

# Model of Employee Empowerment and Organizational Performance at National Strategic Manufacturing Companies in West Java

Djoko Pitoyo  
Universitas Sangga Buana  
Bandung, Indonesia  
djoko.pitoyo@usbypkp.ac.id

Tjutju Yuniarsih, Eeng Ahman  
Faculty of Economics and Business Education  
Universitas Pendidikan Indonesia  
Bandung, Indonesia  
yuniarsih@upi.edu, eengahman@upi.edu

Suparno Suparno  
Universitas Singa Perbangsa  
Karawang, Indonesia

**Abstract**—The role of national manufacturing companies is very strategic because of its great contribution to GDP. However, these developments and growth are very volatile towards a drastic decline in 2016. The purpose of this study is to know and analyze the influence of employee empowerment on organizational performance at the National Strategic Manufacturing Companies in West Java. This research was conducted by using survey method with quantitative approach. The research was conducted on five national strategic manufacturing companies in West Java, with a population of 879 leaders equivalent to lower managers and sample of 274 leaders. Data were obtained from survey through questionnaires distributed to the leaders. Data were processed using descriptive statistical analysis, SEM analysis, and quadrant analysis. The results show that employee empowerment and organizational performance are still in adequate category. There are several factors that need to be improved, such as facilitating and mentoring in employee empowerment, and financial perspective in organizational performance. From hypothesis testing, the employee empowerment has a positive and significant influence on organizational performance. Based on the quadrant model analysis, it can be identified the position of each dimension on each variable, related to strategy mapping and actions that need to be implemented.

**Keywords**—national strategic manufacturing companies employee empowerment; organizational performance

## I. INTRODUCTION

The growth of a country is determined by the development of its industries. One indicator of the progress of a nation can be seen from the growth of these industries, including industries in the manufacturing sector as the nation's economic support. The manufacturing companies is an economic activity which in the process of converting raw materials mechanically, chemically or by hand into semi-finished goods or finished goods and or from less valuable goods into high-value goods, and closer to end-users [1]. In the era of globalization,

Indonesia's manufacturing companies is expected to synergize in the face of companies and trade competition, both locally, regionally and internationally. The manufacturing companies has a large share of the country's foreign exchange earnings. In the international trade arena, the manufacturing companies has contributed 56% of the total national exports [2]. the value of Indonesian manufactured products exported in May 2017 worth US\$10.75 billion. Manufacturing outputs account for 75.25% of total exports or reach US\$14.29 billion, which means that Indonesia's exports are dominated by manufacturing outputs [3]. Industrial Growth Ranking for G20 countries in 2016 and 2017 shows the poor ranking of Indonesia's industrial economic growth among the countries [4]. The efforts to increase the export of this manufacturing companies should be of serious concern to the Indonesian government. The government and exporters of the manufacturing companies must cooperate in a strategic breakthrough to increase the volume of non-oil and gas exports, in particular exports of manufactured products.

The government needs to encourage the growth of the manufacturing companies, especially in the state-owned enterprises (SOEs), by way of technology transfer, the introduction of new and more effective and efficient production methods through empowerment and improvement or development of human resources competencies both in management and employees and can create a work climate or culture that can making workers comfortable working. Employee empowerment is one of the effective techniques for improving productivity or performance for the employees themselves and optimizing the capacity of individual and group capabilities for organizational success goals [5]. In other words, empowerment is a development strategy and organizational prosperity. Employee empowerment is giving employees the authority to plan, control, and make decisions about the work they are responsible for, without having to be explicitly authorized by the managers on it. If in

empowerment, power is given by top management to lower managers (not to employees), in empowering employees instead the power is dug from within each employee through the process of empowerment. The granting of authority by management to employees is based on employee empowerment resulting from the empowerment process implemented by management of employees. Based on the phenomena occurring in each manufacturing companies mentioned above, it appears that there is a gap between the achievements of performance in the national strategic manufacturing companies with the target. This condition becomes a problem for the manufacturing companies, especially related to the management of employees as Human Resources (HR), low ability to manage human resources to produce superior performance in the manufacturing companies.

