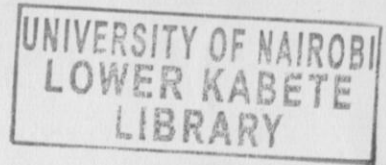


**FACTORS THAT INFLUENCE EMPLOYEE SATISFACTION IN  
MAJOR COMMERCIAL BANKS IN KENYA**

**SUBMITTED BY:**

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**D61/71604/2007**

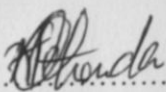


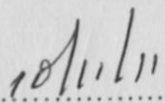
**A management research project submitted in partial fulfillment of the requirements for the award of the Degree of Master of Business Administration (MBA), School of Business, University of Nairobi.**

**OCTOBER 2011**

## DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

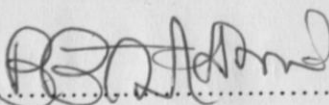
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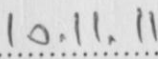
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**D61/71604/2007**

This management research project has been submitted for examination with my approval as the university supervisor.

Signed .....  


Date .....  


**Mr. George Omondi**

## ACKNOWLEDGEMENT

I would like to thank my supervisor Mr. George Onandi for his inspiration

I dedicate this study to the following for their patience and unfailing support:

My parents Mr. & Mrs. Onzere, my daughter Stephanie, my sisters Gillian and Linda, my brother Dr. Ijayo, Naomi, and friend Ian Lundu.

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## ABSTRACT

Employee satisfaction influences the level of commitment to the job and performance at work. A number of factors influence employee satisfaction. This study aimed to determine the factors that influence employee satisfaction among commercial banks in Kenya. A sample survey design was used. The target population comprised of 8,824 employees from the major commercial banks in Kenya as at 2009. Proportionate stratified sampling technique was used to select 1952 employees to constitute the sample. Data was collected using a self-administered questionnaire. Data was analyzed using descriptive statistics. It is recommended that there is need to address the various factors that influence employee satisfaction which include extrinsic rewards, supervisory support, fairness, autonomy, corporate image, affiliation and employee development.

From the findings, the major factors influencing employee satisfaction included extrinsic rewards, supervisory support, fairness, autonomy, corporate image, and affiliation and employee development. Other factors included being treated with respect, recognition, empowering employees, offer of above industry-average benefits and compensation, employee benefits and company activities, and positive management within a success framework of goals, measurements, and expectations. This is consistent with the findings of previous studies that were reviewed in the section on literature review.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Employee satisfaction often is measured along with commitment (Mowday et al., 1979) and both commitment and satisfaction have affective components (Meyer and Allen, 1987). The constructs of job satisfaction and organization satisfaction have been studied extensively for many decades utilizing survey research (Stodgill and Coons, 1957; Likert, 1961; Nadler, 1977; Dunham and Smith, 1979; Lawler, Nadler and Cammann, 1980). Meyer and Herscovitch (2001) describe commitment as “a force that binds an individual to a course of action of relevance to one or more aims” (p. 301). Organizational commitment has been defined by researchers as the psychological strength of an individual’s attachment to the organization (Mowday, Steers, and Porter, 1979). Organizational commitment may be viewed as the degree to which an individual adopts organizational values and goals and identifies with them in fulfilling their job responsibilities (Tanriverdi, 2008). Further, organizational commitment may be influenced by values and organizational behaviours observed in the workplace (Morrow, 1993). It has been observed that organizational commitment and individual commitment comprise overall workplace commitment (Fornes, Wollard, 2008). Frew, Bruning (1988) propose that employees satisfied with jobs and co-workers perceive their organizations as having values committed to employee well-being.

Researchers have found that satisfied employees (e.g. having a pleasurable feeling resulting from job experience) are more likely to contribute their knowledge (Janz , Prasarnphanich, 2003), improve their job performance (Judge et al., 2001), be creative and cooperate with others because satisfaction is the inner force that drives employees' behaviour.

Accordingly, employee satisfaction has a positive impact on task performance and contextual performance. The effective functioning of an organisation depends on employee efforts that extend beyond formal duties. It is widely agreed that there are two overriding dimensions of job performance – task performance and contextual performance (Borman, Motowidlo, 1993; Motowidlo, Van Scotter, 1994).

Task performance includes behaviours that contribute to the core activities in an organisation, such as producing products, selling merchandise, managing subordinates or delivering services (Motowidlo, Schmit, 1999). Contextual performance, in contrast, refers to behaviours that contribute to the culture and climate of the organisation. That is, the context within which the core activities are carried out, such as volunteering for the extra work, persisting with enthusiasm, helping and cooperating with others, following rules and procedures, and supporting or defending the organisation (Borman , Motowidlo, 1993).

Employee satisfaction is supremely important in an organization because it is what productivity depends on. If your employees were satisfied, they would produce superior quality performance in optimal time and lead to growing profits.

Satisfied employees are also more likely to be creative and innovative and come up with breakthroughs that allow a company to grow and change positively with time and changing market conditions.

Job Satisfaction can be an important indicator of how employees feel about their jobs and a predictor of work behaviours such as organizational commitment, absenteeism, and employee turnover. Labor turnover and absenteeism are commonly associated with dissatisfaction, but although there may be some correlation, there are many other contributing factors. Employee satisfaction has received considerable attention in the last few years. Many companies invest considerable amounts of resources in programmes to monitor and increase employee satisfaction (Heskett et al., 1997).

