

When Empowered Leaders Make for Empowered Employees: The Differential Predictive Capacity of Empowerment Constructs across Cultures

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Extended Abstract

This research examines whether different sources of empowerment differentially predict firm performance across cultures. Specifically, we investigate the moderating effect of power distance on the performance implications of empowerment climate, psychological empowerment, and a new construct, exposure to empowered others (employee perceptions of the degree to which leaders above them are empowered) in a sample of 4,131 individuals in ten companies across six countries. In doing so, we make several contributions to theories of empowerment and cross-cultural organizational behavior. First, we develop the construct of exposure to empowered others as a third source of empowerment, beyond psychological and social-structural empowerment, that may be particularly potent in non-Western cultures. Second, we argue that vicarious learning is the mechanism by which this effect is enacted, as employees learn how to be and act empowered. Finally, we demonstrate how culture acts as a moderator between these effects and performance, extending theory on cultural congruence (Newman and Nollen, 1996).

Psychological, Social, and Relational Empowerment

Empowerment has been developed as a multi-level phenomena, including as an individual behavioral tendency, a management practice, and an organizational solution. Conger and Kanungo (1988) framed empowerment as a motivational rather than a relational construct, defining it as a set of actions that enable employees. Building on this, Thomas and Velthouse (1990) developed an interpretive context-dependent approach, broadening the cognitive model of the empowerment process. Spreitzer and colleagues framed empowerment as a psychological construct (Spreitzer, 1995;1996; Spreitzer, De Janasz & Quinn, 1999), validating a multi-dimensional measure, linking empowerment with a set of social-structural predictors. In recent years, researchers have extended this important foundational work, incorporating measures of environmental context and

organizational climate. For example, Seibert et al. (2004) developed the concept of empowerment climate, defined as the extent to which an organization makes use of structures, policies, and practices supporting employee empowerment. However, what is missing in the empowerment literature is a construct that might exist in between the individual and their context -- at the “meso” level -- which captures the mechanisms of the relational exchange of power between and among individuals. Further, very little research has examined empowerment across cultures. Findings of the few empirical publications testing relationships in multiple countries have shown that empowerment is affected by external societal factors (Holden, 1999) and that the association between empowerment and job satisfaction is moderated by power distance (Roberts et al., 2000).

Addressing these opportunities for theoretical extensions, we develop the construct of *exposure to empowered others* as an important, yet unexplored, source of empowerment for individual employees, particularly those who are in high power distance cultures. Several previous findings support the predicted association between employee behavior and the extent to which they perceive the level above them as empowered. Conger and Kanungo (1990) include vicarious experiences of observing others who perform successfully on the job as a source of self-efficacy, as one of their identified steps in the empowerment process. Thomas and Velthouse (1990) explain how cognitive processing is reduced by experiencing familiar events, as would happen when employees observe those above them acting empowered. Finally, Feldman and Khadhamian (2003) stated that employees can learn to empower by being empowered in a cascading behavioral process.

Much of this prior work coincides with Bandura’s social learning theory (1977), which posited that vicarious learning occurs as a function of observing, retaining and replicating behavior observed in others. It is through the mimicking and modeling of managerial behaviors that employees are able to understand how to be empowered. Further, when employees hold values that lead them to expect and accept large differentials of power (such as between a supervisor and subordinate), empowerment may most readily occur through such vicarious experience as they observe and interact with a supervisor who is herself empowered. Exposure to empowered others may, in fact, be a more potent means of increasing performance for employees from high power distance cultures than are psychological empowerment or empowerment climate.

Methods

We investigate these ideas using survey responses from a stratified random sample of 4,131 employees of ten multinational firms. These respondents work within four hierarchical levels in 41 business units across six countries. This approach has an advantage over focusing on a sample within a single company or country, providing a rich opportunity to compare empowerment across cultures, while controlling for firm differences. The survey was administered to between 50 and 500 employees within each level, identified using a random number generator and employee rosters. The employees were asked to respond to a series of questions pertaining to their perceptions of workplace practices, organizational and social norms, and managerial aspects of their work climate. All items of this comprehensive survey required a seven-point Likert-style response from the participants ranging from 1 (“not at all”) to 7 (“very great extent”). Respondents were asked to respond to all questions from the perspective of both their peers (“people at my level”) as well as people at the level above them (“people at the level above me”). This format allows for analysis across levels and the opportunity to compare different interpretations of the same behaviors. All constructs were measured using multi-item scales. Scores on these measures were means calculated across items. Our survey items were based on, and extended, previous research on psychological empowerment (Spreitzer, 1995) and empowerment climate. (Blanchard et al., 1995; Seibert et al., 2004).

