

# The Relationships among Employee Empowerment, Corporate Reputation, and Firm Performance: Research in the Turkish Manufacturing Industry

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## Abstract

**Purpose** – The purpose of this paper is to describe and analyze the mutual relationships among an empowerment climate, psychological empowerment, corporate reputation, and firm performance. **Theoretical framework** – This paper builds on the literature on empowerment and corporate reputation to propose a comprehensive research model to examine how corporate reputation and firm performance are shaped by empowerment practices. **Design/methodology/approach** – To achieve the objective of the study, the partial least squares approach and bootstrapping re-sampling method were used to test the hypotheses. A survey was carried out to collect data from 225 employees of the manufacturing industry in Turkey. **Findings** – The findings support the positive impact of an empowerment climate on psychological empowerment. In addition, an empowerment climate appears to be a variable that strongly increases both corporate reputation and firm performance. Furthermore, the results reveal that perceived corporate reputation is positively associated with both financial and non-financial performance. **Practical & social implications of the research** – This research provides an important contribution by showing how macro-level empowerment practices such as an empowerment climate influence micro-level feelings of empowerment such as psychological empowerment and that both, in turn, are related to corporate reputation and firm performance. **Originality/value** – This research provides an important contribution by showing how macro-level empowerment practices such as an empowerment climate influence micro-level feelings of empowerment such as psychological empowerment and that both, in turn, are related to perceived corporate reputation and firm performance.

**Keywords:** empowerment climate, psychological empowerment, corporate reputation, firm performance.

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## Introduction

The last four decades have witnessed significant growth in interest in the subject of corporate reputation among academics and practitioners. However, there is no generally agreed definition of the concept of corporate reputation (CR) since it is complex in nature. In their cross-disciplinary literature review, Fombrun and Rindova (1996) indicated that this ambiguity is the result of the perceptual lenses of different disciplines. Another reason for this complexity is that researchers and practitioners use the terms corporate image, corporate identity, and CR as interchangeable concepts. Corporate image is related to how a company is perceived by external stakeholders, especially customers. It describes what outsiders feel and think about the company based on their experience and observations (Furman, 2010; Lewellyn, 2002). On the other hand, CR is interpreted as the overall perception of a company. As Fombrun stated (1996, p. 11), "Reputations are partly a reflection of a company's identity and image and partly the result of managers' efforts to persuade us of their organization's excellence." Most scholars highlight that CR is a more stable variable and plays a central role in crisis management, contributing to managing a firm's image (Harvey, Morris, & Santos, 2017; Srivastava et al., 1997). Therefore, in the context of this study, corporate reputation can be viewed as a roof over pillars that include corporate image and corporate identity.

A firm can have multiple reputations and the reputation perceived by employees is critical because the greatest reputational leverage can be achieved through them (Fombrun, Gardberg, & Sever, 2000). Employees' role in the establishment of CR by creating a good relationship among an organization's stakeholders is often emphasized in the literature (Ager & Piskorski, 2001; Pancheva-Michelotti, Vocino, Michelotti, & Gahan, 2018; Teece, Pisano, & Shuen, 1997). They are crucial both in building and also in maintaining a good reputation. Externally, a good CR can enhance profitability because it attracts customers to the company's products and investors to make new investments (Fombrun & Van Riel, 2004); but on the other hand, the employees are the ones who produce the product or service for the customers. These two valuable assets, reputation and employees, interactively affect each other as employees actively shape other stakeholders' perceptions of the company (Cravens & Oliver, 2006; Helm 2011; Olmedo-Cifuentes, Martínez-León, & Davies, 2014;

Taghian, D'Souza, & Polonsky, 2015) as well as being affected by public perceptions of the company they work for (Men, 2012a; Verčič & Čorić, 2018). In other words, the reputation of a firm is stimulated by the way customer-facing employees perceive the organization, but being part of a highly prestigious organization or winning team also stimulates human behavior (Carmeli, 2004; Davies, Chun, Silva, & Roper, 2003).

Employees are regarded as one of the most important strategic partners because they interact with external stakeholders on a daily basis. Since a corporate entity is a human organization linked to an external environment (Olins, 1995), the behavior of the staff has a major impact on the impressions formed by members of external groups, such as customers, competitors, suppliers, investors, and media commentators (Bromley, 2001). For instance, employee-customer interactions are key ingredients in guiding and maintaining organizational reputation because, rather than relying on purposefully devised marketing communication messages from top management, consumers are more likely to believe information relayed through employees. Through the innovative use of new digital technologies, employees increasingly communicate with other stakeholders and initiate dialogues on social media that are often perceived to be more reliable and trustworthy than intentionally created messages (Kim & Rhee, 2011; Men, 2012b).

Although employee perceptions of an organization lie at the heart of CR and a good reputation starts from within the company (Fombrun et al., 2000), most of the previous studies have focused on external stakeholders, especially customers. The marketing approach has emphasized evaluating customer-based reputation (e.g. Walsh & Beatty, 2007), but internal members' perceptions about an organization are remarkably important for organizations. How can employers expect employees to communicate a favorable reputation to targeted audiences if they do not perceive such a reputation? Previous studies indicate that employee and customer views on reputation are interrelated and interlinked (Fombrun, 1996; Gioia, Schultz, & Corley, 2000; Hatch & Schultz, 2001). Scholars seem to agree that good reputation management should align internal and external perceptions (Doorley & Garcia, 2015; Hatch & Schultz, 2001) and, even over time, employees' perceptions can be consistently kept above those of customers (Davies, Chun, & Kamins, 2010; Davies, Chun, Silva, & Roperet,

2004). Therefore, in this study, reputation is evaluated via employees' perceptions.

On the other hand, the literature on empowerment differentiates between an empowerment climate (also called structural empowerment) and the psychological form of empowerment. Existing studies have demonstrated the beneficial aspects of employee empowerment and linked it to a range of positive work outcomes (Chang & Liu, 2008; Çekmecelioğlu & Özbağ, 2014). However, most of the studies focus solely on one perspective of empowerment and thus a broader perspective simultaneously integrating both organizational and psychological dimensions is usually neglected. Even though they are distinct constructs, the common assumption is that empowerment is specific to the work environment, which involves an empowerment climate (EC), but if employees cannot create an active orientation toward their work via psychological empowerment (PE), empowerment practices may not be adequately captured. Since EC is limited to organizational structures and policies, we include dimensions of PE in our research model to reach a broader understanding of the employee empowerment process. As noted by many scholars (Kim & Rhee, 2011; Men, 2011), these antecedent agents not only affect employees' behaviors and attitudes but also facilitate establishing and safeguarding CR. For that reason, employees' feelings relating to EC and PE are examined as they can significantly affect the internal CR. In sum, it is predicted that empowerment practices contribute to CR, which in turn boosts firm performance (FP).