Benefits of employee satisfaction to the organization include reduced complaints and grievances, low employee termination and turnover rates and improved employee morale. To the employee, job satisfaction leads to personal satisfaction, improved self-esteem and high levels of self-development. Employee survey studies show that employees are more satisfied when they have challenging opportunities at work. These include chances to participate in interesting projects, jobs with a satisfying degree of challenge, and opportunities for increased responsibility. Stress levels also influence employee satisfaction. This can be dealt with by promoting a balance of work and personal lives, distributing work evenly (fairly) within work teams and reviewing work procedures to remove unnecessary "red tape" or bureaucracy. Employees are more satisfied when they feel they are rewarded fairly for the work they do. The employer should consider employee responsibilities, the effort they have put forth, the work they have done well,

and the demands of their jobs. Superior-subordinate communication is also an important influence on employee satisfaction in the workplace. The way in which subordinate's perceive a supervisor's behavior can positively or negatively influence an employee's job satisfaction. Nonverbal messages play a central role in interpersonal interactions with respect to impression formation, deception, attraction, social influence, and emotional expression (Burgoon, et. al., 1996).

### **1.1.1 Employee satisfaction**

Employee satisfaction is the individual employee's general attitude towards the job. It is also an employee's cognitive and affective evaluation of his or her job. This is the terminology used to describe whether employees are happy and contented and fulfilling their desires and needs at work. Many measures purport that employee satisfaction is a factor in employee motivation, employee goal achievement, and positive employee morale in the workplace. Employee satisfaction is an attitude that people have about their jobs and the organizations in which they perform these jobs. Employee satisfaction is defined as "the extent to which people like or dislike their jobs" (Spector, 1997). It is an employee's affective reaction to a job, based on a comparison between desired and actual outcomes. Factors affecting employees' satisfaction include the job itself and opportunities for personal growth and accomplishment and extrinsic factors like pay and benefits, company policies, supervision and support, co-workers, job security, chances for promotion job elements (Misener *et al*, 1996).

Factors contributing to employee satisfaction include treating employees with respect, providing regular employee recognition, empowering employees, offering above industry-average benefits and compensation, providing employee perks and company activities, and positive management within a success framework of goals, measurements, and expectations. Employee satisfaction is often measured by anonymous employee satisfaction surveys administered periodically that gauge employee satisfaction in areas such as management, understanding of mission and vision, empowerment, teamwork, communication, and coworker interaction. The facets of employee satisfaction measured vary from company to company (Lopez et al. 2005).

Satisfied employees have a strong sense of understanding about what is expected of them. Management communications are clear and frequent about expectations and goals. Everyone understands the mission and employees are strongly encouraged to ask for clarification of unclear job performance requirements. Employee satisfaction is supremely important in an organization because it is what productivity depends on. If your employees were satisfied, they would produce superior quality performance in optimal time and lead to growing profits. Satisfied employees are also more likely to be creative and innovative and come up with breakthroughs that allow a company to grow and change positively with time and changing market conditions. Job satisfaction has been defined as a positive emotional state resulting from the pleasure a worker derives from the job (Locke, 1976; Spector, 1997) and as the effective and cognitive attitudes held by an employee about various aspects of their work. Job satisfaction is one criterion for establishing the health of an organization. Effective performance largely depends on

the human resource and job satisfaction experienced by employees will affect the quality of services provided. Employee productivity depends on the amount of time an individual is physically present at a job and also the degree to which he or she is "mentally present" or efficiently functioning while present at a job. Banks must address both of these issues in order to maintain high worker productivity, and this may occur through a variety of strategies that focus on employee satisfaction.

One of the best ways to maintain employee satisfaction is to make workers feel like part of a family or team. Holding office events, such as parties or group outings, can help build close bonds among workers. Many companies also participate in teambuilding retreats that are designed to strengthen the working relationship of the employees in a non-work related setting.

Raises and bonuses can seriously affect employee satisfaction, and should be given when possible. Yet money cannot solve all morale issues, and if a company with widespread problems for workers cannot improve their overall environment, a bonus may be quickly forgotten as the daily stress of an unpleasant job continues to mount. If possible, provide amenities to your workers to improve morale. Keep facilities such as bathrooms clean and stocked with supplies. While an air of professionalism is necessary for most businesses, allowing workers to keep family photos or small trinkets on their desk can make them feel more comfortable and nested at their workstation. Basic considerations like these can improve employee satisfaction, as workers will feel well cared for by their employers.

Employee turnover is a common source of frustration for many banks with dissatisfied employees. When employees feel satisfied, they will be less likely to leave their work. Negative effects are loss of productivity, diminished morale, strained communications between management and employees, and, of course, the increased costs in hiring and training new employees. Contrary to what some employers might believe, salary and benefits, although important, are not the main reasons that employees are satisfied and remain committed to their job. Often the weak link of the supervisory level goes unnoticed by top management although it produces employee dissatisfaction severe enough to promote a high turnover rate. Employee satisfaction surveys test satisfaction and impact of different facets of satisfaction, such as relationship with superiors and peers, job content, remuneration, recognition, etc. (e.g. Matzler et al., 2004). There is mounting evidence that personality traits are strongly related to job-related attitudes and behaviors (Barrick, Mount, 1991; Furnham et al., 2002; Judge et al., 2002; Tokar et al., 1998). This study will also illuminate employee satisfaction and its impact on affective commitment towards an organization. It is recommended that particular attention be given to improving employees' satisfaction. Motivators such as managers' loyalty to employees, job security, good pay, good working conditions, discipline, involvement, recognition, promotion and help with personal problems were important respectively for employees.

