

# Impact of Employee Job Satisfaction on Organizational Performance: An Empirical Study



## Commerce

**KEYWORDS :** Employee Job Satisfaction, Organizational Performance, Structural Equation Modelling, Banking Sector.

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### ABSTRACT

*Employee satisfaction is considered weighty when it comes to define organizational success. Employee's satisfaction is a central concern particularly in the service industry, and enhancement of employee satisfaction becomes critical because it is a key to business success of any organization. The purpose of this study is to investigate the impact of employee job satisfaction on organizational performance in the context of banking sector. The hypothesis was tested using SEM technique on a sample of 440 commercial bank employees. The result confirms that employee job satisfaction has substantial significant impact on organizational performance. This study provides useful information for banking organizations to improve their overall performance by enhancing employee job satisfaction. The limitations and future directions of this study are also discussed.*

### 1. Introduction

In a highly competitive and customer-centered market economy, service organizations are forced to provide high-quality services that generate customer satisfaction and loyalty, enlarge market share and improve their performance results. Employee satisfaction is considered weighty when it comes to define organizational success. Employee's satisfaction is a central concern particularly in the service industry, and enhancement of employee satisfaction becomes critical because it is a key to business success of any organization. Over the past several years, investigating bank employee satisfaction has been a frequent practice among banking and finance researchers (Kaur, 2015). The chief basis for continual attention in this field of research is due to the varying banking environment across the globe. Employee job satisfaction is one of the key concerns for every banking enterprise. If the employees are dissatisfied with the working environment of the bank, it is seldom possible that banking organizations will make any profits. So, the employee satisfaction needs to be explored in the context of banking sector.

In today's business world the linkage between employee job satisfaction and organizational performance is undeniable due to the importance of employees as the most critical asset of differentiation for any organization. Regardless of Industry, organizations could enhance their organizational performance by improving employee job satisfaction (Siguaw, 1994). Satisfied employees create satisfied and loyal customers, who in turn build long term relationship and spend more bucks. It is believed that higher level of employee job satisfaction leads to higher level of organizational performance.

### 2. Literature Review

In the high-contact service sector, employee job satisfaction plays a significant role in enhancing the performance of organizations (Yee et al. 2008). Schneider et al. (2003) found a causal relationship between job satisfaction and organizational performance. On a sample of 745 bank employees in Turkey, Eren et al (2013) examined the relationship between job satisfaction and financial performance. The results revealed that job satisfaction is significantly related to financial performance. On a sample of 249 health care employees, Kuzey (2012) investigating the link between employee job satisfaction and organizational performance found that job satisfaction impacts the performance of the organization significantly.

In addition, the literature holds the conflicting findings as

well regarding the relationship between job satisfaction and organizational performance. A study on a sample of 415 employees of seven retail banks in Greek banking sector, Dimitriades and Papalexandris (2011) found contrary to their expectations that employee attitude were un-related to financial performance. In the same vein, Rodrigues and Pinho (2010) investigated the relationship between global job satisfaction and organizational performance. Participants of the study were 118 municipality executive board members in public administration. The results showed no significant relationship between global job satisfaction and organizational performance. The conflicting empirical evidence regarding whether there is a relationship between employee job satisfaction and organizational performance or not, highlights the need for further research. Therefore, the present study is an important step forward in this direction to test the relationship between employee job satisfaction and organizational performance in the commercial banking context.

The study seeks to test the following research hypothesis:

H1. Employee job satisfaction is significantly related to overall organizational performance?

### 3. Research Methodology

#### 3.1 Sample

The structured questionnaires were administered to the bank employees in both public and private sector commercial banks across the J&K state. In total, 500 questionnaires were distributed, and only 440 were found to be usable for further analysis registering the response rate of 88 percent.

#### 3.2 Instrument measures

Job satisfaction scale was adapted using the scale of Corner et al (1989). Consistent with Lagace et al (1993), the 28-item INDSALES scale proved to be most suitable for measuring the job satisfaction. These items were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Organizational performance construct was measured using the scale of Delaney and Huselid (1996). This construct uses eleven subjective measures of performance using five point Likert scale ranging from 1 (significantly lower) to 5 (significantly higher). The extant literature is however, full of evidence using subjective measures of performance (Chi and Gorsoy, 2009; Allen et al., 2008; Gorsoy and Swanger, 2007; Dension et al., 2004; Dess and Robbinson, 1984).

