.598			

Six variables regarding firm's performance were subjected to principal component analysis with varimax rotation. One variable naming 'operating cost efficiency' had very low factor loading, so it was extracted from further analysis. Five variables emerged as a single factor with 3.078 eigenvalue explaining 61.554 % of variance. Cronbach's alpha value of this scale was 0.832 indicating towards the high internal reliability of the scale (Hair et al., 1998).

firm's performance ( $r=0.527^{***}$ ). Affective commitment was also found significantly associated ( $r=0.650^{***}$ ) with firm's performance. All the correlations were significant at 0.01 level. As significant correlations existed among study variables, it was necessary to check the multicollinearity among predictors. It was checked by calculating the values of variance inflation factor (VIF) and tolerance. The minimum value of tolerance was 1.002, higher than the required value of 0.20 (Menard, 1995). The VIF values were also less than the acceptable limit of 10 (Hair et al., 1998).

### Regression Analysis

To test the mediation effect, we followed the procedure outlined by Baron and Kenny (1986). According to Baron and Kenny, four criteria must be fulfilled to support mediation. First, the independent variable (i.e. psychological empowerment) must be significantly related to mediator (i.e. affective commitment). Second, independent variable must have significant relation with dependent variable

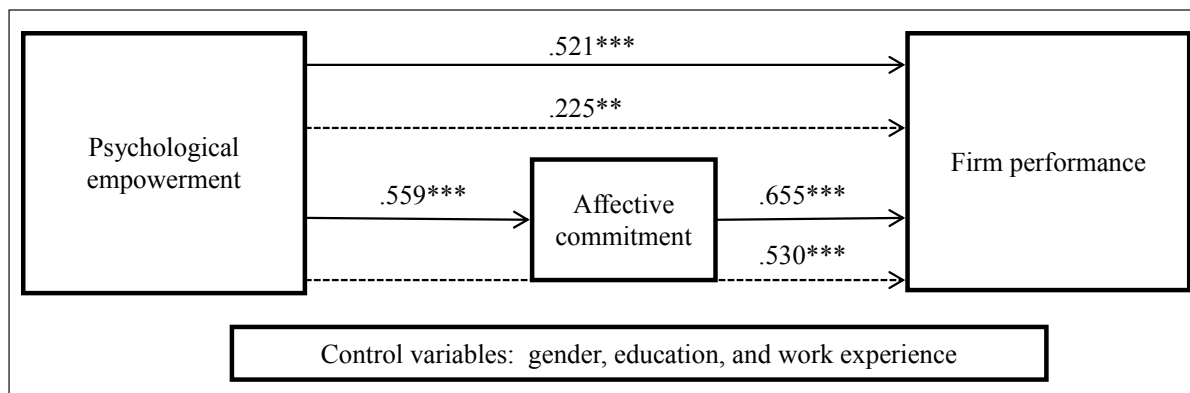
(i.e. firm’s performance). Third, mediating variable must have significant relation with the dependent variable. After fulfilling these three conditions mediation is checked. To have full mediation, the effect of independent variable on dependent variable should disappear after introducing the mediating variable in regression equation. If the effect of independent variable on independent variable reduces but does not disappear after introducing mediating variable, then it supports for partial mediation.

**Table 6: Results of Multiple Regression Analysis**

Independent variables	Dependent variables				
	Control variables	AC	FP		
	Model 1	Model 2	Model 3	Model 4	Model 5
Gender	.066	-.039	.074	.041	.061
WE	.071	.092	-.047	-.011	-.060
Edu	.120	.029	.039	.033	.017
PE	-	<b>.559***</b>	-	<b>.521***</b>	<b>.225**</b>
AC	-	-	<b>.655***</b>	-	<b>.530***</b>
R <sup>2</sup>	.025	.345	.432	.281	.465
Adjusted R <sup>2</sup>	.011	.332	.421	.267	.452
F Statistic	1.738	26.683***	38.651***	19.815***	35.147***
N	208	208	208	208	208

Notes: \*p<0.05, \*\*p<0.01, \*\*\*p<0.001

WE-work experience, Edu-education, PE-psychological empowerment, AC-affective commitment, FP-firm’s performance



**Fig. 2: Results of Regression Analysis for Derived Model**

Notes: The standardized β coefficients are presented in Figure 2.