A good working environment is important to most employees. Creating a pleasant working environment with adequate resources and facilities reduces employees' job-related stress and increases their satisfaction. Employees need to know that their contributions and good performance are recognised and valued. This inspires them to

work even harder. Training for additional knowledge and skills is also a great motivator for many employees; in addition, it also improves employees' performance and productivity. Employees' needs and consequently motivators are different. Therefore, it is important to understand what satisfies them in their workplace and motivates them to improve performance.

Employee satisfaction can be measured in a number of ways. The administration department conducts feedback sessions frequently in which employees report their reactions and feelings about their jobs. Employees are supposed to fill and submit a sheet that contains questions related to salaries, promotions, responsibilities and other problems. Human resource managers study the answers and implement necessary changes. The questions are of yes/no, true or false or multiple-choice type. Job Description Index (JDI) is another technique used which measures the satisfaction quotient, considering answers to questions related to payment, promotions, fellow employees, supervision and the job profile. Using a questionnaire on employee satisfaction surveys is an effective method of reading the pulse of the employees. Companies will find it easy to achieve their targets if they consider the above suggestions. A properly designed and executed employee satisfaction survey will provide management with the necessary information to implement strategies that improve employee satisfaction, job satisfaction, productivity, and loyalty.

### **1.1.2 Factors influencing employee satisfaction**

The key organizational characteristic for explaining employee satisfaction is organizational communication (a measure of the downward and upward communication in an organization). Employee satisfaction is a key antecedent to employee involvement. Interaction between managers and employees concerning supportiveness and goal setting, as well as job design are also key drivers of employee engagement. Employees are concerned with their work environment for both personal comfort and how it facilitates doing a good job. Not surprisingly therefore, having friendly and supportive co-workers leads to increased job satisfaction. People get more out of work than merely money or tangible achievements. For most employees, work also fills the need for social interaction. Factors that influence employee satisfaction include extrinsic rewards, supervisory support, fairness, autonomy, corporate image, affiliation and employee development.

Though it is true that the business environment provides a challenging job profile, it also creates a less secure environment. Industriousness, dedication, devotion, and commitment are not enough to secure a job. The high level of performance of an individual is based on various factors. These may be market situation, existence of competitor, and government policies. Where these factors are adverse in nature, performance automatically suffers. During this period, employees feel insecure reducing overall job satisfaction. To increase employee job satisfaction, banks need to improve job security. Noer (1993) observed that layoff threats are one of the greatest blows to employee loyalty, even among those whose

jobs are not immediately at risk. Parnes et. al (1973) observed that long tenure of working in organizations increases the job satisfaction of employees.

### **1.1.3 Commercial Banks in Kenya**

Kenya currently has forty four (44) licensed commercial banks and one mortgage finance company. Of these forty four (44) institutions, thirty one (31) are locally owned and thirteen (13) are foreign owned. Citibank, Habib Bank and Barclays Bank are among the foreign-owned financial institutions in Kenya. The government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate.

Commercial banks provide checking accounts, savings accounts, and money market accounts and accepts time deposits. The major commercial banks in Kenya include Kenya Commercial Bank, Standard Chartered Bank, Barclays Bank of Kenya, Commercial Bank of Africa and National Bank of Kenya among others. Kenya Commercial Bank Limited (KCB) is the top leading local bank with an estimated five thousand four hundred and ninety two (5492) employees with operations and outlets in all the major administrative centers in Kenya, and across the East and Central African region in Uganda, Tanzania, South Sudan and Rwanda. The main business sectors include Retail Banking, Corporate Banking, Treasury and Mortgages. National Bank of Kenya (NBK) has one of the largest networks in the country an estimated one thousand

and fifty (1050) employees in each branch. It has taken a leading role in the issuance and promotion of modern delivery and payment systems. Barclays Bank of Kenya Limited, a subsidiary of Barclays Plc, is the top leading bank in Kenya in terms of profitability and market share in the areas of loans and deposits and an estimated one thousand eight hundred and ninety (1890) employees in each branch (Global Finance Magazine 2009).

## 1.2 Statement of the problem

Commercial banking, a service-oriented sector of the economy as a whole plays an important role in the economy of any country. The quality of banking services offered to customers and community greatly depends upon the total efforts of the employees. Job satisfaction of bank employees results from the specific likings and disliking experienced in their jobs, the ways through which authority treats their employees and fulfils their needs and expectations have a profound impact on the attitudes of the employees towards their jobs that in turn have an effect on the ability to accomplish their work. Most organizations spend an inordinate amount of time and energy focusing on customer experience, without giving thought to employee satisfaction. Yet employee satisfaction is paramount, because it will determine the success or failure of what the customer experiences.

The most important thing in the delivery of quality service is the individual motivation of all employees thus employee satisfaction. With the growth of the service industry, commercial banks now compete for quality service employees. Research finds that it is a challenge for management today to motivate employees to provide quality services as it has been observed that there is a tough competition among commercial banks to provide best services to satisfy their customers.

Commercial banks are a significant part of the economy and its employees play a key role in delivering the services to its customers. One of the human resource functions is to ensure employees' workplace motivation. If employees are not satisfied, they will not perform to expected norms (Petcharak, 2004).