Performance is a set of results that usually refers to the achievement of the work performed [5]. Organizational performance “is one of the most important constructs in management research” [6]. Performance is defined as “the record of outcomes produced on a specified job function or activity during a specific time period” [7]. Performance is the desired result of behavior [8], the degree of accomplishment [9], and comparison between the actual works with the established standard of work [10]. In other words, performance is the outcome of an activity [11], and organizational performance is the accumulated results of all the work activities in the organization [12].

There are four basic categories that can be used to measure the performance of the organization: (1) in the form of standards how to measure the company's ability to meet efficiency targets; (2) a standard for measuring human resources in the organization; (3) relatively uneasy standards to formulate but related to creativity, flexibility, decision-making and organizational communication factors; and (4) standards relating to the organization's ability to utilize the environment and obtain limited resources [13]. Organizational performance can be measured by financial and nonfinancial performance indicators [14]: sales growth rate, market share, operating profits margins, cash flow, ROI, new product development, market development, R&D, cost reduction programs, personnel development and politic public affairs. The Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance [15], i.e.: financial, customer, internal business process, and learning & growth perspectives. The balanced scorecard is used to measure the organizational performance.

In addition to being the most vital corporate asset, HR is an internal customer that determines the final quality of a product or service and company. But in reality there are still many companies that exploit their employees and do not provide opportunities for growth and achievement optimally. The most severe situation is when managers and employees do not trust each other, resulting in the spirit and morale of work to be very low, decreased productivity, the emergence of apathy and work dissatisfaction [16]. Employee empowerment departs from the “what can be” question by giving employees the flexibility to plan and make decisions about the jobs for which they are responsible [17]. Employee empowerment is the empowerment of employees to make planning, controlling and making

decisions on the work they are responsible for, without having to get explicit authorization from top managers [6]. Empowerment is a process whereby an individual has the power to participate directly to control and influence an event that has a direct effect on his or her life [18]. Individual empowerment is an opportunity and encouragement to employees to utilize their talents, skills, resources, and experiences to complete work in a timely manner [19]. Empowerment is creating a positive “can do” mentality among employees [20]. The five elements in empowerment are: (1) employees receive information about the company's performance; (2) employees receive knowledge and skills to contribute to achieving company goals; (3) employees have the power to make substantive decisions; (4) employees understand the meaning and impact of their work; and (5) employees are rewarded based on performance [21].

Methods for measuring employee empowerment [22] in this research are:

- Enabling, to ensure that employees have all the resources they need to be fully empowered. These resources include time, personnel, money, and others necessary to achieve organizational goals.
- Facilitating, as the most basic skills needed by managers who will empower their employees. Empowering managers see it as the main task of management to eliminate all obstacles and delays that will prevent employees from doing the job well.
- Consulting, that empowering managers want to use that knowledge and experience and make the most of it. This means it is necessary to consult with employees not only on general issues but on strategic issues.
- Collaborating, that empowering managers who need to fully work with managers and employees should be the ultimate goal of any empowerment program. Only by cooperating freely, openly, and fully in all the organization's wealth, abilities, and knowledge, the goals of the organization can be achieved.
- Mentoring, as a life stage and simultaneously a management technique that acts as an example and trainer for employees and co-workers. Mentoring is wider than delegation. Mentoring is fundamental to the empowerment process.
- Supporting, that good managers know the need to provide support to employees and help them to be independent. Empowerment only arises when managers see that their primary role is providing the right support, much more important than traditional leadership roles.

The study of empowerment is usually connected with social empowerment, especially women empowerment. However, this study elaborates the employee empowerment in the company, not in the social environment. Thus, the purpose of this study is to: (1) describe the employee empowerment and organizational performance at five National Strategic Manufacturing Companies in West Java; (2) analyze the effect of employee empowerment on organizational performance at five National Strategic Manufacturing Companies in West

Java; and (3) analyze the quadrant model of employee empowerment and organizational performance at five National Strategic Manufacturing Companies in West Java.

