LITERATURE ON THE RELATIONSHIPS BETWEEN ORGANIZATIONAL PERFORMANCE AND EMPLOYEE JOB SATISFACTION

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Abstract- Employee job performance is identified as one of the most important components in measuring a company’s efficiency implying that employee high performance reduces organizational production cost. This is mostly observed in organizations where employees are satisfied with their jobs. In view of this, extensive research has been conducted with the aim of exploring the relationships between employee job satisfaction and performance of organizations so as to determine if there is any empirically provable relationships between employee job satisfaction and organizational performance, and vice versa. The results of some of these studies showed the existence of a clear link between employee job satisfaction and organizational performance in both directions. The relationship tends to be stronger from employee job satisfaction to organizational performance rather than from organizational performance to employee job satisfaction. Therefore the purpose of this study is to look into the indicators or factors that influence the two-way relationships between employee job satisfaction and organizational performance.

Keywords- Employee job satisfaction, Organizational performance, Employee job performance, Organizational finance performance, Employee affect.

I. INTRODUCTION

According to Latif (2013) job satisfaction of employees is quite an essential factor that affects organisational performance and therefore should be of major concern to businesses implying that it is necessary to know how employees can be retained through their satisfaction in the workplace. He further stated that organisational target and achievement depends on employee job satisfaction and therefore, it is indispensable for an organization to exactly feel as to what employees feel, think, wish and make strategies that will enhance the satisfaction of employees which will in turn enhance organisational performance.

Bakotic (2016), acknowledged that the number of studies focused on the connection between employee job satisfaction and organisational performance is much smaller in relation to the number of studies dealing with the relationship between Employee job satisfaction and individual performance. Results from a number of these studies give inconsistent results. In contrast to other studies like that of Chan et al., (2000), Cole and Cole (2005), Chandrasekar (2011), Ellinger et al., (2002) that indicated a correlation between employee job satisfaction and organizational performance, researchers like Schneider, Hanges, Smith and Salvaggio (2003) found an inverse relationship in the study of these two variables. The latter observed that Employee job satisfaction is determined by return on Assets (ROA) and earnings per Share indicating that higher return on Assets (ROA) and higher earnings per share were positively correlated with higher Employee job satisfaction and this included three specific attitude features which includes, pay, security, and overall job satisfaction.

II. RESEARCH QUESTION

As a result of the identified gaps in the literature, this paper addresses the following research question. What are the factors that impact Employee Job Satisfaction both directly and indirectly?

III. REVIEW OF LITERATURE

Apart from the impact of employee job satisfaction on organizational performance, the inverse effect should be examined, which has to do with the existence of impact of organizational performance on Employee job satisfaction and it should also be noted that the degree of identification with organizational performance is significantly smaller and much less motivating in comparison with individual success.

However, organizational performance does not bring direct rewards or benefits to Employees. That having been said, the question now should be does organizational performance have the power to directly influence or enhance employee job satisfaction?” Bakotic (2016), further pointed out that, although it is a known fact that an employee’s behavior towards the organization he or she is working for, have connections with organizational performance but clear directions of causality in the


Schneider, Hanges, Smith and Salvaggio (2003) found an inverse relationship in the study of these two variables which are organisational performance and employee job satisfaction. In their study, they found that employee job satisfaction and satisfaction with job security were predicted by return on assets (ROA) and earnings per share (EPS) which literary means that, higher return on assets (ROA) and higher earnings per share (EPS) were positively correlated with higher employee job satisfaction with the inclusion of three specific attitude features; pay, security, and overall job satisfaction (OJS). Silvestro (2002) also observed an inverse relationship between employee job satisfaction and organisational performance in his evaluation of this relationship which supported outcome of Schneider et al’s study or work.

Quality and quantity produced are other factors suggested by Ssegawa (2014) which can be used to measure organisational performance which can also impact employee performance, where “quality” according to Westover (2010) tends to indicate how well the employee or work unit performed the work they were assigned, the effectiveness of the final product, and “quantity” addresses how much work the employee or work unit produced which can be expressed as a number of products produced or services provided or as a general result to achieve (Washburn, 2009).

Analysis done by Bakotic (2016) on employee job satisfaction and organisational performance relationship with the use of financial indicators which includes: total asset turnover, current asset turnover, revenues over expenses ratio, ROA, return on equity (ROE), return on capital employed (ROCE), revenue per employee, earnings before taxes per employee, labour costs per employee, index BEX indicated a positive relationship between the two discussed variables. And apart from observing the relationship between employee job satisfaction and organisational performance, (Bakotic 2016) also observed the existence of a reverse connection between.
organisational performance and employee job satisfaction which led to her hypothesizing that “there is a positive statistically significant relationship between employee job satisfaction and organisational performance”. It also has to be noted that studies like this that incorporated financial performance which was defined at return on sales, incorporated different variables and a good example is the study in which Banton (2002) examined the relationship between organizational culture and organisational financial performance to determine to what extent these were related. In a study of shared governance in a hospital setting that incorporated Employee job satisfaction and financial performance, Minors (1993) used a variety of financial measurements specific to hospitals. These includes patient days, admissions, and expenses per patient day. Other measures have included ratio analysis, net income, and growth in sales over a period of time (Lau & May, 1998; Silvestro, 2002). The empirical result of (Bakotic, 2016) work provided new ideas into the analysis of the relationship between Employee job satisfaction and organisational performance as the analysis was done in both directions. Her correlation test, carried out between Employee job satisfaction and organisational performance showed the existence of significant positive correlations between employee job satisfaction and some financial indicators (ROE, revenue per employee, labour costs per employee and index BEX) of organisational performance whereas the inverse relationship part indicated the existence of correlations which in this case is also four out of ten financial indicators which includes: total assets turnover, revenue per employee, labour costs per employee and earnings before taxes per employee. In view of the above analysis, it could be affirmed that organisations with more satisfied Employees perform better than organizations with dissatisfied Employees.