To the best of the authors' knowledge, there is no study available to date that has studied EC, PE, CR, and FP together. By building links between CR and the two internal antecedents, EC and PE, the current work will provide new empirical evidence on how structural empowerment and PE affect CR and extend the list of internal characteristics of firms that have favorable reputations. In addition, this study uses a corporate insider's perspective to examine how CR and firm performance (FP) are shaped by empowerment practices. Complementing the current empowerment literature that focuses on the consequences of empowerment practices (i.e., job satisfaction, organizational commitment, and identification), this paper establishes a relationship between reputation and the empowerment literature and provides empirical evidence showing why employee empowerment matters due to it building links between CR and FP.

## **I The Theoretical Framework and Research Hypotheses**

### **I.1 Psychological empowerment, empowerment climate, and corporate reputation**

There are two standpoints on employee empowerment in the literature: EC and PE. EC involves a macro perspective that focuses on organizational structures and policies, while PE involves a micro perspective that focuses on empowerment as an intrinsic motivation (Liden & Arad, 1996). PE differs from EC as the latter emphasizes the process of delegating authority, whereas the former has more to do with enabling. EC occurs when employees have access to "information, support, resources, and opportunities to learn and grow" (Laschinger, Finegan, Shamian, & Wilk, 2004, p. 528). On the other hand, PE occurs when employees have a heightened sense of self and motivation at work (Lee & Koh, 2010), which implies that managers can delegate duties and responsibilities down the hierarchy, but the act of delegation does not necessarily mean that the delegated employees will feel empowered (Wei, Yuan, & Di, 2010)

In essence, EC describes empowering conditions in the work environment while PE refers to the reaction of employees to these empowering conditions (Kirkman & Shapiro, 2001; Laschinger, Read, Wilk, & Finegan, 2014; Menon, 2001). It is the resulting psychological state of empowerment that occurs when employees have a sense of motivation in relation to the work environment (Menon, 2001). Also, it is the employees' psychological reaction to the presence or absence of empowering contextual conditions in the workplace (Laschinger et al., 2004). Conger and Kanungo (1988) suggest that empowerment should be viewed as a motivational construct that means "to enable" rather than simply "to delegate" and they add that there are various other conditions of empowerment besides delegation, resource sharing, or participation. Combining the organizational and psychological domains, employee empowerment may be viewed as a cognitive state, a subjectively empowered experience of power-sharing, competence, and value-internalization in organizations (Chang & Liu, 2008). Accordingly, the current study follows a unifying view of empowerment and proposes that empowerment is also a psychological

process and cannot be accomplished unless the individual is psychologically accepting.

Researchers defined EC via three dimensions, including information sharing, autonomy through boundaries, and team accountability (Blanchard, Carlos, & Randolph, 1995; Randolph, 1995; Seibert, Silver, & Randolph, 2004.). Information sharing practices provide effective information on costs, productivity, quality, and financial performance to employees throughout the organization. The second dimension, autonomy through boundaries, refers to the organizational structures and practices that encourage the autonomous actions of employees. It refers to the development of work goals, procedures, and areas of responsibility independently. Autonomy in a job leads to greater perceived control and greater empowerment. Researchers have found evidence that greater autonomy is associated with improved teamwork and personnel growth, better morale, and greater responsibility toward work, thus bringing about higher levels of satisfaction and motivation (Hee & Ling, 2011; Huang, 2011). Finally, team accountability delegates the locus of decision-making to the teams and encourages participative decision-making among team members (Seibert et al., 2004). Empowered teams plan, organize, direct, and control their own work and have an influence over decisions ranging from high-level strategic decisions to routine day-to-day decisions (Lawler, 1986).

Kanter (1993) claims that the abovementioned workplace characteristics related to EC are more influential of employees' attitudes and behaviors than other characteristics. Employees who believe their work environment provides access to these factors, including information sharing, autonomy through boundaries, and team accountability, will feel more psychologically empowered. When employees develop internal feelings of being empowered, they see themselves as having freedom and discretion; they feel personally connected to the organization, confident about their abilities, and capable of having an impact on the system in which they are embedded (Quinn & Spreitzer, 1997), leading to positive results in their organization (Chen, Kirkman, Kanfer, Allen, & Rosen, 2007). Employee participation through increased delegation of responsibility makes employees feel more trusted, valued, and engaged, thus also shaping a well-balanced perception of empowerment, which leads to the motivational implications of empowerment needed both to perform effectively and feel empowered. For instance, Nauman, Mansur Khan, and Ehsan (2010)

investigated the relationship between EC, leadership style, and customer service as a measure of effective project management and found that EC has a significant effect on concern for tasks, concern for people, and customer service. Moreover, Seibert et al. (2004) found that strong support for an EC positively influenced PE and ultimately unit and individual performance. In addition, Gibson, Porath, Benson, and Lawler, (2007) investigated the relationship between EC, firm financial performance, customer service, and quality. The results demonstrated that the dimensions of EC were related to distinguishable outcomes, such as information sharing being correlated with financial performance, team enabling with quality, and boundary setting with customer service.

Reviewing the literature reveals that EC creates a psychologically safe environment, which stimulates knowledge sharing and experimentation with new ideas to make high quality decisions and achieve effective performance (D'Innocenzo, Mathieu, & Kukenberger, 2016; Jha, 2019). Taking these arguments together, it is proposed that EC, which is critical for a favorable work environment, fosters the levels PE and also FP. On the other hand, there is a strong assumption in the empowerment literature that managers need to implement the three dimensions of EC as an interactive package or as a set because they are strongly interrelated. In line with previous studies (Seibert et al., 2004; Silén, Skytt, & Engström, 2019), EC was integrated as a single construct in the analysis because it is believed that PE is likely to appear when the three dimensions of EC exist simultaneously and reinforce each other in working contexts. Accordingly, the following hypotheses are proposed:

- H1: An empowerment climate is positively associated with psychological empowerment.
- H2: An empowerment climate is positively associated with firm financial performance.
- H3: An empowerment climate is positively associated with firm non-financial performance.

This study also argues that the implementation of EC is an effective organizational practice for ensuring positive perceptions of CR. How the employees perceive

the organization is closely linked to eliminating factors in the workplace that can lead to feelings of powerlessness and replacing them with elements that promote autonomous actions of employees, self-efficacy, control, and intrinsic motivation (Conger & Kanungo, 1988). EC, including participative decision-making and power-sharing, stimulates a climate of trust that nurtures employees' confidence and self-efficacy. In addition, when supervisors build good relationships with subordinates, employees' positive views toward the firm increase and thus they are more likely to agree on the mutual influence in the relationship (Men, 2011). A favorable perception of an EC encourages employees to develop creativity, flexibility, and autonomy regarding their own work, which results in solving organizational and customer problems quickly, sensitively, and efficiently. Consequently, the previous studies (Kirkman & Rosen, 1999; Laschinger, Finegan, & Shamian, 2001; Men, 2011) that conclude that empowerment leads to employee satisfaction, commitment, trust, loyalty, and a quality organization-employee relationship provides the theoretical grounds for expecting EC to enhance CR.

