

Identifying Factors Influencing on Employee Satisfaction

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Abstract

Given the fact that employee satisfaction plays a key role in improving performance of employees, this study is going to identify factors influencing on employee satisfaction. The current research from the point of view of the classification of the researches according to the way of collecting data can be considered among the descriptive-survey researches. Further, according to the research classification from the point of view of the purpose, this research is among applied researches. In design phase, at first we reviewed literature and for the validity of the research model, early questionnaire was designed and was given to the directors and banking managers, after applying their corrective comments, the final questionnaire was designed. Research statistical universe consisted of 200 employees of Maskan bank in Ahvaz city. Sampling method for Maskan Bank was cluster method. The collected data was analyzed using structural equations modeling (SEM). Findings show that variables of organizational view, reward, communication and participation have a positive impact on employee satisfaction.

Key words: Employee satisfaction, communication, participation, organizational view, Reward.

Introduction

Given the fact that competition in financial market has intensified, financial service-provider firms such as banks need to take strategies both protecting their competitive advantage and increasing their shares in markets. Customers of these firms have a considerable role in their profitability. If financial service-provider firms can't retain their customers and create loyalty in them, a considerable part of them will be attracted by competitors. Various researches have shown that employees of service sectors in general and financial sectors in particular, have a considerable role in attracting customers and creating loyalty. Therefore, firm investment on internal customers (i.e. employees) such as creating job satisfaction, logical rewarding system, education and increasing functional skills leads to employee commitment, creating interaction between employees and customers. Finally, all these factors result in customer satisfaction and loyalty. As reaching to organizational goals through internal marketing mechanism, organizations need to improve quality of employees through job enrichment, education, reward, job security and increasing communicational and managerial abilities in order to guarantee their presence in the very competitive financial market (Cooper and Cronin, 2000).

Since employees are considered as organizational assets and the role of employees in organizations are increasing, attention to employees is needed. In today's competitive world, organizations and service-provider organizations in particular, have perceived the determinant role of human resources in terms of customers.

Researches mostly focus on efficiency and performance. Present research endeavors to identify factors influencing on employee satisfaction in Maskan bank. Identifying any number of these factors will lead to help improving employee satisfaction.

Review literature

Human capital: ultimate resource for gaining competitive advantage

If firm's strategy seems to be either impossible or quite costly to be imitated, it will result in competitive advantage for the firm (Hitt et al., 2007). A firm with competitive advantage can perform its tasks better than competitors and in an inimitable manner. With better performance by a firm in comparing with its competitors, the firm will be able to provide more valuable services and products to its customers. Competitive advantage is considered as resources and capabilities of an organization which is valuable, scant, non-substitutable and inimitable. In today's competitive world in which traditional resources of firm's competitive advantage such as technology and economies of scale are in decline due to globalization and climate changes, a well-skilled, flexible and motivated employee take on the burden of creating competitive advantage in an organization. Firm's resources account for two types of tangible and intangible resources. Firm's tangible resources include assets, equipment, and physical assets in general. In the past, this type of assets was considered as main instruments of competition in markets. Intangible resources include human capital, brand, trust between managers and subordinates and relationship with suppliers and customers (Hitt et al., 2007).

Now the question is that: how could human capital contribute to sustainable competitive advantage for an organization? Hitt et al., (2006) stated that when human capital is valuable, scant and difficult to be imitated, it contributes to sustainable competitive advantage. Despite the fact that factors these factors (i.e. valuableness, scantiness and being difficult to be imitated) are essential for human capital, they are not sufficient. If a firm has high talent and well-skilled employees who have the characteristics of valuableness, scantiness, and inimitableness but they are not supported by managers, human capital alone will not be able to create a sustainable competitive advantage. Therefore, competitive advantage not only depends on employee's talent and skills but it also depends on the way of being employee (Hitt et al., 2006).

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Employees, employed by manufacturing companies, found that their skills and experiences were not directly transferable. Service firms perceived that there was a need for new concepts and approaches for marketing and managing such firms (Zeithaml et al, 2006).

