



Impact of Employee Motivation on Organizational Performance: The Mediating Role of Job Satisfaction

Abu Bakr

Department of Commerce, Aligarh Muslim University, Aligarh

Abstract

Present study adds to the literature by investigating the effect of “Impact of Employee Motivation on the organizational performance through mediating role of job satisfaction”. The target population for present study were the employees of the public sector banks. Non probability sampling technique (convenient sampling) has been used. 600 questionnaires were distributed out of which 489 questionnaires were received back, hence the response rate was 82 %.

Principle Component Analysis (PCA) with varimax rotation was done for the purpose of item reduction and Cronbach's Alpha is used to check the reliability of the scale.

Correlation analysis has been performed to check the relationship among the variables. Structural model was tested using Smart PLS 3.0. Mediation analysis is performed using Bootstrapping estimates.

Introduction:

Motivation is a combination of both internal and external factors that drive action and stimulus to action (Locke & Latham, 2004). Previous studies such as (Chiang & (Shawn) Jang, 2008; Grant, 2007; Islam & Ismail, 2008; Lawler, 1981) focuses on the main factors / motivational programmes which creates positive effects on work outcomes and the use of expectancy theory model to employee motivation. Seminal work has also been done on the topic of employee motivation and organizational performance in various sectors such as hotel industry, IT sector, Banking sector and other profit and non-profit organizations but still there is lot of scope of research in this area in public sector government particularly in Indian context. This study emphasizes on Employee motivation, Job Satisfaction and Organizational Performance. Both direct effect as well as indirect effect between variables is tested in the present research. The main objective of this study is to test the mediating effect of Job Satisfaction in the relationship between Employee Motivation and Organizational Performance.



Literature Review

Motivation & Organization Performance

Muogbo(2013) in his study investigated the relationship between motivation and organizational performance of manufacturing firms in Kenya. He used Spearman rank correlation to test the hypotheses of the study and findings of the study shows that extrinsic motivation given to the worker has a significant influence on the organizational performance. Empirical evidence from previous studies demonstrates that motivated employees perform better, therefore leading towards better organizational performance. Same conclusion is drawn by “Lee & Raschke” using Set-theoretic Approach **Lee & Raschke** (2016). Previous studies suggest that Employee-retention strategies such as positive image, employee participation and other monetary & non-monetary rewards helps in improving organizational performance **EsemeGberevbie** (2010). Many researchers such as **Curtis et al.**, (2009); **EsemeGberevbie**, (2010); **Lee & Raschke**, (2016); **Manzoor**, (2011) **Solomon et al** (2012); **Tremblay et al.**, (2009) highlighted the use of monetary and non-monetary rewards and appropriate HRM practices which leads to motivation , ultimately leading to positive Organizational Outcomes. **Vivek Bajpai**,(2018) conducted study with an aim to recognize the factors that affects employee motivation and examining its impact on job satisfaction and organizational commitment. Findings of his study revealed that many motivational factors leaves a high impact on the job satisfaction and towards the organizational commitment.

1986) Job Satisfaction and Organizational Performance

Previous researches on Job Satisfaction and Perceived Organizational Performance suggest that there is a relative importance of Job Satisfaction in leading towards better organizational performance. Seminal work of researchers (**Fernandez, 2008; Pang & Lu, 2018, 2018; Pincus**, found that there is positive substantial relationship of Job Satisfaction with Job Performance and Organizational Performance. Researches also suggest that Job Satisfaction along with psychological wellbeing, Emotional Intelligence etc. affects the organizational Performance (**Schleicher et al., 2004; Sy et al., 2006; Wright & Cropanzano, 2000**). There are enough evidences showing direct, significant and positive relationship of Job Satisfaction and financial performance of the organizations (**Bakotić, 2016; Hindle & Cutting, 2002**).



Motivation and Job satisfaction

Similarly, there are lot of studies which focus on the relationship of motivation as well as antecedents of motivation and Job Satisfaction.

(Moynihan & Pandey, 2007) finds that managers have varying degrees of impact over job Satisfaction and impact over job involvement. A number of other variables are also equally vital for work motivation.