II. METHOD

This study is a quantitative approach by utilizing questionnaires as the main instrument of data collection. The data were analyzed by deceptive analysis to describe various characteristics of the variables studied. The verification analysis for hypothesis testing of this research was Structural Equation Modeling (SEM). To enrich the study, the analysis of quadrant model as a combination of descriptive and verification analyses was also conducted. This research was conducted at five national strategic manufacturing companies located in West Java, namely PT DI, PT Pindad, PT INTI, PT LEN, and PT Dahana. The population in this research is all 873 leaders or lower managers at the companies, with the sample of 274 leaders.

In the model, employee empowerment (X) is the latent exogenous variable that has six manifest variables, i.e.: Enabling (X\_1), Facilitating (X\_2), Consulting (X\_3), Collaborating (X\_4), Mentoring (X\_5), and Supporting (X\_6). Meanwhile, organizational performance (Y) is the latent endogenous variable that has four manifest variables, i.e.: Financial (Y\_1), Customer (Y\_2), Internal Business Process (Y\_3), and Learning & Growth (Y\_4).

III. RESULTS

The descriptive analysis describes the average performance of each manifest variable, showing that all manifest variables are categorized as moderately high (range = 3.000 – 4.000 from lowest = 1.000 and highest = 5.000). In employee empowerment, Facilitating (X\_2), Consulting (X\_3), and Mentoring (X\_5) are relatively lower than Enabling (X\_1), Collaborating (X\_4), and Supporting (X\_6). In organizational performance, Financial (Y\_1) is relatively lower than other manifest variables.

The hypothesis testing using SEM consists of two steps. The first step is evaluation of outer model or measurement model, which includes the value of outer loading (valid when outer loading > 0.5 and ideally outer loading > 0.7). The second step is the evaluation of inner model (structural model), which includes the value of latent variable correlations, path coefficients, and R-square (R<sup>2</sup>), in terms of the variance of endogenous constructs explained by exogenous constructs. These outer loadings represent the absolute contribution of each manifest variable (dimension or indicator) in reflecting its latent variables. The results show that all manifest variables have a path loading/coefficient > 0.50 that indicates that each manifest variable is significantly capable of reflecting latent variables of employee empowerment and organizational performance at five national strategic manufacturing companies in West Java. Structural equations in this model is formulated as follows:

$$Y = 0.920 X, \text{ with } R^2 = 0.846 \text{ and } e = 0.154$$

R-square value of 0.821 indicates a significant influence of employee empowerment on organizational performance, meaning that 82.1% variance of organizational performance can be explained by employee empowerment, and 15.4% is influenced by other factors not examined in this model. The value also indicates the importance of employee empowerment to improve the organizational performance at five national strategic manufacturing companies in West Java.

The Quadrant Model Analysis can be used as a synthesis of descriptive analysis and verification analysis (SEM), to map each dimension of each variable, so that one action or strategy can be taken to be sustained, adjusted, repaired, and improved. The strategy mapping of the Quadrant Model is presented in Table I.

TABLE I. STRATEGY MAPPING OF QUADRANT MODEL

Manifest Variables	Ave. Perf.	Outer Loadings	Cat.	Quad.	Action/ Strategy
X_1	3.662	0.783	H-H	Q1	<i>Sustained</i>
X_2	3.498	0.749	L-L	Q3	<i>Repaired</i>
X_3	3.551	0.772	L-L	Q3	<i>Repaired</i>
X_4	3.631	0.816	H-H	Q1	<i>Sustained</i>
X_5	3.467	0.768	L-L	Q3	<i>Repaired</i>
X_6	3.631	0.777	H-L	Q2	<i>Adjusted</i>
<b>X</b>	<b>3.574</b>	<b>0.778</b>			
Y_1	3.405	0.642	L-L	Q3	<i>Repaired</i>
Y_2	3.637	0.795	H-L	Q2	<i>Adjusted</i>
Y_3	3.620	0.902	H-H	Q1	<i>Sustained</i>
Y_4	3.621	0.928	H-H	Q1	<i>Sustained</i>
<b>Y</b>	<b>3.451</b>	<b>0.812</b>			

Ave. Perf. = Average Performance; Cat= Category; Quad. = Quadrant; H = Higher; L = Lower

In details, the quadrant model of each variable (employee empowerment and organizational performance) is presented in Figure 1 and Figure 2.

