

# Management Effectiveness Evaluated by the Achievement of Goals Established in the Reward System and its Connection with Psychological Empowerment

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## Abstract

The study investigates the management effectiveness measured by the achievement of the goals established in the reward system for employees and its relation with psychological empowerment in a multinational company. Descriptive study with qualitative and quantitative approach was performed in an American company, based in Brazil. For data collection we used a questionnaire adapted from Spreitzer (1995). Data analysis used descriptive statistics, content analysis, and financial information published on the Stock Exchange of New York. The conclusion presents relation between management effectiveness measured by the achievement of goals established in the reward system and psychological empowerment.

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**Index terms**— financial, empowerment, descriptive, statistics.

## 1 Introduction

he management capacity of the organization can be crucial so it can achieve its strategic objectives and the performance evaluation of its employees has as one of its functions to measure the level of this ability. The performance depends not only on external factors such as global economy, consumers or the market in which it operates, but also internal factors. The way their managers run their activities and, as a consequence, business is also essential for a smooth organizational performance, which results in management effectiveness (NASCIMENTO; REGINATO, 2009).

The management effectiveness depends on useful information to provide support for managers' decisions. On the other hand, these managers, depend on information not only for the management itself but also for the operation of various activities necessary to achieve the goals and organizational objectives (FINKLER; WARD, 1999). This information has its origin in the management system and performance evaluation used by the organization. The evaluation system should demonstrate the real performance potential and the deviations and their causes as well, with the needs and opportunities for improvement and the possibilities to adjust expectations and standards previously established by the organization (PEREIRA, 2001). To Spreitzer (2007), to become successful in business environment, organizations need knowledge, ideas, energy, creativity and empowerment of each of its employees, whether strategic or operational level. Therefore, organizations need to relate the behavior of its employees to the reward system adopted. The reward system needs to be properly structured as it can positively impact the company's management effectiveness when individuals receive continuous feedback on their performance (LAWLER III, 2003).

According to Drake, Wong, and Salter (2007), key aspects of performance feedback and reward systems may have a significant impact on employees' psychological empowerment through the perception of work motivation and individual performance. For the authors, the psychological empowerment is associated with management effectiveness of organizations when the financial return has a significant and positive effect on the perceived impact of employees.

### 3 MANAGEMENT EFFECTIVENESS AND ACHIVEMENT OF GOALS ESTABLISHED IN THE REWARD SYSTEM

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Finding mechanisms that measure the psychological aspects of the employees has become a growing need in the organizational environment, especially the psychological empowerment. In this direction emerges the questioning which guides this research: What is the connection of management effectiveness measured by the achievement of the goals established in the reward system for employees with psychological empowerment? The study aims to investigate the management effectiveness measured by the achievement of the goals established in the reward system for employees and its connection with psychological empowerment in a multinational company.

For that reason, we elaborated the hypothesis of this research: H -The psychological empowerment according to Spreitzer's model (1995) is related to management effectiveness in the studied company. Regarding management effectiveness in Spreitzer research (1995) for U.S. companies, the results point to a significant correlation among effectiveness and psychological empowerment and innovative behavior.

This study begins with this introductory section, in the sequence presents the conceptual foundation which supports the study. Followed by methodological procedures adopted in the research and analysis of the research results. Finally the study conclusions and recommendations for future research on the topic.

## 2 II.

### 3 Management Effectiveness and Achivement of Goals Established in the Reward System

The meaning of organizational effectiveness lies in the business continuity and sustainability, monitored by the organization's performance. Pereira (2001) believes the organizational effectiveness is related to the performance evaluation present in the management process in the organization. This allows conclusions about the quality of a particular performance, but mainly to boost quality -effectiveness and efficiency -considered ideal and desirable.

The perception of organizational effectiveness is closely associated with management effectiveness, depends directly on one another. An organization does not ensure its continuity without the aid and subsidies provided by the human resources available to it.

This research is affiliated to the concept of management effectiveness presented by Spreitzer (1995), who understands it as the degree that a manager meets or exceeds the expectations of his/her performance in the working environment -in which capable managers consider themselves competent and capable enough to influence their subordinates significantly in order to proactively conduct their activities . From this perception managers can anticipate problems and make their employees to become more independent, making them more effective. Spreitzer (1995) mentions that management effectiveness can be measured by the standards of performance, peer comparison and global performance. So that organizations can assess their management effectiveness, they must use the goals established in the reward system and performance evaluation, adopted from their management control.