IV. THEORETICAL FRAMEWORK

Economic theories as we all know, made it clear that in the normal course of business, much resources will be taken by competing firms and new entrants to a particular industry and therefore would benefit organizations to focus efforts toward maintaining those resources that provide competitive advantage (Barney, 1986). Therefore, business organizations are to be mindful of the benefits of the resources it controls as suggested by Wernerfelt, (1984) and by benefits, he meant resources that could be utilized to generate profits for the organization which includes the skills for which people are employed. In view of the above, exploring the relationship between employee job satisfaction and organisational performance shows how important employees are to the organization.

Here, we take a look at Bakotic (2016) conceptual model which she developed in her study while investigating the relationship between employee job satisfaction and organisational performance in both directions; and also which relationship is stronger serving as the basis for her empirical research.

From the above model, employee job satisfaction was observed under the influence of factors that affect work attitude and which are shown on the left side of the model which includes: nature of work, opportunities for advancement, possibility of further education, leadership, co-workers, direct supervisors, salary, position in the company, working conditions, permanent employment and working hours. The link between employee job satisfaction and organisational performance is analysed through financial indicators and which are also shown in the diagram as: total asset turnover, current asset turnover, revenues over expenses ratio, return on assets (ROA), return on equity (ROE), return on capital employed (ROCE), revenue per employee, earnings before taxes per employee, labor costs per employee, index BEX. The above model indicates the existence of a reverse impact between organizational performance and employee job satisfaction. Based on this model and the above mentioned impact, Bakotic (2016) hypothesized that, “there is a positive statistically significant relationship between employee job satisfaction and organisational performance”.

In her conclusion, the relationship between organisational performance and employee job satisfaction was weaker than the relationship between Employee job satisfaction and organisational performance. Shneider et al (2003) contribution to organisational performance/employee job satisfaction study stemmed from their view on the relationship between individual-level job satisfaction and individual-level performance. Quite a number of model emerged to explain the relationship between individual level job satisfaction and employee job satisfaction and good examples are models derived by Porter and Lawler (1968) and Locke and Latham (1990), which proposed that individual employee satisfaction was an outcome of individual performance which is determined by rewards. In other words, when good performance is preceded by good rewards, then the end result will turn out to be the satisfaction of the employee rewarded.
Schneider et al. (2003) framework shows that high-performance work practices increases production efficiencies which will eventually result in improved return on assets (ROA) and earnings per share (EPS); this will in turn would increase level of satisfaction with security and overall job satisfaction which must have been experienced as a result of the positive reputation of the organisation or work environment development, employee empowerment, turnover intention, recognition, responsibility, task significance, job feedback, job involvement, nature of work, opportunities for advancement, possibility of further education, leadership, co-workers, direct supervisors, salary, position in the company, working conditions, permanent employment and working hours) and organisational performance factors (return on assets (ROA), earnings per share (EPS), total asset turnover, current asset turnover, revenues over expenses ratio, return on equity (ROE), Return on Capital Employed (ROCE), revenue per employee, earnings before taxes per employee, labour costs per employee, index BEX, quality of production and quantity of production) which has contributes to the positive correlation existence seen between the two discussed variables.

Finally, it will be necessary to highlight or note that this study makes a significant contribution through the emphasis laid on the existence of inverse link between organisational performance and employee job satisfaction, which has not been explored much and therefore needs to be researched more as new knowledge about the interrelationships among these variables might lead to modification of organisational management structure and theory, most especially theories that relates to understanding employee affect and its ultimate impact on firm-level performance; it can also help with increasing the relevance of considering each of the affected research variables concurrently on the process of seeking efforts on how to improve employee job satisfaction and performance, thereby potentially contributing to improved financial performance; The new knowledge as mentioned above might support the need for human resource department to work more closely with financial and operating managers to aid in the sustenance of competitive advantage; and more research on this relationship might provide the opportunity to highlight more, the economic value of human resource department activities within an organization.

VI. LIMITATIONS AND FUTURE RESEARCH

This review was only conducted using keywords such as employee job satisfaction, employee job performance, firm performance, organisational financial performance and employee affect and databases used includes Google Scholar, EBSCO, Digital Dissertations, and ProQuest Direct. The search resulted in the citation of well-resourced articles, books, and on-line resources and as sources were reviewed, additional citations were found and explored. Further review can be done to ascertain more factors that can also play more roles in the enhancement of employee job satisfaction and organizational performance. In addition, more review can be done to highlight the major problems or
difficulties faced in ensuring that these factors are made present.

REFERENCES

Literature On The Relationships Between Organizational Performance and Employee Job Satisfaction