## 4. Data Analysis

### 4.1 Demographic profile of sample respondents

Gender wise distribution of sample respondents depicted that 63.9 per cent of total employee respondents are males; and remaining are females. In terms of sector wise categorization, 26.8 percent of the total respondents belong to public sector banks and remaining 73.2 belong to private sector. Regarding academic qualification, 43.4 per cent of the total respondents have graduation as their education qualification, and remaining have a higher level (a master's degree/doctorate) of education. The age wise categorization, 30.9 per cent of total sample participants fall under the age category of 21-30 years, 25.5 percent between 31-40 years, 20.7 percent are in the age group of 41-50 years and 22.9 percent are above 50 years respectively.

### 4.2 Hypothesis testing

This study aims to test the relationships between employee job satisfaction and organizational performance in the context of banking sector. A SEM approach was adopted via the maximum likelihood estimate (MLE), by using the AMOS 20 software, in order to test the research hypotheses. Structural equation modeling (SEM) technique can examine a series of dependence relationships simultaneously (Hair et al., 2015). It is particularly useful in testing theories that contain multiple equations involving dependence relationships. This approach considers both manifest and latent variables. Once the validity of measurement model has been established, a researcher can proceed with the specification of the structural model (Malhotra and Dash, 2011). The results of measurement model revealed substantial reliability and validity of understudy instruments. The structural model analysis yielded a  $\chi^2/df = 1.512$  and a p-value of less than 0.001, the goodness-of-fit (GFI) was 0.924, the adjusted goodness-of-fit index (AGFI) was 0.897, the normal fit index (NFI) was 0.944, the comparative fit index (CFI) was 0.956, and Root mean squared error of approximation (RMSEA) was 0.05. Our structural model meets the prescribed thresholds values gleaned from the literature and concluded that the structural model provides an adequate fit to the data.

As hypothesized in  $H_1$ , there is a positive significant relationship between employee job satisfactions and overall organizational performance in commercial banks is confirmed in the present study. The standardized coefficient of multi-faceted employee job satisfaction on overall organizational performance was significant with *path coefficient* ( $\beta$ ) = 0.69. It indicates that  $H_1$  is fully supported. In addition, the strongest impact of employee job satisfaction was on employee performance (*path coefficient* =  $0.69 \times 0.86 = 0.59$ ), followed by operational performance (*path coefficient* =  $0.69 \times 0.85 = 0.58$ ), and market performance (*path coefficient* =  $0.69 \times 0.82 = 0.56$ ) respectively. The higher, level of job satisfaction is associated with higher levels of organizational performance. These findings are in congruence with the recent study conducted by Gonzalez et al (2015) who provide empirical evidence that overall satisfaction and, job satisfaction facets influence the firms' performance significantly. In the same vein, Yee et al (2008) provides empirical evidence that employee satisfaction plays a significant role in enhancing the operational performance of organizations in the high-contact service sector. These results demonstrate that when employees perceive satisfaction with their job, they are more motivated to work that eventually contributes towards the overall organizational performance.

## 5. Conclusion

The aim of the present study was to investigate the impact of employee job satisfaction on organizational performance.

The results of structural equation modelling reveal that employees' job satisfaction explains substantial amount of variance in overall organizational performance. The result also reveals that the strongest impact of employee job satisfaction was on employee performance, followed by operational performance, and market performance respectively. The reasons is that in today's business world the linkage between employee job satisfaction and organizational performance is undeniable due to the importance of employees as the most critical asset of differentiation for any organization. Satisfied employees create satisfied and loyal customers, who in turn build long term relationship and spend more bucks. Regardless of industry, an organization could enhance organizational performance by improving their employee job satisfaction. In addition, the present study contributes to the growing body of knowledge regarding the conflicting empirical evidence between employee job satisfaction and organizational performance in the existing literature. The results of this research were analyzed and sufficient empirical evidence was found in support of a significant positive relationship exists between the employee job satisfaction and organizational performance in the context of banking sector.

This research presents several important implications for sample organizations in particular and banking sector in general. The findings of this study suggest that employee job satisfaction is essential to achieve the goals of the organizations. Employee job satisfaction has come under limelight due to stiff competition where organizations are trying to carve competitive advantage through the human factor. The findings of this study suggest that employee job satisfaction is critical factor and plays an important role in enhancing the performance of organizations.

### 5.1 Limitation

Despite an exhaustive research method, the findings of the present study should be interpreted in light of several limitations identified during the course of the research. From the methodological stand point, the sample and context are always an issue. Using commercial banks operating in J&K as a target population, limits the generalizability of results for the context specified only. Further, expansion of this research will be taking large sample encompassing other geographical areas, and variety of other banks such as foreign banks should also be included in future research.

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