\*\*\*p<0.001, \*\*p<0.01, \*p<0.05.

— line depicts the direct relationships between predictor and dependent variables.

- - - - line shows the mediating effect of psychological empowerment.

Table 6 highlights that all the conditions for mediation were satisfied. Model 1 was the base model including only the control variables. In the second model, direct effect of psychological empowerment on affective commitment was checked. It was obvious from model 2 that psychological empowerment had positive and significant influence on affective commitment (β=0.559, p≤0.001). Thus hypothesis 1 was supported. Model 3 captured the relationship of

affective commitment with firm’s performance. Affective commitment had positive and significant (β=0.655, p≤0.001) effect on firm’s performance. So, hypothesis 2 had also been proved. Model 4 demonstrated a positive and significant influence of psychological empowerment on firm’s performance (β=0.521, p≤0.001), which led to the acceptance of third hypothesis.

After satisfying all the three conditions provided by Baron and Kenny (1986) for mediation, both the independent variables were entered simultaneously in regression model. As can be seen clearly from model 5, beta coefficient related to the psychological empowerment remained significant but reduced to a great extent ( $\beta=0.225$ ,  $p\leq 0.001$ ). It depicted that affective commitment partially mediated the relationship of psychological empowerment with firm's performance. The results of regression analysis can also be seen clearly from figure 2.

## **DISCUSSION AND CONCLUSIONS**

The purpose of the study was to examine the linkage between psychological empowerment and firm's performance by focusing on the mediation of affective commitment. Initially, correlation analysis indicated that these three variables are related to each other. Further, causal relationships among study variables were checked with multiple regression analysis. All the formulated hypotheses were supported by the results. As can be seen from figure 2, it is evident that psychological empowerment has positive influence on affective commitment. This finding is analogous with some previous findings (Jha, 2011; Joo & Shim, 2010; Pentareddy & Suganthi, 2015), which identified that when employees feel psychologically empowered; they tend to be emotionally attached and loyal to the organization. In a study of public sector employees in Korea, Joo and Shim (2010) found significant impact of psychological empowerment on organizational commitment. Psychological empowerment may increase affective commitment of employees as it satisfies their primary needs of prestige, opportunity of self-expression, recognition, and sense of personal importance by providing them meaningful jobs, freedom to handle their jobs in their own way, and improving the sense of competence (Gong, et al., 2009; Spreitzer, 1995).

Empowered employees feel positive about their jobs and themselves (Kundu, Malhan, & Kumar, 2006) which may foster feelings of commitment among them. Further analysis found that affective commitment partially mediates the relationship between psychological empowerment and firm's performance which indicates that psychological empowerment has both direct and indirect effect on firm's performance. Higher level of empowerment leads to higher performance of firm. This result is consistent with some previous studies which found positive association between empowerment and firm's performance (e.g., Nzuve & Bakari, 2012). In a study among employees of City Council of Nairobi, Kenya, Nzuve and Bakari (2012) concluded that employee empowerment has great positive influence on organizational performance. Another major finding of the study is that psychological empowerment influences firm's performance positively through the mediation of affective commitment.

Some past studies (Azeem et al., 2015; Bhatnagar, 2012) have shown that psychological empowerment makes positive impact on firm's level of outcomes by changing individual attitudes and behaviors of employees (Bhatnagar, 2012). Bhatnagar (2012) found that psychological empowerment enhances innovation by increasing work engagement of middle managers. Messersmith, Patel, Lepak, and Gould-Williams, (2011) checked the mechanism through which high-performance work system influences the departmental performance. They found that high-performance leads to organizational citizenship behavior among employees through enhanced level of job satisfaction, organizational commitment, and psychological empowerment which in turn leads to higher departmental performance. Srivastava et al. (2006) found empowering leadership has positive effect on team performance with the mediation of knowledge sharing and team efficacy. When employees see their work as interesting and meaningful and see themselves as making a significant impact, they develop high level of affective commitment and perform well even without the expectation of higher pay (Kuvaas, 2006; Thomas, 2002).