#### H4: An empowerment climate is positively associated with corporate reputation.

On the other hand, scholars discuss a variety of meanings, concepts, and structures of PE in the empowerment literature. Just to name a few, Bandura (1977) and Conger and Kanungo (1988) defined empowerment as a construct in terms of self-efficacy. Afterwards, Thomas and Velthouse (1990) described empowerment using motivational assumptions from the job design literature. Then, Menon (2001) defined empowerment as a psychological state manifested in perceived control, competence, and goals. However, Spreitzer (1995) defined empowerment more broadly as increased intrinsic task motivation manifested in a set of four cognitions reflecting an individual's orientation toward his or her work role: meaning, competence, self-determination, and impact (Spreitzer, 1995). Since these four dimensions of PE are mentioned as a sufficient set of cognitions for intrinsic motivation, which is necessary for empowerment, all of them are included in the research model. Following Spreitzer (1995), we consider the experience of empowerment to be limited if one dimension is missing. For example, if people believe they can make an impact on what happens in their team/department, but do not feel like they have the skills and abilities to do their job well (i.e., they lack a sense of competence),

they will not feel empowered. In this way, in the present study, the four dimensions of PE are included as a set because they are strongly interrelated.

As noted before, PE is defined more broadly as increased intrinsic task motivation manifested in a set of four cognitions reflecting an individual's orientation toward his or her work role, namely meaning, competence, self-determination, and impact (Spreitzer, 1995). Meaning was described as the value of a task judged in relation to the individual's value system (Spreitzer, De Janasz, & Quinn, 1999), which is analogous with the idea of Hackman and Oldham (1976), as a necessary psychological component of intrinsic task motivation (Thomas & Velthouse, 1990). The second cognition, competence, was equated with self-efficacy, and described as an individual's belief in his/her ability to perform activities with skill (Spreitzer et al., 1999). Individuals with a higher level of self-efficacy are more likely to broaden their roles and engage in expanded jobs, commit to achieving difficult goals, and be more persistent to succeed (Bandura, 1977; Morgeson, Delaney-Klinger, & Hemingway, 2005).

Third, self-determination was described as an individual's sense of having an option in starting and regulating procedures (Spreitzer et al., 1999). Self-determination exists when employees have a sense of freedom, autonomy, or power to make a decision about their work (Thomas & Velthouse, 1990). Finally, impact is the degree to which an individual can influence strategic, administrative, or operating outcomes in the organization (Spreitzer et al., 1999). Impact is seen as control over one's environment or the belief that one's actions are making a significant difference in the organization (Thomas & Velthouse, 1990). Self-determination indicates job involvement, whereas impact indicates organizational involvement (Spreitzer, 1995).

All of these aspects of PE have been found to be significantly related to desirable behavioral outcomes such as increased organizational commitment and identification (Joo & Shim, 2010; Kraimer, Seibert, & Liden, 1999; Liden, Wayne, & Sparrowe, 2000), psychological well-being (McClain, 2001; Spreitzer, Kizilos, & Nason, 1997; Zika & Chamberlain, 1992), life and job satisfaction (Fuller, Morrison, Jones, Bridger, & Brown, 1999; Oyeleye, Hanson, O'Connor, & Dunn, 2013; Spreitzer et al., 1997; Thomas & Velthouse, 1990), positive affect, and a meaningful life (Duffy, Allan, Autin, & Bott, 2013; Humphrey, Nahrgang, & Morgeson, 2007). Although there is well documented evidence relating to

the positive outcomes of PE, there is no evidence about how it affects CR. To the best of the authors' knowledge, Men and Stacks (2013) investigate the link between PE and CR, but they conceptualize empowerment only in terms of perceived competence and control. Accordingly, findings for specific dimensions of PE have been tested in the literature, but the overall PE construct is only considered in the current study with relation to CR. Since the dimensions of PE create a motivational force that encourages employees to be proud of their jobs (e.g., Joo et al., 2015) and the company itself, it seems logical to expect a positive relationship with CR. Consequently, previous research leads to the conclusion that PE results in strong and positive employee emotional attachments to their work and organization, which may be translated into a favorable CR, thus leading to the following hypothesis:

H5: Psychological empowerment is positively associated with corporate reputation.

## 1.2 Corporate reputation and firm performance

Fombrun et al. (2000, p.242) state that CR is a "collective construct that describes the aggregate perceptions of multiple stakeholders about a company's performance." It is a multi-dimensional construct reflecting the unique dimensions on which employees and other important stakeholders base their judgments of a firm's performance. Scholars have developed their own measurement instruments with different reference points. For example, Walsh and Beatty (2007) developed a 28-item customer-based reputation measurement to measure external reputation. It is important to conceptualize CR as being constructed from market signals (Fombrun & Shanley, 1990), but as the present study analyzes internal reputation, mainly defined as the employees' overall evaluation of the organization, it uses the Reputation Quotient measurement, which has been widely accepted in the literature (Fombrun et al., 2000). Dimensions called emotional appeal, products and services, vision and leadership, work environment, and social responsibility have been widely used and proven to be valid, reliable tools for measuring CR. Moreover, these factors capture perceptions of CR that have been shown to be associated with FP in prior research (Fombrun & Shanley, 1990). Accordingly, it is assumed that empowerment practices

contribute to the positive feelings and motivation of employees which result in a favorable CR evaluation.

Similarly to reputation, there is no consensus among scholars about the definition of FP and its measurement due to its complexity. There are studies that assume FP to be unidimensional but it is apparent that it comprises different stakeholders' perceptions, just like reputation. For instance, a shareholder rates firm performance or reputation through the profitability of his or her investment, customers through service quality, creditors through solvency, and suppliers through business continuity. If perceptions differ depending on the stakeholders, a researcher should choose the most relevant one for his or her research and judge the outcomes of this choice. Therefore, it is logical to ask the employees to assess their firm's performance and reputation as the current research hypothesized links between employees' perceptions and EC, PE, CR, and FP. The researchers assume that empowerment practices in the workplace boost both reputation and performance and ultimately all parties engaging in the process are likely to win.

In the literature, FP is measured via subjective or objective measures. Although self-reported and perceptual indicators of performance create some doubt, many studies have shown that measures of perceived FP are positively correlated with objective measures of FP (Dawes, 1999; Delaney & Huselid, 1996; Dess & Robinson, 1984; Dollinger & Golden, 1992; Powell, 1992; Richard, Devinney, Yip, & Johnson, 2009; Venkatraman & Ramanujam, 1986). Certainly, there are advantages of using objective measures, but on the other hand they inherit some limitations. For example, objective measures can be unreliable since there is always the potential for an upward bias with regard to the reported financial performance of private firms and they may also not be up to date. Moreover, private firms are generally reluctant to share their financial reports. Accordingly, this study adopted the subjective approach of measuring financial and non-financial performance since it is the most favorable measure under the particular circumstances of the research context. According to the literature, rather than using secondary data (such as annual performance evaluation results) as a subjective measurement of FP, this can be done by observing the perceptions of employees regarding the performance of their organization in comparison with competitors in the same industry (Dawes, 1999; DeGroot & Marx, 2013).

