

Impact of Employee Recognition and Empowerment on Organisational Performance – An Empirical Study in Insurance Sector

Dr. Sumaya Iqbal,

Research Scholar,
Management Studies,
University of Kashmir, Jammu and Kashmir, India.

ABSTRACT

Appreciation and recognition of employees leads to task fulfilment which stimulates them towards working with more energy and dedication to the organization. The motivated employees work best in the interest of the organizations which leads them towards growth, prosperity and productivity. The present study analytically defines and explains the impact of Employee Recognition and Empowerment on organisational performance in insurance industry through advanced statistical analysis (Measurement and Structural Modelling).

Keywords: empowerment, performance, empirical study, employees etc.

INTRODUCTION:

Employee recognition is the timely, informal or formal acknowledgement of a person's or team's behavior, effort or business result that supports the organization's goals and values, and which has clearly been beyond normal expectations. Recognition is a basic human motivational need. Employees respond to recognition of their good work and effort towards organizational goals. Recognition increases Job Satisfaction and motivated employees always improve their good work. Praise and recognition are essential to an outstanding workplace. People want to be respected and valued by others for their contribution. Employee recognition is the principle of social proof in action, a term pioneered by Social Psychology Professor Robert Cialdini: "We view a behavior as correct in a given situation to the degree that we see others performing it." Employee recognition embodies the principle by showing to others in a tangible way that a person's efforts have been outstanding. The cost of a recognition system is quite small and the benefits are large when implemented effectively. The benefits of Employee Recognition includes: Increased individual productivity, Greater employee satisfaction, Enjoyment of work, Direct performance feedback, Higher loyalty, Satisfaction scores from customers, Teamwork between employees is enhanced, Lower employee turnover, Better safety records and fewer accidents on the job and Lower negative effects such as absenteeism and stress. When empowerment projects are launched, the organization should consider some of the internal resistance from the employees. A successful empowerment endeavours an important organizational challenge to be successful in providing employee feelings of self-efficacy and removing conditions which cause restlessness and powerlessness. It also achieves job mastery by providing for role clarification, job enrichment and proper training. Empowerment also gives growth support to its employees through career planning, rewards and welfare, and by employing counselling, and appraisals techniques, uses social reinforcement and persuasion in the organization, and automatically employees become motivated. When empowerment approach is adopted, employees gradually would start to feel that they are valued, competent and the jobs they are doing have so great meaning and impact, and, when legitimately empowered, they would continuously be in a mood to believe they have so vast opportunities to apply their skills. In return, they are expected to change their behaviours towards using their talents in the work place better than before and such employee driven changes are expected to bring contribution to the effectiveness and efficiency of the organization.

LITERATURE REVIEW:

Manzoor (2012), focussed on recognition and empowerment which plays an essential part in enhancing employee motivation towards organizational tasks. By appreciating the employees for their work done and giving them participation in decision making, satisfying them with their job, organization and organizational environment will enhance their enthusiasm and motivation towards accomplishment of task increases. So, it is concluded that appreciation and recognition of employees leads to task fulfilment which stimulates them towards working with more energy and dedication to the organization. The motivated employees work best in the interest of the organizations which leads them towards growth, prosperity and productivity. It was found the employee motivation and organizational effectiveness are directly related and the organizations should work out to make such policies, organizational structures that support employee recognition and empowerment. Ioan et al. (2013), concluded that "If employees feel good in my company, they will surely take care of my customers", which ought to be one of the principles a manager must build his motivational system on. Yerkes-Dodson's law should not be forgotten; the performance grows through increasing the motivation which implies proper employee's motivation is considered as basis for performance (Yerkes, R. M. & Dodson, J. D., 1908). Ovidui-iliuta (2013), concluded that organizations should use motivating factors such as achievement, recognition, responsibility and the work itself. Employee participation and empowerment do not only enhance efficiency, growth and innovation but they also increase employee motivation and trust in the organization. If employees feel appreciated for their work and are involved in decision-making, their enhanced enthusiasm and motivation will lead to better productivity and loyalty. Rajalingam et al. (2015), concluded that employee empowerment does influence employee motivation and their performance and such influence can be mediated with appraisal in an organization. So, it is very important for each and every organization to enhance their empowerment activity and a good performance appraisal to increase the level of employee motivation and performance. Hansen & Hansen (2002), showed that reward and recognition is usually regarded as synonym but only when recognition and reward are treated as two distinct phenomena. Ali and Ahmed (2009), revealed that if rewards or recognition offered to employees were to be altered then there would be a corresponding change in work motivation and satisfaction, meaning that if more focus is placed on rewards and recognition it could have a resultant positive impact on motivation and thus result in higher levels of job performance. Hasan et al. (2011), found that employee empowerment has important effects on the achievement motivation of the employees as is demonstrated in various studies that have suggested individual capabilities of having a positive effect on contextual performance based on the willingness of the employees. Demirci and Erbas (2010), revealed that employees need to be provided with the greater authority to make independent decisions as more decision-making responsibility is de-concentrated through empowerment. There is no doubt that empowerment is achieved by objective and structural organizational changes which provides individuals greater convenience to make decisions and use greater influence regarding their work.