Organizations set goals in order to improve or achieve its strategic objectives. The goals serve as a control instrument, that managers use to monitor the company's performance in the long run and use them to monitor the employees performance in the short term (GRIFFIN; MOORHEAD, 2006).

The motivation comes from the conscious intentions and goals of employees. When setting goals for their employees in the organization, managers must be able to influence their behavior. The degree of difficulty of a goal is linked to the intensity of the challenge and the effort required achieving it. If employees work to achieve them is reasonable to conclude that they worked more diligently. However, managers should take be careful in preparing goals not to make them unattainable and discourage their employees (GRIFFIN; MOORHEAD , 2006).

The employees values and motivation are important to guide and direct individual behavior, which in turn may have an impact on the performance or not of these employees (STERLING; BOXALL, 2013). Performance is seen as the result of what is perceived when employees perform, achieve and produce to perform their tasks properly (FREZATTI; ROCHA; NASCIMENTO; JUNQUEIRA, 2009).

To achieve a desired outcome or performance, the goal setting becomes a parameter which drives this process. Frezatti et al. (2009) argue that setting challenging goals or apathetic, or goals that are not understood or sufficiently clear can directly affect not only the managers remuneration, as well as their commitment and interest at work or even the their commitment and interest for the organization. It is realized the importance of involving managers and employees in the preparation of individual performance goals in order to make them more committed and motivated in achieving them.

Several research that deal with goal determination, such as Robbins and Coulter (1996), demonstrate the superiority of establishing specific and challenging goals working as motivational forces, rather than goals that can be easily reached by employees. Studies highlight if it is encouraged employees participation in determining their own goals, it is expected acceptance in more difficult challenges, but it is not always recommended employees participation in the formulation of individual goals.

Nascimento and Reginato (2009) argue that it is important to carry out performance evaluation that monitors the achievement of organizational goals. The practice of promoting the image of employees who excel in performing their functions entails a form of reward that motivates them to perform their activities better.

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Organizations should seek a balance in preparing the goals stated in their performance evaluation programs or reward in order to align the values and motivation of employees to the organization strategic objectives.

The results of the employees' individual performance evaluation are used to decide and justify the distribution of rewards in the organization. The assessments help managers make decisions about training, training programs and develop improvement plans that meet the needs of their subordinates. The data generated can also be used to predict future needs for human resources, management succession planning and guide other activities (GRIFFIN; MOORHEAD, 2006). Frezatti et al. (2009) emphasize that a reward system or control system has four phases: a) establishment of standards, b) comparison of real performance with the expected c) identifying any deviations, and d) implementation of corrective actions when detecting the need for it. The presence of these phases is critical to assist managers in aligning the process of their employees' individual performance evaluation with the organization strategic planning, more specifically in operational terms in order to maintain organizational sustainability and management effectiveness.

Relate the achievement of goals to the reward system used by a company in the management of its employees has become a common practice in the organizational environment. This is a system that "clearly identifies the performance and improves the perception of fairness by the manager. This can be seen as a control network formed by several connection cycles, which requires a macro orientation from the organizations " ??Frezatti et al. 2009:160).

It is inferred that management effectiveness is related to how managers choose the use of management control to monitor and manage the achievement of the goals established in the reward system or performance of the organization in order to provide continuity for a company.

## 4 III.

## 5 Psychological Empowerment

Among these new concepts and methodologies aimed to analyze the behavioral aspects of individuals, arises empowerment, first introduced in the '80s, becoming one of the most promising concepts, but one of the least understood business area (BLANDCHARD; CARLOS; RANDOLPH, 2001). Moorhead and ??riffin (2006:142) characterize it as the process by which employees "define their own work goals, make decisions and solve problems within their sphere of responsibility and authority."

The psychological empowerment corresponds to a set of psychological states that are necessary for individuals to gain a sense of control in relation to their work, in which, instead of concentrating their efforts on management practices that share power among employees at all levels hierarchical, focuses on the work experience of these individuals. The psychological perspective of empowerment is related to the employees personal beliefs in relation to their role in the organization (Spreitzer, 2007). Siegal and Gardner (2000) argue that the empowerment concept is directly aligned with organizational effectiveness through the intelligent use of the company's human resources. Zapelini (2008) asserts that empowerment is present in the transfer of power to a social group and in the ability of social actors perform self-assessments according to goals and procedures pre-established for themselves.