(Tietjen et al., 2012) put emphasis on the Herzberg theory of motivation in which hygiene factors and motivators are putting effect on Job Satisfaction.

Many researchers also focused on demographic characteristics and their relationship with motivation and job satisfaction. Findings suggest that there is a positive association between variables.

Seminal work of (Furnham et al., 2009) shows that there is an encouraging substantial relationship of Motivation and Job Satisfaction by using an intervening role of Big Five Personality traits.

Many financial motivational practices such as monetary rewards and Compensation packages also increase the degree of Job Satisfaction (Patrice Roussel & Jacques Igalens, 1999).

Hypotheses:

H1: Employee Motivation has a significant positive influence on organization performance

H2: Job Satisfaction has a significant positive influence on organizational performance.

H3: Employee Motivation has a significant positive influence on Job satisfaction.

H4: Job Satisfaction plays a mediating role in the relationship between Motivation and Organizational Performance.

Research Methodology

Sample & Instrument

Responses were collected from the employees of different public sector banks in the northern part of India. The questionnaires were administered in two languages: English & Hindi. The scales items for Extrinsic & Intrinsic motivation were adapted from (Gagné et al., 2010), Job Satisfaction from (Judge et al., 2008), and seven items for Organizational Performance were adopted from (Delaney & Huselid, 1966). 600 questionnaires were distributed out of which 489 employees responded, the response rate was 81.5 %. Each item was measured on a 7-point Likert type scale+ 1 strongly disagree to 7 strongly agree).

In total of 489 samples collected 254 employees were married (52 %) & 235 employees are unmarried (48%).

Work experience of the employees has been categorized in four parts ; 343 employees were having work experience between 0-5 years (71 %) employees, 55 employees were having work experience between 6-10 years



(11 %) 25 employees were having work experience between 11-15 years (5 %) and 66 employees were having work experience of 16 years & above(13 %) employees .

Majority of the respondents lies between the age group of 25-34 years i.e. 336 employees (69 %). 56 employees lies between the age group of 35-50 years(11 %) and remaining comes under the age groups of 50-60 years.

Findings and Results

IBM-SPSS 25 version was used to perform the tests of descriptive statistics. Factor Analysis, normality, correlation analysis and Smart PLS 3.0 has been used to test the Structural Model and Mediation Analysis. The results of descriptive, correlation matrix, and reliability analysis are presented in Table 1. After completion of the preliminary analysis, Exploratory Factor Analysis with PCA was performed by including all the construct's indicators/items with a varimax rotation. Few items were excluded due to poor loading and cross loading. In Motivation, one item was having a loading value below 0.50; in Job Satisfaction two items were excluded due to loadings below threshold limit and one item got cross loaded on Motivation items.

Table 1; Mean, Standard deviation & Correlation Analysis

Variables	Mean	S.D.	Organizational Performance	Motivation	Job Satisfaction
Org. Performance	5.57	1.47	-	-	
Motivation	5.88	1.32	.661	-	
Job Satisfaction	5.64	1.45	.621	.636	-

SD: standard deviation; α : Cronbach's alpha. $**p < .01$.

Measurement model and structural model both were tested. Results of measurement model are given in Table 2 & 3. Results of structural model is given in table 4. The possibility of common method bias was there as the constructs were measured using a self-reported questionnaire. For measuring common method bias, Harman's one factor test was conducted which bring out in single-factor solution. However, it did not account for larger variances. Hence, this study was free from the common method bias (**Podsakoff, Mackenzie, Lee, & Podsakoff, 2003**). Cronbach's alpha value ranged from 0.83 to 0.91 for all three constructs, which is substantially higher than the suggested value ($> .70$). It shows high level of internal consistency between variables (Cortina, 1993). As a result of factor analysis, the remaining items, with the exclusions of some items were reduced to 27 with the KMO (Kaiser-Meyer-Olkin) value of 0.875 ($p < 0.01$). Among all the constructs, motivation has the highest mean (5.88) with lowest standard deviation (1.32) and Organizational Performance has lowest mean (5.57) with highest standard deviation (1.47). Table 1 represents the summary of the results of



correlation. The findings suggested that there is a positive correlation among the constructs showing a statistically significant level at $p < 0.01$.

