

*Full Length Research Paper*

# Employee empowerment and customer satisfaction: Empirical evidence from the banking sector of Pakistan

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Employee empowerment is a key feature of the modern management style. Empowered employees are expected to perform more effectively as compared to those working in traditional or authoritarian organizational cultures. Keeping in view the significance of the issue, a comparative study was planned to examine the impact of employee empowerment on customer satisfaction. A multistage cluster sample of 644 bank officers was drawn from two banks operating in Pakistan: the first one was a foreign bank (Standard Chartered Ltd.), where employees were empowered, BWEE (Bank with Empowered Employees). The second one was a local public sector bank (The Bank of Punjab) with a traditional management style, where employees were not empowered, BWNEE (Bank with no Empowered Employees). Data collection tools for both variables that is employee empowerment and customer satisfaction were adopted from the body of knowledge and used for data collection. Two independent sets of data were analyzed with the application of regression coefficient. Empirical analysis indicated that there was no relationship between employee empowerment and customer satisfaction in the Pakistani commercial banking sector.

**Key words:** Employee empowerment, customer satisfaction, Pakistani banking sector.

## INTRODUCTION

Participative management is one of the most popular and most commonly practiced management styles in modern organizations. Employee empowerment is one of the reflections of this modern approach to man management. It invariably leads to a positive change within the organization.

Empowered employees are more motivated as compared to those who just follow the given lines. Employee empowerment creates sense of belongingness and ownership towards the parent organization. Empowered employee feel more confident and try to give their best to their employers, as a result, service quality improves. Improved product or service quality generally results into higher level of customer satisfaction. Higher level of customer satisfaction results into a bigger sales

volume resulting into an improved profitability. Every business aims at earning profits; however profits and customer value go hand in hand. In order to give maximum value to a customer, the service provider is required to develop a sound understanding of the customer expectations. Once customer expectations are known, then some legitimate freedom of action along with the input of employee in the service or product would create a more favorable environment for the success of a business venture.

## Problem statement

Keeping the above discussion in view, the researcher plans to study the impact of employee empowerment on customer satisfaction in the banking sector of Pakistan.

## Originality of the study

The research area, that is the employee empowerment

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**Abbreviations:** BWNEE, Bank with no empowered employees; BWEE, bank with empowered employees.

and its impact on customer satisfaction in the banking sector of Pakistan has not yet been explored by any researcher so far. This is a visible gap in the body of knowledge. The present research does fill this gap and is a significant contribution to the body of knowledge.

### Applied aspects

Customer satisfaction is the prime target of every business venture. Whatever strategies and policies that are developed are meant for customer satisfaction. The study has various applied aspects. Findings of the research may be communicated to the bank authorities for implementation in the banking sector of Pakistan to increase the number of loyal employees and satisfied customers.

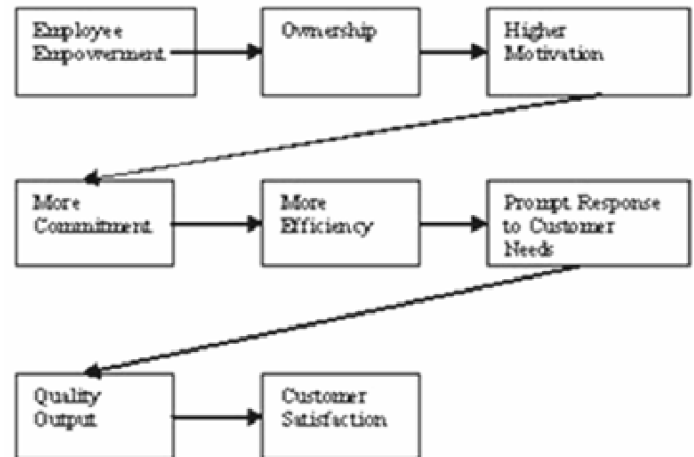
### Objectives of the study

Following are the objectives of the study:

1. To study the level of employee empowerment in local and foreign banking sector of Pakistan.
2. To study the level of customer satisfaction in the same population.
3. To examine if there is any relationship between the two variables, that is employee empowerment (independent) and customer satisfaction (dependent).

### LITERATURE REVIEW

Customer satisfaction is customer perception regarding a particular product / service according to his / her already set expectations (Schiffman and Kanuk, 2005). When would customer feel that they are being offered products according to their expectations? That depends a lot on the efficiency levels of the service providers or on the people who are involved in the production process. How would efficiency level go up? This is possible through autonomy, responsibility, innovation and information (Yang and Choi, 2009). Morrison, Jones and Fuller (1997) studied the relationship between leadership styles and empowerment on job satisfaction. Teacher made tools for data collection were adopted for this survey research. The researchers concluded that various leadership styles and employee empowerment may be used as an effective strategy to create job satisfaction in employees. Satisfied employees would always play their major role in satisfying their customers. Peters and Mazdarani (2008) analyzed the effect of employee empowerment on service quality and customer satisfaction and concluded a positive relationship between the two variables. Studies conducted by Soetanto and King (2005) ; Kazlauskaitė et al. (2006); Greasley (2005); Hoare and Butcher (2008); Boudrias et al. (2009);



**Figure 1.** Employee empowerment and customer satisfaction: A conceptual model. Source: Researcher's own processing.

Colwell et al. (2009) and Yang and Choi (2009) concluded that employee empowerment can contribute a lot towards business growth and development. Business growth is largely dependent upon customer satisfaction and customer satisfaction is one of the end products of employee empowerment.

### THEORETICAL FRAMEWORK AND HYPOTHESIS GENERATION

Following theoretical framework has been developed for the generation of hypothesis (Figure 1).

