

Impact of employee compensation, workplace environment and performance appraisal on employee satisfaction: evidence from hospitality sector in Gujarat

Dr. Saroj H. Rana

Assistant Professor
H.L.College of Commerce, Ahmedabad

ABSTRACT: In a present complex and competitive scenario, organizations need to retain talented and competent employees who perform excellent work in a congenial environment. Service industries are taking important steps to improve human resource and to attain employee satisfaction. The purpose of the research is to examine the positive and significant impact of employee compensation, workplace environment and performance appraisal on the employee satisfaction in the context of hospitality sector. Four variables were being examined, which includes employee compensation, workplace environment and performance appraisal as an independent variable and employee satisfaction as a dependent variable. For this purpose data was collected from one hundred fifty employees from various hotels in Gujarat State especially Surat District through questionnaires. Data from target respondents was analyzed in the form of descriptive and reliability analysis. Reliability test was applied to validate questionnaire. Linear and multiple regressions were applied to find the impact of independent variables on dependent variable.

Keywords: Employee compensation, employee satisfaction, performance appraisal, workplace environment.

1. Introduction

In this competitive area, service sector are facing competition due to increased awareness demands of employees and customers. Now days, it has become a dominant part of policy making to satisfy employees in order to increase the retention rate and the quality of service. Organization need to reduce turnover and absenteeism. Many service organizations only focus on customer needs and demands and they formulate the policies regarding how to attract and retain the customer, but they lack in understanding the importance of employee satisfaction and how to make them satisfy. Various research studies are done earlier to identify several factors that lead to employee satisfaction. In this research we addressed the basic question: Is employee compensation, workplace environment and performance appraisal factors are responsible in satisfying employee needs and to identify the relationship between these variables.

1.1 Employee Satisfaction

Employee satisfaction is the central focus for every organization because it is the cause of customer satisfaction and financial success of an organization. Due to this, every organization are trying to focus on improving human resources, empower them, train them, providing better facilities, implementing fair and sound salary structure to attain employee satisfaction which will ultimately lead to competitive advantage and help in achieving financial objectives. Job satisfaction describes how content an employee with his or her job.

1.2 Employee Compensation

Any kind of financial benefit provided to employees is said to be compensation. It can be in the form of salary, bonus, commissions and fringe benefits. Every employee wants a proper compensation for their work. So organization must make a sound compensation system in order to retain efficient and skilled employees. Several studies revealed that supervisory capacity skill level and decision making authority are the key qualities that have a positive influence on compensation levels.

1.3 Performance appraisal

According to Coens and Jenkins (2000), Performance appraisal is a mandated process in which, all employees or a group of employees work behaviours are individually rated, judged or described by a rather for a specific period of time. Merchant, (1999) stated that it is a combination of all the factors like proposed strategies, reward and recognition systems.

1.4 Workplace environment

Workplace environment includes physical space and facilities of the work place, relationship with superiors and subordinates, availability of various equipments, technologies and machineries required for job, equality of treatment, communication system, etc. Raziq (2015) stated that it includes all the characteristics of the job, like the way job is carried out and completed, involving the task like activities such as training, control on one's own job related activities and an intrinsic value for a task".

2. Objectives of the Study

1. To standardize a questionnaire for employee compensation, workplace environment and performance appraisal and employee satisfaction.
2. To study the impact of employee compensation on employee satisfaction.

3. To examine the effect of workplace environment on employee satisfaction.
4. To find out the impact of performance appraisal on employee satisfaction.
5. To test the hypothesized model.
6. To study the significant relationship of employee compensation, workplace environment, performance appraisal on employee satisfaction.
7. To open new vistas for future research.

3. Hypothesis

1. H₁: There is a significant impact of employee compensation on employee satisfaction
2. H₂: workplace environment have significant impact on employee satisfaction
3. H₃: Performance appraisals have significant impact on employee satisfaction.
4. H₄: Employee compensation, workplace environment, performance appraisals have significant impact on employee satisfaction.

