

The Impact of Employee Empowerment in a Sustainable Competitive Advantage of Iraqi Private Banks

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Abstract

Employee empowerment is a very important issues to organizations especially those providing services. This is because the customers and employees are engaged simultaneously in the production of service. The inability of the management to control the service encounter makes the employees responsible for the quality of service delivered to the customers. This practice can directly affect the Sustainable Competitive Advantage. The objective of this study is thus to determine the impact employee empowerment has on Sustainable Competitive Advantage in the Iraqi banking industry. It recommends that Banks should continue to promote teamwork amongst employees so that every staff irrespective of gender would work towards a common vision of achieving the objectives of the Bank. A more enabling environment for the female employees should also be encouraged so that there will be a balance in enhancing productivity. This study intends to shift focus to look at the Impact of Employee Empowerment in a Sustainable Competitive Advantage in the Iraqi banking sector.

Keywords: Employee empowerment, Sustainable Competitive Advantage, Human Resource Management, Iraqi Private Banks

INTRODUCTION

Rapid environmental shifts are causing fundamental transformations that have a dramatic impact on the way organizations are managed. The transformations reflect a shift of paradigm from old paradigm (known as the old workplace) to new paradigm (as the new workplace)(Howells, 2005). This shift spawns differences in various organizational characteristic aspects, organizational strength, and managerial competence in organizational management. Key among organizational characteristics in this paradigm shift is related to Human Resources. These have shifted from dependable employees to empowered employees (Zakaria, 2011).

Organizations today face fierce competition from successful global competitors, most of whom have made continuous improvement and rapid response to market needs a way of life(Nyanchama, 2009). It is becoming increasingly clear that the engine for organizational development is not analysts, but managers and people who do the work. Without altering human knowledge, skills and behavior, change in technology, processes, and structures is unlikely to yield long-term benefits. Managing business productivity has essentially become synonymous with managing change effectively. To manage change, companies must not only determine what to do and how to do it, they also need to be concerned with how employees will react to it. In this respect, the role of Human Resource Management (HRM) is moving from the traditional command and control approach to a more strategic one, and studies have highlighted “employee empowerment” as one of its critical success elements (Jarrar & Zairi, 2002).

In a competitive environment in which organizations must be faster, leaner, provide better service quality, be more efficient, and more profitable, an empowered and proactive service worker is thought to be essential(Melhem, 2004). (Jarrar & Zairi, 2002)observe that amid subjective changes in “process” and “information technology” aspects of organizations, human development is left to be the most viable alternative to traditional organizational development as a strategy for bringing about dramatic performance improvements. There has been a growing interest in the concept of empowerment and related management practices among both management researchers and practitioners. This interest is due to the fact that the practice of empowering subordinates is a principal component of managerial and organizational effectiveness and empowerment techniques play a crucial role in group development and maintenance (Conger & Kanungo, 1988).

Many studies done include those by on employee empowerment best practices in the UK; Melhem (2004) on the antecedents of customer-contact employee’s empowerment among Retail Banks in Jordan; Ratmawati (2007) on managerial competency and management commitment to employee empowerment among Banking Companies in Australia; and (Ongori & Shunda, 2008)study on strategies for success of employee empowerment among selected organizations in Botswana.

These studies have laid focus on different conceptual aspects of empowerment and others on different contexts.

Objective of the Study

The objective of the study is to establish employee empowerment practices adopted by Iraqi Private Banks.

Significance of the Study

The findings of this study will be of benefit to Human Resource Managers and other functional and line managers in Private banks to enhance their understanding of the most appropriate employee empowerment practices. Managers in other organizations will also find the study useful in enhancing their appreciation of the need to empower employees. This study will also benefit future researchers and scholars for reference purposes and replication elsewhere.