The research hypothesis generated for the present study from the above theoretical frame work is as follows:

“Higher level of employee empowerment leads to higher level of customer satisfaction”

Following null hypothesis will be used during empirical testing:

“There is no relationship between the two variables”.

### METHODOLOGY

The universe for the present research consisted of two leading banks operating in Pakistan. Standard Chartered Ltd., a leading foreign bank, emphasizing employee empowerment as one of their key strategies, having wider network of branches all over the country, abbreviated as BWEE (bank with employee empowerment).

Other bank was the Bank of Punjab, a local public sector bank, with a traditional management style, abbreviated as BWNEE (bank with no employee empowerment).

### Sampling procedure

A multistage cluster sample of 644 respondents (322 bank officers

**Table 1.** Sampling details.

<b>Bank</b>	<b>Officers</b>	<b>Customers</b>
BWEE - Standard Chartered Ltd.	161	161
BWNEE - Bank of Punjab	161	161
Total	322	322
Grand total		644

Source: Researcher's own processing.

and 322 bank customers) was drawn from the said banks as per the following details in Table 1.

### **Tools for data collection**

Nine-item tool for the measurement of Employee Empowerment was adopted from the detailed questionnaire developed by Ngware et al. (2006) about Quality Management. Taylor and Baker's (1994) five item scale was used to examine customer satisfaction. A five point Likert scale was used for the investigation.

### **Reliability of the instruments**

SPSS version 16 was used for data analysis. Alpha reliability values for the both instruments during pre-testing ranged from 0.88 - 0.97 indicating a strong internal consistency of the tools being used.

## **PRESENTATION AND ANALYSIS OF DATA**

Demographic Characteristics: Employees of BWEE and BWNEE

### **Employee survey**

A heavy majority of the employees of BWEE were less than 40 years whereas a simple majority of the same respondents of BWNEE were less than 48 years.

Education level in both sets of data (90% and above) was almost same that is, bachelors and masters level.

BWEE was found to have almost equal proportion of both sexes; 56.5 male and 43.5 female. The situation was entirely different in case of BWNEE. A dominant majority (80%) of the employees were male and one fifth (20%) of the officers was female.

### **Customer survey**

The customers of BWEE were almost equally distributed in all age groups (18 to 58+) whereas a majority (65.20) of the customers was found to be in the age group of 29-48.

An overwhelming majority (82.60) of the respondents were bachelors and masters degree holders in case of

BWEE. On the other hand, customers of BWNEE were found to be equally distributed at all levels that is A-levels / intermediate to masters.

A dominant majority in both cases was male (BWEE: 73% male customers and BWNEE: 81% male customers). This is a typical phenomenon of a male dominated society where men are responsible for all commercial transactions and women are kept away from business activities.

### **Hypothesis testing**

The testing of hypothesis was carried out with the application of regression coefficient. The following hypotheses were formulated for testing:

**Research hypothesis:** Higher level of employee empowerment leads to higher level of customer satisfaction.

**Null Hypothesis:** There is no relationship between the two variables (Table 2).

According to the above data analysis, no relationship was found between the two variables in both cases that is BWEE and BWNEE resulting into rejecting the research hypothesis and accepting the null hypothesis. The proposed hypothesized relationship was proved to be insignificant. The following could be the possible reasons for the rejection of the above research model in the commercial banking sector of Pakistan:

- i. Employee Empowerment does not stand fully implemented in true letter and spirit. This may have been implemented in black and white but not at operational levels.
- ii. Pakistan is a collectivist society and hence individual empowerment is not thought of.
- iii. Because of the corruption in many sectors, managers are scared to fully empower their subordinates.
- iv. Already dominated traditional management style seems to be one of the possible reasons that discourage managers to empower their subordinates.
- v. Managers are low risk takers because of the specific socio-cultural environment of Pakistan.
- vi. If it is assumed that employees stand empowered then lack of accountability of the empowered employees is also one of the reasons for not having the fruits of employee empowerment. In the absence of such a check and balance system, the empowerment may not be used to serve customers well rather serving their own (managers') personal interests more.
- vii. There is no system of pre-empowerment orientation. So employees cannot make an effective use of empowerment in their routine operations.
- viii. Although there seem to be employee empowerment

**Table 2.** Employee empowerment and customer satisfaction.

BWEE (N = 322)					BWNEE (N = 322)				
R	r <sup>2</sup>	Ad.r <sup>2</sup>	F Stat.	P Value	R	r <sup>2</sup>	Ad.r <sup>2</sup>	F Stat.	P Value
0.050	0.003	-0.004	0.400	0.528	0.077	0.006	-0.008	0.425	0.516

Source: Researchers own processing.

In practice in Pakistani organizations, but being a part of a third world, there could be other sort of hindrances like poor salary structures and various other de-motivators which would cancel out the benefits of empowerment and hence breaking the link between empowerment and customer satisfaction.

### Application of t-test

In order to further investigate the employee empowerment and customer satisfaction phenomena, t-test was also applied to check whether two independent sets of data differ significantly or not. The t-values ranged from 14 - 18 indicating a significant difference between the two samples of customers and officers taken from BWEE and BWNEE.

### Conclusion

The following conclusions have been drawn from the above findings:

1. Employee empowerment level was found to be at higher side in foreign banking setup.
2. Customers of BWEE were highly satisfied as compared to the local bank.
3. No relationship was found between employee empowerment and customer satisfaction in both foreign and local banking set up.

### Recommendations

In light of the above study, it is recommended that investigations may be designed to examine the empowerment implementation process, so that future studies may be designed keeping into account the existing processes.

### Limitations

The study was conducted with one local and one foreign bank; other local and foreign banks may be included for more generalization.

Data could have been analyzed on latest analysis tools like LISERAL etc.

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