

HOW INTERNAL MARKETING CAN CULTIVATE PSYCHOLOGICAL EMPOWERMENT AND ENHANCE EMPLOYEE PERFORMANCE

QING YAO

University of Science and Technology Beijing

RONG CHEN AND GUOLIANG CAI

Tsinghua University

We examined the impact of psychological empowerment on employee loyalty, satisfaction, and task performance with survey data from 617 employees of a petrochemical company in China. Results based on a structural equation model showed that psychological empowerment had a significant positive effect on both employee loyalty and task performance, which was partially mediated by employee satisfaction. In addition, we found that psychological empowerment was significantly and positively influenced by each dimension of internal marketing.

Keywords: psychological empowerment, internal marketing, employee satisfaction, employee loyalty, task performance.

With the advancement of science and technology, and the increase of global competition, empowerment is now deemed essential for the effectiveness of enterprises (Aryee & Chen, 2006; Ergeneli, Ari, & Metin, 2007). Researchers who have focused on empowerment have shifted their attention from its practical applications to explanation of the deep psychological mechanism. A number of researchers have explored the structural dimensions and the

Qing Yao, Department of Business Administration, Dongling School of Economics and Management, University of Science and Technology, Beijing; Rong Chen and Guoliang Cai, Department of Marketing, School of Economics and Management, Tsinghua University.

This study was funded by the National Natural Science Foundation of China (No. 71172011 and 71272160) and China Postdoctoral Science Foundation funded project (No. 2012M520172).

Correspondence concerning this article should be addressed to: Guoliang Cai, Department of Marketing, School of Economics and Management, Tsinghua University, Beijing, People's Republic of China. Email: caigl.11@sem.tsinghua.edu.cn

influencing factors of psychological empowerment (Hall, 2008; Liden, Wayne, & Sparrowe, 2000; Spence Laschinger, Finegan, Shamian, & Wilk, 2001). On the other hand, researchers have also investigated the effect of psychological empowerment on the attitudes and behavior of employees. For example, Sigler and Pearson (2000) showed that the productivity of individual employees was positively related to their psychological empowerment. Zhang and Bartol (2010) explored the relationship between the psychological empowerment and creativity of employees to identify the intrinsic motivation and mental processes of psychological empowerment.

Although researchers have explored the impact of psychological empowerment on psychological and behavioral variables, few of these studies are comprehensive.

The objectives in the current study were:

- a) To explore the antecedence of psychological empowerment because of the inadequate awareness of it in prior research.
- b) To provide an overall perspective of the impact of psychological empowerment on psychological and behavioral aspects, as well as exploring the underlying mechanism.

Specifically, we attempted to answer the following questions:

- a) How does internal marketing influence the level of employees' psychological empowerment?
- b) How does the level of psychological empowerment of employees affect their loyalty and task performance?
- c) What is the intermediary factor in this process?

Theoretical Background and Hypotheses

According to Conger and Kanungo (1988) *empowerment is an intrinsic construct meaning "enabling", rather than a simple empowerment of subordinates with power and resources*. Thomas and Velthouse (1990) further proposed the construct of *psychological empowerment*, which consists of the following four dimensions that have been widely accepted by scholars: meaning, competence, self-determination and impact. *Meaning* refers to *an individual's perception of the goals, objectives, and values of the work based on that person's own value systems and standards*. *Competence* or *self-efficacy* refers to *an individual's perception of his or her ability to complete the work*. *Self-determination* refers to *an individual's ability to control the work*. *Impact* refers to *the extent to which an individual can affect the results of an organization in which he or she is employed in terms of strategies, administration, management, and operations*. The four dimensions of psychological empowerment reflect positive positioning of individuals about their work roles (Spreitzer, 2007). Employees who are empowered will not wait passively for instructions but, rather, will actively

change and affect their work environment, leading to greater efficiency (Sigler & Pearson, 2000).

Internal Marketing and Psychological Empowerment

Berry (1995) suggested that employees can be treated as internal customers and internal suppliers and, thus, the purpose of internal marketing is to create a market atmosphere within the organization to ensure that the needs and desires of the internal customers are met. *Internal marketing* can be defined as *working to attract, develop, motivate, and maintain high-quality staff by providing them with work products they need*. The effort of an enterprise to provide internal marketing can positively affect the attitude of frontline employees toward their work and the organization, as well as raise employees' emotional investment in the organization, thereby increasing the employees' overall level of psychological empowerment (Keller, Lynch, Ellinger, Ozment, & Calantone, 2006). Accordingly, we proposed the following hypothesis:

Hypothesis 1: The relationship between psychological empowerment and internal marketing will be positive.

