



**FACULTY OF TECHNOLOGY MANAGEMENT
AND TECHNOPRENEURSHIP**

**THE IMPACT OF JOB SATISFACTION
TOWARD EMPLOYEE PERFORMANCE**

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**MASTER OF BUSINESS ADMINISTRATION
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**THE IMPACT OF JOB SATISFACTION TOWARD EMPLOYEE
PERFORMANCE IN MALACCA**

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This thesis submitted to the in fulfillment of the requirement for the degree of Master
of Business Administration in Advanced Operation Management

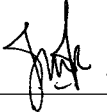
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DECLARATION

I declare that this project paper 'The Impact Of Job Satisfaction Toward Employee Performance In Malacca' is the result of my own research except as cited in the references. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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DEDICATION

This thesis is dedicated to my father, Azmi Bin Hanafi who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, Zainab Binti Hassan who taught me that even the largest task can be accomplished if it is done one step at a time. Lastly for my friend Ungku Mohd Rafiq Bin Ungku Mohd Rafiq who give me the support to complete this project.

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ABSTRACT

Employee attitudes are important to management because they determine the behavior of workers in the organization. The commonly held opinion is that “A satisfied worker is a productive worker”. A satisfied work force will create a pleasant atmosphere within the organization to perform well. Hence job satisfaction has become a major topic for research studies. The specific problem addressed in this study is to examine the impact of job satisfaction on performance. It considered influence of age, sex and experience of employees on level of job satisfaction. Data were collected through a field survey using a questionnaire from employee in more than thirty private sector. The analysis data revealed that there exists positive correlation between job satisfaction and performance of employees.

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CHAPTER 1 : INTRODUCTION

1.1 BACKGROUND OF STUDY

Employee's job satisfaction had always been an area of concern for employers. According to Ray B Williams, a happy worker is a productive workers and it has been traditionally accepted by the organization for many years. Several organizations continue to use job-related techniques such as job rotation, job enrichment and quality of work life programs to improve the worker's performance. This technique has been used by managers on the assumption that satisfaction leads to a better performance and a satisfied employee will perform better than a dissatisfied one.

Attainment of a high level performance through productivity and efficiency has always been an organizational goal of high priority. In order to do that highly satisfied work force is an absolutely necessity for achieving a high level of performance advancement of an organization. Satisfied worker leads to extend more effort to job performance, then works harder and better. Thus every organization tries to create a satisfied work force to operate the well- being of the organization.

However, the total organizational performance depends on efficient and effective performance of individual employees of the organization. Therefore, every organization places a considerable reliance on their individual employee performance to gain high productivity in the organization.

Employee effort is an important factor that determines an individual performance will be. When an employee feels a satisfaction about the job, he or she is motivated to do greater effort to the job performance. Then it tends to increase the overall performance of the organization. In other words, a satisfied individual employee and his effort and commitment are crucial for the successfulness of the organization.

Job satisfaction studies continue to emerge, and the results are often valued for both humanistic and financial benefits. When employees are satisfied, they tend to care more about the quality of their work, they are more committed to the organization, they have higher retention rates, and they are generally more productive. Spector (1997) suggests that job satisfaction data is helpful in evaluating the emotional wellness and mental fitness of employees and that organization can use the information to improve departmental policies and practices where dissatisfaction is expressed.

Job satisfaction is intrinsic as well as extrinsic in nature. A satisfied employee derives their level of satisfaction from various sources. It is a feeling of affiliation that they drive out the job context and the context in which they operate the job.

The next best alternative is for organization to acquire knowledge of these factors which would facilitate them to enhance the satisfaction-performance relationship of their employees. By knowing that factors that impact satisfaction and performance relationship, an organization may successfully utilize its human resource potential to the maximum benefit.

Every organization tries to achieve their objectives. In this connection they must concentrate in many aspects. Human resource of an organization is considered as an importance resources. So, the organization has to keep well trained and effective workforce in their company or organization.

People as a valuable resource of the organization and because of that, attention must be given to the relationship between staff and the nature and content of their job. The content of the job play an important roles in affecting the employee satisfaction with their job. If the work given is not related with their job, they will automatically feel dissatisfaction and their performance also will decrease. In this case, manager needs to understand how best to make job more satisfying for the staff and to overcome the obstacles toward effective performance.

The concept of job satisfaction is defined as an individual's attitude about work roles and the relationship to worker's performance. There could be no job satisfaction where there is no motivation. The job satisfaction and job dissatisfaction theory of Herzberg, Mausner and Synderman distinguished two separated groups of factors influencing individual job satisfaction and dissatisfaction. The first group called 'motivators' that led to job satisfaction and the second group called 'hygiene' which led to the job dissatisfaction.