## **1.2 Statement of the problem**

'People are the most important asset of any organisation' is a highly over-used and under believed statement. An inordinate amount of time and energy is spent focusing on customer experience without giving thought to employee satisfaction, yet employee satisfaction is paramount because it will determine the success or failure of what the customer experiences (Comm, Dennis, 2000). Moreover, satisfied employees are more motivated and harder working than dissatisfied ones. Satisfied employees achieve higher levels of job performance, which in turn increases organisational productivity and profitability. In return, these productivity and profitability gains will allow the organisation to provide more rewards to its employees. That is, treating employees as a valuable asset for organisations provides a win-win foundation for both employees and organisations. Therefore, the first priority for an organisation's knowledge management should be to manage the employee satisfaction level.

The business environment in Kenya has been experiencing various challenges resulting from competition and environmental turbulence. Over the last few years, the banking industry has been faced by stiff competition, changing technology and complexities in the environment. The most important thing in the delivery of quality service in commercial banks is the individual motivation of all employees.

It has been observed that there is tough competition among commercial banks to provide the best services to satisfy their customers. One of the human resource management's functions is to assist the general manager or the top management in keeping the employees satisfied with their jobs. If employees are not satisfied, they will not perform to the expected standards (Schneider et. al, 1998).

This study can be differentiated from past studies, since it considers an ensemble of employee satisfaction elements (general satisfaction with work, employee relationships, remuneration, benefits and organizational culture and employee loyalty). Employee commitment/employee satisfaction refers to the psychological attachment of workers to their workplaces (Allen, Meyer, 1990; O'Reilly, Chatman, 1986). Commitment to the organizations is positively related to such desirable outcomes as job satisfaction (Bateman, Stasser, 1984; Mowday, Porter, Steers, 1982), motivation (Mowday, Steers, Porter, 1979), and attendance (Mathieu, Zajac, 1990; Steers, Rhodes, 1978) and negatively related to such outcomes as absenteeism and turnover (Clegg, 1983; Cotton, Tuttle, 1986). Organisations must consistently monitor the pulse of their workforce on those variables that have the most impact on driving employee satisfaction.

### **1.3 Objective of the study**

To determine the factors that influence employee satisfaction among the major commercial banks in Kenya.

#### **1.4 Significance of the study**

The study will be of importance and significance to human resource practitioners who will get a fresh perspective into the issue of employee satisfaction. The study findings can be used to improve internal employee satisfaction within banks, which may be applied to implement performance improvement in commercial banks.

The study will also broaden previous approaches to job satisfaction and employee satisfaction. The study will help human resource management in general to know what aspects of human resource need to be considered while making policies that affect employee satisfaction. Workers will benefit by giving their views, which can be used to increase their levels of satisfaction.

Commercial banks will benefit from the study, as they will be well aware of the strategies to implement and how to implement them, in order to ensure that its customer care staff is satisfied with their jobs. This will in turn improve the general performance of these particular employees with the organization and hence enhance productivity, which will translate to the overall growth of the organization.

The study will provide information to the management of commercial banks in Kenya on how to enhance employee satisfaction and consequently improve performance and provide motivation for conducting similar studies in future even in other financial sub-sectors. The findings may be used for further research in the area of employee job satisfaction and its impact on organizational performance.

This study is important as it seeks to understand the organizational drivers of employee satisfaction and employee engagement (the degree of employee motivation and sense of inspiration, personal involvement, and supportiveness), and the downstream effects of these employee attitudes on customer retention, satisfaction and financial performance. There is a direct link between employee satisfaction and customer satisfaction, and between customer satisfaction and improved financial performance. Employee satisfaction affects customer satisfaction in both public and private sectors.

How employees feel about their job has an impact on their work experience, but also on tangible business outcomes such as customer satisfaction, sales, and profit. Employees can strongly contribute to an organization's success by having a customer-centric approach in their work and in their work-related interactions. However, they are more likely to do so if they are satisfied with their job.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Employee satisfaction

A generation of employees who feel entitled to employee satisfaction has entered the workforce and several generations of employees for whom work never quite fulfilled their dreams, are leaving. This downward trend in job satisfaction raises concerns about the overall engagement of employees and ultimately employee productivity, retention, creativity, risk-taking, mentoring, and in overall employee motivation and interest in work. In this environment for employee satisfaction to be achieved, it is vitally important to know which factors most affect employee satisfaction. You want to spend your time, money, and energy on programs, processes, and factors that will have a positive impact on employee satisfaction. A 2009 survey, by the Society for Human Resource Management looked at twenty-four factors that are regularly thought to relate to employee satisfaction. These factors include employee sense of job security, benefits (especially health care) with the importance of retirement benefits rising with age of the employee, compensation/pay, opportunities to use skills and abilities, feeling safe in the work environment, relationship with immediate supervisor, management recognition of employee job performance, communication between employees and senior management, and work autonomy and independence. Employee satisfaction also depends on the bank and its practices, employees' expectations and needs from work, the quality of supervision, the health of the industry, the competitiveness of the job market, the state of the economy, the success of the bank, and more.

These variables are what make employee satisfaction so challenging. For instance, unresponsive managers, who hardly ever listen to the complaints and suggestions of employees, affect their levels of satisfaction.