In a service firm it is imperative that all employees should be trained, developed and informed of the vision and goals of the organization enabling them to deliver excellent services. Internal marketing (IM) requires the involvement of a number of departments working in unison to improve performance (Ahmed and Rafiq, 2002).

Liu, Petruzzi and Sudharshan (2007) argue that training with an emphasis on the specific tasks that employees have to accomplish such as employee empowerment, sharing information pertaining to customer needs and rewarding employees based on the quality of customer services they deliver.

For instance, the success of Disney brand results from the organization placing emphasis on the importance of their employees. They have realized that satisfied employees deliver better service quality, resulting in generating satisfied customers (Papasolomou and Vrontis, 2006).

Internal communication

Communication is considered as a central stimulus for an organization to act (Yates and Orlikowski, 1992) as actions stream from “interchange of information and ideas within an organization” (Bovee and Thill, 2000) which we define as internal communication. Such employee communication has potential of creating atmosphere of respect for all the firm’s employees (Md Norbin et al., 2011) and influences on employee satisfaction as well. Job-satisfied employees are more likely to be involved in firm’s operations and more assigned to delivering the high-quality services (Yee et al., 2008).

The role of internal communication

Kogut and Zander (1992, 1996) suggest that the capabilities of organizations stem from their essence as social organizations. As such, for the success of the organization, internal communication is essential (Borcaa and Baesu, 2014; Vercic et al., 2012; Welch, 2012; Goodman, 2006; Hume and Leonard, 2013) and organizations have perceived that communicating with employees is a crucial success factor (Borcaa and Baesu, 2014).

Informing employees about the organization’s goals and policies and helping them grasp their qualities is the main objective of organizational communication (Borcaa and Baesu, 2014). Internal communication is principally associated with the relationship between social actors, e.g. the organization and its employees (Kennan and Hazleton, 2006), applying social actors that contain a series of formal and informal communication mechanisms between individual employees, teams, project groups, and between staff and line management (Welch, 2012). Organizational effectiveness is backed by internal communication through helping positive internal relationships by giving the possibility of information transfer among social actors (Welch, 2012). Research has indicated associations between internal communication, organizational

communication, and employee satisfaction (Borcaa and Baesu, 2014; Byrne and LeMay, 2006). Despite its importance, there are considerable gaps remaining in research on internal communication (Forman and Argenti, 2005; Welch and Jackson, 2007).

Employees have been considered predominantly as receivers of internal communication, but they also act as senders and active agents in the communications of a company (Durmusoglu et al., 2014; Frandsen and Johansen, 2011; Kim and Rhee, 2011). A growing awareness exists among managers based on which employees at all levels of the organization, in order to achieve managerial objectives, should be apprised about key issues so as to be able to contribute more fully to the success of the company (Tourish and Hargie, 1996). High levels of internal communication contribute to much more productivity in problem solving and goal attainment, as well as engendering greater employee satisfaction (Smith et al., 1994; Tourish and Hargie, 1996). Previous researchers (e.g., Borcaa and Baesu, 2014; Byrne and LeMay, 2006) have argued that effective employee communication has a positive relationship with organizational outputs such as organizational commitment and employee satisfaction. Internal communication can thus be a motivator for employees bringing about greater customer engagement and personal satisfaction (Vercic et al., 2012).

Employee Satisfaction

Employee satisfaction can be described as the contentment or pleasurable emotional state experienced by an individual arising from positive feelings towards their job. Such positive feelings may arise from employee identification with the organization's goals and values (Ting, 2010). Employee job satisfaction is derived from the mental and physical satisfaction they experience in the environment they work in and from the work itself (Tadeka et al. 2005). The attitude and behaviors of the employees determine the quality of the services provided to the customers (Tadeka et al. 2005).

Further, in order to meet customer requirements by a firm, its functional departments must act as part of a collaborative and synchronized process (Flynn et al., 2010; Stock et al., 1998; Zhao et al., 2011) and as such, changes in this dimension for any reason, involving employee satisfaction, will influence the ability or willingness to collaborate (Flynn et al., 2010; Frohlich and Westbrook, 2001; Narasimhan and Kim, 2002; Zhao et al., 2011).