OBJECTIVE:

The study aims to provide a empirical evidence of the impact of employee recognition and empowerment on organisational performance in Insurance Sector.

ANALYSIS AND INTERPRETATION:

Comparative Study through ANOVA:

The present studies the impact of employee recognition and empowerment on organisational performance in Insurance Sector. The test results indicate a significant difference in terms of empowerment between reliance and other five companies. LIC and New India insurance have significant test difference with Reliance and Bajaj life insurance companies. The results also indicate a significant difference between LIC and New India Insurance Ltd. In case of private sector companies Metlife and HDFC life has significant difference in terms of empowerment with Bajaj and Reliance life insurance Ltd. In terms of results regarding the recognition dimension, the test indicate the significant difference between Bajaj life insurance and other five companies, while reliance life has significant difference with all other companies under study except Metlife. Between Public sector insurance companies under study no significant difference was observed from Post-hoc study.

Table 1: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
EMP	Between Groups	13.986	5	2.797	6.246	.000
	Within Groups	154.943	346	.448		
	Total	168.929	351			
RE	Between Groups	32.559	5	6.512	12.882	.000
	Within Groups	174.896	346	.505		
	Total	207.455	351			

Impact Study:

To study the objective of determining the effect of EMPLOYEE RECOGNITION AND EMPOWERMENT ON ORGANISATIONAL PERFORMANCE a two-step modelling procedure have been employed. In the first stage measurement model has been developed for computing convergent and discriminant validity. It further looks on the item level measurement so that the constructs are not disconcerted. After the careful deletions, the following measurement model was arrived. As we statistically and microscopically analyse the result in Table as calculated in the revised measurement model, the indices are satisfactory to conclude the theoretical relationship. The CFI value of 0.913 and normed chi square of 3.570 are appropriate. Besides, RMR (0.043) GFI(0.841), AGFI (0.804) and RMSE (0.086) at P value of 0.000 are also at par values. The values indicate a good model fit to arrive at few theoretical conclusions.

Table 2: Modal Fit Indices of Revised Measurement Model

Default Model	RMR	GFI	AGFI	CFI	RMSEA	X ²	Df	p-value	X ² /df
1	0.043	0.841	0.804	0.913	0.086	731.941	205	.000	3.570

The measurement model sums all non-causal relationship among all constructs while a structural model specifies the nature of relationship and also determines the relationship between constructs. The single headed arrow indicates a dependence relationship between two variables that are having an internal construct –wise relationship mapping as well. As we calculate the model fit indices of structural model we see no change from revised measurement model. This means a good model fit with no further reduction due to its impact specific relationship.

Table 3: Modal Fit Indices of SEM.

Default Model	RMR	GFI	AGFI	CFI	RMSEA	X ²	Df	p-value	X ² /df
1	0.043	0.841	0.804	0.913	0.086	731.94	205	.000	3.570

CFI of 0.913 and normed chi at 3.570 are statistically at par values for above theoretical conclusion.

CONCLUSION:

Public-sector companies like LIC and New India Insurance though provide stability in job have less motivators like Recognition and Empowerment. Private sector companies recognize the efforts of employees but have less job stability. Recognition is just for sales based or target based performance with no value to innovation and dedication to the work. The study concludes a positive impact of employee empowerment and recognition on job performance.

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