Nowadays competition is very high. Therefore every organization has to compete with other organization. In this connection in order to achieve competitive advantage the organization has to retain work for, organization expects that satisfying employees are more performing. Therefore, there is a need for the

organization to satisfy their employees to achieve their objectives. For the employee's point of view, job satisfaction leads to several benefits such as, reducing moral stress, create new thinking and innovation which lead them to high level, fresh mind good relationship, with co-workers, supervisor and employees.

1.2 PROBLEM STATEMENT

The level of job satisfaction and committed performance among employees is extremely important since it would be affect their productivity, creativity and quality contribution toward organization. If the job given does not related to what their job scope, it is hard for them to do that work and they will become less motivation in their work task. The quality of the task also can be decrease.

Any serious solution must address the problem of how job satisfaction, organizational commitment, goal setting, and intrinsic as well as extrinsic motivators relate to job performance considering the new pay-for-performance pay system. There have been few studies that have addressed the impact that pay-for-performance has had on increasing actual employee job performance or productivity. Many studies have examined the relationship between pay systems and job satisfaction, but have not yet focused on employee performance. Job performance is an area of study for organizational researching that predicts and explains human behaviour at work.

There is many factors why employees satisfying in their job. Beside of related work task, the promotion system also will be affected. If the managers are bias to

their subordinates and giving the opportunities only to someone that they like, it will become unsatisfaction among other subordinates. When it will happen, turnover will be exist.

Pay system also plays an important role. According to John (2004) in his research, he stated that if the employees were paid less, they are less satisfied with their job. So, there must be guidelines in salary and wages to employees according to their level and job. If the pay is not based on their qualification or there is no increment in their salary, the employee will feel demotivated and their work performance will be decrease.

In this research also, it will discuss more on how far this job satisfaction will impact toward employee performance.

1.3 RESEARCH OBJECTIVES

The objective of the research are :

- 1) To determine whether there is a positive relationship between the job satisfaction and performance of employee.
- 2) To find out the most satisfying event of an employee in the job and why employees stay in the job and leave the organization.
- 3) To identify the influence of experience, age and sex on job satisfaction of employees.
- 4) To describe the factors that caused job satisfaction.

1.4 RESEARCH QUESTION

All the employees that works in organization have experienced in various level of job satisfaction. This job satisfaction can caused by several factors such as promotion system, pay system, working condition, appropriate of work and etc. Because of all this factors, job satisfaction can give a big impact toward employee performance in organization.

The research can be given in this form of research question :

- 1) What are the level of job satisfaction among employees in Malacca?
- 2) Is the job satisfaction of the employees will determine their performance or not?
- 3) What relationship, if any, do job satisfaction and the selected demographic variables share?
- 4) What are the factors that influencing in job satisfaction?

1.5 SIGNIFICANCE OF STUDY

Employee performance will drive to the degree in success of the organization. This study gives significance benefit to the employees in Malacca and also to the organization on how they need to manage their people well. To the worker, job satisfaction brings a pleasurable emotional state that often leads to a positive work attitude. A satisfied worker is more likely to be creative, flexible, innovative, and loyal.

While for the organizations, job satisfaction of its workers means a work force that is motivated and committed to high quality performance. Increased productivity the quantity and quality of output per hour worked, seems to be a by product of improved quality of working life.

However, studies of Teresa (1999) have shown at least low correlation between high morale and high productivity, and it does seem logical that more satisfied workers will tend to add more value to an organization. Unhappy employees, who are motivated by fear of job loss, will not give 100 percent of their effort for very long. Though fear is a powerful motivator, it is also a temporary one, and as soon as the threat is lifted performance will decline.

Tangible ways in which job satisfaction benefits the organization include reduction in complaints, absenteeism, turnover, and termination as well as improved punctuality and worker morale. Job satisfaction is also linked to a healthier work force and has been found to be a good indicator of longevity. And although only little correlation has been found between job satisfaction and productivity, some employers have found that satisfying or delighting employees is a prerequisite to satisfying or delighting customers, thus protecting the "bottom line."

1.6 SCOPE OF STUDY

This research has been studied throughout the organizations in Malacca only. The research is done within the employees in Malacca because the researcher wants to create the scope smaller. There is no attempt to conduct the study outside from Malacca as this research related only with the employees in Malacca. The financial constraint also will incurred if the research was conducted throughout Malaysia.