In a comprehensively way, in recent years companies have sought ways to expand and encourage empowerment in the organizational environment (GRIFFIN; ??OORHEARD, 2006). Study aspects related to employee empowerment has become essential for organizations facing the need for constant change and learning that permeate the global environment of business (DIMITRIADES, 2005). Spreitzer (1995) aimed to develop and validate a multidimensional measure of psychological empowerment in the work environment starting with the creation of four cognitive dimensions: significance, competence, self-determination and impact. The research was based on the theory of Bandura's studies (1977), Conger and Kanungo (1988) and Thomas and Vethouse (1990), using the technique of structural equation modeling. She exained 393 managers of various units of an industry and 128 employees at the operational level of an insurance company, both companies are American. The research highlights its contribution by providing a conceptual definition of psychological empowerment and its measurement in the organizational context, and provides evidence for the construct validity and demonstrates its relationship with a number of psychological antecedents.

## IV.

## 6 Research Methodology

The descriptive study with qualitative and quantitative approach was performed through a case study. The study is classified as descriptive to ascertain the perception of psychological empowerment on employees and company managers about management effectiveness measured by the achievement of the goals established in the reward system for employees and its relation with psychological empowerment in a multinational company.

Regarding the case study, according to ??in (2003:21), research of this nature must "preserve the holistic and meaningful characteristics of real life events." To ??artins and Theóphilo (2007:61), "the researcher has no control over the events and variables, aiming to learn the whole of a situation and critically, describe, understand and interpret the complexity of a case."

The research is characterized as cross-sectional to collect information about the variables at a point of a timeline, specifically the period from September to November 2010, with a qualitative approach. Survey

## 10 B) MANAGEMENT EFFECTIVENESS MEASURED BY THE ACHIEVEMENT OF GOALS ESTABLISHED IN THE REWARD SYSTEM

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participants belong to a multinational company established in southern Brazil. This multinational company has factories located in all continents and distributed in 14 countries. However, in the Brazilian unit analyzed, the corporate name will not be revealed in order to preserve their goals and strategic information.

The company subject of this study was chosen by the feasibility of access to the reward and performance evaluation system data used in the company. It was also selected due to the origin of its capital, which is American. Presumably some cultural aspects may resemble Spreitzer (1995) study, held in American companies.

To collect the data it was used two types of research instruments: a) a questionnaire adapted from Spreitzer (1995), composed of 24 questions with seven-

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A point according Likert scale to identify the perception of the company's employees on the psychological empowerment; b) three scripts of interviews, applied, respectively, to the human resources supervisor, financial accounting manager and import and export supervisor, to assess management effectiveness dimensions (performance standards, peer comparison and global performance) proposed by Spreitzer (1995).

Three managers were contacted to conduct interviews. The financial accounting manager and the import and export supervisor were interviewed regarding access to information on the employees' individual performance and management effectiveness. The human resources supervisor was interviewed about the reward system and access to information on individual performance, which variables are directly related to this study.

Also it was held a questionnaire to the administrative and operational employees to assess their perception in relation to psychological empowerment, access to information on individual performance and the reward system used by the company in which it was gotten 15 responses.

Table 1 presents the construct of the variable "management effectiveness" embraced by the study main issue with its variables and sub-variables. The data collected through a questionnaire were submitted to simple statistical analysis, average and standard deviation, and in the data collected in the three interview scripts it was applied content analysis. To investigate the profitability indicators, data were collected in the company's financial statements published on the website of New York Stock Exchange (NYSE).

## 8 V.

Description and Data Analysis a) Presence of elements of psychological empowerment according to Spreitzer (1995)

## 9 model

This section shows the presence of elements of psychological empowerment on the Spreitzer (1995) model in the company. Data analysis is organized into four perspectives: competence, impact, self-determination and significance. To assess the perception of administrative and operational employees on these four dimensions questionnaire it was used a seven-point Likert scale: 1 -Disagree very strongly, 2 -Strongly disagree, 3 -Disagree, 4 -Neutral; 5 -I agree; 6 -Strongly agree, and 7 -I agree very strongly.

The competence dimension presents the perception of employees regarding their individual ability to perform their job. The impact dimension is understood as the degree of influence of an employee in the working environment and in the execution of his/her activities. The self-determination dimension is understood as the intrinsic motivation of employees in performing their duties with commitment, motivation and meaningful autonomy to perform their work. The significance dimension is understood as the perception of the employees towards the organization associated with the task being performed and the values and ideals of these individuals.

Table 2 presents a summary of the administrative and operational respondents employees perception regarding the dimensions of psychological empowerment contained in the model proposed by Spreitzer (1995). It is observed in Table 2 in the researched company, according to the perception of the administrative and operational respondent employees, the elements of Spreitzer (1995) psychological empowerment model, in the dimensions of competence, impact, self-determination and significance.