Problem Statement

The need has increased for human resources that enjoy outstanding capacities and high-skills that all competitors are unable to imitate. So human resources strategies has been changed in line with the current requirements away from the traditional patterns in managing these resources (Al-Qatawneh¹ & Mobaideen, 2017). In recent times the companies' perception of the importance and the effectiveness of human resources has been increased as an effective factor in business success in either individual level and company level or economic level as a whole. Since it represented an vital part of the companies' resources and an essential asset of the company, which resulted in forcing companies to continually pursue to develop and enhance its human resources. This ultimately boosts the companies' capability to achieve their goals efficiently and effectively, which accordingly help them in facing the external and internal changes and challenges. HR strategies represent a system designed to achieve the effective investment and development of human resources for the hope that improving the performance of human resources of the company. Thus, the need been has increased for effective human resources strategies to ensure the positive adaptation of the company with the external environment and to empower employees as well as to enhance the trust between management and employees of the company beside motivate them to participate in the process of decision-making (Masuda and Safyah, 2013). Facing commercial banks operating in Iraq directed from the competition strong with companies of the banking sector, and given the importance of Employee Empowerment and their role in Sustainable Competitive Advantage and management of banking operations of various kinds, to achieve the best performance. From here, came the idea for the study of the impact of Employee Empowerment in a Sustainable Competitive Advantage of Iraqi Private Banks. The problem addressed by the present study emanates from the observation that most of the Arabian managers in general embrace the traditional management styles to incentive their employees. Managers who follow this approach pay greater attention negative incentives that penalize low or ineffective employee performance rather than adopting effective incentives styles or employing positive incentives that proved successful in the Western and Japanese organizations that embraced modern management styles such job organization, employee empowerment and integration, flexible work schedules, and employee job performance.

Literature Review

The definitions of empowerment itself vary widely across scholars. Many studies define empowerment as intrinsic task motivation (e.g., Conger & Kanungo, 1988; Thomas & Velthouse, 1990) or motivation reflective of the person–environment fit (Zimmerman, 1990). In other literature, empowerment has been defined as perceptions (Parker & Price, 1994) and as commitment-based designs (Spreitzer, 1995). Researchers have also defined empowerment in terms of job structure the transfer of power or authority (e.g., Burke, 1986; Kanter, 1977) and/or job support structures such as the sharing of resources and information (e.g., Blau & Alba, 1982; Hardy & Leiba-O’Sullivan, 1998). Empowerment has also been described as dependent on management or leadership actions (e.g., Bennis & Nanus, 1985; Block, 1987) and human resource practices such as training programs or reward systems (e.g., Conger & Kanungo, 1988; Lawler, 1986). And, finally, empowerment has been used with reference to behavioural or performance-related outcomes (e.g., Zimmerman, 1990). Employee’s empowerment facilitates the creation of an integrated quality environment, where superior products and services become practical. In order to increase effectiveness in the banking industry, management must become active in empowering their employees. This is done by sharing information, creating autonomy, and establishing self-directed teams. Latest technological advances, coupled with changing needs and the growing demands of customers, have forced organizations to develop and produce better services.

On the other hand, Competitive advantage is a management concept that has been so popular in the contemporary literature of management nowadays. The reasons behind such popularity include the rapid change that organizations face today, the complexity of the business environment, the impacts of globalization and unstructured markets, the everchanging consumer needs, competition, the revolution of information technology and communications, and the liberation of global trade (Al-Rousan and Qawasmeh, 2009).

Employee empowerment

According to (Gazzoli, Hancer, & Park, 2010), the origin of empowerment can be traced to the theory developed by Douglas McGregor that emerged in the field of organizational behavior. McGregor developed a theory named “Theory Y,” based on the notion that employees’ motivation, productivity, and participation can be attained and enhanced by designing more autonomous and flexible jobs. In terms of the meaning and definition of empowerment, several authors and scholars have offered and developed definitions. For instance, Del Val and Lloyd (2003) define empowerment as “the involvement of employee in decision making process” (Del Val and Lloyd, 2003, p: 102). Jha (2010) offers a more detailed definition of empowerment through defining such a concept as “a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices and informal techniques of providing efficacy information” (Jha, 2010, p: 380). Ahmad and Oranye (2010) also use a very traditional view of empowerment, considering it as “energizing followers through leadership, enhancing self-efficacy by reducing powerlessness and increasing intrinsic task motivation (p: 583). Melhem (2004) argues that the empowerment literature shows different meanings and definitions of

