

## **The role of Psychological empowerment and its moderating effect between market strategy and organizational performance : A conceptual framework**

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### **Abstract**

Empowerment has been discussed in different context, particularly psychological empowerment. While studies are plenty from the capability approach (agency) towards a group, there aren't many concerning the alternative framework (opportunity structure). In this paper, our primary concern remains to unravel some of the literature on moderating effect of Psychological empowerment on various other constructs such as performance and market strategies. This conceptual framework shall be empirically tested on ground through data to determine our assumptions on associations and causations of different constructs.

**KeyWords :** Market strategy, Performance, Empowerment, Moderator

### **1. Introduction**

Market share has become an all important factor for all organizations, irrespective of their size and scope. All organizations are attempting to be creative and empower its employees to improvise their performance. Employees need to be motivated and it can best happen, when it

happens through psychological empowerment (**Jung et al., 2003**). Leadership and company's innovation culture go hand in hand. Conventional theories on motivation and leadership are failing to deliver results in an otherwise competitive markets. Organizations are trying novel methods to engage employees into an organic working space. And leadership plays a central role in nurturing employee development and keep them motivated (**Yukl, 2002**).

During the past two decades or so, empowerment studies, especially on women has been constructed on full throttle. Empowerment as it can be seen is a enterprise behaviour that helps generate and develop new enterprises (**Robbins, 2005**). There are a couple of paradigms on which most of empowerment researches have been based upon. Firstly, the studies concentrate on relationship empowerment, can also be seen as leadership empowerment- where leaders stand to offer new ways of interactions, particularly participation model that offers employees certain degree of decision making and control over their choices. Secondly, encouragement empowerment is a phenomenon where the employees feel empowered and motivated, inturn exhibiting tendencies of enterprise when they are encouraged (**Yao & Cui, 2010**). We can see empowerment divide into three major elements particularly psychological empowerment. Individual, Work autonomy and working relationship of group leaders play an all important role in defining psychological empowerment (**Ling, 2007**)

The SHGs are a group of women predominantly unlettered who are given an opportunity to own credit and conduct an enterprise. The past two decades has witnessed enormous activity with credit linkages to these small groups. However, the failure to attract market for the SHG products has resulted in their collapse leading to disbanding of their groups and thereby their livelihood. Our concept is to explore if the SHGs can rebound to their old glory when some innovative tools in the form of Market Strategy and Psychological empowerment could lead to a better and profitable performance.

## **2. Review of Literature**

### **2.1 Marketing Strategy**

Marketing strategies can be viewed as composition of various interconnected activities where an organization decides how to use its resources to deliver its products, goods and services. The main objective of marketing strategy is to improve the bottom lines, create economic value where there is none and induce a state of competitiveness in the market place

**(Brodrechtova, 2008)**. Firstly, an organization draws a larger picture comprising of market analysis and create marketing plans. These plans are then actualized through market strategies such as the product, price, promotion and distribution. The ability of marketing strategies to logically follow a course of plan in order to reach its value to last mile customer can be seen as definition of market strategy **(Kotler et al, 2003)**

Market strategies assumes major classification in the form of core market strategy followed by acquiring competitive advantage through organic creation of market share and inorganic acquisitions. Segmentation, targeting and positioning succeeds the core marketing strategy and finally we take to tactical means of implementation through the four p's namely product price and promotion **(Margarita Isoraite, 2009)**. In the age of globalization, we see marketing strategies not restricted to local and national markets but breach boundaries to cater to international markets. Differentiation strategy- where products or services assume unique flavour born out of innovation not commonly available in the market. When we address markets with a capacity to consume enormous quantities, the products or services ought to be cost competitive **(Ayan & Percin, 2005)**

## 2.2 Performance

The idea of performance has become new normal for all organizations, given the competitive market landscape. Perform or perish seems to be the mantra of business today. Performance however is not simplistic, but a subjective perception that considers all aspects that are determinants of action **(Didier Noye, 2002)**. Further, performance management is a belief system where goals are meant to be achieved and hence inducing "enterprise orientation" of all employees. There is an emphasis on set objectives as goals and the results as outcomes. A linear relationship is thus drawn between "objectives and outcomes". **Whooley (1996)** argues that performance as a construct looks like an objective idea, however, in reality it is not so. There is fabric of perception mostly subjective and influenced greatly by society include among others efficiency, economy and equity. According to **Gavrea (2011)** performance measurement plays a vital role in defining organizational performance. The indicators or determinants of which include information technology, Leadership, Innovation and development, Employee engagement, quality control, corporate governance, customers, competitors and suppliers. **Campbell (1990)** examines the construct of performance as multidimensional. He proposes eight factors that measure performance and can be classified

into three groups namely task performance, contextual performance and adaptive performance.