## **THEORETICAL AND PRACTICAL IMPLICATIONS**

Many theoretical as well as practical implications emerge from the current study. At the theoretical ground, the study contributes to the literature of psychological empowerment, as it is one of the rare researches which have measured the influence of psychological empowerment on firm's performance by taking affective commitment as mediator. The study contributes to the understanding of the mechanism through which psychological empowerment may affect performance of the firm. Consistent with some previous studies, the current study moves the field a step forward by understanding how psychological empowerment may relate to firm's performance. Partial mediation by affective commitment between psychological empowerment and firm's performance indicates towards the fact that psychological empowerment may both directly and indirectly impact firm's performance. There may also be other mechanisms which can be potential mediators between psychological empowerment and firm's performance.

On practical side, the study indicates towards the importance of developing psychological empowerment among employees to improve affective commitment and firm's performance. Recognizing the role of psychological empowerment as a means to enhance firm's performance both directly and indirectly through affective commitment, leaders should focus on enhancing psychological empowerment among employees. Psychologically empowered employees become highly committed to the organization and its goals which contribute to the higher performance of firm. To achieve

this, management should focus on appropriate job designs in which employees can experience autonomy in their jobs. This can be done by focusing on the HR interventions which have been identified as antecedents of psychological empowerment such as structural empowerment, transformational leadership, empowering leadership behaviors, communication with supervisors, etc. (Ahearne, Mathieu, & Rapp, 2005; Siegall & Gardner, 2000).

Leadership should be encouraged to share power with their subordinates and develop a sense of job ownership among them (Quinn & Spreitzer 1997). Some demographic and individual characteristics also contribute to psychological empowerment such as self-esteem and education (Spreitzer, 1995). More employees should be hired with these characteristics and training should be provided in these areas. So to improve performance, organizations should remove all the factors from the work environment which can induce powerlessness among employees such as role ambiguity, hierarchical structures, etc. (Spreitzer, 1996).

## LIMITATIONS AND GUIDANCE FOR FURTHER RESEARCH

One major weakness of the study was its cross-sectional design, which does not allow for the assessment of cause and effect relationship. Further research can check the causal relationship among these variables by taking longitudinal study design. Data were obtained from the single source which may lead to serious measurement errors such as inflating the effect size or single source bias (Gerhart, Wright, McMahan, & Snell, 2000). Harman's (1976) single factor test was used to check the problem of single source bias in this study. When all the variables were loaded in exploratory factor analysis; four factors emerged instead of one and first factor explained only 21.622 percent variance out of total 76.827 percent explained by all factors. It gave us confidence that data were not affected by single source bias. Another possible solution to this problem can be of taking subjective performance data from management representative rather than lower level employees (Brown, McHardy, McNabb, & Taylor, 2011).

Another limitation of the study may be the use of subjective performance measures for measuring firm's performance. Although subjective measures of firm's performance have been advocated in literature as good as objective measures of firm's performance (Kundu & Gahlawat, 2016a; Wall, Michie, Patterson, Wood, Sheehan, Clegg, & West, 2004) but combination of both subjective as well as objective measures may produce more reliable results if the study is related to a single industry (Gong, et al., 2009). As mentioned by Spreitzer (2007) future researches can check the reverse causality among these variables because it can happen that employees feel more power over their job when organization

is performing well or when they are affectively committed to their organization. Some contextual factors can also be considered in future studies such as organizational size, hierarchical levels, nature of the ownership, educational qualifications of employees (Bhatnagar, 2005).

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