4. Review of literature

- **Opkara (2002)** stated that employee satisfaction is a result of various factors of human resource practices such as, compensation, promotion, relationship with supervisor, co-workers and various opportunities for promotion. Compensation is considered a key variable in increasing or decreasing employee satisfaction.
- **Massod et.al (2013)** analyzed the relationship between various human resource practices especially employee compensation, employee empowerment, performance appraisal and employee satisfaction and stated that employee compensation plays a vital role in employee satisfaction. On the basis of above review, we can formulate the hypothesis as,
- **Herberg et.al (1959)** explained two types of job related factors in his motivational theory. These factors are Hygiene factors and motivational factors. The presence of hygiene factors may not increase satisfaction but absence of these factors may cause dissatisfaction. Motivational factors have long lasting impact as they raise positive feelings towards job and convert no dissatisfaction into satisfaction and absence of hygiene factors leads to dissatisfaction.
- **Bakotic and Babic (2013)** analyzed that the workers who works under pressure and in difficult condition their satisfaction level reduces and suggested that the organization need to improve working conditions in order to enhance employee satisfaction.
- **Raziq (2015)** examined the impact of working environment on employee satisfaction. For this purpose he studied various service industries such as educational institutes, banking sector and telecommunication and found a positive relationship between working environment and employee job satisfaction. He further stated that working hours, job safety and security, relationship with co-workers and top management support are the prominent factors of employee satisfaction.
- **Teagarden (1992)** suggested that there should not only traditional method applied for performance appraisal, as it dissatisfies the employees. Efforts should be made by the managers to adopt various new performance appraisal techniques which suit the job profile.
- **Saveri and Syme (1996)** conducted a study on hospital pharmacist with an aim to examine the satisfaction and other issues of human resource such as appropriate evaluation system, rather than pay or job security. Findings of their study suggested that appropriate evaluation system leads to increased commitment and satisfaction.
- **Muhammad et.al (2013)** studied the effect of antecedents of employee satisfaction which included control/autonomy, influence, challenge, performance measures, feedback, instrumentality and job security. Findings suggested that performance measures are positively related to employee satisfaction.

5. Data Collection and Analysis

Data has been collected from both employees as well as customers of the hotels situated in Gujarat State especially Surat City. SPSS software has been used to analyze the data. Cronbach alpha was used to assess the reliability of variables. Linear regression and Multiple Regressions were applied to find out the relationship between the variables.

6. Results and Discussion

Test of Reliability data has been tested for reliability using SPSS software and cronbach alpha was applied to check the reliability. Alpha values are:

Table - 1 Reliability

S.No.	Variables	Cronbach Alpha	Number Of Items
1	Employee Job Satisfaction	0.954	5
2	Employee compensation	0.956	5
3	Workplace environment	0.946	5
4	Performance appraisal	0.942	4

Linear Regression:

H₁: There is a significant impact of employee compensation on employee satisfaction.

Table – 2 Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R ² Change	F Change	df1	df2	Sig. F Change	
1	0.943 ^a	0.890	0.889	1.88767	0.890	1198.457	1	148	0.000	2.007

In the above model summary table-2, the R² value is 0.886 indicating that workplace environment contributes 88.6% variance in defining employee satisfaction and Durbin Watson value is 1.931 stating that there is no autocorrelation.

Table- 3 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.888	0.494	-	1.799	0.074
Employee compensation	0.942	0.027	0.494	34.619	0.000

a. Dependent Variable: Employee Satisfaction

H₂: There is a significant impact of working environment on employee satisfaction

Table - 4 Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R ² change	F Change	df1	df2	Sig. F Change	
1	0.941 ^a	0.886	0.886	1.91957	0.886	1154.084	1	148	0.000	1.931

Predictors (constant): Workplace Environment
Dependent variable: Employee Satisfaction

In the above model summary table-4, the R^2 value is 0.886 indicating that workplace environment contributes 88.6% variance in defining employee satisfaction and Durbin Watson value is 1.931 stating that there is no autocorrelation.

Table – 5 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.036	0.499	-	2.077	0.040
Working environment	0.932	0.027	0.941	33.972	0.000

a Dependent Variable: Employee Satisfaction

The beta value is 0.941 at 0.000 level of significance indicates that there is significant relationships exist between workplace environment and employee satisfaction. Hence hypothesis two has been accepted.