### 2.3 Empowerment

Empowerment has been defined by many researchers in different contexts. However one aspect about empowerment all of them agree is that it is a latent construct that cannot be directly observed (**Mahmud, Shah and Becker, 2012**). However it does bring about a certain change in the lives of women as they dawn on them some liberties, rights and additional responsibility. Then, to define empowerment as a broad availability of choices among women for decision making that actually enhances their value of life and living (**Kabeer, 2001**). Also, it can be viewed as those who were voiceless and been for long marginalized, are gradually finding their voices mainstream. Though the concept of empowerment serves equally both the gender and is important for all, incidentally in developing nations, women empowerment assumes significance, since a women has for long been the victim of social regression and familial conservativeness (**Malhotra and Schuler, 2005**). Empowerment can be seen through the prism of access, especially to information. A study by **Alsop & Heinsohn (2005)** was able to predict the earliest use of social media for women to gain equal access in empowerment. Moreover, the presence of access to information leads to women's ability to challenge and change their context. Thus essentially women empowerment is a process of women coming together organizing themselves that results in self confidence and decision making - taking control of their due share of resources (**Keller, B., & Mbewe, D. C. 1991**). **Chen and Mahmud (1995)** were instrumental in developing a novel conceptual framework on women empowerment comprising of change relating to cognition, economy, perceptive and self efficacy. These were found to be some routes to measure the idea of empowerment. In our study we will be focusing on women's ability to use their cognitive capacity to acquire information and knowledge that translates into favorable outcomes in terms of performance. In this connection, it must be noted that links have been established through empirical study on the relationship between education and empowerment (**Sultana, 2010**).

### 2.4 Relationship between Marketing Strategy and Performance

According to **Farell (2000)**, the idea for a firms existence rests on its ability to bring better value proposition to last mile customer. Market strategies that are based upon market

orientation plays a significant role enhancing performance determined by value creation and value as perceived by buyers of goods and services (**Chadam and Pastuzak, 2005**). Marketing strategies are important to an organization to unleash its potential in finding responsive markets. Market Orientation acts as an antecedent to market strategy. Strategies relating to marketing are better examined and explained with the help of market orientation. Performance is related to strategy (**Dobni & Luffman, 2006**). Business that carry market orientation are likely to adopt market strategies. Market strategies born from a greater degree of market orientation will result in better performance of organization (**Narver & Slater, 1990**). Moreover, empirical links are clear in pointing to the significance of market strategy contributing substantially to performance that includes commodity and non commodity markets.

## 2.5 Moderating role of Empowerment

**Menon (2001)** argues on the role of empowerment from a psychological perspective. The study focuses on the individual rather than group or set of employees. Thus, impetus was given to the individual perspective towards empowerment process. However, there is a mention on the effective role of leader in creating an environment resulting in psychological empowerment of team or group members. **Ozaralli (2015)** discusses on the aspect of psychological empowerment among employees in an organization as a “neglected issue”. There are definite links established between purposeful leadership, creativity and empowerment of group members. Hence, it becomes imperative that Self Help Groups are able to understand the role of psychological empowerment in enhancing their creative behaviors. In our study we are attempting to focus on change of behavior in terms of adopting strategies that are market oriented otherwise known as marketing strategies. It is important that such efforts attract certain element of creativity and innovation. Empowerment affects innovation and innovation led behavior positively (**Yildirim and Karabey, 2016**). The study discusses the moderating impact of empowerment on organizational culture. We attempt to unravel similar effect on performance of groups. **Liden (2000)** brought out the various other variables connected to psychological empowerment such as work characteristic, satisfaction at work and organizational commitment. **Lingli (2007)** discusses on psychological empowerment as an important agency variable amidst leadership, satisfaction at work and empowerment climate.