Results of Measurement Model

First, the convergent validity and Average variance explained (AVE) were tested. Table 2 shows that all item's loadings exceeded the recommended value of 0.6. Composite reliability values, which shows the degree to which construct indicators represent the latent construct, exceeded the recommended value of 0.7 while average variance extracted, which accounted for variance in the indicators by the latent construct, exceeded the prescribed value of 0.5 (J. f Hair et al., 2014).

Table 2; Rotated Component Matrix

Items	Loadings	AVE	C.R	α
M1	.629	.564	.944	0.91
M2	.651			
M3	.692			
M4	.735			
M5	.733			
M6	.698			
M7	.792			
M8	.830			
M9	.781			
M10	.792			
M11	.644			
M12	.769			
JS1	.777	.560	.927	0.90
JS2	.777			
JS3	.767			
JS4	.719			
JS5	.690			
JS6	.755			
JS7	.748			
JS8	.768			
JS9	.543			
JS10	.558			
JS11	.710			
JS12	.781			
JS13	.771			
OP1	.849	0.625	.921	0.83
OP2	.830			
OP3	.599			
OP4	.752			
OP5	.594			
OP6	.765			
OP7	.600			

M = Motivation, JS = Job Satisfaction & OP = Organizational Performance.

The next step in the measurement model was to estimate the discriminant validity, which denotes the degree to



which the measures are not a replication of some other variables. Discriminant validity was tested using the new criteria based on the Heterotrait-Monotrait (HTMT) ratio of correlations (Henseler et al., 2014) and the results are shown in table 3.

Table 3; Discriminant Validity (HTMT - Ratio)

	1	2	3
Job Satisfaction			
Motivation	0.579		
Organizational Performance	0.534	0.746	

Results of Structural Model

To assess the results of structural model, the criteria suggested by **Joe F. Hair et al., 2012; Joseph F. Hair et al., 2013** has been taken into consideration. This criteria includes the R² value of the endogenous constructs, then the path coefficients in the structural model, third criteria is the predictive relevance Q² and fourth one are the results of mediating effects via Bootstrapping procedure. In the first phase of analysis, the relationship between the variables are discussed.

Employee Motivation has positive significant association with Job Satisfaction ($\beta = 0.684$; $p < 0.01$).

Employee Motivation has significant positive relationship with Organizational Performance ($\beta = 0.348$; $p < 0.01$).

Job Satisfaction is significantly associated with Organizational Performance ($\beta = 0.289$; $p < 0.01$).

Thus all the three Hypotheses H1, H2 and H3 were supported.

Motivation explains 46.8 % of variance in Job Satisfaction (R² 0.468) whereas Job Satisfaction explains 34.2 % of variance in Organizational Performance (R² 0.342). The values of .468 and .342 are higher than the 0.26 value which specify a significant model (**Cohen, 1988**)

Apart from R² and beta-coefficient, the predictive sample reuse technique (Q²) shows predictive relevance (**J. f Hair et al., 2014; Hair Jr et al., 2014; Henseler&Sarstedt, 2013**). Based on the blindfolding procedure, Q² shows how accurately “data points of indicators” in reflective measurement model fitted. For present study, Q² was attained using cross-validated redundancy procedures. A Q² greater than zero means that the model has predictive relevance, whereas a Q² less than 0 means the model lacks predictive relevance. As shown in Fig 1, Q² for both endogenous variables indicated acceptable predictive relevance.