So far, no specific scale has been developed with the ability to measure every aspect of performance. For

instance, Santos and Brito (2012) argue that FP should be composed of financial reputation, market value, profitability, customer satisfaction, employee satisfaction, environmental performance, and social performance; while Rowe and Morrow (1999) claim that FP involves financial reputation, market value, and profitability. A countless number of dimensions have been used to measure FP and thus a researcher would have to select the dimensions that are most relevant to the research topic (Richard et al., 2009). Accordingly, we tried to perform this measurement using financial and non-financial indicators which have the potential to be influenced by both employee empowerment and CR management. The financial dimension covers four variables, namely, sales growth, market share, return on investment, and general profit, all of which have been linked to empowerment or CR in past studies (e.g. Lawler et al., 2001). The non-financial dimension covers four variables, namely, quality of goods or services, new product development, employee satisfaction, and customer satisfaction, all of which have been linked to empowerment or CR in past studies (e.g. Carmeli & Tishler, 2005).

Having clarified the performance measurement preferred in the present study, it is useful to look at the relationship between-CR and FP. There is considerable empirical evidence that suggests a good reputation can create several benefits such as enabling firms to charge premium prices; reducing firm costs and employee turnover; attracting applicants, investors, and customers; increasing repurchases, customer retention, and profitability; and improving firm value (Eberl & Schwaiger, 2005; Fombrun & Shanley, 1990; Roberts & Dowling, 2002; Walker, 2010). It is generally accepted that employees prefer to work for highly reputable firms (Eberl & Schwaiger, 2005) and thus such firms also have the advantage of recruiting and retaining a competent workforce on lower salaries (Eberl & Schwaiger, 2005; Greyser 1999; Roberts & Dowling, 2002). A reputable company is likely to form alliances, create competitive barriers, establish networks to exploit networking associations, and enhance stock market performance as well as performance in other measures (Fombrun, 1996; Iwu-Egwuonwu, 2011; Podolny, 1994; Stuart, Hoang, & Hybels, 1999).

For instance, Carmeli (2004) confirms that a favorable perceived external prestige (PEP), by members of the top management team, is positively related to organizational performance. Ansong and Agyemang (2016) used a subjective measure to measure SME

performance due to the unwillingness of SME owner/managers to disclose sensitive documents and found that firm reputation has a significant positive relationship with the performance of Ghanaian SMEs. Similarly, Carmeli and Tishler (2005) investigated the complex set of relationships among perceived organizational reputation, the quality of the firm's products or services, customer satisfaction, and multiple performance measures by using CEOs' beliefs and evaluations. The results demonstrate that the impact of reputation on financial performance is mediated by the firm's growth and market share, whereas the relationship between product or service quality and reputation is mediated by customer satisfaction. Furthermore, Zhu, Sun, and Leung (2014) investigated the relationships among ethical leadership, corporate social responsibility (CSR), firm reputation, and firm performance by obtaining data on all the variables from high-level managers. The results of the study indicated that CSR had an indirect effect on firm performance via firm reputation. Finally, Taghian et al. (2015) linked CSR, CR, and FP by assessing senior managers' perceptions. They found a positive relationship between perceptions of CSR and reputation, and between reputation and a change in market share, but no direct association between reputation and a change in profit.

The studies mentioned above lead to the conclusion that CR perceptions certainly correlate with FP, but there are few studies in the literature on reputation that place the employee at the center of the analysis and examine internal perceptions of reputation. According to some of these studies, employee perceptions of CR have a significant impact on organizational outcomes such as job satisfaction, organizational commitment, citizenship behavior, and intention to leave (Carmeli, 2005; Helm, 2011; Herrbach, Mignonac, & Gatignon, 2004), but their impact on FP is not investigated. Previous research has confirmed that employees' perceptions regarding FP are influenced by their level of organizational commitment and job satisfaction (Bakiev, 2013; Camilleri & van der Heijden, 2007; Delaney & Huselid, 1996) and by the same logic employees' favorable perceptions of CR may be an important determinant of FP.

Consequently, employees who have a more favorable evaluation of CR are likely to feel loyalty, commitment, engagement, and motivation, which in turn have been shown by many empirical studies to increase work performance and thus overall FP (e.g. Fombrun & Van Riel, 2004). Employee empowerment

is a critical instrument for managing the reputation of an organization, as motivated, satisfied, and committed employees will result in higher productivity and quality, a greater passion for creativity and innovation, and better engagement with customers. In other words, the relationship between CR and FP is mutually dependent and also affected by the behaviors and attitudes of employees. Human resources' empowerment practices can enhance reputation and ultimately FP. Accordingly, the current study fills a research gap by focusing on the internal stakeholders' perspective and investigates how CR influences both non-financial and financial performance, proposing the following hypotheses:

H6: CR is positively associated with financial performance.

H7: CR is positively associated with non-financial performance.

## 2 Research Design

### 2.1 Measures

To test the above-mentioned hypotheses, multi-item scales were adopted from prior studies to measure the variables. We used the parallel translation method. The items were first translated into Turkish by one person and then retranslated into English by a second person to make sure that the meanings of the question items were correctly transformed from English into Turkish. A draft questionnaire was developed and then evaluated and revised in discussions with four academics from Turkey, who were experts on organizational behavior and strategic management. The suitability of the Turkish version of the questionnaire was then pre-tested by five master degree students working in industry in managerial positions. The respondents did not demonstrate any difficulty understanding the items or scales. Moreover, the PLS-SEM results suggest that our scales and model are valid and reliable.

Each variable was measured using a five-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5). The Appendix shows the measures of the study. The EC scale developed by Nauman et al. (2010), which consisted of 16 items to identify the extent to which an organization makes use of structures, policies, and practices supporting employee empowerment, was

used for the measurement. "A clear understanding of individual roles and responsibilities," "Open communication among organization members," "Documental policies and procedures," "Delegation of responsibilities," and "Brainstorming encouraged to improve customer service" are all examples of the scale items.

PE as a second-order construct was composed of four dimensions: meaning, competence, self-determination, and impact. The scale consisted of 12 items adapted from the work of Çekmecelioglu and Özbağ (2014), originally developed by Spreitzer (1995). The scale contained three items for each of the four components of PE. "The work I do is very important to me" (meaning), "I am confident about my ability to do my job" (competence), "I have autonomy when doing my work" (self-determination), and "My impact on what happens in my department is large" (impact) are some examples of the items in the scale.

CR as a second-order construct was composed of five dimensions: emotional appeal, products and services, vision and leadership, workplace environment, and social and environmental responsibility, which were used as endogenous variables. The scale consisted of 16 items adapted from the study by Fombrun et al. (2000) and three items from the one by Walsh and Beatty (2007). "I have a good feeling about the company" (emotional appeal), "This company offers high quality products and services" (products and services), "This company has a clear vision for its future" (vision and leadership), "This company is well managed" (workplace environment), and "This is an environmentally responsible company" (social and environmental responsibility) are some examples of the items in the scale.

