

Chapter 10

The Functionality of Human Capital Development in Organisation

Godwin Olai Ph.D. MNIM, MCAI

Department of Management, Faculty of Management Sciences
IAUE, Phc

Email; olai.godwin@iaue.edu.ng, olaimbas@gmail.com

Introduction

The competitive conditions, which have increased due to industrialisation and globalisation, have rapidly attributed more significance to employees from the point of organisations. Organisations have placed employees at the center of their structures, and more effective and efficient ways of benefitting from employees have been sought by developing various strategies (Hasan, 2015). Organisations have felt the need to follow modern management approaches such as “empowerment” closely and adequately due to its importance and role in the achievement of expected aims and objectives. Obviously it will not be possible for organisations to reach their aims and objectives at the desired levels especially if empowerment as a modern management approach is neglected. Those who fail to adapt themselves to technological advancement, changes in market and sector, the demands and expectations of customers will be doomed to fall prey to the natural selection or fail to enlarge. At this point, innovation steps on the stage is so essential a concept, even to the extent of saying “Innovate, or perish!” (Hasan, 2015). Finding employees that are eager to innovate or able to adapt to innovative organisations will prove effective and yield positive results for organisations in the medium or long term. That organisations seek to find new products and services, new marketing, distribution, provision channels, new production processes, new strategies and technologies will maintain profitability, help build sustainable success as well as increase resistance against crises, risks, and threats (Hasan, 2015).

Employee empowerment as it were has been hailed as a management technique and practice which can be applied universally across all organisations as a means of dealing with the needs of modern global business, and across all industrial sectors. However, the service sector is said to involve a unique cluster of tension which managers, employees and customers have to consider and address, and the empowerment of employees in organisations is an approach and practice which has been adequately advocated for service sector management.

Investigation of the need and use of empowerment in service sector organisations as it were reveals a number of different forms of empowerment being applied in practice. These different approaches as recorded evidence a range of managerial meanings being applied which are based on different perceptions of business problems, motives for introducing empowerment and perceived importance and benefits to be gained from empowerment. The fact that empowerment as recorded can be used as a term to describe different initiatives provides a convenient rhetoric which suggests that empowerment is “in principle a good thing” and produces a “win-win” situation for employees and managers in organisations. In part these different perceptions of the service need and the appropriate match with the management of employees in organisations, is a consequence of the different service offers being made to customers. Some service offers as noticed require employees to exercise discretion in detecting and delivering customer service needs. In other cases, the service offer as recorded is highly standardised and require employees to practise service delivery in “the one best way”. Reflection on both the specific applications entitled “empowerment” and on variations in the characteristics of the service offer, question the somewhat simplistic claims for the universality of empowerment as it were, and the supposed benefits which ensue.

Nature of Employee Empowerment

Daft (2001) argues that in order to be able to empower employees, four different elements have to be given to them. Those elements will give the employees space to act more independently in accomplishing their jobs: information, knowledge, power and rewards. Employees must receive information about the performance of the organisation. In organisations where the employees are fully empowered, no information about the organisation is held secret. Employees must have knowledge and skills to be able to contribute to the goals of

Recent Advances in Knowledge Management

the organisation. Organisations empowering their employees will give the employees the knowledge and skills they need to be able to contribute to the firm's performance. Employees must have the power to be able to make substantial decisions. Many of the most competitive organisations today are giving their staff the power to influence, e.g. work procedures and organisational direction. The employees should be rewarded on the basis of the organisation's performance. The employees can be rewarded by e.g. profit sharing or employee stock ownership plans.

Val and Lloyd, (2003) defined empowerment as the managerial style where managers share with the members of the organisation their influence in the decision-making process. The first component was the "degree of extent" i.e. up to which hierarchical level was one offered the chance of collaborating or sharing influence in the decision-making process. The second component was called "dimensions". The first dimension was the formal or informal character of the kind of involvement. The second dimension was the direct or indirect way in which employee collaboration takes place. Finally, the last dimension was the degree of influence of employees along the decision-making process.

Matthews, Diaz, Cole (2003) based on those reviews of relational and the psychological perspectives of empowerment, proposed that three organisational factors were conceptually linked to macro-environmental facilitation of empowerment: DSF; CWD, and FIS. Dynamic structural framework (DSF) where an organisation provides a clear set of modifiable guidelines that assists employee decision making both procedurally and behaviorally in an evolving work environment. Control of workplace decisions (CWD) when employees were allowed input into all aspects of their professional career. Fluidity in information sharing (FIS) when all information concerning the organisation was accessible to all individuals in the organisation.

