

## **Identification of Variables Affecting Employee Satisfaction and Their Impact on the Organization**

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**Abstract:** Employee satisfaction is the terminology used to describe whether employees are happy, contented and fulfilling their desires and needs at work. Many measures support that employee satisfaction is a factor in employee motivation, employee goal achievement and positive employee morale in the work place. Basically Employee satisfaction is a measure of how happy workers are with their job and working environment.

In this paper various variables responsible for employee satisfaction has been discussed such as Organization development factors, Job security factors, Work task factors, Policies of compensation and benefit factor and opportunities which give satisfaction to employees such as Promotion and career development also has been described. This paper also deals the various ways by which one can improve employee satisfaction.

**Keywords:** Satisfaction, Employee satisfaction, Importance of Employee Satisfaction

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### **I. Introduction:**

According to Nancy C. Morse (1997) "Satisfaction refers to the level of fulfillment of one's needs, wants and desire. Satisfaction depends basically upon what an individual wants from the world, and what he gets." Employee satisfaction is a measure of how happy workers are with their job and working environment.

It is sure that there may be many factors affecting the organizational effectiveness and one of them is the employee satisfaction. Effective organizations should have a culture that encourages the employee satisfaction, Bhatti & Qureshi, (2007)

Employees are more loyal and productive when they are satisfied Hunter & Tietyen, (1997), and these satisfied employees affect the customer satisfaction and organizational productivity, Potterfield, (1999).

There is no limit for the employees to reach the full satisfaction and it may vary from employee to employee. Sometimes they need to change their behaviors in order to execute their duties more effectively to gain greater job satisfaction, Miller, (2006). Having good relationships with the colleagues, high salary, good working conditions, training and education opportunities, career developments or any other benefits may be related with the increasing of employee satisfaction

'Employee satisfaction is the terminology used to describe whether employees are happy, contented and fulfilling their desires and needs at work. Many measures support that employee satisfaction is a factor in employee motivation, employee goal achievement and positive employee morale in the work place.' Susan M. Heath field (About.Com). Cranny, Smith & stone (1992) defined ES as the combination of affective reactions to the differential perceptions of what he/she wants to receive compared with he/she actually receives. According to Moyes, Shao & Newsome (2008) the employee satisfaction may be described as how pleased an employee is with his or her position of employment. As Spector (1997) defined job satisfaction as all the feelings that a given individual has about his/her job and its various aspects. Employee satisfaction is a comprehensive term that comprises job satisfaction of employees and their satisfaction overall with companies' policies, company environment etc.

### **II. Need for Employee Satisfaction**

Everyone from managers, retention agents to HR need to get a handle on employee loyalty and satisfaction – how committed is the workforce to the organization and if workers are really contented with the way of things for gauging their likelihood to stay with the company. One of the main aspects of Human Resource Management is the measurement of employee satisfaction. Companies have to make sure that employee satisfaction is high among the workers, which is a precondition for increasing productivity, responsiveness, and quality and customer service.

The litmus test is to study turnover and average length of service. If turnover is on the rise, loyalty levels are low and vice versa. Comparing them to industry averages gives good idea of attrition probabilities. Staff attendance, compliance with policies and confidence in leadership are other indirect indicators of allegiance while excessive theft and sabotage spell obvious lack of commitment. According to Heskett et al (1994), more satisfied employees, stimulate a chain of positive actions which end in an improved company

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performance. In another research it is said that employee satisfaction influenced employee productivity, absenteeism and retention, Derek R. Allen & Merris Wilburn, (2002). The success of any company is directly link to the satisfaction of the employees who embody that company, that retaining talented people is critical to the success of any organization, Freeman, (2005) .Studies shows that businesses that excel in employee satisfaction issues reduce turnover by 50% from the norms, increase customer satisfaction to an average of 95 % & lower labor cost by 12%., Carpitella, (2003). The more satisfied an employee is, the less turnover and absenteeism occurs, Maloney, & McFillen, (1986). Judge, et. al, (1993), on the other hand, mentions that employee satisfaction is positively correlated with motivation, job involvement, organizational citizenship behavior, organizational commitment, life satisfaction, mental health, and job performance, and negatively related to absenteeism, turnover, and perceived stress and identify it as the degree to which a person feels satisfied by his/her job. In contrast, Rousseau (1978) identified three components of employee satisfaction: they are characteristics of the organization, job task factors, and personal characteristics.