According to Thomas and Velthouse (1990), because of the presence of empowerment psychological factors is possible to capture the active orientation for the manifestation of individual wishes of the employees with their capability of adapting to the organizational environment.

## 10 b) Management effectiveness measured by the achievement of goals established in the reward system

This section approaches the management effectiveness, measured by the achievement of goals established in the reward system for employees of the company subject of study, following the construct exposed in the research. This section was divided into:

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## 11 c) Performance standards

Performance standards allow an organization to identify the methods used to monitor and manage its performance though the existence of individual performance metrics, team or department. Regarding the existence of individual performance standards (goals) in the organization, respondents reported that:

(R1) All individual performance goals are included in the performance evaluation of the organization.

(R2) There are established standards in the job description, area of expertise and necessary skills to perform their specific functions. Besides the existence of standards to gauge employee knowledge about the mission, vision and values of the organization available on the company's competency evaluation.

(R3) There are individual performance standards that are expressed in the evaluation by competency system, which occurs annually in the company.

Based on the testimony of the respondents, it is clear that the company has established individual performance standards in the system of evaluation performance by competencies, created from the job description, role and required competencies to perform it.

Another relevant aspect corresponds to the fact the company adds to the evaluation performance by competency system the divulgation of the organization mission, vision and values. With this, the company aims to test the knowledge of administrative and operational employees, identifying opportunities of divulgation improvement in relation to these aspects among its employees. Asked about the existence of performance standards for teams or departments, respondents mentioned that: (R1) No, specifically in those cases the manager must issue a specific report to analyze the performance of the employees of the department as a whole, but there are no standards set for the department. The manager analysis focus more on the employees individual performance evaluation.

(R2) There are no performance standards for teams or departments in the corporation.

(R3) There are no performance standards previously established by teams or departments present in the performance evaluation by competency in the company.

In the statements of the Respondents 1, 2 and 3, there is a lack of specific standards previously established by the organization to monitor the performance of teams or departments.

When asked about the existence of specific performance for each business unit, the Respondents 1, 2 and 3 highlighted that:

(R1) In relation to the economic-financial performance these specific standards for business units exist and are disclosed by the organization in its quarterly meetings, e-mail, intranet and murals.

(R2) Yes, they are passed on by the corporation in the United States.

(R3) There are specific performance standards for each branch. These standards are informed through a video, with the pronouncement of the president of the corporation in relation to the goals of each unit and the overview of the company's performance every quarter. It is made the translation of this video to Portuguese and it is published on the bulletin board.

It is observed that the company establishes standards for specific economic-financial performance to its business units around the world.

Another important aspect involves the disclosure of performance standards for each unit, which occurs through the quarterly meetings in which all employees of the organization are involved. In addition, there is the institutional video with the president of the company speech who gives these patterns, compares them with other business units, presents an overview of the company in the market and performs the association of company performance according to global economic events.

When asked about the existence of global standards of performance for the organization as a whole, respondents highlighted that: It is observed by the testimony of Respondents 1, 2 and 3 that the company has standards of global financial and economic performance established by the corporation in the United States. The disclosure of these performance standards happens in a broadly way in quarterly meetings and corporate videos with the speech of the company president.

The practices used by the company, according to the interviewees' statements, corroborate Pereira's (2001) assertion, when it is mentioned that organizations achieve organizational effectiveness when it relates the internal performance aspects of the organization (individuals and business units) and external (market and economic events).

## 12 d) Pair comparison

Organizations have the need to evaluate the performance of their activities, in order to maintain the continuity of their business. To perform this assessment managers seek to develop goals and performance standards according to the needs of the company and its strategic objectives. Therefore, the goals aim to When asked about the individual performance standard comparison of performance planned and implemented, respondents said that:

(R1) The company has a tool for performance evaluation by competencies that includes the following elements:

a) the description of the skills required to perform the function in accordance with the position which the employee is allocated b) the values of the organization to measure employees knowledge in relation to these values and disseminate them, c) improvements in job requirements, and d) development actions for the improvement of the employee. The performance evaluation takes place annually in two stages, on the first one the employee conducts a self-analysis of his/her performance answering a questionnaire with closed online questions, available

on the company intranet contemplating the four axes of evaluation. The manager receives the questionnaires answered by their subordinates and analyzes the responses, as well as the score of each axis and compares with the standards of previous assessments. Then the manager calls the employee to an assessment face to face, in which the employee receives a feedback on his/her individual performance evaluation. And finally, the manager prepares a consolidated assessment of individual performance that is stored in the system with the consolidated score for each axis of the assessment.