Employee satisfaction is derived from four important areas. First is the nature of work the employee is involved in, hours of work, opportunities for promotion and advancement and even the physical work environment. Second is management of the job, which includes supervisors' treatment of the employees, rewards offered and disciplinary measures put in place. Third are social relations surrounding the job like attitudes towards the community and participation in social activities like family open days and team building activities for employees. Finally, employee satisfaction depends on the employees' physical and emotional adjustment. One of the biggest preludes to the study of job satisfaction was the Hawthorne studies. These studies (1924-1933), primarily credited to Elton Mayo of the Harvard Business School, sought to find the effects of various conditions (most notably illumination) on workers' productivity. Some argue that Maslow's hierarchy of needs theory, a motivation theory, laid the foundation for job satisfaction theory. This theory explains that people seek to satisfy five specific needs in life – physiological needs, safety needs, social needs, self-esteem needs, and self-actualization. This model served as a good basis from which early researchers could develop job satisfaction theories.

Employee satisfaction is a complex and multifaceted concept, which can mean different things to different people. Employee satisfaction is usually linked with motivation, but the nature of this relationship is not clear.

In recent years, attention to employee satisfaction has become more closely associated with broader approaches to improved job design and work organization, and the quality of working life movement. Labor turnover and absenteeism are commonly associated with dissatisfaction, but although there may be some correlation, there are many other possible factors. Schuler (2000) argues that more accurate information allows employees to make better decisions about whether a situation is right for them. By helping applicants who will not be satisfied self-select out of the hiring process, organizations prevent unnecessary turn over. Overall employee satisfaction is function of a combination of situational characteristics and situational occurrences. The situational characteristics commonly proposed as key factors in employee satisfaction are the work itself, pay promotions, supervision and co-workers, although the variables such as employee involvement and organizational commitment. Depending on whether or not outcomes of these variables are favorable to the employee, it may result in employee satisfaction or dissatisfaction. (Quartstein et al., 1992).

The backbone of employee satisfaction is respect for workers and the job they perform. In every interaction with management, employees should be treated with courtesy and interest. An easy avenue for employees to discuss problems with upper management should be maintained and carefully monitored. Even if management cannot meet all the demands of employees, showing workers that they are being heard and putting honest dedication into compromising will often help to improve morale. While it is tempting to focus on business process improvement to drive cost efficiency, it is important to remember that there are people involved in those business processes.

Managing their satisfaction can pay big dividends for your organization. It is important for the top management to develop strong relationship between the organization and employees to fulfill the continuous changing needs of both parties. Organizations expect employees to follow the rules and regulations, work according to the standards set for them, and the employees expect good working conditions, fair pay, fair treatment, secure career, power and involvement in decisions. These expectations of both parties vary from organization to organization. For organizations to address these expectations an understanding of employees' motivation is required Beer (1984).

There are many ways to measure employee satisfaction. The administration department conducts feedback sessions frequently in which employees report their reactions and feelings about their jobs. Employees are supposed to fill and submit a sheet that contains questions related to salaries, promotions, responsibilities and other problems. Human resource managers study the answers and implement necessary changes.

Using a questionnaire on employee job satisfaction and employee satisfaction surveys are effective methods of reading the pulse/attitudes of the employees. Companies will find it easy to achieve their targets if they consider the above suggestions. To measure employee satisfaction, many companies will have mandatory surveys or face-to-face meetings with employees to gain information. Both of these tactics have pros and cons, and should be chosen carefully. Surveys are often anonymous, allowing workers more freedom to be honest without fear of repercussion. Interviews with company management can feel intimidating, but if done correctly can let the worker know that their voice has been heard and their concerns addressed by those in charge.

Surveys and meetings can truly get to the center of the data surrounding employee satisfaction, and can be great tools to identify specific problems leading to lowered morale. There is however, a downside to carrying out employee satisfaction surveys. There are risks involved with asking for employee opinions and attitudes. The business manager who seeks employee attitude information but fails to act on the resulting information may cause further deterioration in employee attitudes. Managers must recognize that measuring employee attitudes, whether by formal survey, focus groups, or informal discussions, implies a commitment to act on the information received. Failure to do so implies a lack of caring or concern for employee opinions. A properly designed and executed employee satisfaction survey will provide upper management with the necessary information to implement strategies to improve job satisfaction, productivity, and loyalty. Aside from the information that questionnaires reveal, the process of involving and consulting with staff is hugely beneficial and motivational in its own right. Constant and periodic feedback has a positive effect on employees. Unless employees know how close their performance comes to a desired standard, they will not have an opportunity to improve. Feedback therefore provides a basis for correcting oneself and helps sustain employees' interest in organization tasks and bringing greater involvement (Monapa, 2004).

Employee satisfaction is the result of a holistic approach that involves strategic steps such as identifying the root causes of dissatisfaction among employees, developing employee satisfaction measurement systems that can be used corporate wide and worldwide, monitoring levels of employee satisfaction on a regular basis, viewing employees as the primary source of competitive advantage for the organization, showing concern for the

total employee well-being, developing meaningful employee involvement and effective communication channels and introducing managerial accountability for people management. (D'souza, 2005)

Given the impact, hence importance of customer satisfaction on organizational profit, it is critical for organizations to understand what dimensions of service quality need to be monitored and used to develop accountability, customer satisfaction awareness, and customer oriented work behavior. Regardless of the levers an organization chooses to operate, a basic step to achieving customer satisfaction is to understand customer needs through research. Only when customer needs are well understood, can adequate service standards be set and the appropriate service culture developed and maintained. Careful consideration should be given to how to create a link between employee satisfaction and customer satisfaction.