Mills and Ungson (2003) explained the structural empowerment, which entails the delegation of decision-making prerogative to employees along with discretion to act on one's own. In the process, opportunities for employee responsibility and initiatives are created.

Carless (2004) worked on the conceptualisation of psychological empowerment and conceptualised empowerment as a multidimensional construct consisting of the following seven dimensions: role clarity, the degree work expectations and responsibilities were clearly defined; supportive leadership, i.e. the extent supervisors support their staff; participative decision-making, the degree of employee involvement in decision making; professional interaction, the quality of communication and support between employees; appraisal and recognition, reflected the extent feedback and acknowledgement was given; professional growth, the extent skill development encouraged and supported; and, goal congruence, the degree of congruence between individual and organisational goals. These seven were the dimensions of psychological climate that mediates in the process of empowerment and it further lead to the job satisfaction. So in this way Carless conceptualised empowerment from multi-dimensional perspectives.

After examining the definitions of empowerment, Indriðadóttir and Kimmehed (2006) identified two key aspects of empowerment. The former aspect involves organisational empowerment, also named multidimensional perspective. This aspect considers a supervisor's behavior as the cause of empowerment and has been related to top-down polities in organisations. It is the responsibility of organisations and managers to guide employees, delegate responsibility and share information (Bryman et al, 2005; Cole et al., 2003; Koh & Lee, 2001). The latter aspect involves employee empowerment or intrinsic motivational dimensions. This aspect considers the individual perception of empowerment and has been related to bottom-up polities in organisations (Bryman et al., 2005; Cole et al., 2003; Koh & Lee, 2001). Because this aspect emphasizes employees' experience and perceptions of empowerment and our study deals with employees' upward influence attempts, we will from now on focus on employee empowerment. We begin by clarifying the dimensions of experience, identified, and how they are of importance to our study.

Element of Employee Empowerment

a. Information Sharing

Communicating goals and priorities to employees and offering feedback on performance are practices that have been found to encourage empowerment. Specific and challenging goals in general serve to raise employee motivation and performance. Top-down communication that conveys the leadership's priorities and goals can, therefore, encourage achievement-oriented employees to seek new strategies and tactics for attaining those goals. Negative feedback indicative of failure also signals the need to search for new ways of narrowing the performance gap (Fernandez and Wise 2010; Salge 2011), thereby encouraging employees to innovate. While goal ambiguity in the public sector can undercut the effectiveness of goal setting as a motivational approach (Rainey 2009), at the level of the work team or the individual employee, goals are often

Recent Advances in Knowledge Management

sufficiently clear for this empowerment practice to have a positive impact on the extent to which an employee feels encouraged to innovate.

Communication receives frequent exploration as a key construct in the examination of relationships. Communication is defined as “the formal as well as informal sharing of meaningful and timely information”. According to the emerging paradigm of public relations by relationship management, communication may be redefined as part of building favourable relationship between management and employees, thus acknowledging that communication facilitates employee willingness to work towards envisioning future direction and goals of the organisation and consistent displays of passion about the collective pursuit of the organisation’s purpose. It has been theorized that the managers who most rapidly achieved their goals attributed their success to direct conversations with individual staff members about expectations further indicating that these conversations were honest, open, straightforward, and transparent (Dennis, 2009). In addition, managerial openness instilling subordinates’ perceptions that their boss listens to them, is interested in their ideas, gives fair consideration to the ideas presented, and at least sometimes takes action to address the matter raised provides the subordinates to initial motivation to speak up (Milliken et al., 2003). Conceptually, once established trust and communication work together to advance the initial relationship.

Employees want guidelines from their superiors regarding what goals to achieve, what is expected from them, how to accomplish these goals and the feedbacks on performance through transparent communication system. The organisation in order to build trust and participation among the employees should make clear communication regarding policies, strategies, programmes, outcomes and job. Effective communication among peers encourages employee participation, involvement, empowerment, identifying issues, solving problems, addressing needs and monitoring progress. Lack of communication increases uncertainty, alienation, stress, work life conflicts.