empowerment. However, most definitions indicate that empowerment implies giving employees more authority and discretion in performing work tasks and giving them autonomy to solve all issues related to their work. To summarize, in spite of a diversity of definitions of empowerment, this concept means giving power to subordinates at a lower level to make them able to make their own decisions when serving customers. The relevant literature suggests diverse classifications and categories of empowerment.

(Robbins, 2005) define the empowerment from functional view of empowerment “as a participative management, delegation, and the granting power to lower-level employees to make and enforce decisions”.

Benefits of empowerment

Benefits of empowerment There are two types of empowerment benefits (Sumukadas & Sawhney, 2004):

1. The tangible benefits:
 - a) It is much easier to find the best solution to a business problem,
 - b) The diverse ideas are shared and implemented,
 - c) The decisions are made at lowest level of the organization,
 - d) The workgroup is recognized for its efforts and performance,
 - e) The individual have the opportunity to influence the goals of the workgroup,
 - f) The acquisition of new skills and knowledge are encouraged and facilitated,
 - g) The organization structure becomes flattened and The Employee Empowerment 12 less hierarchical,
 - h) The managers have more time to lead and not to micro-manage employees activities,
 - i) The provides meaningful, measurable positive business impact.
2. The intangible benefits:
 - a) It allows leveraging the collective strengths of all group members,
 - b) The group takes the ownership of the statement of work and results,
 - c) It helps to create a culture of trust and collaboration,
 - d) It enhances the individual self-esteem,
 - e) It improves the communication among the managers and the employees,
 - f) It provides a more enjoyable working environment.

Challenges Faced by Employee Empowerment

The Major challenge faced by organisations in empowering employees is Organisational Climate change and it's important because addressing the challenges gives benefit to organisation.

1. Communication Communication is hampered due to inadequacy of communication system and deficient communication technology policy which will demotivate the employees on their work.
2. Resources: Empowerment process needs financial requirement which is also a challenge to the organisation. The Allocation to empowerment is affected by lack of accountability and transparency leading to poor utilisation.

3. Empowering Leadership: To Empowering employee, the leader should be motivated highly who can enable and encourage their workers in their work roles.
4. Job Satisfaction: The Managerial Practices should be done wisely that employees should feel satisfied on their work, job satisfaction mean “A Pleasure of Positive emotional state, resulting from the appraisal of one’s job experience” By Scott.

Competitive Advantages:

Competitive advantage is a management concept that has been so popular in the contemporary literature of management nowadays. The reasons behind such popularity include the rapid change that organizations face today, the complexity of the business environment, the impacts of globalization and unstructured markets, the ever changing consumer needs, competition, the revolution of information technology and communications, and the liberation of global trade (AlRousan and Qawasmeh, 2009).

The competitive advantage considering one of the components of the organization marketing strategy which consist from a mixture of things tangible and non- tangible. Any organization can be owned a competitive advantage if it used the resources available and its capabilities in the right investment opportunities in the market. Competitive advantage means: - Organization's ability to attract customers and build prestige for the organization or its products and increase perceived value by customers and achieve their satisfaction, which is also the ability to provide variety value to the customer(Lakhal, 2009).The competitive advantage is not fixed, but its need continuous developing to keep in touch withthe various developments, economic, political, social, and technological(Yadav, Han, & Kim, 2017).

Barriers for Extending Competitive Advantages

1. Over-emphasizing in bureaucracy
2. Emphasizing the fact that every decision must be decided by the usual and conventional people inside the organization.
3. Continuous emphasizing in the implementation of any affairs in a certain and standard framework.
4. Affecting the people who try to be creative.
5. Weakness of communication systems within the organization and thus preventing new ideas to flow.
6. Hard monitoring systems that make the environment unfavorable for creativity (Drnovsek et al., 2013).