### 3. Measures and Methods

This paper attempts to bring the spot light on moderating relationship between marketing strategies and its role in influencing performance. We have in the review of literature reviewed the variables independently, however, in this section, we shall try to propose the relationship of the three viz. Marketing strategy, Organizational Performance and Psychological empowerment as variables under study. **Azizi, Mohaved and Khah (2009)** discuss on the relationship between marketing strategies and overall business performance in the medical equipment industry in Iran. They inducted around thirty parameters they computed on both financial and non financial parameters. The findings indicated that though the marketing strategies did not have a direct effect on economic profitability, they still had substantial effect on the non financial performance of the organization. **Anthony Koh (1991)** brought about empirically a relationship between marketing strategies and performance in the export context. The study examined the awareness and education levels of personnel who are involved in export of goods in the United States of America. Those who are trained in the international marketing practices, are able to sell their products directly and thereby tend to command better prices for the goods. **Matsuno and Mentzer (2000)** argue that the business strategy at times can moderate the market strategy and performance relationship. They empirically test strength of the relationship between strategies and performance.

P1: There seems to exist a relationship between various marketing strategies adopted by the organization and their ability to influence overall performance, particularly the non financial performance.

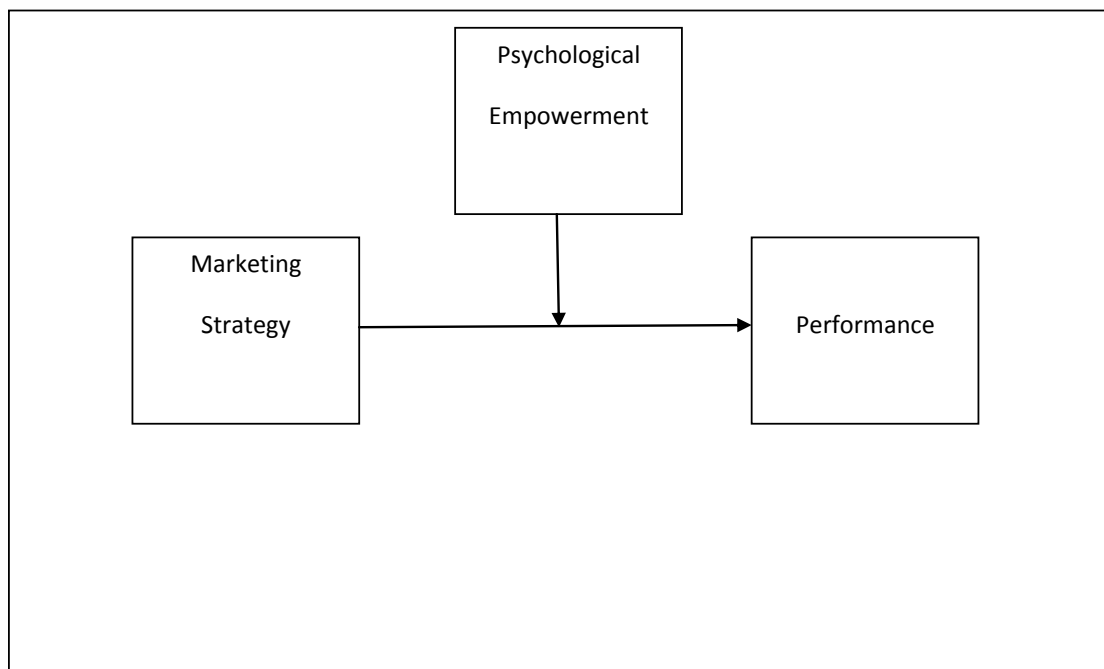
**Yildirim and Karabey (2016)** examine the role of organizational innovation in the context of culture and innovation, also deciphering the role of empowerment as a moderating variable considering the overall effect of innovation leading to performance in organizations. **Neil Morgan (2012)** examines the role of marketing as a strategy and its ability to raise performance levels within organizations. The study deciphers the dilemma of academicians to understand and delineate marketing as a subject and compare it with business performance. However, it does not fail to bring perspective to the relationship (**Varadarajan, 2010; Ketchen and Hult, 2011**).

**Bettencourt and Brown (2003)** established a positive relationship between employee commitment to organization and job satisfaction they derive there from. There is an emphasis

here on the felt or psychological empowerment playing an influential role to muster the commitment levels among employees. Though **Hartline and Ferrell (1996)** seem to contend that employee empowerment as moderator variable can produce either a positive or negative effect on job satisfaction and therefore performance, most of the later studies concur it to produce more of positive effect than negative one.

P2: We propose there exist a role of empowerment that moderates the relationship between market strategies for successful performance.

Figure One: Conceptual Framework



reflective measure. This means market strategies are more or less captured by the following sub constructs namely Product design and development, Product positioning, Quality of service and Customer relationship marketing (**Jayashankar, 2012**). The performance construct can be captured through economic and group performance. The conceptual model has been evolved keeping in mind the Self Help Groups (SHGs) in India. And the moderating role of Psychological empowerment can be captured through meaning, competence, self determination and impact (**Spreitzer, 1995**).