(R2) They are present in the competency evaluation system which is under implementation and improvement. This tool was developed with the assistance of a consulting firm and managers of the company and is being improved continuously.

(R3) The immediate supervisor does the individual standard performance comparison through the performance evaluation system used by the company and also used for comparison of consolidated previous evaluation grades to measure the evolution or involution of employees annually.

It is reported on the interviewees' statements that the company performs the comparison of the individual performances set and achieved goals, using the assistance of the evaluation performance by competency system.

An important aspect corresponds to the face to face feedback, passed by the immediate supervisor to administrative and operational employees after the individual performance evaluation, to generate a consolidated performance evaluation, which is stored in the system of the organization. This way, the company redeems the performance evaluations from previous years and compare them with the current consolidated performance evaluation.

When asked about the implementation of performance standards comparison for teams or departments planned and conducted, the respondents 1 and 2 stated that:

(R1) The performance assessment tool for competence used by the company does not perform these analyzes automatically, unless the manager creates a report with the grades of the consolidated employees individual performance evaluation that are allocated in that department.

(R2) The performance comparison for teams and departments are not conducted, since there are no standards for these analyses.

It is observed from the interviewees' statements that the company has not made a comparison of performance standards for teams or departments planned and carried out, specifically as it does not perform the evaluation their individually.

Regarding the global performance comparisons of the business units planned and conducted respondents point out that:

(R1) Only in evaluating financial performance with the aid of financial-accounting managers and marketing, and production manager in the share of contribution in the performance standards varies according to the plan of the organization. In terms of individual performance evaluation of competencies, assessments are not comprehensive because not all branches of the company spread throughout the world perform this type of evaluation. It is noteworthy that the Brazilian subsidiary is a pioneer in this type of evaluation and is being used as a benchmark for others. Recently the organization held an organizational climate survey and found that this has improved over time in their branches, but has an overall mark for evaluating competence of their employees.

(R2) Yes, through quarterly meetings, which are disclosed in the financial results of the company in overall performance level affiliate with the comparison between predicted and realized. The Brazilian subsidiary is among one of the largest units of the corporation outside the United States.

(R3) The company performs the comparison of performance standards in global business units, in affiliates spread in 14 different countries. However, the Brazilian unit ranks third in size and growth in relation to other business units of the corporation outside the United States.

In the interviewees' statements, it is noted that the organization monitors and performs comparisons of patterns of overall performance in the economicfinancial business units scattered in 14 countries. The disclosures of the results of these performance comparisons occur in the quarterly meetings, attended by all employees of the company in the 14 countries where it operates. Respondents noted that the Brazilian unit ranks third on the size and growth when compared to other units outside the United States.

When asked about the performance comparison of patterns of global performance of the organization as a whole planned and conducted, respondents state that:

(R1) Accomplish this comparison each quarter globally in terms of organizational financial performance. Even the president of the company visits its subsidiaries to look closely and monitor their performance. No performance standard is analyzed in isolation, all are jointly analyzed and audited.

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R2) Yes, through quarterly meetings, which are disclosed in the financial results of the company on a global level with the comparison between predicted and achieved, besides the institutional video of the corporation president which also addresses the global performance comparisons.

(R3) The comparison of performance standards focus on the global economic and financial results. This information is disclosed in the corporate video of the company president and in the quarterly meeting. In this meeting is emphasized the profit before interest, taxes, depreciation and amortization (EBITDA), economic value

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added (EVA) and the indicator of profitability, this information is disclosed to present an overview of the company and demonstrate a greater employment assurance.

It is noted on the testimony of Respondents 1, 2 and 3, that the company performs the comparison of the organization global performance standard. This comparison is done in quarterly meetings for all employees, including the speech of the company's president.

Also in relation to the comparisons, it is emphasized that no indicator is considered in isolation, because all of them are analyzed together and audited by external audit firms to provide transparency and reliability of the information demanded in the quarterly meetings.

An important aspect corresponds to the indicators emphasized in the quarterly meetings: profit before interest, taxes, depreciation and amortization (EBITDA), economic value added (EVA) and profitability indicators.

It appears that the analyzed company performs its management through the comparison of economicfinancial performance evaluation; scheduled and held every quarter and the employee performance by competency evaluation every year. From these comparisons and the quarterly meetings that occur in each of the 14 subsidiaries around the world are generated actions for improvement and refinement.