Employee satisfaction is important in an organization because it is what productivity depends on. If your employees were satisfied, they would produce superior quality performance in optimal time and lead to growing profits. Satisfied employees are also more likely to be creative and innovative and come up with breakthroughs that allow a company to grow and change positively with time and changing market conditions.

Generally, employee satisfaction is of importance to an organization because it enhances employee retention, increases employee productivity, increases customer satisfaction, reduces turnover, recruiting and training costs, enhances customer satisfaction and loyalty, it produces more energetic employees and improves teamwork.

For the employee, satisfaction leads to more commitment to the organizations goals and objectives, it improves their levels of productivity, improves the quality of work they produce and there will be creation and delivery of superior value to customers.

Finally, with the rise of the 'knowledge economy', employee satisfaction becomes a critical issue (Renzl, 2003). The only comparative advantage of the developed countries is in the supply of knowledge workers'. Knowledge is a highly mobile resource, stored in the heads of individuals, and knowledge workers can easily take it with them. The way these people should be managed will change considerably. Knowledge workers act more and more as contractors, experts, consultants, part-timers, and joint-venture partners, (Drucker, 1997).

This new mobility of critical resources poses new challenges for human resource management in general and the development and retention of knowledge workers in particular. Lepak, Snell (1999) call for new human resource architecture. In this context, the valuation of human capital, the investigation of various combinations of employment modes, and the management of employee relationships are of primary interest, and employee satisfaction and loyalty will become key issues. The growing importance of employee satisfaction has led to an increasing interest in studying the antecedences and consequences of the construct. Especially in the Total Quality Management (TQM) literature, a number of studies investigate the drivers of employee satisfaction (Eskildsen, and Dahlgaard, 2000; Eskildsen and Nussler. 2000; Martensen and Gronholdt. 2001; Westlund and Lothgren. 2001). From a managerial perspective, it is crucial to know what factors influence employee satisfaction.

Companies, however, are constrained by limitations on the resources available to them. Each firm must therefore decide how best to deploy scarce resources to achieve the highest level of satisfaction. In practice, the Importance-Performance Analysis (IPA) (e.g. Eskildsen and Nussler, 2000) is a widely used and effective method of setting priorities. It analyses satisfaction attributes on two dimensions: their performance level (satisfaction) and their importance to employees.

## **2.2 Factors that influence employee satisfaction**

The key organizational characteristic for explaining employee satisfaction is organizational communication (a measure of the downward and upward communication in an organization). Employee satisfaction is a key antecedent to employee involvement. Interaction between managers and employees with regards to supportiveness and goal setting, as well as job design are also key drivers of employee engagement. Employees are concerned with their work environment for both personal comfort and how it facilitates doing a good job. Not surprisingly therefore, having friendly and supportive co-workers leads to increased job satisfaction. People get more out of work than merely money or tangible achievements. For most employees, work also fills the need for social interaction. Factors that influence employee satisfaction include extrinsic rewards, supervisory support, fairness, autonomy, corporate image, affiliation and employee development.

### **2.2.1 Extrinsic rewards**

Maslow (1954) stated that people are motivated by a hierarchy of needs namely physiological needs (e.g. hunger and thirst); safety needs (e.g. shelter and protection); social needs; ego or esteem needs (e.g. belief in oneself); and self-fulfilment needs. According to Maslow, the lower needs (e.g. physiological or safety) must be satisfied before a person will have higher needs (e.g. esteem or self-fulfilment). These lower needs are more extrinsic or material, while the higher needs are intrinsic or mental. Accordingly, to induce greater motivational force, employers need to provide promising links between employee performance and the reward system. An abundance of literature has linked extrinsic rewards such as pay (Eskildsen et al., 2004; Liou et al., 1990; Ting, 1997) and fringe benefits (Barber et al., 1992) to increased job satisfaction. Thus, extrinsic reward has a positive impact on employee satisfaction.

### **2.2.2 Supervisory support**

Superiors can teach, coach, develop, and influence employees and they are the most salient representatives of management actions, policies, and procedures. Subordinates tend to generalise their perceptions of superiors to their organisation at large (Kozlowski, Doherty, 1989). Subordinates that have high-quality relationships with their supervisors will perceive their organisation as providing greater autonomy, decision making latitude and supportiveness. Numerous studies have shown that positive relationship between supervisors and subordinates contribute to higher levels of job satisfaction, in turn reducing stress and improving job performance (Daley, 1986; Emmert, Taher, 1992; Eskildsen et al., 2004; Martensen, Gronholdt, 2001; Nachmias, 1988).

### **2.2.3 Fairness**

Equity theory recognises that individuals are concerned not only with the absolute amount of rewards they receive for their efforts, but also about the relationship this amount has to what others receive. When people perceive an imbalance in their outcome–input ratio relative to others, they may report diminishing job satisfaction and are more likely to leave. Adams (1963, 1965) suggested that people learn about equity correlation between inputs and outputs through socialisation and comparison processes with others. The challenge for organisations therefore is not only to provide rewards but also to develop reward systems that are perceived as fair and equitable. Thus, equity has a positive impact on employee satisfaction.