Table 1: Scale for Psychological Empowerment

S No	Construct	Sub Construct	Items
1	Psychological Empowerment	Meaning	My work is my priority
2			Actions I perform has meaning to me
3			My work has meaning to me
4		Competence	About my capabilities at work, I'm confident
5			I'm confident of my ability to perform at work
6			I carry reasonable mastery over skills needed to execute my work
7		Self Determination	My job is left to my discretion
8			I decide on the process and progress of my work
9			I have considerable say in my job
10		Impact	My stake on my job is high
11			I control tasks concerning my function
12			I carry influence over how my department functions

Source : Modified and adapted from Spreitzer, GM (1995).

Table 2: Scale for Marketing Strategy

S No	Construct	Sub Construct	Items
1	Marketing Strategy	Product Positioning	I believe clients can be segmented
2			I feel technology can help gather information
3			Attractive products command additional prices
4			Targetting right customers can boost sales
5		Customer Relationship	Technology can help connect to customers faster and cheaper



6		Management	Customer Convenience is important
7			Communication with customer is important
8		Quality of Service	Customer service will boost sales
9			Quality products sell better
10			Customer complaints are addressed promptly
11		Product Design and Development	Ascertain end client to design products
12			Design based on competition
13			Interested to know more designs
14			Use Internet for additional Information

Source :Modified and adapted from Jayashankar (2012)

Table 3: Scale for Group Performance

S No	Construct	Sub Construct	Items
1	Performance	Collective Performance	Members attend meeting regularly
2			Members are aware of group transactions
3			Repayment without default
4		Economic Performance	Income has improved
5			Free access to credit
6			Freely contact banks
7			Increase in employment generation
8			Increase in savings
9			Increase expenditure on health

Source :Modified and adapted from Bharamapannavara & Jose (2015)

#### 4. Scope for Future research

Psychological empowerment of employees increase job satisfaction, and thereby their productivity resulting in improvisation of overall performance. Marketing strategies are essential to capture the performance of an organization. Many studies have confirmed the role of Marketing strategies in sustaining business ventures. In a era of globalization, while bigger companies are able to make use of opportunities to market their goods and services, smaller and medium scale organizations on the other hand are not quite conversant with marketing

needs. They struggle to design, position, place and price their products and services. This in turn affects their performance and thus sustainability of venture. Our objective in this paper is to bring out the importance of performance, relevance of marketing strategy and useful role played by psychological empowerment as moderator.

This paper is focussed on bringing constructs into context. These constructs though have been proven elsewhere by empirical research studies, still there is quite a space and domains to traverse. As discussed earlier, small and medium scale enterprises are important for assessment of empowerment and benefits accrued from empowering employees. Secondly, there are smaller group based business entities that require marketing strategy resulting from change in behaviour and focus on long term for results. The conceptual framework can further be tested beyond literature with some data from field and induce empiricity to establish sound relationship between the constructs as illustrated in figure one. Table 1, 2 and 3 are items that can be used for collecting data and testing for validity and reliability. Further, the role of moderation by the construct Psychological empowerment can be verified. The scale items are particularly suited to capture the group performance, and hence Self help groups can be an ideal target for data collection.

## **5. Implication**

We will discuss here theoretical and managerial implications. In so far as theoretical implications are concerned, the deployment of psychological empowerment among group members as moderator raises pertinent questions on the validity and significance of the role of moderator. We need to investigate through proper data; presence or absence of interaction effect if any. As performance is becoming a critical factor in success of groups or organizations, we need to see if there is an influence on the outcome variable. Corroborating with data, we feel the results could add to the theory in proportional measure. Secondly, there are managerial or practical implications of the study. Empowerment has been widely discussed and debated for over two decades now. Job satisfaction and performance are important elements of successful organizations. The market strategies are found to have a relationship with performance, there is a vital role of empowerment among employees that set a ground for influence. Managers would do well to understand and promote the role empowerment among employees.

## 6. Conclusion

In the study, we have been able to bring to light some studies concerning the role of psychological empowerment as a moderator variable. Proposal depicting a relationship between market strategies and performance has been established. Moreover, we also propose the probable role of psychological empowerment as a moderator. The study can be conclusively extended to test the model on field through collection of data and analyzing for the proposals in form of hypotheses.

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