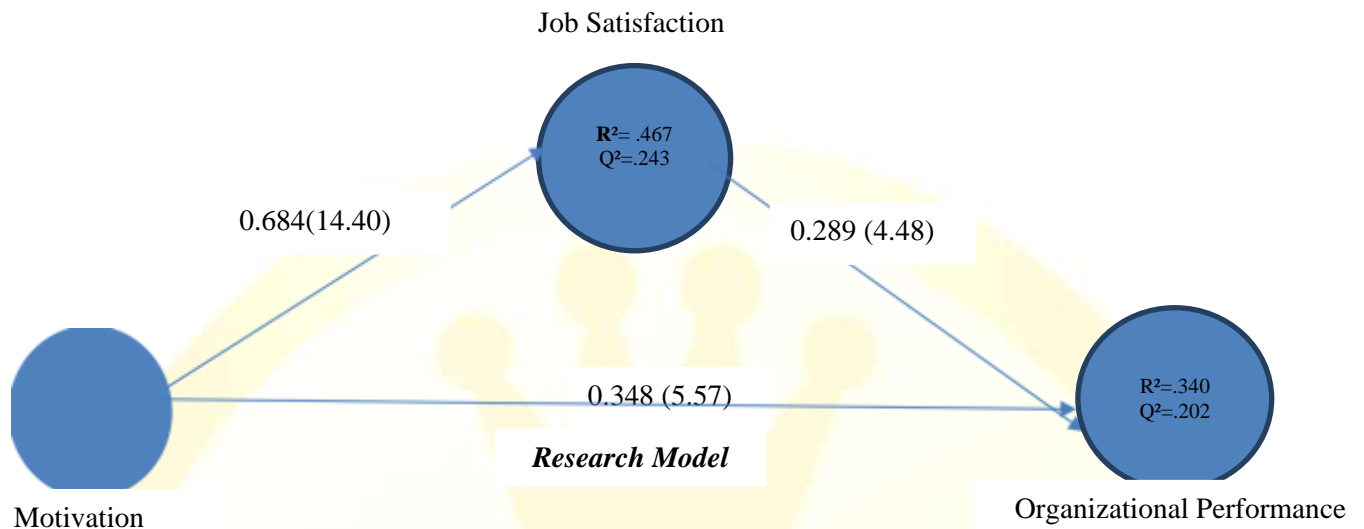


Table 4; Direct Effect

Variables	β	t-value	p-value	Hypotheses results
Motivation -> Job Satisfaction	0.684	14.40	000*	Accepted
Motivation -> Org. Performance	0.348	5.57	000*	Accepted
Job Satisfaction -> Org. Performance	0.289	4.48	000*	Accepted

Mediation Analysis

Mediation analysis was assessed by applying the procedures suggested by (Nitzl et al., 2016) in Smart PLS 3.0 as more complex models can be easily tested in it (J. f Hair et al., 2014). Results shows indirect effect of Job Satisfaction ($\beta = 0.198$, VAF = 36.2, $p < 0.01$) with partial mediation effect as the “variance accounted for” is approximately 36% which is less than 80% but more than 20% (J. f Hair et al., 2014; Nitzl et al., 2016)

Table 5; Indirect Effect

IV	MV	DV	D.E	I.E	T. E	VAF	VAF %	Type of Mediation	P -value
Motivation	Job Satisfaction	Org. Performance	0.347	0.198	0.545	36.2	36 %	Partial	0.000*

Discussion and Conclusion

The primary objective of the research is to test the mediating effect of Job satisfaction in the relationship between Employee motivation and Organizational Performance in the public ssector banks. Seminal studies have been conducted depicting the same hypothesized relationship but still there is a dearth of literature in the public sector.



Initially measurement model was tested and then the results of structural model were shown. Motivation has positive beta-coefficient of .684 on Job Satisfaction. Motivation has positive beta-coefficient of .348 on Organizational Performance. Job satisfaction also has positive beta-coefficient of **0.289** on Organizational Performance.

Job Satisfaction is a significant mediating variable which means motivated employees are more satisfied and that satisfaction is leading towards better organizational performance

To conclude, the study demonstrates that in public sector banks in India, the satisfaction along with motivation is very important to enhance the performance of these organizations. More emphasis should be given on retaining the motivated employees in order to build a trusted and committed workforce ultimately leading towards better performance and increased productivity in the organizations. Academicians can also benefit from the findings of the present study. The findings of the study have implications for both Public Sector undertakings professionals as well as academicians.

Limitations and Directions for future research

As is the case with every research, this study is also not free from limitations. A noticeable restraint of this study was the sample and the sampling method used. We used convenience sampling. Future researches can contemplate using a greater sample size including from other sector government undertakings from diverse parts of the country.

Exploratory research is required as this research was descriptive in nature. Future researches should investigate the relationship between other variables which affects the job satisfaction and performance of the organizations. Future researches should also consider other aspects of the workplace in order to explore more variables.



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