In the construction industry, where the quality of products is dependent on the skill of laborers and on-site supervisors, employees play a significant role in the success and outcome of the product and the company. (U.S. Bureau of Labor Statistics, 2004).

Profit and growth are stimulated directly (and primarily) by customer loyalty. Customer loyalty is a direct consequence of customer satisfaction. Customer satisfaction is heavily influenced by customer perceptions of the value of services they receive. Value is created by satisfied, loyal and productive employees. Employees who feel a sense of teamwork and common purpose, a strong commitment to communication, and managerial empowerment are most able, and willing, to deliver the results that customers expect (Employee Satisfaction”, 2005)

Human Relations perspective posits that satisfied workers are productive workers (e.g., Likert, 1961; McGregor, 1960). Thus, organizational productivity and efficiency is achieved through employee satisfaction and attention to employees’ physical as well as socio emotional needs.

Human relations researchers further argue that employee satisfaction sentiments are best achieved through maintaining a positive social organizational environment, such as by providing autonomy, participation, and mutual trust (Likert, 1961).

Employees’ job satisfaction sentiments are important because they can determine collaborative effort. Consistent with this reasoning, Likert (1961) has argued that collaborative effort directed towards the organization’s goals is necessary for achievement of organizational objectives, with unhappy employees failing to participate (effectively) in such efforts.

In a unique study conducted by Harter et al. (2002), based on 7,939 business units in 36 organizations, the researchers found positive and substantive correlations between employee satisfaction-engagement and the business unit outcomes of productivity, profit, employee turnover, employee accidents, and customer satisfaction.

The predominant view has focused on the situational context (e.g., supervisory support) as a cause of satisfaction and has argued that high-performance work practices and thus a positive working climate foster employee satisfaction (see, e.g., Bowen, & Ostroff, 2004; Wright, Dunford, & Snell, 2001; Wright, Gardner, Moynihan, & Allen, 2005).

Keen observation of employee reactions and conduct is by far the most obvious and easiest technique. Casually walk around the office, watching employees working, interacting with each other and talk to them informally. Are they smiling, energized, cooperative and alert or listless, inactive and unhelpful? You can even employ a professional consultant as an objective third-party to assess the work atmosphere and compare with other companies.

Taking simple observation to the next level by asking employees outright in attitude surveys, focus groups and exit interviews and analyzing the results to determine staff attitude, opinions and motivation.

While satisfied employees are not necessarily loyal or loyal ones always satisfied, it cannot be denied that job satisfaction fuels loyalty. After all its been rightly said that, the more satisfied an employee is regarding his or her working conditions, the more likely is he or she to develop a psychological attachment or commitment to the organization. According to Mark graham Brown, (2006), there is a strong link between employee satisfaction and customer satisfaction and between customer satisfaction and future revenue.

Companies should try their best to evaluate why employees leave or what kindles their dissatisfaction. Examine the root causes – where does the problem lie? Is it earnings or benefits? Does it have something to do with job quality or workplace support? Or is lack of appreciation or growth to blame. The onus is on the management to keep employees engaged and happy, so as to persuade them to stay. In fact, this is critical to organizational success.

### **III. Variables on which Employee Satisfaction Depends:**

Through review of literature, we can classify the variables in mainly 2 broad categories namely:-

#### **1. Organizational Variables**

#### **2. Personal Variables**

## **1. Organizational Variables:**

The organization determinants of employee satisfaction play a very important role. The employees spend major part of their time in organization so there are number of organizational variables that determine employee satisfaction of the employees. The employee satisfaction in the organization can be increased by organizing and managing the organizational variables or organizational factors.

Following these 10 variables comes in this category:-

### **1. Organization Development**

Organizational development is an ongoing, systematic process to implement effective change in an organization. Its objective is to enable the organization in adopting-better to the fast-changing external environment of new markets, regulations, and technologies. It starts with a careful organization-wide analysis of the current situation and of the future requirements. In other words we can say that Organization development is the process through which an organization develops the internal capacity to most efficiently and effectively provide its mission work and to sustain itself over the long term. This definition highlights the explicit connection between organizational development work and the achievement of organizational mission. Following these points come under this category:

- Brand of organization in business field and their comparison with leading competitors.
- Potential development of the organization.