Basic to employee empowerment are programmes to share information about business performance, plans, goals, and strategies. It is difficult, to expect employees to make meaningful contributions to the success of the organisation unless they have access to basic operating information. Many public corporations, for example, provide only the financial information that the law requires be distributed to shareholders in annual reports. By not sharing basic information, a significant number of companies still do not treat employees as important stakeholders in and contributors to the firm’s performance.

Distribution and reception of information play an important role in organisational life and contribute to the satisfaction of the members of the organisation. Through downward communication, employees would receive information about various aspects of the organisation, particularly instructions about job performance, relationship of the job with the entire organisational framework, and other specific communication which may be relevant for them. Through upward communication, employees can share their views, grievances, and suggestions for improving the work performance.

The researchers have also built theories via studies positing and testing important management tools, which have a constructive effect on the change outcome. One such study by Samsup and Wook (2005) reveals that favourable employee communication increases job satisfaction and employee performance. Interestingly, through researches it was found that employees tended to prefer direct interpersonal communication to mediated communication when they need more information on ongoing issues of their organisations. The results revealed that the trusting relationship was positively related to measures of communication management, suggesting that those employees receiving positive communication are more likely to be motivated to form trusting relationships with the management. Also, resistance to change may be minimized by keeping the employees informed about what to expect from the change effort; teaching employees to cope with the stress of change; negotiating tradeoffs with those who will clearly lose from the change effort; and using coercion (McShane et al., 2009).

A supportive culture that values employees and their contributions facilitates empowerment. Creative problem solving is supported by an organisational culture with strong values for information sharing, fair and constructive judgment of ideas, and reward and recognition for new ideas will enhance the degree of empowerment and satisfaction. The key to employee performance and satisfaction is to share information about business performance, plans, goals, and strategies. It is difficult to expect employees to make meaningful contributions to the success of the organisation unless they have access to basic operating information.

There has been a great deal of interest in recent years in management, increasing downward communication to employees, which communicates organisational goals and the business position of the organisation to win hearts and minds. The logic here is that employees will be more understanding of the reasons for business decisions and as a result more committed to the organisation’s action. It is also seen as important that

Recent Advances in Knowledge Management

employees should have the opportunity to express their views and grievances openly and independently through a form of upward communication, rather than being able to raise only task-related problems.

Access to appropriate resources, funds, materials, facilities, and information will motivate the employees and develop a sense of ownership for goal attainment. Irrespective of the type of industry (high-growth or low-growth), it can be conjectured that the transparent communication system will promote employee empowerment and willingness to go the extra mile to achieve organisational ends.

b. Competence acquisition

Efforts to enhance employees' access to job-related knowledge and skills through training and job-embedded learning have been linked to receptivity to new ideas and creativity. Training and professional development activities help to diffuse empowerment, as employees learn about and introduce ideas applied successfully in other organisations. They also expose employees to a broader palette of ideas that can be brought to bear on new problems. Because training and development improves an employee's ability to diagnose and solve technical problems using their interpersonal and problem solving skills, the odds are increased that empowerment proposals will become effective practices. Enhanced knowledge of alternatives for improving performance and greater confidence in the efficacy of those alternatives should cause employees to feel more encouraged to innovate.

Training is a systematic process that aims to help employees enhance their knowledge and skills, and develop positive behaviour through learning experience that is expected to help employees achieve greater performance (Buckley & Caple, 2009). According to Jun, Cai, and Shin (2006), training provides various benefits to employees in terms of widening their knowledge, skills, and abilities, becoming more efficient team members, and improving career development.

Highly committed employees are marked by their greater support to the organisation in order to reinforce its global success. However, to retain the employees in any organisation, managers should provide facilitative and pleasant work environment and support them. It is also the main responsibility of the management to provide training programs about self-monitoring and the skills to improve the personality characteristics of employees through appropriate channels (Danish et al., 2013).

The current business scenario appears to be characterised by high competitiveness among organisations, market globalisation and technological advancement. To survive in such challenging situations, organisations have to look for the possible ways to create sustainable competitive advantages. In this context, the knowledge and skills of employees in an organisations have increasingly become very essential to its performance, global competitiveness, and continuous development (Elnaga & Imran, 2013). One way to develop and improve the quality of employees is to provide them with beneficial training and development programs especially in the areas of technical skill, problem solving skill and interpersonal skill. This is because the capabilities, knowledge, and skills of the talented employees were proved to be the key determinants competitive advantage in global marketplaces (Becker, Bose, & Freeman, 2006). To effectively develop such knowledge, skills and capabilities of employees in order to perform well on the job, training programs are very important in supporting all organisational members. Hafeez and Akbar (2015) reported that that the more the employees receive training and development, the more efficient their level of performance would be.