FP is an indicator of a firm's capacity to achieve its goals and performance and includes both financial and non-financial measures (Venkatraman & Ramanujam, 1986). Following Venkatraman and Ramanujam (1986), the authors adopted the performance scale developed by Zehir, Gurolb, Karabogac, and Koled (2016), which was composed of two dimensions: financial performance and non-financial performance. Eight questions in total were asked in order to assess firm performance relative to the performance of industry competitors. Financial performance refers to the level of growth in sales, the growth in market share, the rate of return on investment, and profitability; while non-financial performance measures the quality of the products and services, the level of employee satisfaction, the level of customer satisfaction, and the level of innovation of the products and services placed



in the market. “General profitability” (quantitative) and “Customer satisfaction” (qualitative) are both examples of the scale items.

## 2.2 Sampling

The purpose of this paper is to describe and analyze the mutual relationships among EC, PE, CR, and FP. In order to empirically investigate the hypotheses, medium to large firms located around Kocaeli and operating in the manufacturing industry were surveyed. A total of 562 firms were listed in the documents of Kocaeli Chamber of Commerce and the websites of those firms were checked. From the 562, 90 were identified as the target group, as they included some issues or topics about social responsibility projects, internal marketing practices, and corporate image on their websites.

The managers of all (90) the selected firms were initially contacted by telephone and the aim of the study was explained. Out of the 90 firms contacted, 52 agreed to participate in the study. Out of the 52 firms that agreed to participate, 225 participants from 37 firms completed the survey in full. The research was conducted in the period from March to May of 2019. The data were collected online. The respondent firms were distributed across the following areas of the manufacturing industry: the metal industry, the automotive industry, petroleum products, the plastics and rubber industry, and paper and paper products.

To avoid single-source bias, at least three respondents at the middle management level and/or top management level participated in the survey from each firm. The selection was based on the assumption that these individuals were knowledgeable about the firm level variables in their respective organizations. All respondents were informed that the data would remain anonymous and would not be linked to them individually, to their company, or to the company’s products. In addition, the respondents were assured that there were no right and wrong answers and that they should thus answer the questions as honestly and forthrightly as possible.

Furthermore, the authors developed a cover story to make it appear that the measurement of the predictor variable was not connected with or related to the measures of the criterion variable. This procedure reduced apprehension about the evaluation and made the subjects less likely to edit their responses to be more socially desirable, lenient, and consistent with how they

thought the researchers wanted them to respond (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

The findings are based on data from a convenience sample of which 157 of the participants were male (70%). The average age was 31, ranging from 24 to 67. Fifty percent of the participants held university diplomas or higher degrees. Seventy-two percent of the participants were middle level managers while 28% were top level managers.

## 2.3 Analysis

The partial least squares (SmartPLS 3.0; Chin, 2001) approach was used for the path modeling to estimate the measurement and structural parameters in our structural equation model (SEM) (Chin, 1998). The reason for using this technique is that the PLS method can operate under a limited number of observations with more discrete or continuous variables. Therefore, the PLS method is an appropriate one for analyzing operational applications. PLS is also a latent variable modeling technique that incorporates multiple dependent constructs and explicitly recognizes the measurement error (Karimi, 2009). Also, PLS is far less restrictive in its distributional assumptions and applies to situations where knowledge about the distribution of the latent variables is limited. PLS requires the estimates to be more closely tied to the data compared to covariance structure analysis (Fornell & Cha, 1994).

## 2.4 Measurement validation

In this study, following Kleijnen, Ruyter, and Wetzels (2007), we used reflective indicators for all our constructs. To assess the psychometric properties of the measurement instruments, we estimated a null model with no structural relationships. We evaluated reliability using composite scale reliability (CR), Cronbach’s alpha, and average variance extracted (AVE). For convergent validity, researchers need to examine the AVE. An AVE value of 0.50 or higher indicates a sufficient degree of convergent validity. CR values, as well as Cronbach’s alpha values, of 0.60 to 0.70 in exploratory research and values from 0.70 to 0.90 in more advanced stages of research are regarded as satisfactory. Moreover, each indicator’s reliability needs to be taken into account, whereby each indicator’s absolute standardized loading should be higher than 0.60 (Hair, Ringle, & Sarstedt, 2013). For all measures, the PLS-based CR is well above the threshold value of 0.70, the Cronbach’s alpha exceeds the threshold value of 0.70, and the AVE exceeds the 0.50 threshold value (see Table 1). In

Table 1  
Correlations and Descriptive Statistics

No	Mean	Standard Deviation	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	3.57	.80	EC	(.79)													
2	3.63	.88	PE	.519**	(.75)												
3	3.70	.80	M	.511**	.842**	(.88)											
4	3.46	.97	C	.429**	.910**	.538**	(.91)										
5	3.52	.85	SD	.402**	.907**	.539**	.658**	(.92)									
6	3.84	.82	I	.403**	.823**	.423**	.499**	.758**	(.92)								
7	3.67	.82	CR	.758**	.582**	.413**	.463**	.468**	.407**	(.77)							
8	3.21	.77	EA	.545**	.579**	.624**	.558**	.619**	.452**	.770**	(.91)						
9	3.97	.89	PS	.687**	.470**	.533**	.551**	.432**	.397**	.783**	.686**	(.93)					
10	3.25	.72	VL	.710**	.397**	.523**	.315**	.402**	.426**	.886**	.596**	.644**	(.91)				
11	2.85	1.12	WE	.711**	.338**	.512**	.328**	.350**	.317**	.944**	.595**	.653**	.847**	(.86)			
12	3.63	.92	SER	.592**	.300**	.486**	.324**	.303**	.235*	.868**	.555**	.479**	.695**	.839**	(.87)		
13	3.88	.85	FP	.726	.401**	.483**	.409**	.383**	.4057**	.539**	.556***	.659**	.572**	.612**	.539**	(.84)	
14	4.1	.72	NP	.775**	.435**	.452**	.421**	.429**	.479**	.559**	.585**	.747**	.731**	.697**	.559**	.734**	(.85)
			CR	.96	.94	.91	.94	.92	.94	.96	.94	.95	.93	.94	.94	.90	.92
			AVE	.62	.56	.77	.83	.85	.84	.59	.83	.97	.82	.74	.76	.70	.73
			$\alpha$	.95	.93	.84	.90	.94	.90	.96	.90	.92	.89	.91	.92	.90	.88

\*  $p < .05$ , \*\*  $p < .01$ . Note1. Diagonals show the square root of AVEs. Note<sub>2</sub>. EC = Empowerment Climate, PE = Psychological Empowerment, M = Meaning, C = Competence, SD = Self-Determination, I = Impact, CR = Corporate Reputation, EA = Emotional Appeal, PS = Products and Services, VL = Vision and Leadership, WE = Workplace Environment, SER = Social and Environmental Responsibility, FP = Financial Performance, NP = Non-financial Performance, CR = Composite Reliability, AVE = Average Variance Extracted,  $\alpha$  = Cronbach's Alpha