### **2. Policies of Compensation and Benefit :**

This is the most important variable for employee satisfaction. Compensation can be described as the amount of reward that a worker expects from the job. Employees should be satisfied with competitive salary packages and they should be satisfied with it when comparing their pay packets with those of the outsiders who are working in the same industry. A feeling of satisfaction is felt by attaining fair and equitable rewards. Following these points come under this category:

- Wage and salary.
- Reward and penalties.

### **3. Promotion and Career Development:**

Promotion can be reciprocated as a significant achievement in the life. It promises and delivers more pay, responsibility, authority, independence and status. So, the opportunity for promotion determines the degree of satisfaction to the employee. Following these points come under this category:

- Opportunity for promotion.
- Equal opportunity to grow despite being male or female
- Training program.
- Opportunity for use skills and abilities.

### **4. Job Satisfaction:**

Job satisfaction is the favorableness or un-favorableness with which employees view their work. As with motivation, it is affected by the environment. Job satisfaction is impacted by job design. Jobs that are rich in positive behavioral elements- such as autonomy, task identity, task significance and feedback contribute to employee's satisfaction. Following these points come under this category:

- Job design
- Task identity
- Recognition
- Responsibility
- Empowerment
- Quantity of task.
- Difficult level of task

### **5. Job Security**

Job security is an employee's assurance or confidence that they will keep their current job. Employees with a high level of job security have a low probability of losing their job in the near future. Certain professions or employment opportunities inherently have better job security than others; job security is also affected by a worker's performance, success of the business and the current economic environment. Following these points come under this category:

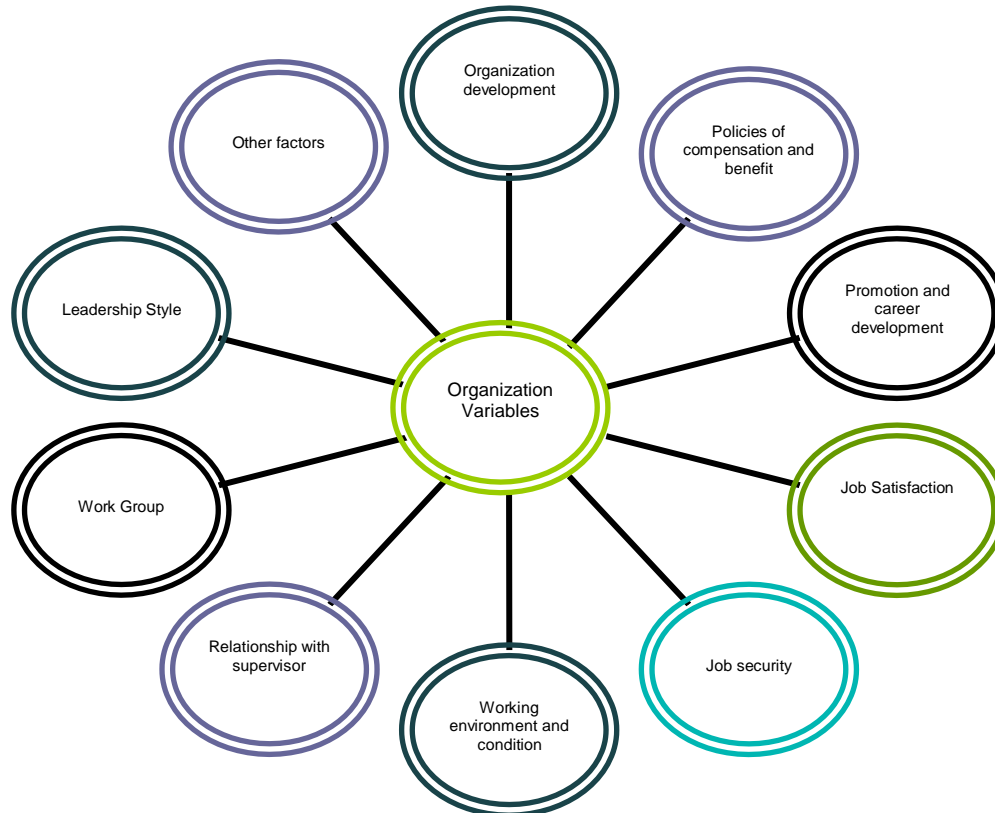
- Facility of transfer
- Accessible / reasonable target

