



A STUDY OF FACTORS INFLUENCING EMPLOYEE SATISFACTION AND ITS IMPACT ON ORGANIZATIONS*

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Abstract

This study aims at discussing the factors influencing employee satisfaction and its impact on organization. The factors influencing employee satisfaction studied in two broad groups namely organizational factors and demographic factors. The impact of employee satisfaction on the organization examined in terms of increased staff retention reduced training and recruitment cost, retaining knowledge leading to increased performance and profit through effective process and service excellence, building brand loyalty with staff and positions the company as an employer of choice that attracts talented people to the organization, creating public image in the society and playing catalytic role for change with improved performance and achieving the goal of organizational excellence.

Keywords : Employee Satisfaction, Impact, Organizational Factors, Demographic Factors.

1. Introduction

Employee satisfaction is an important concept in organizational studies. A satisfied employee shall work by involving in duty, shall work hard for achieving the company's goal, may want to participate in decision making, may want to be a part of the company and may seek guidance and also give advice under desired work environment. There may be many factors affecting the organizational excellence and one among them is employee satisfaction. Researchers have noted that 'employee are more loyal and productive when

* The author is very much thankful to Dr. M.C Mehta Associate Professor, University Department of Commerce and Business Management, Ranchi University, Ranchi for overall supervision and guidance in preparing this article. they are satisfied' (Hunter & Tietyen, 1997).



A research study showed that the success of any company is directly linked to the satisfaction of the employee who embody that company ; that pertaining talented people is critical to the success of any organization (Freeman, 2005). It is, therefore, imperative to know in detail about the factors influencing employee satisfaction so that efforts could be made to enhance employee satisfaction . The present study is an attempt in this direction. The objective of this study is to examine the factors influencing employee satisfaction and its impact on organizations.

2.The Concept and Importance of Employee Satisfaction

Satisfaction means the fulfillment of one's needs, wants and desire. According to Nancy (1997) satisfaction basically depends upon what is a person's needs and what he/she achieves from the world. Cranny et al. (1992) defined employee satisfactions as combination of affective reactions to the different perceptions of what he/she wants to receive, compared with he/she actually receives. Robinson (2006) has viewed that employee satisfaction is closely related to job satisfaction and the intension to leave or stay with the organization. According to Moyes et al. (2008) employee satisfaction may be described as how pleasant an employee is with his/her position of employment. Thus employee satisfaction includes treating employees with respect, providing regular employee recognition, empowering employees, offering above industry average benefits and compensation, providing employee and company activities and positive management within a success framework of goals, measurement and expectations.

The satisfaction of an individual with the organization was realized during 1950 because in modern days when the basic motive of the organization is to increase production and profit, it is essential that the employees of the organization should be motivated enough and if not the productivity can not rise. Human resource experts postulate that workers who are more satisfied result in more productivity in their work (Mc Gregor, 1960). Maloney & Mc Fillen (1986) have viewed that 'the more satisfied an employee is the less turnover and absenteeism occurs'. If companies want to improve their performance then they must satisfy and motivate their employees which result in positive participation in the organizational performance (Heskett et al., 1994).

The importance of employee satisfaction can be examined both is light of the organization and in light of the employee.



In Light of the Organization

- It enhances employee retention and the company does not need to train employee repeatedly.
- The overall productivity of the company is increased and it assists in achieving the goals of the company.
- When Employees are satisfied with their job they deal with customer in a better way and thus customer satisfaction is achieved to a great extent.
- It helps the company is getting better services and products from its employees.
- Money spent on training new candidates can be saved extensively as employee satisfaction leads to retention.

In light of the Employee

- When the employee gets satisfactory services from the company initially, he/she intends to believe that same treatment would be offered in long run.
- Employee would start taking interest in his work instead of worrying about other issues.
- The employee starts feeling a sense of responsibility towards the organization.
- The employee would try to produce better results in order to get appreciation from the company ; appreciation is the expression of inner feeling of satisfaction of the organization, which is good for achieving sustainable development of the organization.

3. Factors Influencing Employee Satisfaction

Influencing factors can be classified in two broad groups namely organizational factors and demographic factors.

Organizational Factors



- Organization Development : Brand of organization in business field and comparison with leading competitor, mission and vision of organization, and potential development of organization.
- Policies of Compensation and Benefits : Wage and salary, benefits, rewards & penalties.
- Promotion and Career Development : Opportunities for promotion, training program participated, capacity of career development and opportunity for use of skills& abilities.
- Job Satisfaction : Job design, positive behavioral elements like autonomy, task identity, task significance and feedback.
- Job Security : Facility for transfer, accessible/ reasonable target and leaves.
- Working Conditions and Environment : Feeling safe & comfort in work environment, working methods, security guards & parking facilities, good light, fan & air-conditioning and neat and clean office, rest area & washroom.
- Corporate Culture : Relationship with immediate supervisor, communication between employees and senior management and treatment to employee.
- Work Group : Relationship with the group members, group dynamics, group cohesiveness and need for affiliation.
- Leadership Style : Prefer democratic style of leadership and friendship, respect & warmth relationship.

Demographic Factors

- Personality : Competencies and personality of employee are suitable for job, perception, attitudes and learning of employees.
- Expectation : Expectation of employee from the job.
- Age : Young employees possessing high energy level, so feeling more satisfied.
- Education : Highly educated employees possess rationality and thinking power and perform well in duties, and education develops individual wisdom, understanding and evaluation process.
- Gender : Generally women are more likely to be satisfied than men.



- Experience : Generally senior employees are more likely to be satisfied than junior employees.

