
Impact of employee's job satisfaction on organizational performance.

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Abstract

Employee attitude is very important for management to determine the behavior of workers in the organization. The usually judgment about employees is that "A satisfied worker is a productive worker". If employees are satisfied then it will create a pleasant atmosphere within the organization to perform in a better and efficient manner, therefore, job satisfaction and its relation with organizational performance has become a major topic for research studies. The specific problem covered in this study is to scrutinize the impact of job satisfaction on organizational performance. It considered which rewards (intrinsic and extrinsic) determine job satisfaction of an employee and its relation with organizational performance. It also reviewed the influence of age, sex and experience of employees on level of job satisfaction. It also covered and investigated different events which can satisfy the employees on jobs, their retention in the job, and why employees stay and leave the organization. Data were collected through conducting detailed field survey using questionnaires from different employee (exit interview of outgoing employees) groups like management, senior managers, managers, professionals and support staff from five profit/non-profit sector organizations. The data analysis shows that there exists positive correlation between job satisfaction and organizational performance.

Introduction

Job satisfaction of employees plays a very vital role on the performance of an organization. It is essential to know as to how employees can be retained through making them satisfied and motivated to achieve extraordinary results. Target and achievement depends on employee satisfaction and in turn contribute for organizational success and growth, enhances the productivity, and increases the quality of work.

It is indispensable for an organization to exactly feel as to what employees feel, think, and wish and to discover and make strategies that how the staff dedication and commitment can be improved. Through this initiative business outcomes can be improved, productivity can be enhanced, commitment can get strengthened. Increasing staff satisfaction is very vital and important factor for the success of an organization.

The purpose of this research study is to observe the relationship between employee's job satisfaction and organizational performance. It will be based on different theories of human resources. These theories will indicate the extent to which the employee will be satisfied. There is a cause and effect relationship between the employee's job satisfaction and organizational performance. Employee's satisfaction is a cause and the effect will be "how the organizational performance fosters".

As this study is designed to assess the rationality of this relationship, therefore, the specific objectives of this study are;

- To determine whether there is a positive relationship between the job satisfaction and organization performance.
- To find out whether the employees derive job satisfaction from extrinsic job rewards or from intrinsic job rewards.
- To find out the most satisfying event of an employee in the job and staff turnover.
- To identify the influence of different factors like staff experience, age and sex on job satisfaction of employees and organizational policies affecting on staff satisfaction.
- To identify that how organizational performance enhanced due to employee satisfaction.

Literature Review:

a) Employee Satisfaction

In order to conduct this research study, first of all secondary literature is reviewed to learn about existing studies on the topic and to know about findings and results of existing research studies.

This part defines the major concepts involved in problem statement of the study. These Concepts are job satisfaction, performance and organizational performance. It is the general understanding that job satisfaction is an attitude towards job and organizational performance depends on staff satisfaction. Persons having high level of job satisfaction hold positive attitudes towards his or her job, while a person who is dissatisfied with his or her job holds negative attitudes about the job and even about the organization.

It is factual that employee satisfaction is an innermost concern in the business. It is a multi-factorial construct. Employee satisfaction contains basic factors, excitement factors. Basic Factors are the minimum requirements that cause dissatisfaction. Excitement factors increase employees satisfaction and performance factors result in satisfaction only when performance is high.

Employee satisfaction is closely related to productivity which is then related to firm profitability. Employee satisfaction has a positive persuade on organizational performance. Beside this, firm profitability has a reasonable non-recursive effect on employee satisfaction. Employee satisfaction plays a considerable role in enhancing the firm profitability and improving operational performance of organizations and quality of good and services. There is no doubt in it that employee satisfaction is critical to attain quality and profitability in organization. Employee satisfaction impacts quality at industry, to achieve quality and profitability at organization, employee satisfaction is fundamental and without it, organization cannot think of being successful.