### **2.2.4 Autonomy**

Autonomy refers to the extent to which an individual or group of individuals has the freedom, independence and direction to determine what actions are required and how best to execute them (Henderson, Lee, 1992; Manz, 1992; Manz, Sims, 1980). According to job characteristics theory, increasing levels of autonomy will enhance work outcomes in terms of job satisfaction and performance (Campion et al., 1993; Henderson, Lee, 1992), because encouraging autonomy within the workplace heightens employees' sense of self-efficacy and their motivation to embark upon and accomplish certain tasks (Conger, Kanungo, 1988). Autonomy is also considered an important facilitator of knowledge flow among individuals and units in organisations (Nonaka, Takeuchi, 1995; Schulz, 2001). Therefore, autonomy has a positive impact on employee satisfaction.

### **2.2.5 Corporate image**

Corporate image refers to the brand name and the kind of associations that employees get from it. When employees regard the company as having a good image, they tend to perceive a sense of pride and accomplishment. Organisational image has powerful motivational effects on job satisfaction. Research on customer satisfaction has shown that corporate image has a positive impact on customer satisfaction (Gronholdt et al., 2000; Kristensen et al., 2000). Parallel to this argument, we suggest that corporate image is expected to have a positive impact on the employee satisfaction level.

### **2.2.6 Affiliation**

Employees also seek satisfaction from the social aspects of their work. People enjoy interacting with others. Interpersonal relations among workers may lead to certain group dynamics, which in turn affect organisational productivity and job satisfaction (Eskildsen et al., 2004; Martensen, Gronholdt, 2001). Social support leads an employee to believe that he or she is cared for, esteemed, and belongs to a social network. As a result, affiliation is expected to have a positive impact on employee satisfaction.

### **2.2.7 Employee development**

One of the challenges faced by knowledge workers is the constant change in technology. The pressure to keep up with the technology creates considerable job stress and fear of obsolescence. In an effort to help and motivate them, management must provide training opportunities to enhance employee skills and opportunities for career development.

Herzberg (1966) argued that for an employee to be truly motivated, the employee's job must be fully enriched where the employee has the opportunity for achievement, recognition, stimulation, responsibility, and advancement. Employees prefer to work in environments that provide a challenge, offer opportunities for learning and personal development. Thus, employee development is expected to have a positive impact on employee satisfaction.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Research Design

This study used a sample survey design to establish the levels of employee satisfaction among staff of the three major commercial banks in Kenya. This design methodology was appropriate for this study since it used a small group of people to make inferences about a larger group of people (Holton, Burnett, 1997).

### 3.2 Population

The target population was an estimated eight thousand four hundred and ninety two (8824) from the three major banks namely Kenya Commercial Bank (5492), Standard Chartered Bank (1442) and Barclays Bank of Kenya (1890).

### 3.3 Sample

Proportionate stratified sampling was used to select the respondents. The sample of employees was drawn from the estimated population of eight thousand eight hundred and twenty four (8824). The population was divided into strata of management and non-management members of staff. An appropriate sample size was then drawn from each stratum.

**Table 3.1**

BANK	TOT. STAFF	MGT & NON- MGT	SAMPLE
Barclays	1890	750	375
KCB	5492	2500	1250
Stanchart	1442	700	350

### 3.4 Data Collection

Data was collected using a semi structured questionnaire. The questionnaire was divided into three sections. Section 1 sought to get the employees background and general information, Section 2 focused on the employees' levels of satisfaction while section 3 focuses on factors that influence employees satisfaction. The questionnaires were administered through the drop and pick method.

### 3.5 Data Analysis

The data was collected and edited for accuracy, consistency and completeness. Data was then analyzed using descriptive statistics. Quantitative data will be summarized and categorized according to common themes like graphs and pie charts to explain the findings.

MARK	RESPONSE	MANAGEMENT	NON-MANAGEMENT
Male	40%	13%	27%
Female	12%	5%	12%
Others	20%	10%	14%

## CHAPTER FOUR: DATA ANALYSIS, RESULTS, AND DISCUSSION

### 4.1 Response rate

Of the 472 people who responded, non-management reported the highest response rate at 49% while management reported a 30% response rate.

### 4.2 Demographic characteristics of the respondents

Out of the targeted 8942 respondents comprising of 200 management staff and 400 non-management staff drawn from the three leading commercial banks in Kenya i.e. Kenya Commercial Bank (KCB), Barclays Bank of Kenya and Standard Chartered Bank, 472 people responded. This is an aggregate 79%.

**Table 4.1**

BANK	RESPONSE	MANAGEMENT	NON-MANAGEMENT
Kenya	40%	15%	25%
Barclays Bank	15%	5%	10%
Standard	24%	10%	14%

#### 4.2.1 Length of service of the respondents

Majority of respondents 49% have served their respective organisation for 2-4 years, 27% have worked for less than 2 years while 24% have served for over 7 years.

## 4.2.2 Age of the respondents satisfaction

This is mainly because it can be used to determine what age bracket is most affected by employee satisfaction factors. The findings are illustrated below:

**Table 4.3: Age of respondents**

Age (Years)	No. of respondents
≤30	45
31 – 41	235
41 – 50	114
≥51	78
<b>Total</b>	<b>472</b>

## 4.2.3 Level of employee satisfaction

The findings in table show that a majority 65% of the respondents were satisfied with their current jobs and the conditions under which they were working whereas 35% dissatisfied. Majority of the respondents (65%) reported satisfaction hence an indication that the factors affecting employee satisfaction were addressed in their respective banks.