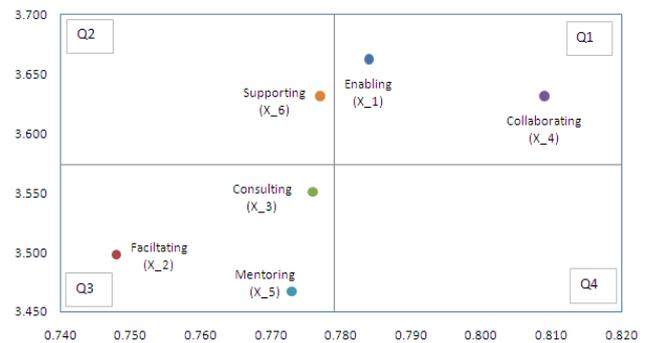


Fig. 1. Quadrant model of employee empowerment.

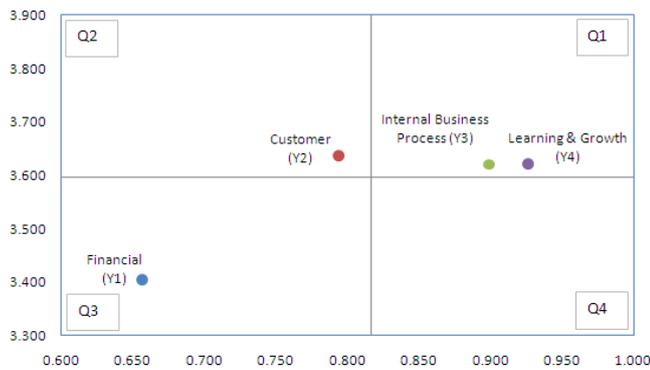


Fig. 2. Quadrant model of organizational performance.

In this quadrant model, there are four dimensions that have to be sustained (enabling and collaborating in employee empowerment; and internal business process and learning & growth in organizational performance); two to be adjusted (supporting in employee empowerment and customer in organizational performance), four to be repaired (facilitating, consulting, and mentoring in employee empowerment; and financial in organizational performance); and two to be improved (supporting in employee empowerment; and customer in organizational performance). The best model of employee empowerment and organizational performance at five national strategic manufacturing companies in West Java depends on the appropriate synergies of each dimension in each quadrant.

#### IV. DISCUSSION

From the descriptive analysis on the employee empowerment, it is found that: “Enabling” enables employees to have confidence in the job and ensures that employees have all the skills and knowledge necessary to be an effective team member. By “collaborating”, the leaders work closely with staff to plan and implement various organizational activities. In “supporting”, the leaders support and assist staff to be self-sufficient, but the forms and programs of supporting are unclear that requiring adjustments. The empowerment in “facilitating” and “mentoring” not fully optimal because there are still many that must be addressed in order to work better. In “consulting”, employee empowerment is done using the knowledge and experience of the leader, and utilizes it in the form of consultation with staff concerning the problem in the work.

With the “internal business process”, organizational performance in the National Strategic Manufacturing Companies in West Java can be implemented and achieved optimally. With the existence of “learning & growth”, organizational performance can be implemented and achieved optimally. Therefore, the already high dimensions need to be sustained. In “customer”, output quality, service quality, and user satisfaction are not yet fully met, that require adjustment measures to have a greater impact on organizational performance. The dimension of “financial” is relatively low and has little effect in realizing organizational performance need to be improved in terms of effectiveness and efficiency,

so that if it is improved, this dimension can support organizational performance at five national strategic manufacturing companies in West Java.

From the hypothesis testing it is found that employee empowerment has a positive and significant effect on organizational performance at five national strategic manufacturing companies in West Java. This finding is in line with previous research that organizations with high employee empowerment will have high organizational performance as well [23]. The employee empowerment must go hand in hand with the improvement of organizational performance [24]. Every employee empowerment is a source to improve organizational performance [25].

#### V. CONCLUSION

The precise synergy of each dimension of each exogenous variable to the endogenous variable can in turn determine the priority of actions that the companies needs to perform on those dimensions according to the quadrant model, i.e. whether it should be sustained, adjusted, repaired, or improved. From the quadrant model, there are several dimensions of each variable that need to be sustained, adjusted, repaired, and improved. The synergy between each dimension in a quadrant can encourage employee empowerment and sustainable organizational performance at the five national strategic manufacturing companies in West Java.