Thus employee satisfaction is of utmost importance in organization, be it small or large. Employee satisfaction is important not only for the employee but is equally important for the organization for which the employee is working .

4. Impact of Employee Satisfaction on Organizations

Employee satisfaction drives customer satisfaction and indirectly helps in creating profit for an organization. Research on the service-profit chain showed that satisfied employees are far better than unsatisfied ones at delivering excellent customer service and hence customer satisfaction with the organization’s product and services. The overall impact of employee satisfaction is shown in figure-1.

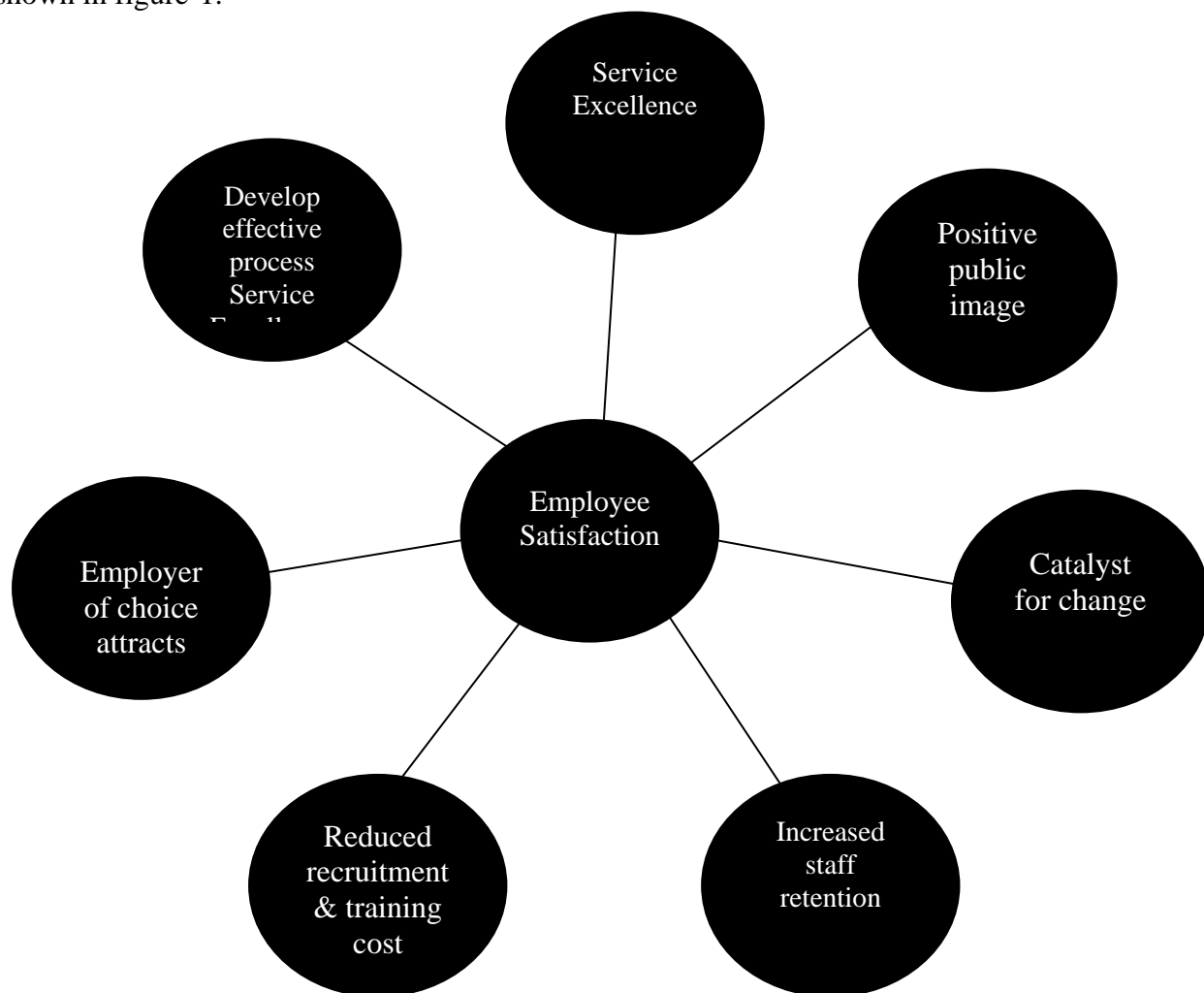


Figure 1: Impact of Employee Satisfaction



Employee satisfaction is a prerequisite for staff retention. Organizations with higher staff retention rates are naturally better at retaining knowledge, which can lead to better performance and profit for the organization through developing effective process and service excellence. Improved employee satisfaction reduces the cost of staff turnover, builds brand loyalty with staff and positions the company as an employer of choice that attracts talented people to the organization, create public image in the society and playing catalytic role for change with better performance. All these may lead to achieving the goal of organizational excellence.

5. Conclusion

This study deals with the major issue of factors influencing employee satisfaction and its impact on organizations. Factors are explained in two broad group of organizational factors and demographic factors. These factors have their own importance in influencing employee satisfaction. This study also indicated the impacts of employee satisfaction on the organizations in terms of increased staff retention, reduced recruitment & training cost, retraining knowledge leading to performance and profit through effective process and service excellence, building brand royalty with staff and positions the company as an employer of choice that attracts talented people to the organization, creating public image in the society and playing catalytic role for change with better performance and achieving the goal of organizational excellence. This study may be of great help to the researchers preparing questionnaire for field survey concerning organizational variables like employee satisfaction in organizational studies.

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