Previous researches considered training and development as an essential activity for effective human resource management in any organisation. The key principles of training and development emphasize on providing meaningful inputs for employees based on relevant theories, and to take into consideration the features of effectiveness and efficiency, differences among employees, and continuous development (Diab & Ajlouni, 2015). Employee training refers to programs that aim to provide employees with required information, new skills (technical, problem solving and interpersonal) to enhance the opportunities of professional development (Elnaga & Imran, 2013). Training is associated with the skills that an employee should gain to help him by working with others in an attempt to achieve organisational goals and objectives (Truitt, 2011). Sabir, Akhtar, Bukhari, Nasir, and Ahmed (2014) thought about training as the acquisition of knowledge, skills, and abilities by professional development. Similarly, Singh and Mohanty (2012) revealed that the investments in employee training result in beneficial organisational outcomes.

Past studies revealed that training had significant positive effect on job satisfaction (Chiang, Back, & Canter, 2005; Leppel, Brucker, & Cochran, 2012; Sabir et al., 2014) and organisational commitment. Gazioglu and Tansel (2002) also confirmed that training employees can lead to favourable organisational commitment and job satisfaction. Other scholars such as Tarasco and Damato (2006) described training as an ongoing professional development that plays an important role in building organisational commitment. Moreover,

Recent Advances in Knowledge Management

Nksoi (2015) confirmed that training has a significant effect on employee performance, commitment and overall retention.

c. Work discretion

The relationship between practices aimed at sharing power with employees and empowerment is one that is well-established in the empowerment literature. There are various ways in which granting discretion to employees can increase empowerment. By loosening controls, managers give employees freedom to tinker with existing elements and practices and reconfigure them in new ways. Pushing authority downward can also encourage employees to be empowered and innovate by imparting a sense of control and responsibility for the quality of their work. Finally, being granted the authority to modify work processes may increase encouragement to feel empowered and innovate by raising one's level of confidence that he or she will not be called out or punished for failed performance. Importantly, public agencies have been found to have higher levels of formalization than private firms (Rainey and Bozeman 2000). The profusion of rules and regulations in government might prevent public managers from granting enough discretion to achieve more than just trivial changes in the way work is structured and performed. A highly formalized work setting can also undermine psychological safety and diminish the extent to which employees feel encouraged to innovate.

The notion of discretion occurs when someone has the freedom and authority to take action and is aware of this freedom (Finkelstein et al., 2009). A definition on discretion in the *English Dictionary for Advanced Learners* (2001, p. 435) is: "if someone in a position of authority uses their discretion or has the discretion to do something in a particular situation, they have the freedom and authority to decide what to do". It may occur in different forms like employee, job or managerial discretion that all are used in the literature.

Job discretion can be seen as an extension of the concept of managerial discretion. Furthermore, job discretion is closely related to the concept of job autonomy. Both -managerial discretion and job autonomy- are discussed to provide insights on the differences and similarities, resulting in better understanding of job discretion.

Work discretion relates to the amount of authority one employee has in his own work, rather than being influenced by someone else. This is also known as "job autonomy" and is explained in the organisational behavior literature by Hackman and Oldham as "the degree to which the job provides substantial freedom, independence, and discretion to the employee in scheduling the work and in determining the procedures to be used in carrying it out". Employees are given discretion by their employers to carry out tasks to be completed in a specified amount of time, rather than being told what to do at every moment (Prendergast, 2002).

However work discretion is essential in making sure that employees are involved with the activity in the organisation. Sarinah, Akbar and Prasadja (2018) examined if work autonomy do relate with the engagement of employees. They observed that job autonomy have positive direct relationship or impact on the commitment of the employees. By extension, employees get more emotionally involved in the activities of the organisation when there is job autonomy. They further noted that the engagement of employee increases when there is job autonomy. Job autonomy give a sense of responsibility to the employees. As such, employee get more emotionally involved in the firms activities in order to achieve greater goals. Chen and Chiu (2009) remarked that job autonomy may also act as a motivational factor which help employees to put in more effort into their work.