Loyalty, Job Performance, Satisfaction, and Psychological Empowerment

Loyalty here refers to *employee loyalty to the organization*. Employees with a high level of commitment to the organization have a stronger sense of belonging, are willing to learn new skills, share knowledge, provide suggestions and comments, and pay more attention to quality and productivity (Osterman, 2006). Empowered employees believe that they are important and influential in the organization, and that it is worthwhile to stay in the organization (Kark, Shamir, & Chen, 2003). In fact, a large number of researchers have shown that employees who feel empowered are more loyal to the organization (e.g., Avolio, Zhu, Koh, & Bhatia, 2004; Liden et al., 2000). Thus, we proposed that:

Hypothesis 2: The relationship between psychological empowerment and employee loyalty will be positive.

Work performance is a measure of the extent to which a particular objective is achieved (Kuvaas & Dysvik, 2009). Borman and Motowidlo (1993) divide work performance into task performance and contextual performance. *Task performance* refers to the behavior an organization specifies or that is related to specific acts, whereas *contextual performance* means extra work for the organization and the social and psychological environment. As contextual performance is associated with the characteristics of the employee, in this study we examined only task performance. The productivity of employees is positively associated with the level of psychological empowerment (Sigler & Pearson, 2000), as psychological empowerment has a positive effect on employees' self-efficacy and the employees believe that they can contribute to the increase

of productivity of the enterprise as a result of this (Martin & Bush, 2006). Therefore, we proposed that:

Hypothesis 3: The relationship between psychological empowerment and task performance will be positive.

Many researchers have shown that the relationship between each dimension of psychological empowerment and employee job satisfaction is positive (Dewettinck & van Ameijde, 2011; Spreitzer, Kizilos, & Nason, 1997). For example, Spreitzer et al. (1997) conducted systematic analyses of the relationship between all dimensions of psychological empowerment and job satisfaction, and suggested that job satisfaction is positively related to meaning of work, self-determination, and competence. According to this rationale, we proposed that:

Hypothesis 4: The relationship between psychological empowerment and employee satisfaction will be positive.

Reichheld (2001) suggested that satisfaction and loyalty are fundamentally different. Loyal employees must be satisfied but satisfied employees are not necessarily loyal. It has been found that the relationship between employee satisfaction and employee loyalty are not consistent. Nevertheless, most researchers have shown that employee satisfaction can lead to employee loyalty (Mak & Sockel, 2001; Martensen & Gronholdt, 2001). This formed the basis of our fifth hypothesis:

Hypothesis 5: The relationship between employee satisfaction and employee loyalty will be positive.

According to the theory of the Hawthorne effect (Benson, 2000) a positive but temporary change in a measurable behavior occurs in a situation in which there has been no deliberate attempt to affect this behavior and, thus, the improvement of productivity is based on the psychological satisfaction of the employees. Herzberg (1959) also showed in a series of experiments that formed the basis of his motivation-hygiene theory, that the relationship between satisfaction and performance was positive. Thus, we proposed that:

Hypothesis 6: The relationship between employee satisfaction and task performance will be positive.

Method

Participants, Instruments, and Procedure

The questionnaire we compiled for this study was completed by 1,085 people employed in the lubricant oil sector of China Petrochemical Corporation in Hebei, Shandong, Zhejiang, Guangdong, Hunan, and Yunnan provinces. We obtained 617 usable responses, resulting in a response rate of 57%.

We used the measure of psychological empowerment that was developed by Spreitzer (1995). The items we used to measure internal marketing, which were grouped in dimensions of internal products, internal prices, internal distribution,

and internal promotions, were taken from Keller, Lynch, Ellinger, Ozment, and Calantone (2006). We used scales developed by Hartline and Ferrell (1996) and Carmeli and Josman (2006) to measure job satisfaction and task performance, respectively. We chose a 5-point (1 = *strongly disagree*, 5 = *strongly agree*) Likert scale for these items. The reliabilities were acceptable (Cronbach α of all the variables were between 0.816 and 0.917).

Results

We used structural equation modeling to test the hypotheses. The results are presented in Table 1 and Figure 1.