An imperative relationship exists between employee and organization. This employee organization relationship plays an important role in success of any organization. There is a need of developments in it. Managers are believed to develop a role relationship in which actions and decisions should promote the interest of organization. Employee involvement and contributions in organization is outcome of the interest. The quality of employee organization relationship requires fulfillment of needs, quality of interaction, adaptability and identification. Employee empowerment is also an effective way of satisfying them. When employees are given employee empowerment, then it leads to job satisfaction.

Employee satisfaction is in fact job satisfaction. Job satisfaction is an important job organization factor. Both of them are significantly related. Therefore, it is necessary to maintain job satisfaction so that employees can be motivated. In

studying job satisfaction, job rotation, work method, problem solving and goal setting are important factors to consider and job satisfaction is also influenced by employee's age, marital status and work experience.

Lawler (1971, p. 158) cites six separate studies of the relationship between pay and performance, and finds that "their evidence indicates that pay is not very closely related to performance in many organizations that claim to have merit increase salary systems. The studies suggest that many business organizations do not do a very good job of tying pay to performance. This conclusion is rather surprising in light of many companies' very frequent claims that their pay systems are based on merit. It is particularly surprising that pay does not seem to be related to performance at the managerial level. Thus, the Medoff and Abraham evidence seems to be indicative of general performance measurement and compensation systems, and we have no thorough understanding of the forces responsible for these practices.

Other forms of compensation systems include Profit Sharing, Gain Sharing. Under profit-sharing, payouts are based on organization-wide profits. The plan has two potential advantages. First, it may provide an incentive for employees to act in the best interests of the organization, rather than pursuing narrower goals. Second, by making a portion of compensation vary with organization profits, an organization can align its labor costs more closely with its ability to pay. Thus, during business downturns, it has fewer fixed labor costs. Weitzman and Kruse (1990) have provided a comprehensive review of profit-sharing research. Based on previous attitude surveys, they concluded that both employees and employers believe that profit-sharing has positive effects on organization performance. Further, they found consistent evidence of statistically significant and positive links between profit-sharing and organization performance, usually defined as value added. Nevertheless, Gerhart and Milkovich (1990) raised some issues that might temper the positive evaluation reached by Weitzman and Kruse.

As one example, the use of value added as a dependent variable carries potential risks because it is not a measure of physical productivity. Instead, it is defined as the degree to which the price of a product exceeds the cost of factor inputs (e.g., labor). Obviously, the price of a product can be influenced by factors other than productivity.

Weitzman and Kruse seem to recognize this and other potential problems with the profit-sharing literature. They note that "A limitation of the econometric studies is that they shed little light on the mechanisms through which profit sharing may affect productivity" (p. 139). The reason for interpreting the profit-sharing research cautiously is that there are both conceptual problems and roadblocks that have arisen in practice. For example, from a motivational point of view, it is not clear that any single employee will see much link between his or her performance and the organization profits because of the large number of people and factors that influence profits (i.e., "line of sight" problem). This, together with the "free rider" problem suggests that the motivational effect of such a plan may be limited.

Research Methodology

Sampling

For the purpose of analyzing the research problem, a total number of one hundred and twenty (120)

Individuals were selected from five organizations working on development sector. The employee categories were considered are management, senior managers, managers, professionals and support staff. All participants are selected by using different sampling methods both probability and non-probability sampling techniques.

Hypothesis Testing:

H1: There is a positive relationship exist between employee satisfaction and organizational performance.

Ho: There is not a positive relationship exist between employee satisfaction and organizational Performance.

Data Collection

In order to collect data a detailed and comprehensive field survey was conducted. The field surveyor collected primary data related to perception and attitudes related with job satisfaction, performance effort, rewards, age, sex and experience of employees.

To collect data, first of all 2 detailed questionnaires were prepared for covering both major aspects i.e one for staff satisfaction and one for organizational performance and link between both categories.