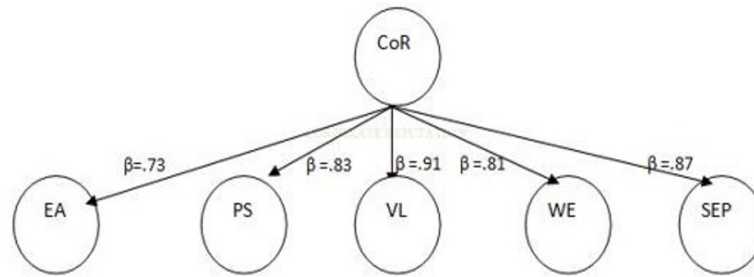
In addition, we evaluated convergent validity by inspecting the standardized loadings of the measures on their respective constructs and found that all measures exhibit standardized loadings that exceed 0.60 (see Appendix A). Moreover, as a second order variable, CR was estimated through a secondary factor analysis yielding five latent constructs: emotional appeal, products and services, vision and leadership, workplace environment, and social and environmental responsibility. Each of the three constructs – emotional appeal, products and services, and vision and leadership – had three indicators, while workplace environment and social and environmental responsibility had five. Figure 1 shows the standardized regression loadings of those five constructs. As seen in Figure 1, all five constructs have a standardized loading of over 0.60. This result suggests that CR as a five-construct second-level variable is significantly predicted by emotional appeal, products and services, vision and leadership, workplace environment, and social and environmental responsibility. In this paper, both CR and PE are considered as second-order variables. PE was estimated through a secondary factor analysis, yielding four latent constructs: meaning, competence, self-determination, and impact. Each of the

four constructs had three indicators. Figure 2 shows the standardized regression loadings of those four constructs. As seen in Figure 2, all four constructs have a standardized loading of over 0.60. This result suggests that PE as a four-construct second-level variable is significantly predicted by meaning, competence, self-determination, and impact.

We next assessed the discriminant validity of the measures. Table 1 shows the correlation among all six variables that provide further evidence of discriminant validity. To fully satisfy the requirements for discriminant validity, the AVE for each construct should be expected to be greater than the squared correlation between constructs (Fornell & Larcker, 1981). The results suggest that the items share more common variance with their respective constructs than any variance the construct shares with other constructs (Howell & Aviole, 1993). In the model, none of the inter-correlations of the constructs exceeded the square root of the AVE of the constructs (see Table 1).

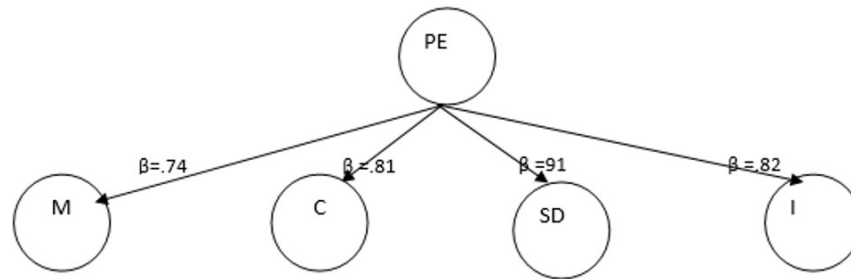
## 2.5 Assessment of common method variance

We used Harman's single factor test (Harman, 1960) and EFA with all the variables loaded onto a



Note: CR= Corporate Reputation, EA = Emotional Appeal, PS = Products and Services, VL = Vision and Leadership, WE = Workplace Environment, SEP= Social and Environmental Responsibility

**Figure 1.** Second-order factor analysis of corporate reputation



Note: PE= Psychological Empowerment, M=Meaning, C=Competence, SD= Self-Determination, I=Impact

**Figure 2.** Second-order factor analysis of psychological empowerment

single factor without any rotation. The new common latent factor explained only 32.77% of the variance, which is less than the cut-off value of 50%. Moreover, we also employed Kock's (2015) criterion that a model with more than 3.3 variance inflation factors (VIFs) is an indication of common method variance. The results of our VIF analysis for our model shows that the VIF values range between 1.19 and 2.31, which are lower than the suggested threshold of 3.3. Accordingly, the results suggest that common method bias is not an issue.

## 2.6 Structural model

In order to validate the PLS-SEM approach, various quality scores, such as the coefficient of determination ( $R^2$ ) (Chin, 1998) and the goodness-of-fit index ( $GoF$ ) (Tenenhaus, Vinzi, Chatelin, & Lauro, 2005), are considered. The  $R^2$  values of the endogenous constructs are used to evaluate the model fit and indicate how well data points fit a line or curve (Chin, 1998; Tenenhaus et al., 2005). As suggested by Chin (1998), the categorization of  $R^2$  values is small ( $.02 \leq R^2 < .13$ ), medium ( $.13 \leq R^2 < .26$ ), or large ( $.26 \leq R^2$ ). In addition,  $GoF$  is employed to globally evaluate the overall fit of the

model, seeking concordance between the performance of the measurement and the structural model, as well as consistence with the geometric mean of the average commonality and the average  $R^2$  of the endogenous latent variables. The  $GoF$  ranges between 0 and 1, where a higher value represents a better path model estimation. In line with the effect sizes for  $R^2$ , using .5 as a cut-off value for commonality (Fornell & Larcker, 1981), the threshold values for the  $GoF$  criterion are categorized as small ( $.1 \leq GoF < .25$ ), medium ( $.25 \leq GoF < .36$ ), or large ( $.36 \leq GoF$ ) effect sizes.

The  $R^2$  statistic values of the endogenous constructs were used to assess the model fit (Chin 1998; Tenenhaus et al., 2005). Table 2 shows the  $R^2$  and  $GoF$  values as the fit measures of the structural model. In accordance with the categorization of the  $R^2$  effect sizes, the effect size for PE is small ( $R^2 = .27$ ), the effect size is medium for non-financial performance ( $R^2 = .49$ ) and financial performance ( $R^2 = .57$ ), and, finally, the effect size is large for CR ( $R^2 = .63$ ). According to another fit measure, the result of the  $GoF$  was .39, revealing a medium-sized fit (see Table 2).

## 2.6 Hypothesis testing

The PLS approach (Ringle, Wende, & Will, 2005) and the bootstrapping re-sampling method (Chin, 1998) were employed using the SmartPLS 3.0 software program to test the hypothesis and predictive power

Table 2  
Structural Model

Fit Measures	Endogenous Constructs	R <sup>2</sup>
	Psychological Empowerment	.27
	Corporate Reputation	.63
	Financial Performance	.57
	Non-Financial Performance	.49
GoF		.39

Note, GoF =  $\sqrt{\text{Average Communality} \times \text{Average R}^2}$ . EC = M = Meaning, C = Competence, SD = Self-Determination, I = Impact, CR = Corporate Reputation, FP = Financial Performance, NP = Non-financial Performance.

Table 3  
Results of Hypothesis Testing

Hypothesis	Relationship	Path coefficient ( $\beta$ )	Result
H1	Empowerment Climate → Psychological Empowerment	0.52**	Supported
H2	Empowerment Climate → Financial Performance	0.50**	Supported
H3	Empowerment Climate → Non-Financial Performance	0.48**	Supported
H4	Empowerment Climate → Corporate Reputation	0.63**	Supported
H5	Psychological Empowerment → Corporate Reputation	0.26**	Supported
H6	Corporate Reputation → Financial Performance	0.68**	Supported
H7	Corporate Reputation → Non-Financial Performance	0.77**	Supported

of the proposed model (see Figure 3). This procedure entailed generating 5000 sub-samples of cases (Hair et al., 2013) that were randomly selected, with replacement, obtained from the original data, after which path coefficients were generated for each. T-statistics were run for all coefficients, based on their stability across the sub-samples, in order to determine the links that were statistically significant. The path coefficients and their associated t-values showed the direction and impact of each hypothesized relationship.