Empowerment constructs. **Empowerment climate** was captured with a five-item scale including items such as “People at the level above me act more like coaches and teachers than authoritarian bosses” and “People at the level above me give ready access to information that others need” ($\alpha = .87$). **Exposure to empowered others** captured employees’ perceptions of how empowered the level above them are with a five-item scale, based on responses to questions such as “People at the level above me have access to the information they need to make good decisions” and “People at the level above me are willing and able to take prudent risks” ($\alpha = .87$). For our measure of **psychological empowerment**, we focused in particular on the self-determination dimension (Spreitzer, 1995), as it is the most relevant to the research questions we examine, capturing this dimension with five items including items such as “People at my level have access to the information they need to make good decisions” and “People at my level are willing and able to take prudent risks” ($\alpha = .83$).

Dependent variable: Firm performance. We utilized the four-item scale Subjective Firm Performance Scale developed and validated by Gibson and Birkinshaw (2004) in their research on organizational ambidexterity. This four-item scale includes items such as “This organization is achieving its full potential” and “People at my level are satisfied with the current level of corporate performance” ($\alpha = .82$). Gibson and Birkinshaw (2004) found that this scale was highly correlated with objective firm performance relative to industry average performance. That is, they calculated measures of return on assets, return on equity, and shareholder return over a five-year period for each firm in their sample, and then divided these performance measures by the equivalent figures for a group of peer companies. These relative measures of financial performance were highly correlated with aggregated measures of subjective performance as rated by senior managers ($r = .75, p < .05$), lending strong external validity for the subjective performance measure. As in the Gibson and Birkinshaw (2004), in our sample, senior executives provided an independent assessment of firm performance to minimize potential same-source bias.

Cultural measure: Power distance. Power distance reflects the extent to which people accept and expect unequal sharing of power (Hofstede 2001; House et al., 2004). Here, we measure power distance with a two-item scale, including “Hierarchy is the best form of organization” and “The highest ranking manager in the team takes the lead” ($\alpha = .66$). Importantly, country means on this scale in our sample are highly correlated ($r = .80$) with country scores obtained by Hofstede (1980), providing external validity for this scale.

Controls. We included nine (n-1) dummy variables representing the firms in our sample to control for firm-level effects.

Preliminary Results

Our analysis is currently in progress, however, in preliminary models, we utilized hierarchical multiple regression analysis to test for the moderating effects of power distance on the relationship between each of the empowerment constructs and firm performance. Interestingly, empowerment climate operates similarly across cultures, demonstrating a positive main effect on performance, and no significant interaction effects. However, power distance moderates the effect of exposure to empowered others and psychological empowerment. Hence, exposure to empowered others and psychological empowerment have differential effects across cultures. Post hoc examination in sub-samples of the data for each country demonstrated that as anticipated, in higher power distance countries (such as France and India), exposure to empowered others is a better predictor of performance than in lower power distance countries (such as the U.S. and Canada).

Discussion

Our research is among the few to examine empowerment across cultures. We investigate a relational empowerment construct – exposure to empowered others – and compare its effects on performance with two other empowerment constructs investigated in prior literature. We propose and find that exposure to empowered others is a more potent predictor of performance in high power distance cultures, arguing that the explanatory mechanism for the differential cultural pattern is the importance of vicarious learning among those that are high versus low in power distance. In our sample, employees in lower power distance demonstrated a stronger association between empowerment climate and performance. Individuals in low power distance cultures may already have the socialized tendency to be and act empowered, only needing the appropriate support structures in place (such as efficient communication systems and active information sharing) to act upon perceived empowerment. These findings coincide with other research that characterizes high power distance cultures as “emotional dependent on more powerful persons” (House et al., 2004). Employees in these cultures may not have the motivation to perform unless they observe others empowered to perform successfully. In our paper we will discuss the implications of these cross-cultural findings for theory regarding empowerment as well as international management approaches which argue for the need to avoid the unilateral application of management practices across cultures.

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