Yee et al. (2008) state that employee satisfaction is significantly and positively related with service quality and customer satisfaction. Lower levels of engagement and performance are provided by the employees not satisfied with their job context (Herzberg et al., 1959; Herzberg, 1966, 1968). In particular their aiming to providing service (Hogan et al., 1984; Johnson, 1996; Keillor et al., 1999; Schneider et al., 1980; Wilson and Frimpong, 2004) or engaging customers constructively is diminished (Hoffman and Ingram, 1991, 1992). These are influenced by a diminishment in prosocial and citizenship behaviors (Bateman and Organ, 1983; Bettencourt and Brown, 1997; Puffer, 1987; Smith et al., 1983). Job-satisfied employees are keen to be more involved in organizational activities and more dedicated to delivering high quality services

(Yee et al., 2008). These findings are consistent with Social Capital Theory, suggesting that the interactions of social actors (employees) will bring about social assets (e.g. high quality service).

Job rewards

Rewards are considered as key components of the exchange relationship between employee and employer (Armstrong, 2010; Cropanzano & Mitchell, 2005; White & Drucker, 2000). Therefore, in order to keep best-qualified employees satisfied and motivated, rewards are used as a tool to guide their behavior and performance in an endeavor to attract and retain such employees (Bellenger, Wilcox, & Ingram, 1984; Bratton & Gold, 2003; Rynes, Gerhart, & Minette, 2004). For this reason, the research and theorizing on rewards is extensive and its history is long (e.g., Currall, Towler, Judge, & Kohn, 2005; Heneman & Judge, 2000; Williams, Brower, Ford, Williams, & Carraher, 2008). At the same time, studies on the impact of financial rewards (often referred to as 'pay') have the upper hand over the stream of research on rewards. Given the fact that almost all major motivation and satisfaction theories explicitly emphasize the importance of alternative types of rewards, this is somewhat surprising (e.g., Adams, 1965; Deci & Ryan, 1985, 2002; Herzberg, 1959; Porter & Lawler, 1968). In line with these theories, reward has recently been conceptualized by the total reward management movement as any valued outcome received by an employee from the employer in exchange for the employee's effort and contribution (Henderson, 2003). Hereby, according to the acknowledgement made by total reward

management, providing the appropriate financial rewards is important, but it emphasizes on the necessity to complement these with other reward types (Armstrong, 2010). Several total reward categorizations are available to date (e.g., Christofferson & King, 2006; Milkovich & Newman, 2005; Zingheim & Schuster, 2000), but the underlying categorization principle seems to be absolutely similar.

Job satisfaction

Job satisfaction consists of cognitive and affective responses of individuals towards their jobs (Arizi & Golparvar). Job satisfaction is defined by Spector (1997) as "overall feelings in terms of job or feelings dependent to attitudes in relation to different aspects of job facets". Several factors could influence on job satisfaction. Employees acquire job satisfaction through ethical behaviors (Koh & Boo, 2001). Job satisfaction is resulted from employees' perception of the way their important expectations are fulfilled through their jobs (Shelly & Nasser, 2003). Shelly and Nasser (2003) considered two important aspects for job satisfaction as follows: first, job satisfaction is an emotional response to work condition and second, job satisfaction is likely specified through different ways including the way goals are reached and the way expectations are fulfilled. In fact, when an individual expresses satisfaction from his job, it means that he loves his job and has positive feelings towards it and eventually has fulfilled his needs (Ford, 2002).

Conceptual framework and hypotheses

The conceptual model of the research is shown in Fig.1.