H₃: There is a significant impact of performance appraisal on employee satisfaction

Table -6 Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R^2 Change	F Change	df1	df2	Sig. F Change	
1	0.963 ^a	0.928	0.928	1.52721	0.928	1909.072	1	148	0.000	1.950

a. Predictors: (Constant), Performance Appraisal

b. Dependent Variable: Employee Satisfaction

By examining the model summary table-6 the value of R^2 is 0.928 indicating that performance appraisal contributes 92.8% variation in defining employee satisfaction and the value of Durbin Watson is 1.950 which is greater than 1.5 indicating that there is no autocorrelation.

Table - 7 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.457	0.401	-	1.139	0.257
Performance appraisal	1.207	0.028	0.963	43.693	0.000

The beta value for performance appraisal is 0.963 at 0% level of significance indicating that the relationship is significant. So we can say that there is a significant relationship exists between performance and employee satisfaction.

H₄: Employee compensation, workplace environment, performance appraisal has significant impact on employee satisfaction.

Table- 8 Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R ² Change	F Change	df 1	df2	Sig. F Change	
1	0.966 ^a	0.933	0.932	1.48432	0.933	677.226	3	146	0.000	1.886

a. Predictors: (Constant), Workplace Environment, Performance Appraisal, Compensation

b. Dependent Variable: Employee Satisfaction

By examining the model summary table-8 the value of adjusted R² is 0.932 indicating that workplace environment, performance appraisal and employee compensation jointly contributes 93.2% variation in defining employee satisfaction and the value of Durbin Watson is 1.886 which is greater than 1.5 indicating that there is no autocorrelation.

Table 9 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	0.308	0.393	-	0.784	0.435
Employee compensation	0.189	0.297	0.190	0.639	0.524
Performance appraisal	0.912	0.094	0.728	9.655	0.000
Workplace environment	0.056	0.287	0.056	0.194	0.846

a. Dependent Variable: Employee Satisfaction

The beta value for employee compensation, performance appraisal and workplace environment is 0.190, 0.728, 0.056, 0.524, 0.000 0.846 level of significance respectively. It indicates that performance appraisal has been significant impact on satisfaction of employees but working environment and compensation not having significant relationship (significance value is greater than 0.05) the largest beta value is the performance appraisal hence this variable is making strongest contribution in predicting employee satisfaction.

7. Implications of the Study

The results of this study have contributed to the body of knowledge in the field of employee response behaviour in the hospitality sector in Gujarat State. Theoretically speaking, the results showed a positive and significant relationship between sound human resource practices and employee satisfaction. For researcher, it acts as a knowledge base for further studies related with this topic. For service industry the result will provide a great help in formulating various policies for appraisal and employee compensation. It provides guidelines to enhance employee satisfaction and for making sound workplace environment.

8. Limitations of the study:

This study has been some limitations, firstly this study examined relationship between employee satisfaction and compensation it took only some dimensions under each variable. Secondly the study was done for only one city in Gujarat State. All cities were not covered in it, so the generalization of the results and findings are not warranted. Thirdly, the data was collected within a period of time, so the findings are confined for a particular period and cannot be generalized for longer period of time. Fourthly, we applied linear Regression and Multiple Regressions but if other measurement versions were used, then the result would be different.

9. Conclusion

In this study we developed a model with the help of literature that depicted the relationship of human resource practices i.e. employee compensation, workplace environment and performance appraisal on employee satisfaction, in hospitality industry. The results lead to strongly support that these variables have significant impact on employee satisfaction and they are the key components for the growth and success of organization. Every service organization must focus on employee satisfaction as it is the key consideration for management to boost service quality and customer satisfaction and this will help in increasing organizational performance. Organizations should try to make their work environment favourable for employees that will encourage them so that they will be able to handle customers properly. Providing salary according to the talent is not sufficient, every employee wants a positive work environment so managers must create an environment which is comfortable for the employees so that they can perform their daily duties effectively. In a nutshell it can be said that, to take an organization into peak performance, service industries or hotels should focus on providing various benefits to the employees.