Sustainable Competitive Advantage

The concept of sustainable competitive advantage (SCA) was introduced in 1984 when Day was explaining the competitive advantage maintenance strategies. The term sustainable competitive advantage was seriously developed in 1985 by Porter and in terms of a variety of competitive strategies (cost leadership, differentiation, and focus) to achieve long-term competitive advantage. Nevertheless, Porter did not provide a formal definition for sustainable competitive advantage. Barney (1991) has provided the closest

definition of sustainable competitive advantage as the continuity of benefits and application of unique value creation strategies asynchronously with potential competitors that are not able to copy such benefits. Sustainable competitive advantage is related to the firm's efforts in establishing and maintaining advantages for a long-term period. Sustainable competitive advantage is affected by three factors: the size of the target market, greater access to resources and customers, and restrictions on the powers of the competitors. Usually a firm can create the sustainable competitive advantage whose managers apply its strategy based on characteristics that cannot be easily copied Coyne Kevin (1986) argues that to create sustainable competitive advantage, customers need to recognize the differences between a firm's products and those of the competitors. These differences must have been created due to the firm's resources that are not accessible by its competitors(Coyne, 1986). Other researchers have more accurately explained special resources and skills that contribute to the creation of sustainable competitive advantage. For example, (Wright, McMahan, & McWilliams, 1994) argues that all of the firm's resources are not able to create sustainable competitive advantage (SCA) and SCA-resources must have four characteristics: rarity, value, impossibility of being imitated, and impossibility of being replaced. According to(Morgan & Hunt, 1999), potential SCA resources are divided into financial, physical, legal, human, organizational, informational, and rational resources. They believe that competitive advantage in resources can become a competitive advantage in the marketplace (Hoffman Nicol, 2000). Prahalad and Hamel (1990) argue that firms combine resources and skills with core competencies so that they can successfully create sustainable competitive advantage in a consistent and unique way. Peteraf (1993) considers four factors as necessary to achieve a sustainable competitive advantage: resources (heterogeneity within the industry), ex post limits, imperfect resource mobility, and current restrictions to competition (Strand Sampo, 2006). Kay (1995) defines the concept of sustainable competitive advantage through a relational structure, reputation, innovation, and strategic assets (Matthews & Shulman, 2005).

Related Issues in Employee Empowerment and Sustainable Competitive Advantage

In the liberalized, privatized and globalized economy competition in the market reveals an aggressive, stiff and fierce exposition. To remain in the market, to make a place in the market organizations need to gain competitive advantage. That means to gain an advantage over competitors; may be, by offering customers greater value, either by lowering prices or by providing additional benefits and services that justify similar or higher price.

It is not that the organizations aim to have such competitive advantage for a short period of time, they want to have sustainable competitive advantage that may be held for a relatively long period of time. In respect of sustainable competitive advantage (Porter, 1985)states that such concept arises when a firm creates value for its customers, selects markets in which it can excel and presents a moving target to its competitors through improving position in a continuous manner. Now, the question is, how can a firm obtain sustainable competitive advantage? Is it achievable? The answer is Yes. This is achievable; and the firm can achieve it through the resource that has some specific,

unique characteristics. Resource based theorists Barney and Wright opine that in order for a resource to be a source of sustainable competitive advantage it must possess four characteristics.

The resource must be

1. valuable that can create value for the organization (through reducing costs or by differentiating the product or service).
2. rare,
3. almost inimitable.