1.7 LIMITATION OF STUDY

1.7.1 TIME CONSTRAINT

The time frame that has be given to finish up this research is quite limited as the researcher only has more or less than three months. Time to search and find all data is also limited and need to manage the time wisely.

1.7.2 COST INCURRED

In order to complete the study, the researcher need to bear all the cost such as photocopy, transportation, printing, internet sources, souvenir and material that has been used in the research report. The respondent has been given the souvenir on their willingness in answering the questions. The souvenir is a pen and sometimes a note book for each one of them. This is a sign of appreciation for their time and the souvenir will encourage them to answer it with honestly.

1.7.3 INFORMATION LIMITED

The researcher needs to find the sources to help on the understanding about the topic. Some of the sources are need to paid. To finish up the study, the researcher needs to do find in books, journals and also online resources.

1.8 HYPOTHESIS OF THE STUDY

1.8.1 Fair promotion system and job satisfaction

Organization should provide unbiased promotion. That is promotion should be provided based on the qualification of employees or experience.

H1 : There will be significant relationship between fair promotion system toward level of work performance.

1.8.2 Reasonable pay system and job satisfaction

Pay system or salary must be relevant in employee's experience, skill and qualification. There must be an increament if the employee has increased their performance.

H2 : There will be significant relationship between reasonable pay system toward employee performance.

1.8.3 Appropriate work and job satisfaction

The task or work that be given by superior must be appropriate. If not, the employees will become demotivated.

H3 : There will be significant relationship between appropriate work toward employee work performance

1.8.4 Good working condition and job satisfaction

Proper working environment should be designed. In that organization should provide adequate facilities employees to do their works such as appropriate equipment, work breaks, and work sharing.

H4 : There will be significant relationship between working condition toward employee work performance.

1.8.5 Job satisfaction and employee performance

All the four influencing factors in job satisfaction have a positive relationship and impact toward employee performance.

H5 : There will be significant relationship between job satisfaction and employee performance.

1.9 DEFINITION OF TERMS

1.9.1 Job satisfaction

Refers to pleasurable emotional state resulting from the appraisal of one's job, an affective reaction to one's job and an attitude towards one's job.

1.9.2 Performance management

Includes activities that ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the

performance of an organization, a department, employee, or even the processes to build a product or service, as well as many other areas.

1.9.3 Motivation

The driving force by which humans achieve their goals.

1.10 SUMMARY

Assuring job satisfaction, over the long term, requires careful planning and effort both by management and by workers. Managers are encouraged to consider such theories as Herzberg's (1957) and Maslow's (1943). Creating a good blend of factors that contribute to a stimulating, challenging, supportive, and rewarding work environment is vital. Because of the relative prominence of pay in the reward system, it is very important that salaries be tied to job responsibilities and that pay increases be tied to performance rather than seniority.

So, in essence, job satisfaction is a product of the events and conditions that people experience on their jobs. According to Brief (1998) in his studies, "If a person's work is interesting, her pay is fair, her promotional opportunities are good, her supervisor is supportive, and her co-workers are friendly, then a situational approach leads one to predict she is satisfied with her job". In a simple meaning, if the pleasures associated with one's job outweigh the pains, there is some level of job satisfaction.

CHAPTER 2 : LITERATURE REVIEW

2.0 INTRODUCTION

Locke (1976) defined job satisfaction as a pleasurable emotional state resulting from the perception of one's job as fulfilling one's important job values, provided these values are compatible with one's needs. Job satisfaction is the most widely researched subject in the area of human resource management. What has been stated in Encyclopedia Business and Finance, job satisfaction is a worker's sense of achievement and success which is generally perceived to be directly linked to productivity as well as to personal wellbeing. Job satisfaction implies when a person doing a job one enjoys, doing it well, and being suitably rewarded for one's efforts. Job satisfaction further implies enthusiasm and happiness with one's work.

Luthans (1985) quotes a comprehensive definition given by Locke. A pleasurable or positive emotional state resulting from the appraisal of one's job or job experience. Job satisfaction is a result of employees' perception of how well their job provides those things which are viewed as important. Job satisfaction is also defined as reintegration of affect produced by individual's perception of fulfillment of his needs in relation to his work and the surrounding it (Saiyaden,1993). Organ and Hammer (1991) pointed out that job satisfaction represents a complex assemblage of cognition, emotion and tendencies.

Defining employees' performance standards is based on many factors which are job expectations, skill level, area of expertise and aptitude. The performance management system will benefit greatly if you define specific performance standards

for each job group and communicate those standards to employees on an individual basis.