Table 3 shows the results for the hypotheses, including paths, beta values, and significance levels. Concerning the relationships between EC and other variables, the results revealed that EC has a positive impact on PE ( $\beta = .52$   $p < .01$ ), CR ( $\beta = .62$ ,  $p < .01$ ), financial performance ( $\beta = .50$ ,  $p < .01$ ), and non-financial performance ( $\beta = .48$ ,  $p < .01$ ). Therefore

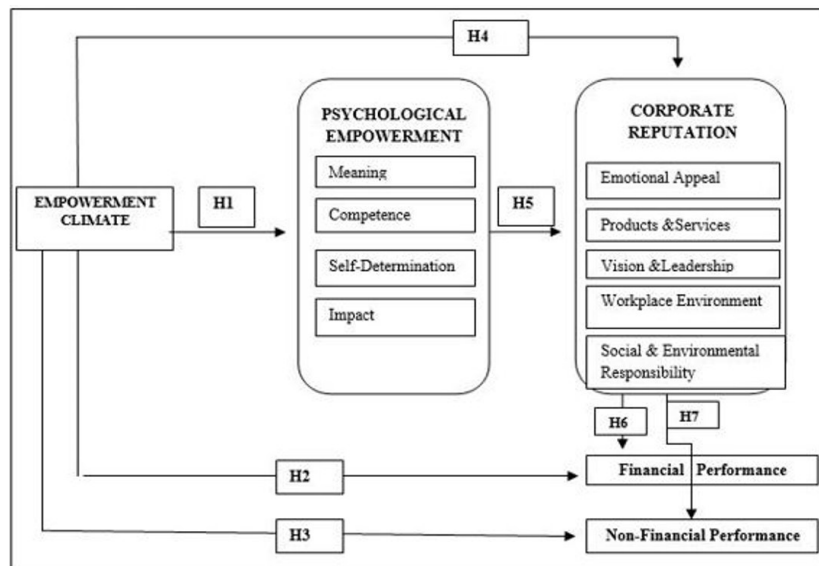


Figure 3. Proposed Model

H1, H2, H3, and H5 are supported. Also, the results indicated that PE significantly affects CR ( $\beta = .26$ ,  $p < .01$ ), which supports H4. Regarding the influences of CR on FP, the findings show that CR is positively associated with both financial ( $\beta = .68$   $p < .01$ ) and non-financial firm performance ( $\beta = .77$   $p < .01$ ), thus supporting H6 and H7.

### 3 Results and Discussion

Employees appear to be a key determinant in reputation management and therefore academics and practitioners tend to be more concerned about addressing the ways in which employees affect the reputation of companies. While good relationships with all stakeholders are equally important, employees are the ones who play a crucial role in advancing CR within the organization. Even though CR is expressed in the literature as the aggregate perception of all stakeholders towards all characteristics of a firm, the employees' perceptions stands out as being most effective in establishing and maintaining a positive reputation (Gatzert, 2015; Helm, 2007). Therefore, this study proposes that the organizational climate can be organized to enhance empowerment, which boosts both PE and CR and ultimately FP.

Employees relay their own experience of an organization to outsiders when working in different roles and interacting with external audiences and can potentially affect reputation not only by how they perform their jobs but also via how they feel about the company. Especially in service industries, employees contribute to the creation of CR through the quality of their communications with customers (Davies et al., 2003; Helm, 2007; Nguyen & LeBlanc, 2018). As Helm highlights, to create satisfied customers managers first need to create satisfied, motivated, empowered, and engaged employees, because they represent the firm in every interface with customers and other stakeholders (2011). Moreover, the quality of organization-public relationships is also influenced by employees as they are spokespersons and ambassadors who represent organizations (Doorley & Garcia, 2015; Rhee, 2004).

Quality relationships that organizations have with their employees not only contribute to firm performance and the accomplishment of organizational goals but also help establish and sustain CR in a turbulent environment

(Kim & Rhee, 2011; Men, 2011). Reputable companies are expected to manage all communications with employees in positive and cooperative ways since CR is often viewed as a fragile resource which requires considerable time and investment to create, but which is easily destroyed (Hall, 1993). As Fombrun et al. (2000) state, highly reputable firms are usually characterized by a participative culture and willingness to share power with employees and engage them in the decision-making process. To strengthen perceptions of CR, managers should share sensitive information about their organization with employees and allow team members to make decisions without too much managerial interference. In particular, when employees are empowered, they are more likely to feel that their organization cares for their well-being and values their contributions, and they reciprocate by acting in ways that maximize the well-being of others and the organization and minimize self-interested decision-making. Social exchange theory (Eisenberger, Fasolo, & Davis-LaMastro, 1990) argues that empowered employees behave in ways that benefit their organization because they feel favorably treated by the organization and so are more likely to repay the organization with positive attitudes and favorable work behaviors.

Viewing employees as contributors to CR, managers and practitioners endeavor to empower them. Therefore, in this study, the empowerment of employees was assessed as a crucial element of the CR management process. The study also analyzed how FP is influenced by CR management. The findings provide new evidence from the employee's point of view with respect to the relationship between CR and FP. In parallel with previous studies, the current study demonstrated that PE is the individual's reaction to EC (Kanter, 1993; Laschinger et al., 2004; Spreitzer, 1995). The results indicate that the more employees perceive an empowering organizational climate, the more they experience positive psychological cognitions, which supports H1. Organizations which have structural determinants relating to empowerment will encourage staff's inner perceptions of PE. When leaders remove disempowering elements from the work setting and foster information sharing, autonomy through boundaries, and team accountability, individuals are more likely to find their work meaningful, have a greater sense of autonomy, and have a strong belief that they can

have an impact at work. To attain empowerment in all aspects, employees should perceive both an empowering organizational climate and also the four aspects of PE to build a psychological sense of empowerment. According to the empirical findings of the study, it can be concluded that EC enhances people's sense of empowerment and therefore represents a significant determinant of PE, which supports previous research (Chen, et al. 2007; Seibert et al., 2004; Wallace & Johnson; 2011).

Previous studies have supported the relationships between EC and performance (e.g., Kirkman & Rosen, 1999; Seibert et al., 2004). In line with those, the findings of this study confirm a positive connection between EC and FP, which supports H2 and H3. The results reveal that EC creates a psychologically safe environment, which stimulates knowledge sharing and experimentation with new ideas to make high quality decisions and achieve effective performance (D'Innocenzo et al., 2016; Jha, 2019). In addition, when organizational structures and practices encourage the autonomous actions of employees, delegate the locus of decision-making to the teams, and encourage participative decision-making among team members, the levels of production or service quality are increased. In line with previous evidence (Seibert, Wang, & Courtright, 2011), the findings support the idea that empowered employees produce higher quality products and services as they are motivated by a sense of ownership or responsibility for their work. They also enhance new product development as they persist in improving work processes and search for alternative solutions for problems (Zhang & Bartol, 2010). As a result, managers who want to boost performance should develop a climate where employees develop work goals, procedures, and areas of responsibility independently; can easily access the necessary information and resources to accomplish their work; and have an influence over decisions, ranging from high-level strategic decisions to routine day-to-day decisions.