The practices used by the organization corroborate Pereira (2001) assertion, when he mentions that companies should relate organizational performance with the quality of their performances that boost the ideal and desirable management process effectiveness and efficiency.

## 14 e) Global Performance

When asked about the percentage of guideline achievement established by the organization, the Respondents 1, 2 and 3 mentioned that:

(R1) They exist, however, the respondent did not know the percentage of guideline achievement established by the corporation.

(R2) I believe that close to 100%.

(R3) I cannot answer precisely, but I believe it is something around 70% the percentage of guideline achievement previously established.

Based on the statements of the respondents, only Respondents 2 and 3 mentioned that the company is close to reaching 100% of the guidelines set by the U.S. headquarters. One way to collate this data is the published financial statements, presented in section 4.6 of this study.

However, the multinational which is the subject of this study does not disclose the Management Report; Explanatory Notes (NE); Annual Information (AI) and Standardized Financial Statements (DFP). This financial information is not disclosed by the organization because: company policy, the strategic nature of these statements, and because it is a privately held company in Brazil.

By questioning respondents about the percentage of goal achievement, it was found that:

(R1) They exist, but I do not know the percentage of goal achievement set by the corporation. However, I know that the company is continuously growing.

(R2) Close to 100%.

(R3) I do not know the percentage of goal achievement set in terms of evaluation of financial performance. Based on the statements of the interviewees it is believed that the percentage of goal achievement is close to 100%. Respondents 1 and 3 did not know the percentage but stressed that the company is growing.

When asked about the benefits (promotion, salary increase and bonus) offered by the company to its administrative and operational employees, respondents said:

(R1) The company provides the following benefits to its employees: a) Profit Sharing Program (PPR) in which all employees receive the same percentage, with no distinction of values -they are not proportional to the held position b) health plan Unimed with national coverage, in which employees pay just one low monthly fee and may include their dependents c) dental plan Uniodonto without fees d) pension plan, in which each R \$ 1.00 invested company pays R \$ 0,75 e) free access to the use of the employees association, f) private transportation at no cost to employees, and g) all benefits required by labor laws.

(R2) The company provides profit sharing, pension plan, health plan, dental plan, tuition assistance and bonuses to certain levels.

(R3) The company has a career and salary plan in which the paid values are compared to the large urban centers of the country like São Paulo, Rio de Janeiro and Minas Gerais. These values are valid for employees who hold positions as managers, coordinators or directors. However, salaries for other positions may increase according to the productivity of employees and follow the amounts paid in the region according to the performed function. In addition to the annual collective bargaining immediate supervisor may grant an increase of 0% to 5% according to the individual performance of their subordinates. Wages paid by the company in the positions held by managers, coordinators or directors are the highest in the region, accompanying constantly market research about salary range.

In the interviewees' statements, it is observed that the company provides several benefits to its employees administrative and operational: education aid; UNIMED health plan; Uniodonto dental plan; pension plan, profit sharing program, and Private Transport. The company also provides all the benefits related to legal requirements and trade union category.

Stands out in relation to wage increase that this takes place annually on the percentage of the collective

## 16 G) RELATION OF MANAGEMENT EFFECTIVENESS AND PSYCHOLOGICAL EMPOWERMENT

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bargaining agreement. However, administrative and operational employees who perform well their activities and are well evaluated by the evaluation of performance by competence system get an additional increase ranging from 0% to 5% of their pay percentage, determined by their immediate supervisor.

Another important aspect in relation to the benefits granted by the company is the Program Positions and Salaries in the company equates to compensate their managers, coordinators and directors salaries of people that perform the same function and reside in the major centers of the country. This benefit makes the remuneration of managers, coordinators and directors above the amount paid by the regional market.

When asked about the percentage of increase in the economic and financial results of the company, the Respondents 1, 2 and 3 highlighted that:

(R1) It is known that the company has an increase in its economic and financial results, but I do not know precisely what percentage.

(R2) I do not know the percentage of increase in the economic and financial results, but it is known that there is growth.

(R3) I do not know the exact percentage of increase in the economic and financial results of the company, but I believe it is something around 25% of growth.

It appears that, although Respondents 1 and 2 do not know the percentage of increase, they reported that there is economic and financial growth in the company. Respondent 3 mentioned that the company economic-financial increase percentage is close to 25%. It is inferred in these data that so far the company analyzed reaches the goals, guidelines and financial results pre-established by the corporation in the United States. Even though some respondents did not know the percentage of goal achievement, policies and economic and financial results, said the company has continued growth.