Work discretion leads to employee participation in the organisation. The human consequences of the organisational changes are now well established and widely recognized fact. Irrespective of the original reason of stimulating changes, whether technical, financial or market considerations, it undoubtedly affects the social system of the organisation. Many of the theories of the process of change, stresses the importance of involvement of the employees who are to be affected in the change process for effective change (Lovely, 2001). Moreover, the effectiveness of information sharing or involvement in decision-making strategies may be influenced by employees' attitude toward involvement (Brown and Cregan, 2008). Also, involvement is vitally important in dealing with resistance because it entails a dialogue about the rationale, context, and meaning of the change and an opportunity for people to express their concerns, ideas, and suggestions. If this part of the change process is incomplete, people may not understand what is happening or know their role in the undertaking, and they may resist change efforts (Kotter and Schlesinger).

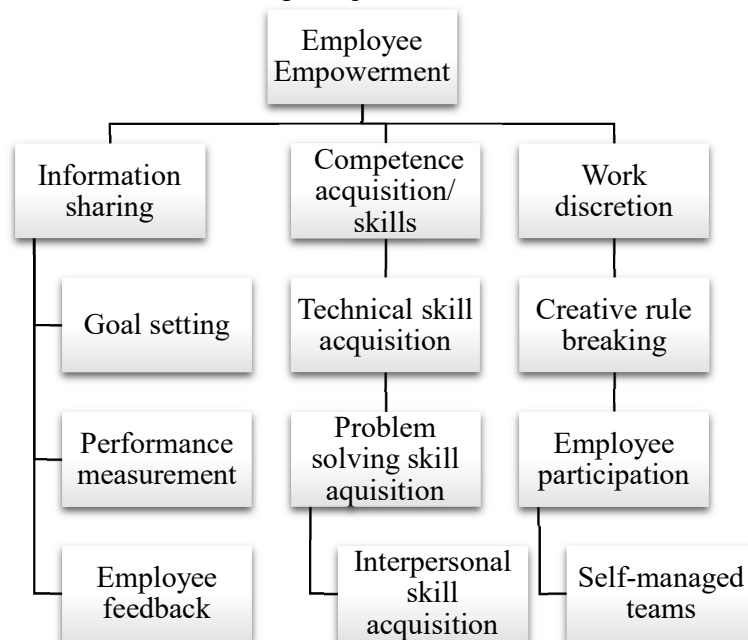
Axelrod (2001) writes that the cornerstone of any democratic process is the voice – the power to be heard and to influence outcomes. Maximizing voice means widening the circle of involvement to encompass those likely to be affected by the change process, including those who might be opposed or who think differently. When people really believe their voice counts, a critical mass for change spontaneously emerges. In fact, in a recent

Recent Advances in Knowledge Management

study Axelrod (2002) favours a disbanding of the change paradigm and implementing a new structure called the engagement paradigm.

Sharing information is a necessary precondition to another important feature found in successful work systems: encouraging the decentralization of decision making and broader employee participation and empowerment in controlling their own processes. Superiors can encourage and facilitate participation by involving subordinates when making decisions that affect them. Involving employees can potentially improve the quality of decision making in the workplace, and it helps to improve the acceptance of decisions and employee satisfaction with the decision-making process. Involving employees also help to develop their decision making skills. Joint decisions are made together by the leader and other relevant parties such as subordinates. Job involvement, job satisfaction; career satisfaction and organisational commitment are the outcomes of employee involvement in day to day activities of the organisation (Noorliza and Hasni, 2006). Employee involvement makes employees feel that they are valued in organisations and will create a high degree of job satisfaction and empowerment.

When employees are granted work discretion, they will have the authority to effectively manage their teams themselves and also have the power to intentionally disregard prescribed rules, guide, process or procedure without damage or conflict in order to achieve an expected target (creative rule breaking). Self-managed teams is one of the determinants of work discretion and are most appropriate for complex, self-contained projects that require a high level of initiative, skill, and motivation. These teams are not appropriate for independent tasks that are performed individually by employees rather than by a team. Other facilitating conditions for the effectiveness of self-managed teams include (Hackman and Wageman, 2005): clearly defined objectives; a complex and meaningful task; a small team size and stable membership; substantial team discretion over work processes; access to relevant information; appropriate recognition and rewards; strong support from top management; and members who have strong interpersonal skills.



Source: Desk Research (2019).

Fig. 2.1: Chart showing predictor variable and its dimensions and indicators.

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