The questionnaire one (job satisfaction measuring questionnaire), covered the relevant organization and designation (management, senior managers, managers, professionals and support staff), age and sex and effect on job satisfaction, employee satisfaction with different aspects of job, like, self-esteem, opportunity for growth, job security, respect of job, nature of job, power delegation, independent decision making, feedback on performance, freedom on the job, benefits for job, opportunity for promotion, gender equality, safe environment, reasons for employee to stay in the organization or leave the organization. During data collection against above mentioned points staff level of satisfaction was rated by using a five-point scale ranging from very low to very high.

The questionnaire two was developed to measure the organizational performance in terms of staff benefits, staff promotion, power delegation, staff facilities, rewards, working environment, organizational productivity etc.

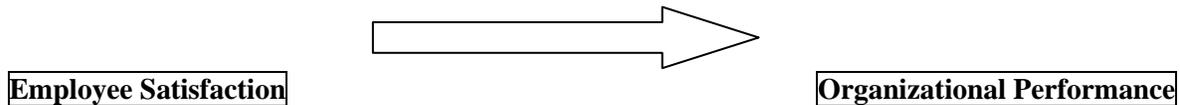
Data was collected from 120 employees, 10 employees had to be disregarded for analysis due to unsuccessful responding to the questionnaire. This total sample is consisted of 55 % men and 45 % women. Further age wise classification is 20-30 years 40% employees, 30-40 yrs 40% employees and over 40-20% employees.

Data Analysis

After data collection, for data analysis, two variables were identified. First is independent variable (X) and dependent variable (Y). The independent variable is Employee Satisfaction because this is cause of basic assumption. The dependent variable is Organizational Performance because this shows the effect of the research assumption.

Independent Variable (X)

Dependent Variable (Y)



The coefficient of correlation was applied to identify the impact of job satisfaction on organizational performance and it was calculated by using level of job satisfaction as the X-variable (independent variable) and organizational performance as the Y-variable (dependent variable) for mentioned employee categories. The statistical techniques were used to determine the satisfaction of staff and organizational performance.

Results and Discussion

The results and findings of research study are,

- There is a significant impact of job satisfaction on organizational performance in development organizations.
- Employees who are in higher levels tend to derive more satisfaction from intrinsic rewards while, employees who are in lower levels tend to derive more satisfaction with extrinsic rewards.
- Higher level employees are more satisfied than the lower level employees in development organization.
- Senior manager, managers are willing to extend more effort to the job than professional and support staff.
- Senior employees are more satisfied than the junior employees in development organizations.
- High experienced employees tend to satisfy with their jobs than the less experienced employees.
- Satisfied workers tend to less absenteeism to the work than low satisfied workers.
- High satisfaction staff has fewer turnovers of employees.
- Financial benefits, reward, promotion plays very important role to satisfy, retain and attract employees.
- Organizations having satisfied employees are more productive and have good working environment and reputation.

Conclusion and Recommendation

This research study is about compensation and productivity. The total compensation solution is based on a reconsidering of employee compensation and investment systems into an employee-driven system for enhancing staff satisfaction and organizational performance.

Therefore, this research study related to staff satisfaction and organizational performance include the varieties of kinds of compensation that today's employees want from work. Pay is among them, of course (including both base pay, or salary, and one-time pay received in form of overtime or bonuses). But in addition to financial rewards, contemporary employees want and are increasingly demanding reward diversity and reward choice. In today's diverse, employers are finding that employees want a range of different things from the work place. Employees will even exchange some level of base pay to get some of the other things they want.

Management should device, formulate and implement compensation strategy in order to enhance the attainment of overall organizational goals and its performance with a view of getting the best contributive and supportive effects from organizational workers through higher staff satisfaction.

Both management and satisfied staff should be made to understand the objectives contained in the compensation strategy so that unintentional and subjective motives can be played down on while trying to enhance the common objective strategically. This, without doubt, will give room for good organizational performance.

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