Table 1. *Influence among the Variables*

| Parameter | Coefficient | SE | <i>p</i> |
|--|-------------|------|----------|
| Internal product → Meaning of work | .195 | .049 | *** |
| Internal product → Self-determination | .227 | .065 | *** |
| Internal product → Self-efficacy | .04 | .053 | .452 |
| Internal product → Impact on work | .222 | .062 | *** |
| Internal price → Meaning of work | .092 | .058 | .113 |
| Internal price → Self-determination | .131 | .078 | * |
| Internal price → Self efficacy | -.005 | .062 | .938 |
| Internal price → Impact on work | .185 | .073 | ** |
| Internal distribution → Meaning of work | .182 | .054 | *** |
| Internal distribution → Self-determination | -.037 | .073 | .616 |
| Internal distribution → Self-efficacy | .192 | .059 | ** |
| Internal distribution → Impact on work | -.039 | .068 | .566 |
| Internal promotion → Meaning of work | .135 | .058 | ** |
| Internal promotion → Self-determination | .482 | .076 | *** |
| Internal promotion → Self-efficacy | -.029 | .062 | .636 |
| Internal promotion → Impact on work | .141 | .073 | * |
| Meaning of work → Satisfaction | .539 | .044 | *** |
| Self-determination → Satisfaction | .133 | .039 | *** |
| Self-efficacy → Satisfaction | .102 | .039 | ** |
| Impact on work → Satisfaction | .187 | .033 | *** |
| Meaning of work → Loyalty | .282 | .040 | *** |
| Self-determination → Loyalty | .034 | .033 | .295 |
| Self efficacy → Loyalty | -.011 | .032 | .733 |
| Impact on work → Loyalty | .135 | .028 | *** |
| Meaning of work → Task performance | .340 | .037 | *** |
| Self-determination → Task performance | .142 | .03 | *** |
| Self efficacy → Task performance | .477 | .029 | *** |
| Impact on work → Task performance | .019 | .026 | .455 |
| Satisfaction → Loyalty | .680 | .033 | *** |
| Satisfaction → Task performance | .0069 | .031 | ** |

Note. $N = 617$, $\chi^2 = 277.373$, $df = 16$, $p < .001$, comparative fit index = .954, incremental fit index = .954, normed fit index = .951; *** $p < .001$, ** $p < .05$, * $p < .1$.

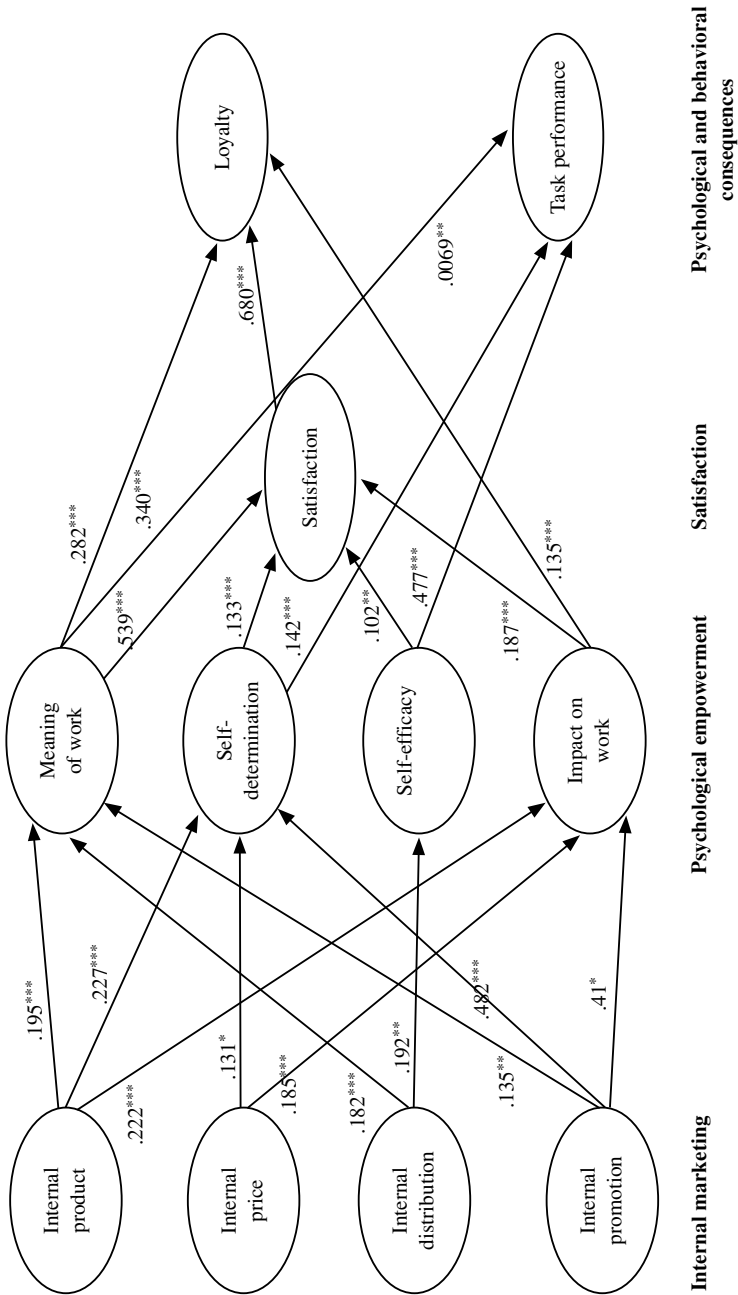


Figure 1. Impact of psychological empowerment on employee loyalty, task performance, and employee satisfaction estimated by structural equation model.