References

- [1] Abdul R, R. M. (2015), Impact of Working Environment on Job Satisfaction: *Procedia Economics and Finance* 23, 717 – 725 Science Direct.
- [2] Bakotic, D., & Babic, T. B. (2013), Relationship between Working Conditions and Job Satisfaction: The Case of Croatian Shipbuilding Company. *International Journal of Business and Social Science*, 4(2), 206-213.
- [3] Coens, T. and Jenkins, M. (2000), *Abolishing Performance Appraisals*, San Francisco, CA, Berrett-Koehler Publishers, Inc
- [4] Cowling, A. and K. Newman, (1995), Banking on people: TQM, service quality and human resources.. *Personnel Review*, 24(7): 25-40.
- [5] Ellickson. M.C., & Logsdon, K. (2002), Determinants of job satisfaction of municipal government employees [Electronic version], *Public Personnel Management*, 31(3), 343-358.
- [6] Frye, M.B., (2004), Equity-based compensation for employees, Firm performance and determinants. *J., Finan. Res.*, 27(1), 31-54.
- [7] Herzberg, F., Mausne, B., & Snyderman, B. (1959), *the Motivation to Work*. Jhon Wiley.
- [8] Lane, K., Esser, J., Holte, B., & Anne, M. M. (2010), a study of nurse faculty job satisfaction in community colleges in Florida, *Teaching and Learning in Nursing*, 5(1), 16-26.
- [9] Marchant, T., (1999), Strategies for Improving Individual Performance and Job Satisfaction at Meadowvale Health, *Journal of Management Practice*, 2(3), 63-70.
- [10] Massoda H., Saad H. Muhammad F. A K. Asghar I (2013), Impact of HR Practices on Employee Satisfaction and Employee Loyalty: An Empirical Study of Government Owned Public Sector Banks of Pakistan, *Middle-East Journal of Scientific Research* 16 (1): 01-08, 2013.
- [11] Miller, J., (1980), Individual and occupational determinants of job satisfaction. *socio.work.occup.* 7:337-366.
- [12] Muhammad R. K., Hussain T., Javed I., Atta ur R., Sana S., (2013), Study the Effects of Antecedents of Employee Satisfaction in Banking Sector of Pakistan *Research Journal of Finance and Accounting* Vol.4, No.12, 159.
- [13] Opkara, J.O., (2002), the impact of salary differential on managerial job satisfaction. A Study of Gender Gap and Its Implications for Management Education and Practice in a Developing Economy *J. Bus. Dev. Nation*, pp: 65-92.
- [14] Pettijohn, C.E., L.S. Pettijohn and M. d'Amido, (2001), Characteristics of performance appraisals and their impact on sales force satisfaction, *Human Resource Development Quarterly*, 12(2): 127-146.
- [15] Rabia K., Muhamad I M. Saddam H (2011); Examining the Relationship of Performance Appraisal System and Employee Satisfaction; *International Journal of Business and Social Science* Vol. 2 No. 22.
- [16] Richa Sharma & Pooja Sharma “ Impact of employee compensation, workplace environment and performance appraisal on employee satisfaction: evidence from hospitality sector in India. *IJRIM*, Volume 6, Issue 1, January, 2016.
- [17] Savery, L. & Syme, P. (1996), “Organizational commitment and hospital pharmacists” *Journal of Management Development*, 15(1), 14-22.
- [18] Spector, P. (1997). *Job satisfaction: Application, assessment, causes and consequences*, Thousand Oaks, CA, Inc (Vol. 3). Sage Publications.
- [19] Spector, P. E. (2000). *Industrial & organizational psychology* (2nd ed.). New York: John Wiley & Sons.
- [20] Teagarden, M.B., M.C. Butler and M.A. Von Glinow (1992), Mexico's maquiladora industry: where strategic human resource management makes a difference. *Organization Dynamics*, 20(3): 34-47.
- [21] Yaseen Ayesha (2013), Effect of Compensation Factors on Employee Satisfaction- a Study of Doctor's Dissatisfaction in Punjab. *International Journal of Human Resource Studies*, Vol. 3, No. 1