#### REFERENCES

- [1] K. Hitomi, *Manufacturing Systems Engineering: A Unified Approach to Manufacturing Technology, Production Management and Industrial Economics*. Routledge, 2017.
- [2] *Performance Accountability Report of Government Agencies, Ministry of SOEs*, 2017.
- [3] Central Bureau of Statistics, <http://bps.go.id>, 2017.
- [4] Trading Economics, Available at: <https://tradingeconomics.com>, 2018.
- [5] H. D. Stolovitz and E. J. Keeps, *Handbook of human performance technology: Principles, practices, and potential*. John Wiley & Sons, 2006.
- [6] P. J. Richard, T. M. Devinney, G. S. Yip, and G. Johnson, “Measuring organizational performance: Towards methodological best practice. *Journal of management*”, 35(3), pp. 718-804, 2009.
- [7] S.A.Ruky, *Performance Management System*, Jakarta: Scholastic Press, 2002.
- [8] J. L. Gibson, J. M. Ivancevich, J. H. Donnelly, and R. Konopaske. *Organizations: Behavior, Structure, Process*, ed. 11. London: McGraw Hill Company, 2003.
- [9] L.W. Rue and L.L. Byars, *Management: Skills and Application*. 12th Edn., Boston: McGraw Hill Irwin, 2007.
- [10] G. Dessler, *A framework for human resource management*. Upper Saddle River, NJ: Pearson/Prentice Hall, 2006.
- [11] T.L. Wheelen and D.J. Hunger, *Strategic Management and Business Policy*. Pearson/Prentice Hall, 2012.
- [12] S. Robbins and M. Coulter, *Management (11th ed.)*, Upper Saddle River, NJ: Pearson Prentice Hall, 2012.
- [13] C. W. Hill, G. R. Jones, and M. A. Schilling, *Strategic management: theory: an integrated approach*. Cengage Learning, 2014.

- [14] Q. T. Nguyen and A.M. Rugman, Multinational subsidiary sales and performance in South East Asia. *International Business Review*, 24(1), pp. 115-123, 2015.
- [15] R. S. Kaplan and D. P. Norton, "The balanced scorecard: an excerpt from the CGMA book: Essential Tools for Management Accountants", *Journal of Accountancy*, 221(5), pp. 39-42, 2016.
- [16] F. Tjiptono, *Marketing Strategy*, ed. 3, Yogyakarta: Andi Offset, 2008.
- [17] Mulyadi and J. Setyawan, *Management Planning and Control Systems*, ed. 2. Jakarta: Salemba Empat.
- [18] Hansen and Mowen. *Cost Management*. (vol. 2). Jakarta: Salemba Empat, 2004.
- [19] G.M. Spreitzer, *Psychological Empowerment In The Workplace: Dimensions, Measurement, And Validation*. *Academy of management Journal*, 38(5), pp. 1442-1465, 1995.
- [20] J. Wood, J. Wallace, and R.M. Zeffane, *Organizational Behavior* (2nd). Milton, Qld: Jhon Wiley & Sons Australia, 2001.
- [21] R.L. Daft, *Organization theory and design*. Cengage learning, 2015.
- [22] M. Stewart and M. Taylor, M., *Empowerment and estate regeneration: a critical review*. Policy Press, 1995.
- [23] R. B. M. Yusoff, A. Imran, M.I. Qureshi, M. I., and A.G. Kazi, "Investigating the relationship of employee empowerment and sustainable manufacturing performance", *International Review of Management and Marketing*, 6(4S), 2016.
- [24] M. Oloko and M. Ogutu. "Influence of power distance on employee empowerment and MNC performance: A study of multinational corporations in Kenya", 2017.
- [25] C. Y. Wu, H. M. Liang, S.M. Chiu, and C. H. Yuan, "A Study of Impact of Instant Messaging on Job Performance through Employee Empowerment". In *Management of Engineering and Technology (PICMET)*, 2017 Portland International Conference on (pp. 1-10). IEEE, (July, 2017).