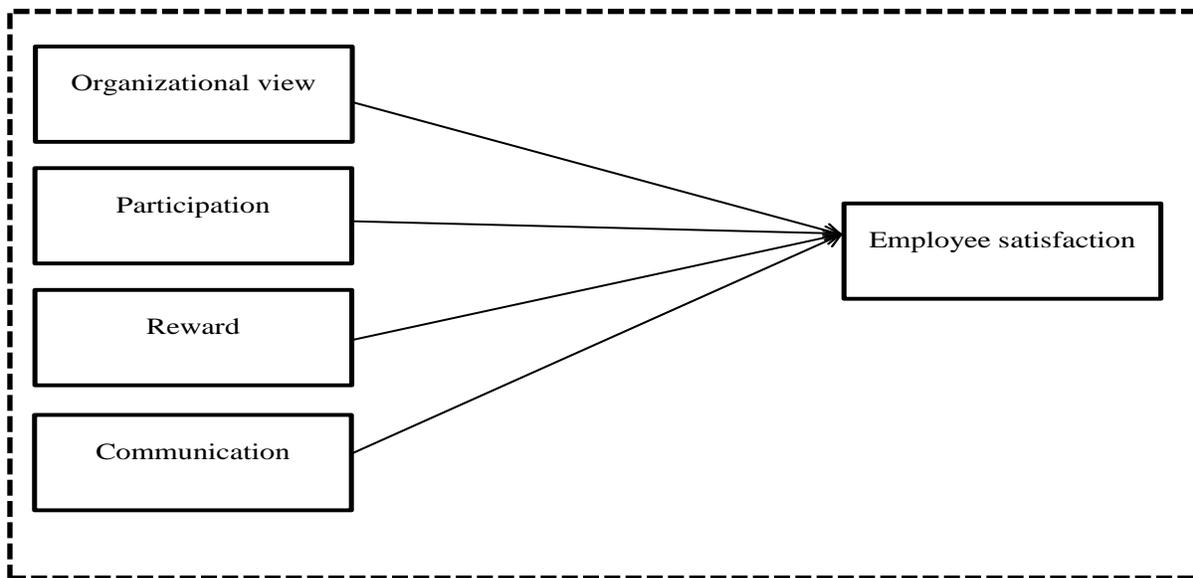


Fig.1: Proposal framework

Thus, the hypotheses are outlined as below:

- H1: Organizational view has a positive impact on employee satisfaction
- H2: Participation has a positive impact on employee satisfaction
- H3: Reward has a positive impact on employee satisfaction
- H4: Communication has a positive impact on employee satisfaction

Table1: demographic information of respondents

	Items	Freq.	Percentage
Gender	Man	37	18.5
	Woman	163	81.5
	Total	200	100.0
Years of service	<5	30	15
	5-10	57	28.5
	10-15	72	36
	>15	41	20.5
	Total	200	100
Education	Diploma	40	20
	AD	36	18
	BD	105	52.5
	MD & Ph.D	19	9.5
	Total	200	100
Position	Cashier	110	55
	Expert	40	20
	Assistant manager	16	8
	Branch manager	34	17
	Total	200	100

Methodology Measures

The current research from the point of view of the classification of the researches according to the way of collecting data can be considered among the descriptive-survey researches. Further, according to the research classification from the point of view of the purpose, this research is among applied researches. Statistical universe of the research is employees of Maskan bank branches located in Ahvaz city. Further, Clustering sampling method was used in this research. In this method, we first divided branches of Maskan bank in Ahvaz city into four geographical areas such as north, south, east and west. In next step, we selected a number of branches randomly. So, given the fact that there are 32 branches in Ahvaz city, we selected 20 branches (5 branches for each area). Finally, sample volume was specified as 210 people. Questionnaires were distributed among 215 employees. Then, after refinery, 210 acceptable questionnaires were collected to analyze.

Survey and measurement scales

The collected data was measured on a five-point Likert scale ranging from “1=strongly disagree” to “5=strongly agree”. In this research, we have 5 variables overall such as organizational view, reward, communication and participation (as independent variables) and employee satisfaction (as dependent variable). Further, to measure “organizational view”, “reward”, “communication”, “participation” and “employee satisfaction”, we used 3, 3, 4, 3 and 4 items respectively.

Data Analysis and Results

Validity

Validity concept explains how well measurement tool assesses items. In this research, we have used three types of validity such as content validity, structure validity and convergent validity.

Content validity

After studying various articles and books relating to the title of the research, research components were extracted based on which early questionnaire was designed. Following Delphi method, the questionnaire was put into consideration. After applying corrective comments made by experts including 30 professors and 25 banking experts, final questionnaire was designed in which content validity had been assured.