- Leaves

**6. Working Environment & Condition:**

Employees are highly motivated with good working conditions as they provide a feeling of safety, comfort and motivation. On contrary, poor working condition brings out a fear of bad health in employees. The more comfortable the working environment is more productive will be the employees. Following these points come under this category:

- Feeling safe and comfort in working environment.
- Tools and equipment.
- Working methods
- Security guards and parking facility.
- Well ventilated with good light fans and air- conditioning.
- Neat and clean office place, rest area and washrooms.



**Fig. Types of Organizational Variable**

**7. Relationship with Supervisor:**

A good working relationship with your supervisor is essential since, at every stage, you need his or her professional input, constructive criticism, and general understanding. Following these points come under this category:

- Relationship with immediate supervisor.
- Communication between employees and senior management.
- Treatment to employee.

**8. Work Group:**

There is a natural desire of human beings to interact with others and so existence of group in organization is a common observable fact. This characteristics result in formation of work group at the work place. Isolated workers dislike their job. The work groups make use of a remarkable influence on the satisfaction of employees. Following these points come under this category:

- Relationship with the group members.
- Group dynamics
- Group cohesiveness
- Need for affiliation.

**9. Leadership Styles:**

The satisfaction level on the job can be determined by the leadership style. Employee satisfaction is greatly enhanced by democratic style of leadership. It is because democratic leaders promote friendship, respect and warmth relationship among the employees. On contrary, employees working under authoritarian and dictatorial leaders express low level of employee satisfaction. Following these points come under this category:

- Prefer democratic style of leadership
- Friendship, respect and warmth relationship. .

**10. Other Factors:**

There are some other important variables which affect the level of employee satisfaction in organization. Following these points come under this category:

- Group outgoing (feel like a part of family).
- Encouragement and feedback.
- Use of internet and other technology for doing job.

**2. Personal Variables:**

The personal determinants also help a lot in maintaining the motivation and personal factors of the employees to work effectively and efficiently. Employee satisfaction can be related to psychological factors and so numbers of personal variables determine the employee satisfaction of the employees.

Following these 5 variables comes in this category:-

**1. Personality:**

The personality of an individual can be determined by observing his individual psychological condition. The factors that determine the satisfaction of individual and his psychological conditions is perception, attitude and learning. Following these points come under this category:

- Competencies and personality of employee are suitable for job.
- Perception, attitudes and learning of employee.

**2. Expectation:**

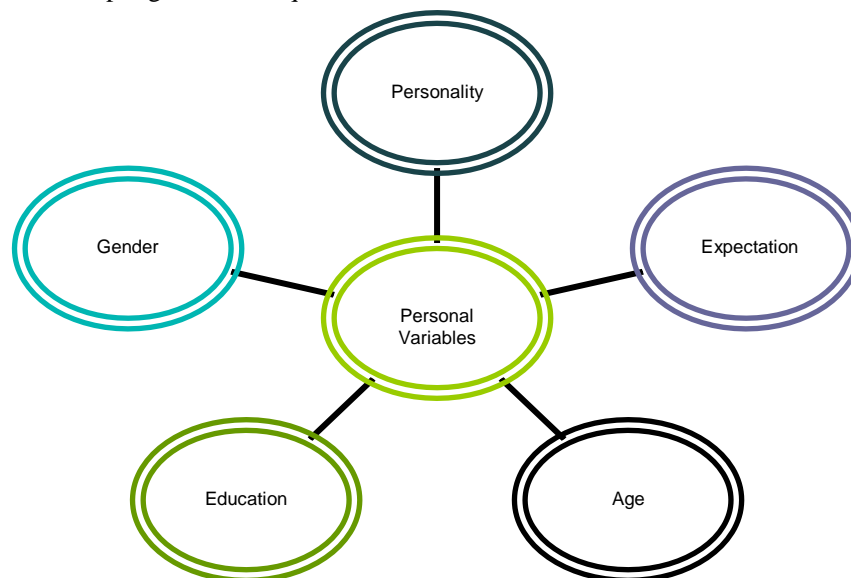
The expectation level of employees affects their satisfaction level. If one receives more outcome than expected then he will be highly satisfied and vice-versa. Following these points come under this category:

- Expectation of employee from the job.