Despite this growing evidence linking empowerment and performance, few studies examine the mechanisms connecting employee empowerment and reputation. In fact, this study was among the first empirical attempts to examine broader organizational and psychological domains of empowerment in its relationship with CR. Men and Stack (2013) also investigated the connection

between empowerment and reputation, but they conceptualize empowerment only in terms of perceived competence and decision-making control. Since findings for specific dimensions of PE have been tested in other studies, we tested not only the overall construct of PE but also EC in the relationship with CR and FP. The findings prove EC is strongly related to PE and CR, both of which in turn enhance CR, thus supporting H4 and H5. By providing evidence that employee empowerment is another critical determinant of CR, the results complement previous studies that have determined that management and leadership quality are among the major drivers of reputation (Men & Stacks, 2013). By addressing the importance of employees' empowerment under strong managerial concern for FP, this study identifies empowerment-based consequences of internal reputation management.

Another contribution of this study is that rather than examining the relationship of CR with separate performance dimensions, several performance measures are used. According to the results of the study, financial performance indicators including sales growth, market share, return on investment, and general profit are positively affected when organizations concentrate on practices boosting dimensions of CR, which supports H6. Employees that have a favorable view of CR tend to show commitment to the company's values, beliefs, mission, and objectives, which in turn leads to better task performance and contributes to the formation of CR, influencing market performance. The results also demonstrate that non-financial performance indicators such as the quality of products or services, new product development, and employee and customer satisfaction are significantly influenced by CR, thus supporting H7. The findings reinforce and extend the existing literature linking CR and FP (Ansong & Agyemang, 2016; Carmeli & Tishler, 2005; Walker, 2010; Zhu et al., 2014) by showing that dimensions of CR influence not only financial but also non-financial performance. When unique assets such as human capital and CR are properly managed, this leads to a win-win situation for both the employer and the worker, which in turn generates sustainable FP. Consequently, this research provided an important contribution in showing how macro-level empowerment practices such as EC influence micro-level feelings of

empowerment such as PE and that both, in turn, are related to perceived CR and FP.

#### 4. Limitations and Suggestions for Future Research

The findings of the study should be interpreted in view of some limitations. First of all, the data collected in this study were only based on the employees' perspective and therefore the perceptions of other stakeholder groups, such as customers, shareholders, or investors, should be included in order to provide a comprehensive understanding of how CR influences firm performance. Second, self-reported surveys were used to measure the results, which could be limited by socially desirable responses, even though Churchill, Ford, Steven, and Walker (1985) claimed that self-reported measures of firm performance do not show any particular upward bias. Yet, it would be advantageous for future research to replicate the study using objective measures. Third, customers' perceptions of reputation in relation with empowerment practices could be investigated in order to explore the role of employees in reputation-building processes. In addition, the evidence on the influence of empowerment on reputation and FP could be deepened with data obtained from both product and service industries and the comparison of different industries would deepen the understanding of the process. Fourth, the study only examined the role of empowerment in fostering perceptions of CR. It should also be noted that PE may moderate the relationship between EC and CR and this could be investigated in a future study.

However, there may be some other mediating and moderating variables including leadership, personality type, reward systems, and job design that impact the relationships among empowerment practices, CR, and FP. In addition, the influence of perceived CR on FP was investigated by the researchers, but the relationship may be mutual and thus future studies could investigate the influence of FP on CR perceptions. Finally, the generalizability of the sample is another limitation of this study, because the study was conducted in a specific cultural context, i.e., Turkish firms. Since culture influences people's perceptions, the relationship between culture and the perceptual structure of CR could also be investigated in a future study. In this research,

CR and PE are considered as second-order composite variables. However, future studies could examine whether the dimensions of psychological empowerment have different effects on CR and how the dimensions of CR affect FP. All in all, this study provides new insights into the relationship between empowerment, CR, and FP.

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## Appendix A

\* Factor loadings are shown in the parentheses for each item

**Empowerment Climate** (adapted from Nauman et al. (2010))

Clear understanding of individual roles and responsibilities (.815)

Open communication among team members (.804)

Standardization to reduce reworking in project documentation (.715)

Comprehension of the end user's requirements (.804)

Feedback to team members on the work performed (.812)

Important issues emphasized when appropriate (.808)

Documental policies and procedures (.795)

Survey or focus group examining customer wants, needs, frustrations, and ways to improve service (.768)

Brainstorming encouraged to improve customer service (.715)

Understanding the customer's needs (.741)

Delegation of responsibilities (.789)

Team work (important to you)

Professional growth and training encouraged in team members (.833)

Participative decision-making encouraged among team members (.834)

Information sharing and easy access to project information and project data (.824)

Pre-drafts of documents circulated for comments (0,804)

**Psychological Empowerment** (adapted from Çekmecelioglu & Özbağ (2014) and originally developed by Spreitzer (1995))

Meaning

The work I do is very important to me (.691)

My job activities are personally meaningful to me (.743)

The work I do is meaningful to me (.618)

Competence

I am confident about my ability to do my job (.776)

I am self-assured about my capabilities to perform my work activities (.670)

I have mastered the skills needed for my job (.775)

Self-determination

I have autonomy when doing my work (.856)

I can decide on my own how to go about doing my work (.789)

I have considerable independence and freedom in how I do my job (.816)

Impact

My impact on what happens in my department is large (.775)

I have a great deal of control over what happens in my department (.767)

I have significant influence over what happens in my department (.634)

**Corporate Reputation** (adapted from Fombrun et al. (2000) and Walsh & Beatty (2007))

Emotional Appeal

I have good feelings about the company (.918)

I admire and respect the company (.953)

I trust this company (.865)

Products and Services

It stands behind its products and services (.911)

It develops innovative products and services (.951)

It offers high quality products and services (.934)

Vision and Leadership



It has excellent leadership (.902)

It has a clear vision for its future (.922)

It recognizes and takes advantages of market opportunities (.911)

Workplace Environment

It is well-managed (.837)

It appears to be a good company to work for (.909)

It looks like a good company that has good employees (.800)

Its management seems to pay attention to the needs of its employees (.873)

It seems to maintain ethical values in the way that it treats employees (.885)

Social and Environmental Responsibility

It supports good causes (.903)

It is an environmentally responsible company (.854)

It maintains high standards in the way it treats people (.855)

It reduces its profits to ensure a clean environment (.883)

It seems to make an effort to create new jobs (.859)

**Firm Performance** (adapted from Zehir et al. (2016))

Financial performance

Sales growth (.758)

Market share (.827)

Return on investment (.711)

General profit (806)

Non-financial performance

Quality of goods/services (.832)

New product development (.845)

Employee satisfaction (.815)

Customer satisfaction (.800)