Regarding the granting of benefits to administrative and operational employees, the respondents reported the following: salary increases, profit sharing program, health plan, dental plan, pension plan, tuition assistance, private transport, bonus for individual performance and salary equalization for the positions of managers, coordinators and directors according to what it is paid in the major centers of the country.

These findings are consistent with Anthony and Govindarajan (2002:615) statement, when they mention there is a "tendency for organizations with higher levels of bonuses have better financial subsequent performance than other organizations."

### 15 f) Summary of management effectiveness

Table ?? shows the perception of the respondents regarding management effectiveness measured by the goals established in the reward system of the company subject of study. ?? shows a summary of the perceptions of respondents regarding the management effectiveness as measured by the achievement of the goals established by the reward system, in order to undertake analysis of the relationship of managerial effectiveness with psychological empowerment.

## 16 g) Relation of management effectiveness and psychological empowerment

To test the hypothesis H1 -The psychological empowerment on Spreitzer (1995) model is related to management effectiveness in the studied company, this relation was examined from the information collected in the financial statements published on the website of the New York Stock Exchange (NYSE) ([www.nyse.br](http://www.nyse.br)) on November 23, 2010.

Table 1 presents data collected from the financial statements of the company analyzed in thousands of reais. In Table 1, there is information related to net sales, operating income, EBITDA, total assets and shareholders' equity of the analyzed company, which was used to perform the calculation of the company's profitability and cost-effectiveness indicators.

Table 2 shows the calculation of profitability indicators -Rate of Return on Investment (TRI) and Rate of Return on Equity (TRPL) -besides the profitability indicators -Operating Margin (OM) and Operating Cash Flow (GOC) -These indicators were used to demonstrate the management effectiveness of the studied company. In relation to the information shown in Table 2, it is noteworthy the percentage variation between the indicators of profitability and cost effectiveness were calculated based on the values of the 3rd quarter of each year. The index calculated for the values accumulated until the 3rd quarter of 2009 showed negative variations, probably due to the effects of the global crisis.

Regarding variations of the analyzed quarters, it is noticed a rising trend in profitability indicators of the third quarter of 2007 compared to the third quarter of 2010. The cost-effectiveness indicators showed similar behavior when demonstrating the positive trend in their variations. It is also noticed that in the 3rd quarter of 2007 compared to the third quarter of 2009 there is the presence of negative changes.

From the behavior of the analyzed company's quarterly variations in recent four years it is noticed that this company has management effectiveness in its administration, because its profitability and cost effectiveness indicators have evolved over time, with the sole exception of 2009, year which suffered the consequences of the global crisis.



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These findings are consistent with the responses of the interviewed managers, while ensuring the continued growth of the analyzed multinational, even without needing or indicating these growth percentages and these lead us to accept the hypothesis H1.

## VI.

## Conclusions

The research aimed to investigate the management effectiveness measured by the achievement of the goals established in the reward system for employees and their relation with psychological empowerment in a multinational company. Descriptive study with qualitative and quantitative approach was performed in an American company, based in the southern region of Brazil and leading company in its sector.

To collect the data it was used two types of research instruments : a) a questionnaire adapted from Spreitzer (1995) , composed of 24 questions with sevenpoint according Likert scale to identify the perception of the company's employees on the psychological empowerment; b) three scripts of interviews, applied, respectively, to the human resources supervisor, financial accounting manager and import and export supervisor, to assess management effectiveness dimensions (performance standards, peer comparison and global performance) proposed by Spreitzer (1995).

The data collected through a questionnaire were submitted to simple statistical analysis, average and standard deviation, and in the data collected in the three interview scripts it was applied content analysis. To investigate the profitability indicators, data were collected in the company's financial statements published on the website of New York Stock Exchange (NYSE). The survey results show that, according to employees' perception, the four psychological empowerment perspectives proposed by Spreitzer (1995) are present in the company. There was a strong presence on the sevenpoint Likert scale, with average ranging from 5.73 to 6.46 for the perspective elements of competence, selfdetermination and significance. However, with low presence in the perspective elements of impact, oscillating with average of employee indication from 2.68 to 3.33.

Concerning the perception of respondents regarding management effectiveness measured by the goal achievement established by the reward system, it was found that the company has financial performance standards set by the corporation in the United States and a performance evaluation by competence system with individual performance standards. The company also conducts a comparison with individual and economic-financial performances, occurred in previous periods to identify its management effectiveness and widely disseminate it among its employees. According to Lawler III (2003), the company increases its management effectiveness from the moment it provides continuous feedback with pre-established performance measures and predefined objectives, besides a performance evaluation system linked to performance awards.