**3. Age:**

Age can be described as noteworthy determinants of employee satisfaction. It is because younger age employees possessing higher energy levels are likely to be having more employee satisfaction than older age employees. Following these points come under this category:

- Young employees possessing high energy level so feeling more satisfied.
- Old employees resist accepting new techniques.



**Fig. Types of Personal Variable**

**4. Education:**

Education plays a significant determinant of employee satisfaction as it provides an opportunity for developing one's personality. Education develops and improvises individual wisdom and evaluation process. The highly educated employees can understand the situation and assess it positively as they possess persistence, rationality and thinking power.

- Highly educated employees possess rationality and thinking power.
- Education develops individual wisdom and evaluation process.

**5. Gender Differences:**

The gender and race of the employees plays important determinants of employee satisfaction. Women, the fairer sex, are more likely to be satisfied than their counterpart even if they are employed in same job. Following these points come under this category:

- Generally women are more likely to be satisfied than men.

**Why is employee satisfaction important?**

Importance of employee satisfaction can understand in 2 main areas namely:

**1. For Organization**

**2. For Employee**

**1. Importance of Employee Satisfaction for the Organization:**

- Enhance employee retention.
- Increase productivity.
- Increase customer satisfaction
- Reduce turnover, recruiting, and training costs.
- Enhance customer satisfaction and loyalty.
- More energetic employees.
- Improve teamwork.
- Higher quality products and/or services due to more competent, energized employees.

**2. Importance of Employee Satisfaction for the Employee**

- Employees will believe that the organization will be satisfying in the long run
- They will care about the quality of their work.
- They will create and deliver superior value to the customer.
- They are more committed to the organization.
- Their work is more productive.

**How to Improve Employee Satisfaction?**

Employee attitudes typically reflect the moral of the company. In areas of customer service and sales, happy employees are extremely important because they represent the company to the public. Satisfaction, however, is not linked solely to compensation. Sure, a raise or benefits will probably improve employee contentment, at least temporarily, but small, inexpensive changes can have a long-term impact. Zappos.com CEO Tony Hsieh's book *Delivering Happiness* suggests that employers should follow the science of happiness. The book stresses the importance of happy employees. Since the publication of this New York Times Best Seller, Hsieh has expanded his message from to a bus tour to an entire movement. On her happiness project blog, Gretchen Rubin, author of *The Happiness Project*, identifies seven areas to improve happiness in the workplace. While employees can't weak their habits to improve happiness, employers can also make small changes to the seven categories. A little bit of effort can lead to happy, efficient, and loyal employees.

13 Steps or things which we can do to increase employee satisfaction and loyalty thereby increasing our business' revenue and profit are as follows:

**1. Clear, Concise and Consistent Communication:**

In many organizations, employee doesn't know what is mission, vision, objects. Building a corporate culture that requires employees to be an integral part of the organization can be an effective way of getting the most from the talents or competencies brought to the organization by each employee. We should keep employees informed on the company's position, progress made, issues/challenges, and how they directly contribute to the success of the business.

**2. Getting to Know Your Employees and Create a Team:**

It can be done by the hiring right employee for right job and clearly defined and communicated employee expectations. Every organization should spend time to instill trust and accountability, laying out clear



expectation and securing their commitment to the business and build a culture around working together to meet challenges, create new advantage, and propel the business to greater success.

**3. Training and Other Improvement Programs:**

Provide necessary education, training and coaching that increases employees skills and shows the employee that you are interested in their success and readiness for new responsibility.

**4. Empower Employees Across the Company:**

Step up appropriate levels of new responsibility across the company. Push appropriate decision-making and allow people closest to the issue to make the call. Make sure your employee knows that you trust them to do their job to the best of their ability.