According to Marcia (2011), performance criteria are standards for employee behavior at work. This criteria contains much more than how an employee does the work. Employees are rated on how well they do their jobs compared with a set of standards determined by the employer. It means that the criteria of the job or task is an important factors to measure performance of the employee.

Performance very much depends on perception, values and attitudes. There appear to be so many variables influencing the job performance that is almost impossible to make sense of them. Performance is defined as a function of individual ability and skill and effort in a given situation (Porter and Lawler, 1974). In the short run, employee's skills and abilities are relatively stable. Therefore, for the purpose of the study, the researcher defines the performance in terms of effort extended to the job of an employee.

2.1 JOB SATISFACTION AND PERFORMANCE RELATIONSHIP

Job satisfaction in organizations has been receiving increasing attention because it reduces employee turnover, absenteeism, tardiness, and health setbacks due to stress. Workers who are satisfied at their workplaces show positive attitudes in their homes and make a psychologically healthy society. In recent years economists have taken an increasing interest in the analysis of the subjective well-being of individuals (Chimanikire, 2007).

Work psychologists have for a long time been arguing that for most people jobs cannot only be characterised by the pay and hours of work associated with them, as standard economic analysis does, but also by job and workplace features like promotion and other career prospects, job security, job content and interpersonal relationships. Samantha (1997) stated in her research that all managers are increasingly concerned with promoting job satisfaction among employees. In part, this concern stems from the widespread perception that employees are not satisfied with their jobs and that dissatisfaction result in lower productivity and higher turnover.

The most important evidence that indicated the worsening conditions of an organization is the low rate of job satisfaction. Job satisfaction is the key to establishing a healthy organizational environment in an organization. Nonetheless, factors related to job satisfaction are relevant in the prevention of employee frustration and low job satisfaction because employee would work harder and perform better if they are satisfied with their jobs. Environmental factor is considered as one of the factors that could affect job satisfaction (Zawiah, 2006).

Previous studies generally found that job satisfaction is associated with salary, occupational stress, empowerment, company and administrative policy, achievement, personal growth, relationship with others, and the overall working condition. It has been argued that an increase in job satisfaction increases worker productivity (Wright 1997). According to Dawson (2005), employee satisfaction is associated with positive employee behaviour. It is undeniable that satisfied workers generate customers who are satisfied and loyal.

According to Hersey and Blanchard (1988), motivation and satisfaction are quite different from each another in terms of reward and performance. They pointed out that motivation is influenced by forward-looking perceptions about the relationship between performance and rewards, whereas satisfaction involves how people feel about the rewards they have received. Huselid (1995) believes that if workers are not motivated, turnover will increase and employees will become frustrated and unproductive.

Under Herzberg's (1966) theory, workers who are satisfied with both motivation and hygiene factors would be top performers, and those who are dissatisfied with both factors would be poor performers. Theories of worker motivation address a model connecting job satisfaction, motivation and performance. Considerable importance is attached to these concepts, and there is a need for clarification on how satisfaction and motivation differ from each other.

Job satisfaction is an emotional response accompanying actions or thoughts relating to work, whereas motivation is the process that activates behaviour. As satisfaction is an attitude, it is possible for a worker to be satisfied with his job but not be motivated. Hence, motivation and satisfaction are not synonymous with each other. It is vital to clarify the distinction between the concepts so that it is easier to understand that motivation leads to satisfaction, which ultimately leads to enhanced performance.

Neezam (2005) stated that employees experiencing high satisfaction levels contribute to organisational commitment, job involvement, improved physical and

mental health, and improved quality of life both on and off the job. Job dissatisfaction the other hand, culminates in higher absenteeism, turnover, labour problems, labour grievances, attempts to organise labour unions and a negative organisational climate.

2.1.1 JOB DESIGNATION

The designation of job that not suit to the workers will make them frustrated which might due to different knowledge and skills that they have. Therefore, it will affect the level of job satisfaction among the workers because they need to start at slow speed because of the job that not matches to their expertise. Thus, the job designation becomes a major factors that influencing job satisfaction (Sarasak and Jamaluddin, 1997).

2.1.2 MONEY/COMPENSATION

Money or compensation is a medium of exchange in the form coins or bank notes (Antoniou, 1999). Most managers should think that the employees will satisfy if they got equal money or compensation or reward.

2.1.3 WORKING CONDITION

Many managers do not have much flexibility in their staffing patterns in the short-term, and managers must "deal with the hand they are dealt". In such situations, controlling the work environment is often the most feasible short-term option, beyond skill training, for improving outcomes (Nowier, 2009)