



Summary: Empowering employees brings a positive outcome

Conclusion: Organizational practices associated with employee empowerment that enable information sharing, establish boundaries and guidelines, and enable teamwork are related to desired business outcomes. The relationship between each of these practices is differentially related to the following business outcomes: financial performance, customer service, and quality. Therefore, determining the return on investment of a specific organizational practice requires a theoretical alignment between the practice and the expected business outcome.

Reference: **What results when firms implement practices: The differential relationship between specific practices, firm financial performance, customer service, and quality** by Gibson, Benson, Porath, and Lawler III; Journal of Applied Psychology, November 2007.
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Why this Article is Important: Previous research relating human resource practices to firm level financial performance has resulted in contradictory findings. Therefore, it has been difficult to build a business case based on solid empirical evidence to implement many of these practices. The current study takes a unique approach by including multiple business outcomes: customer service, quality, and financial performance, and then theoretically aligning different organizational practices to each of these outcomes. Data collected from over 307 different firms revealed that organizational practices promoting employee empowerment are significantly related to business outcomes, controlling for prior firm performance and industry. These results provide support for implementing empowerment practices due to their significant relationship to business outcomes.

Major Findings: The authors used survey data collected from several hundred Fortune 1000 companies over two separate years. Top HR leaders and executives indicated the extent of their involvement in the following organizational practices:

- **Information sharing practices:** Distribution about firm financial results, business unit outcomes, new technology, and competitor's performance.
- **Boundary-setting practices:** Establishment of clear goals, responsibilities, procedures, and acceptable behaviors through dissemination of the company's mission and strategic objectives.
- **Team-enabling practices:** Organizational designs with self-managing or multi-skilled work teams, and training in team-building skills.

Survey responses on quality and customer service were also collected from the firms in the study. Objective financial indicators were drawn from the participating firms the year following the survey data. The following organizational practices were related to their hypothesized business outcome:

- Information sharing practices are positively related to lagged firm-level financial performance.
- Boundary-setting practices are positively related to firm-level customer service.
- Team-enabling practices are positively related to firm-level quality of goods and services.

What does it mean to you?

- a. Several employee empowerment practices are related to important business outcomes.
- b. Build a case around business outcomes that are appropriately aligned to your interventions (i.e., not all practices will be directly related to bottom-line financial performance).