In Table 1 and Figure 1 it can be seen that dimensions of internal marketing had a significant positive impact on dimensions of psychological empowerment. Our hypothesis that the relationship between psychological empowerment and internal marketing would be positive was supported. Furthermore, there was a positive relationship between each dimension of psychological empowerment and employee satisfaction, loyalty, and task performance. Thus, the results also supported hypothesis 2, hypothesis 3, and hypothesis 4. In addition, the relationships between satisfaction and loyalty, and between satisfaction and task performance, were significantly positive, which supported hypothesis 5 and hypothesis 6. This implies that satisfaction performed a partial mediating role between psychological empowerment and the psychological and behavioral consequences (i.e., loyalty and task performance).

Discussion

In this study we tested the effect of psychological empowerment on employee loyalty, satisfaction, and task performance, and the underlying mechanism. We found that psychological empowerment had a significant positive effect on both employee loyalty and task performance, which was partially mediated by employee satisfaction. In studies it has been noted that psychological empowerment can lead to greater employee satisfaction, but little attention has been given to the subsequent behavioral variables. In our research we have made a foray into investigating the intermediary role of employee satisfaction between psychological empowerment and the psychological and behavioral consequences, such as employee loyalty and task performance. In addition, we suggest that, with our model that psychological empowerment is significantly and positively influenced by each dimension of internal marketing, our findings add to literature on the antecedence of psychological empowerment. The results in our study provide insights on how to design an effective employee management program. Specifically, enterprises can use internal marketing as an effective tool to improve the level of psychological empowerment among employees, by establishing programs that would include promoting the vision of that enterprise, providing training for employees, sharing profit with employees, raising support from the managerial level, establishing better incentive mechanisms for employees, and constructing an outstanding corporate culture. Furthermore, to achieve the goal of increasing employees' loyalty and enhancing employees' performance, creating a meaningful level of psychological empowerment is an effective option.

We believe that there are a number of interesting insights in our study, but there are also limitations that suggest potential areas for future research. First, to increase the reliability and operability of our results, future researchers

could collect data from different industries for horizontal comparison. Second, psychological empowerment might be affected by contextual factors, such as the characteristics of the customers or goals of the organization. We believe that, in future studies, it might be of value to explore these factors and propose means to stimulate and maintain a certain level of psychological empowerment. Third, another direction in future research might be to examine the optimal level of psychological empowerment for optimal employee performance. That is, we suspect that the relationship between psychological empowerment and work performance might be U-shaped.

References

- Aryee, S., & Chen, Z. X. (2006). Leader–member exchange in a Chinese context: Antecedents, the mediating role of psychological empowerment, and outcomes. *Journal of Business Research*, *59*, 793-801. <http://doi.org/ckwg6m>
- Avolio, B. J., Zhu, W., Koh, W., & Bhatia, P. (2004). Transformational leadership and organizational commitment: Mediating role of psychological empowerment and moderating role of structural distance. *Journal of Organizational Behavior*, *25*, 951-968. <http://doi.org/d4kx32>
- Benson, P. G. (2000). The Hawthorne effect. In W. E. Craighead & C. B. Nemeroff (Eds.), *The Corsini encyclopedia of psychology and behavioral science* (3rd ed., Vol. 2, pp. 667-668). New York: Wiley.
- Berry, L. L. (1995). Relationship marketing of services-growing interest, emerging perspectives. *Journal of the Academy of Marketing Science*, *23*, 236-245. <http://doi.org/cjb7tj>
- Borman, W. C., & Motowidlo, S. J. (1993). Expanding the criterion domain to include elements of contextual performance in personnel selection in organizations. In N. Schmitt, W. C. Borman, & Associates (Eds.), *Personnel selection in organizations* (pp. 71-98). San Francisco, CA: Jossey-Bass.
- Carmeli, A., & Josman, Z. E. (2006). The relationship among emotional intelligence, task performance, and organizational citizenship behaviors. *Human Performance*, *19*, 403-419. <http://doi.org/bgzc4b>
- Conger, J. A., & Kanungo, R. N. (1988). The empowerment process: Integration theory and practice. *Academy of Management Review*, *13*, 472-489.
- Dewettinck, K., & van Amejide, M. (2011). Linking leadership empowerment behaviour to employee attitudes and behavioural intentions: Testing the mediating role of psychological empowerment. *Personnel Review*, *40*, 284-305. <http://doi.org/b2tdcz>
- Ergeneli, A., Ari, G. S., & Metin, S. (2007). Psychological empowerment and its relationship to trust in immediate managers. *Journal of Business Research*, *60*, 41-49. <http://doi.org/dw445c>
- Hall, M. (2008). The effect of comprehensive performance measurement systems on role clarity, psychological empowerment and managerial performance. *Accounting, Organizations and Society*, *33*, 141-163. <http://doi.org/fh3bf3>
- Hartline, M. D., & Ferrell, O. C. (1996). The management of customer contact service employees: An empirical investigation. *Journal of Marketing*, *60*, 52-70. <http://doi.org/dz4vk7>
- Kark, R., Shamir, B., & Chen, G. (2003). The two faces of transformational leadership: Empowerment and dependency. *Journal of Applied Psychology*, *88*, 246-255. <http://doi.org/c83>
- Keller, S. B., Lynch, D. F., Ellinger, A. E., Ozment, J., & Calantone, R. (2006). The impact of internal marketing efforts in distribution service operations. *Journal of Business Logistics*, *27*, 109-137. <http://doi.org/dmxcbr>