Concerning the behavior of quarterly changes in the company's indicators of profitability and costeffectiveness analyzed in the period from 2007 to 2010, it was noticed that the company has management A effectiveness in its administration, because its profitability and cost effectiveness indicators show progress over time, with the sole exception of 2009, which suffered the consequences of the global crisis. These findings are consistent with the responses of the managers interviewed, and ensure the continued growth of the multinational company analyzed, even without /indicate these growth percentages.

Therefore, regarding the hypothesis that supported the study, the trend observed in the data collected through questionnaire answered by employees of the company and qualitative data collected from interviews with managers, validated by quantitative data present in profitability and cost effectiveness, calculated using data extracted from the financial statements and company management report, validate hypothesis Hthe psychological empowerment according Spreitzer (1995) is related to management effectiveness in the studied company.

The results confirm Spreitzer's (1995) findings, when he mentions the presence of a significant relation among managerial effectiveness, psychological empowerment and innovative behavior. However, the author emphasizes that psychological empowerment is at an embryonic stage in literature, considering the development of its conceptual definition, measurement, and validation of the construct the relation with the organizational variable. This research validated part of the construct presented by Spreitzer (1995), regarding the concept presented by the author and partially detected its relation with organizational variablespsychological empowerment and management effectiveness -therefore contributing to fill this gap in literature. <sup>1</sup>



Figure 1:

1

Variable SubVariables	Metric Variables
Management Effectiveness	

Figure 2: Table 1 :

2

Variables Sub-variables	Analysis unit	AvaragStandard Deviation	Summary of reponses of administrative and operational employees
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Figure 3: Table 2 :

1

Itens	3º quarter 2007	Accumulated Values		
		3º quarter 2008	3º quarter 2009	3º quarter 2010
	accumulated	accumulated	accumulated	accumulated
Net Sales	772.253	837.331	639.695	669.737
Operational Profit	22.470	25.828	(51.808)	51.693
Variable remuneration	-	-	61.200	67.500
EBITDA	15.692	26.437	18.469	27.652
Total Assets	1.526.977	1.561.133	1.345.149	1.260.507
Net worth	599.671	613.420	422.613	420.800

Figure 4: Table 1 :

2

Indicators	Formula	Valores acumulados					
		3º quarter 2007	accumulated	3º quarter 2008	accumulated	3º quarter 2009	accumulated
		Índice (%)	?	Índice (%)	?	Índice (%)	?
		(06-07)	(06-07)	(07-08)	(07-08)	(08-09)	(08-09)
Profitability	MO = Net sales Op. Net profit	2,90	-	3,08	0,06	-8,09	-
	GOC = Net sales EBITDA	2,03	-	3,15	0,55	2,88	0,00
Cost	TRI = Total Assets Op.Net profit	1,47	-	1,65	0,12	-3,85	-
Effectiveness	ESPL= Net Worth Operating Profit.	3,74	-	4,21	0,12	-12,25	-
							2,00

Figure 5: Table 2 :



## .1 (\*) Pair Comparison Comparison standards (goals) and individual expected performance achieved

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The organization has standards of financial performance for its global business units around the world.

## .1 (\*) Pair Comparison Comparison standards (goals) and individual expected performance achieved

The company performs the comparison of individual standards of performance expected and performed when the immediate supervisor uses the results of evaluations of past performance and tries to identify opportunities for improvement and provide face to face feedback to employees with the support of the performance by competency.

## .2 Comparison

of performance standards for teams/ departments planned and performed The company does not perform a comparison of global performance standards \_teams or departments, since it does not perform these evaluations individually.

## .3 Comparison of global performance standards business unit planned and performed

The comparison of global performance standards across business units planned and performed occur each quarter. Stressed that the Brazilian subsidiary ranks third in size and growth compared to the other units of the corporation outside the United States. The percentage of achievement of goals is close to 100%. However, some respondents were unable to define this percentage, but stressed that the company is continuously growing.

Identification of benefits (promotion, salary increase and bonus) paid to workers

The company gives its employees the following benefits: salary increases, profit sharing program, health plan, dental plan, pension plan, tuition assistance, private transport bonus for individual performance and salary equalization for positions such as managers, coordinators and directors to amounts paid in large centers of the country. % Increase in economic and financial results of the company According to respondents, the percentage growth of the company in its financial economic value is close to 25%. Although two respondents did not know the percentage, highlighted the presence of this growth in the organization.

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## 18 CONCLUSIONS

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