And the fourth characteristic is that the firm must have appropriate structure and systems that can effectively and efficiently utilize the resource (Barney, 1991, 1995) Again, question arises in this context: Do all resources possess these four characteristics? The answer is No. Gloria Harrell-Cook (1996) explains that few of the resources traditionally thought of as sources of competitive advantage possess those characteristics. The human resources, however, possess those four characteristics. They with their specific, unique, rare and qualitative ingredients can make differentiating value addition service/product if the firm can make/design appropriate strategy, structure, system and develop/create enabling culture, utilize them efficiently and effectively.

So, human resources can make things happen and organizations can obtain sustainable competitive advantage through human resources, for this, organizations need to make the human resources committed, competent in a distinctive embedded culture through changing, redesigning appropriate structure and systems to enable them to render much more value added service and product to the customers as compared to the competitors. (Barney & Wright, 1998) contended that firms must be organized in a manner to take full advantage of the resource. More specifically organizations must have highly integrated and cohesive set of practices to motivate human resources to excel individual performance as well as team performance and to produce value that is rare and inimitable.

All this contributes to achieve sustainable competitive advantage. Now, the question arises what should be the HR practices and systems of policies in organizations to make the human resources contribute at their fullest strength to achieve organizational goals? There may have various HR practices that are used by organizations for such purpose.

Employee empowerment is considered to be one of the most powerful and effective HR practices that facilitates to make greatest contribution by the people who are capable of creating added value in product and service which is rare and inimitable. It enhances job involvement, job satisfaction, career satisfaction and organizational commitment. (Ongori & Shunda, 2008) To make employee empowerment the most efficient and effective HR practice it needs to evolve from an embedded distinctive culture that can make up everything available for the empowered employees through a system to be developed (like getting information, data involving greatly to related job in intra/inter departmental activities, enriching knowledge, idea in a learning process etc) so that they can give their all as highly committed participants in the organizational activities in the macro changing environment. All this can make firms enablers to obtain sustainable competitive advantage.

However, barring culture there are some closely inter-related areas that work as keys to success of employee empowerment. These include: Spontaneous desire and accepting of empowerment programme both by empowered subordinate and empowering boss A strong confidence of empowered employee in the matter that higher responsibility assigned to him be efficiently and effectively discharged A healthy dyadic relationship between boss and subordinate established on the foundation of openness, trust and mutuality Attitudinal exposition of boss towards subordinate by sharing information, responsibility, offering help, assistance, suggestion for successfully completion of task A high degree of employee commitment towards work and organization Honest efforts of firm to enhance level of competence of employee for smooth and effective functioning of performance as also discharging of responsibility Management support and encouragement to empowered employee for innovative efforts (J.H.Dobbs, 1993) Prevalence of an effective communication system for exchange of idea, views between employees and management, and also making employees get to know what is taking place in organization. Empowerment makes systems of working smooth, easy, helping to develop new ideas in work setting in cost effective manner, giving an ample scope to boss to search for a creative, innovative work process through release of strain, stress of overwork, responsibility that can enhance efficiency and efficacy of the managerial personnel.

Recommendations

1. Increasing interest of Empowerment Strategies with Sustainable Competitive Advantage and directing it towards achieving the strategic success of the bank.
2. Efforts should be performed to include the Empowerment Strategies within the bank's mission and vision along with convert them into basic goals of the bank.
3. Increasing the attention to Empowerment Strategies due to the significance role that performs in the formation of Sustainable Competitive Advantage.
4. Interest in consolidating the concept of Empowerment Strategies as well as Sustainable Competitive Advantage among individuals to achieve creative performance.

Conclusions

Employee empowerment process helps banks obtain sustainable competitive advantage if it works smoothly and effectively. For this bank must make employees aware of the concept of empowerment and generate their interest, desire, willingness to accept empowerment through participation in various awareness development programmers. It is a necessity to develop competency of empowered employees so that they can make value addition in product and service. Attitudes and style of functioning of managers must be positive, helping to make the empowered employees commit to work and to bank for successful accomplishment of empowered activities. banks must use employee empowerment as a strategic tool to attain business excellence and achieve goals. All these make banks strong, powerful to face competition and obtain sustainable competitive advantages.

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