- Kuvaas, B., & Dysvik, A. (2009). Perceived investment in employee development, intrinsic motivation and work performance. *Human Resource Management Journal*, 19, 217-236. <http://doi.org/cxfhtd>
- Liden, R. C., Wayne, S. J., & Sparrowe, R. T. (2000). An examination of the mediating role of psychological empowerment on the relations between the job, interpersonal relationships and work outcomes. *Journal of Applied Psychology*, 85, 407-416. <http://doi.org/c7x>
- Mak, B. L., & Sockel, H. (2001). A confirmatory factor analysis of IS employee motivation and retention. *Information & Management*, 38, 265-276. <http://doi.org/bdbgrq>
- Martensen, A., & Gronholdt, L. (2001). Using employee satisfaction measurement to improve people management: An adaptation of Kano's quality type. *Total Quality Management*, 12, 949-957. <http://doi.org/cbjp4z>
- Martin, C. A., & Bush, A. J. (2006). Psychological climate, empowerment, leadership style, and customer-oriented selling: An analysis of the sales manager-salesperson dyad. *Journal of the Academy of Marketing Science*, 34, 419-438. <http://doi.org/bsdqqg>
- Osterman, P. (2006). The wage effects of high performance work organization in manufacturing. *Industrial and Labor Relations Review*, 59, 187-204.
- Reichheld, F. F. (2001). Lead for loyalty. *Harvard Business Review*, 79, 76-84.
- Sigler, T. H., & Pearson, C. M. (2000). Creating an empowering culture: Examining the relationship between organizational culture and perceptions of empowerment. *Journal of Quality Management*, 5, 27-52. <http://doi.org/bm2xfg>
- Spence Laschinger, H. K., Finegan, J., Shamian, J., & Wilk, P. (2001). Impact of structural and psychological empowerment on job strain in nursing work settings: Expanding Kanter's model. *Journal of Nursing Administration*, 31, 260-272. <http://doi.org/cjvr7>
- Spreitzer, G. M. (1995). Psychological empowerment in the workplace: Dimensions, measurement and validation. *Academy of Management Journal*, 38, 1442-1465. <http://doi.org/bxrkbm>
- Spreitzer, G. (2007). Toward the integration of two perspectives: A review of social-structural and psychological empowerment at work. In C. Cooper & J. Barling (Eds.), *The handbook of organizational behavior* (pp. 1-41). Thousand Oaks, CA: Sage.
- Spreitzer, G. M., Kizilos, M. A., & Nason, S. W. (1997). A dimensional analysis of the relationship between psychological empowerment and effectiveness, satisfaction, and strain. *Journal of Management*, 23, 679-704. <http://doi.org/cf9xzw>
- Thomas, K. W., & Velthouse, B. A. (1990). Cognitive elements of empowerment: An "interpretive" model of intrinsic task motivation. *The Academy of Management Review*, 15, 666-681. <http://doi.org/btzk8c>
- Zhang, X., & Bartol, K. M. (2010). Linking empowering leadership and employee creativity: The influence of psychological empowerment, intrinsic motivation, and creative process engagement. *Academy of Management Journal*, 53, 107-128. <http://doi.org/bkq4fb>