Structure validity

To measure structure validity of the questionnaire, we test structure validity through factor analysis method based on which, Bartlett's test of Sphericity was conducted and obtained 329.053. P-value is close to 0 and the value of KMO obtained 0.751. Further, factor loadings of observations obtained greater than 0.5, thus structure validity was assured.

Convergent validity

According to PLS model, convergent validity was analyzed by average variance extracted (AVE) criterion. AVE should be greater than 0.5 as proposed by Farnel and Laker (1981). Results (see table 2) show that AVE is greater than 0.5. Therefore, convergent validity was assured.

Reliability

Two types of reliability including composite reliability and Cronbach’s alpha were measured. Results (see table 2) show that all variables obtained greater than 0.7. Therefore, acceptable reliability was confirmed.

Fitting indices

By using WarpPLS software, fitting indices (see table 3) were assessed via indices of average path coefficient (APC), average R-squared (ARS) and average variance inflation factor (AVIF). Since AVIF obtained lesser than 5 and all indices are

significant at 95 percent level, thus goodness of fit of research model was assured.

Hypothesis testing

The hypotheses were estimated by calculating the significance of the path coefficient (p-value) at the level of 95 percent. Table 4 shows the path analysis and P-value. Since the value of P for all research hypotheses obtained lesser than 0.05 (P<0.05), all hypotheses are confirmed. Therefore, variables of organizational view, education, reward and communication have a positive impact on employee satisfaction.

Table2: Reliability and validity of research variables

Latent variable	Reliability		Acceptable range	Result	AVE	Acceptable range	Result
	Composite reliability	Cronbach’s Alpha					
Organizational view	0.865	0.765	≤ 0.7	Verified	0.682	>0.5	Verified
Reward	0.76	0.725	≤ 0.7	Verified	0.514	>0.5	Verified
Communication	0.773	0.757	≤ 0.7	Verified	0.535	>0.5	Verified
Participation	0.748	0.754	≤ 0.7	Verified	0.538	>0.5	Verified
Employee satisfaction	0.784	0.702	≤ 0.7	Verified	0.559	>0.5	Verified

Table3: Fitting indices

Fitting indices	Value	P-value
APC	0.165	P<0.001
ARS	0.338	P<0.001
AVIF	0.125

Table4: Path analysis

Hypotheses	Path coefficient	P-value	R ²	Result
H ₁	0.255	0.008	0.463	Verified
H ₂	10.22	0.006		Verified
H ₃	0.191	0.007		Verified
H ₄	0.439	0.001		Verified

Results

In this research, we identified factors influencing employee satisfaction. Results show that factors of organizational view, participation, communication and reward have a positive impact on employee satisfaction.. Refight and Ahmad (2000) found that internal marketing contributes to increasing efficiency and job improvement. Further, they found that internal marketing is a planned effort to achieve employee satisfaction and customer satisfaction. These results are parallel with the findings of present research. Lee and Chen (2005) in their investigation found that internal marketing has a positive and significant impact on organizational performance and employee satisfaction. These findings are also consistent with results of present research.

Managerial implications

Results of our research showed that factors of organizational view, reward, communication and participation have a positive impact on employee satisfaction in various branches of Mellat bank in Ahvaz city.

Further, findings show that rewards and participations have the most impact on employee satisfaction respectively. Therefore, we recommend high ranking banking managers that they should increase rewards in the organization appropriately creating motivation in employees through performing encouraging programs such as job promotion, leave with pay, added salary, educational subsidy and etc. we also recommend that employees in various sectors of bank should have participation in internal decisions of branches and create participative atmosphere trying to motivate employees when implementing decisions.

The rest of recommendations in terms of variables of organizational view and communication are as follows:

Banking managers should hold appropriate programs aiming to reminding employees what bank’s view is in order to drive the bank in specified path. Further, they should increase interactions among employees and create required condition for communication between managers and employees trying to boost their morale. By implementing these recommendations,

we will witness more employee satisfaction and consequently customer satisfaction.

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