**5. Work Itself:**

We can increase employee satisfaction by making job rotation, job enlargement like knowledge enlargement and task enlargement as well as job enrichment. Target should be accessible for employee.

**6. Fair Compensation and Benefits:**

Policies of compensation and benefits are most important part of organization. But you should build your policies at “suitability” not “the best”.

**7. Opportunity for Promotion and Career Development:**

Develop programs to promote all titles in the organization and build programs for career development of each title. Organization should give opportunity to every employee for using their abilities, skills and creativeness.

**8. Monitor Performance and Reward for Contribution:**

People naturally keep score. Use this to as advantage by monitoring positive contribution and behavior, rewarding as appropriate. Motivate others to reach new performance levels by knowing how they measure up to expectation. We should build the proper evaluation and fair and encourage employees perform work.

**9. Provide Regular, Honest Feedback:**

Don't wait for a crisis situation to give feedback. Instead, give regular constructive input into the employee's performance across a wide variety of issues, build loyalty, challenge to new levels of performance and keep it real.

**10. Build Corporate Culture:**

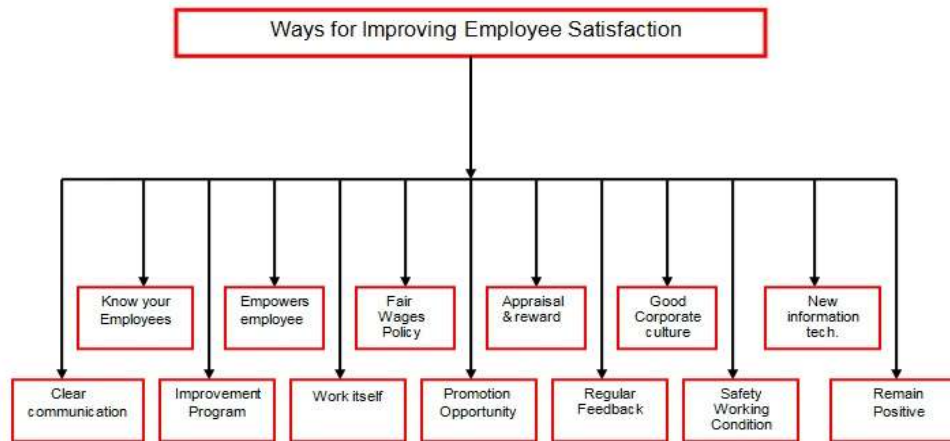
We should focus on making proper communication channel, good and supportive relationship with coworkers and with supervisor. Employee satisfaction can be increased by demonstrating respect for everyone in the organization or company.

**11. Provide Best Equipment and Safe Working Condition:**

Invest in employees by making sure their tools and equipments don't keep them from being successful. Give them the very best tools to deliver the very best performance to the company, customers and the marketplace. Companies should build occupational health and safety program.

**12. Use of Information Technology:**

Creating a work environment in which employees are productive is essential to increased employee productivity, their satisfaction as well as profits for any organization, corporation or small business. There is no shortage of information on ways to motivate employees, but more and more companies are realizing that there is a strong correlation between flexibility in the workplace and employee satisfaction and productivity. The concept of telecommuting is certainly not new. However, recent advances in cloud computing and collaboration software make telecommuting programs easier to implement from a technological standpoint. Concerns about cost, security, features and reliability have all been laid to rest with the introduction of hosted, Software as a Service applications. With an Internet connected computer, employees can securely access centralized data, collaborate with remote team members and host interactive web meetings and presentations. The rise of cloud computing technology and Wi-Fi availability has enabled access to remote servers via a combination of portable hardware and software. Telecommuting offers benefits to communities, employers, and employees



**Fig. Ways of Improving Employee Satisfaction**

**13. Remain Positive:**

Organizations should lead the team forward through positive outlook and contribution and showing their faith in their employees.

**IV. Conclusion:**

On the basis of above points we can say that employee attitudes typically reflect the moral of the company. In areas of customer service and sales, happy employees are extremely important because they represent the company to the public.

So, every organization should develop strategies that strengthen the work environment and increase the employee morale and employee satisfaction to enhance employee performance and productivity, which ultimately results in high profits, customer satisfaction as well as customer retention.

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