**Table 4.4: Level of employee satisfaction**

	<b>Frequency</b>
Strongly agree	113
Agree	194
Disagree	92
Strongly disagree	73
<b>Total</b>	<b>472</b>

### **4.3 Factors that influence employee satisfaction**

Factors that influence employee satisfaction include extrinsic rewards, supervisory support, fairness, autonomy, corporate image, affiliation and employee development. It was found that majority of commercial bank employees are satisfied. Twelve percent (12%) of the respondents felt that the reward systems used affected the growth of the organization.

Majority of the respondents (39%) noted that feedback from their superiors played a major role in boosting their morale and improving their performance. They also felt that communication most effective when it flowed downwards, upwards and sideways. Both negative and positive feedback is also necessary in ensuring employees become better performers. It is dangerous use only one type of feedback mechanism, in that too much negative feedback demoralizes someone, such that he is unable to perform well, while too much positive feedback may hide undesirable behavior that may be reinforced and

negatively impact on performance in the long run. The respondents thus encouraged the use of both types of feedback and striking a balance between the two.

Other employees (28%) were of the view that training and development is better emphasized when it is carried out on a continuous basis. This will enable employees to continue sharpening their skills and knowledge to become better performers by attending both internal and external training and development courses. They also felt that different courses of different types should be encouraged. These courses should be done differently and even have modified course contents in order to break monotony and create interest in the participants. Highly skilled and knowledgeable employees who are professionals are therefore maintained within the organization.

Performance appraisals are very important in an organization because they contribute to the growth of an organization and its overall success. The respondents however, noted that performance appraisals were highly subjective and that the element of subjectivity should amicably be addressed. They cited that it was important for managers to be objective when appraising employees, if the performance appraisal channels are to be successful within an organization. The respondent also felt that the appraisals should be carried out on a regular basis to enhance effectiveness and efficiency in the overall organization performance.

The results of this study give an insight on the various factors that affect employee satisfaction in various commercial banks. Factors that influence employee satisfaction in this study included extrinsic rewards, supervisory support, fairness, autonomy, corporate image, affiliation and employee development.

### **4.3.1 Extrinsic rewards**

Maslow (1954) stated that people are motivated by a hierarchy of needs namely physiological needs (e.g. hunger and thirst); safety needs (e.g. shelter and protection); social needs; ego or esteem needs (e.g. belief in oneself); and self-fulfilment needs. Commercial bank employees' satisfaction is greatly influenced by safety needs. Most respondents highly value their ability to provide for themselves and their dependents adequate shelter and other needs like education and health security. Accordingly, to induce greater motivational force, employers need to provide promising links between employee performance and the reward system. Thus, extrinsic reward is seen to have a positive impact on employee satisfaction.

### **4.3.2 Supervisory support**

Superiors can teach, coach, develop, and influence employees and they are the most salient representatives of management actions, policies, and procedures. Subordinates tend to generalise their perceptions of superiors to their organisation at large (Kozlowski, Doherty, 1989). This study revealed that most non-management employees feel that their supervisors are not supportive. The non-management respondents felt that their supervisors ignore them and are more focused on impressing the Management. Subordinates that have high-quality relationships with their supervisors perceived their organisation as providing greater autonomy, decision-making latitude, and supportiveness.

### **4.3.3 Fairness**

Commercial bank employees feel that their respective organisations should not only provide rewards but also develop reward systems that are perceived as fair and equitable. Most non-management employees feel that their reward is not equitable to their effort. This is in comparison to the rewards offered to the management. Equity theory recognises that individuals are concerned not only with the absolute amount of rewards they receive for their efforts, but also about the relationship this amount has to what others receive.

### **4.3.4 Autonomy**

Autonomy refers to the extent to which an individual or group of individuals has the freedom, independence and direction to determine what actions are required and how best to execute them (Henderson, Lee, 1992; Manz, 1992; Manz, Sims, 1980). Majority of the respondents in this study reported high levels of satisfaction with the autonomy afforded to them in their jobs. Encouraging autonomy within the workplace was seen to heighten employees' sense of self-efficacy and their motivation to embark upon and accomplish certain tasks. Autonomy was also considered as an important facilitator of knowledge flow among individuals. Therefore; autonomy has a positive impact on employee satisfaction.

### **4.3.5 Corporate image**

Corporate image refers to the brand name and the kind of associations that employees get from it. This study revealed that most employees were initially attracted to their

respective banks by the corporate image. Most of the non-management staff related corporate image with prospects of career progression hence a positive impact on the employee satisfaction level. When respondents regarded the organisation as having a good image, they perceived it with a sense of pride and accomplishment.

#### **4.3.6 Affiliation**

Most non-management respondents reported a lack of social support from the banks Management that has given them the perception that they are not cared for. Non-management respondents felt that social support from Management would make them feel cared for, improve their esteem, and give them a sense of belonging to a social network. As a result, affiliation is seen to have an impact on employee satisfaction.

#### **4.3.7 Employee development**

Majority of the respondents in general reported high levels of satisfaction because of the training opportunities available to them to enhance their skills and offer them opportunities for career development. Herzberg (1966) argued that for an employee to be truly motivated, the employee's job must be fully enriched where the employee has the opportunity for achievement, recognition, stimulation, responsibility, and advancement. Most respondents preferred to work in environments that provide a challenge, offer opportunities for learning and personal development.

# CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

## 5.1 Summary

The objective of the study was to determine factors that influence employee satisfaction in the leading commercial banks in Kenya. This study showed there are various factors like extrinsic rewards, supervisory support, fairness, autonomy, corporate image, affiliation and employee development that influence employee satisfaction in commercial banks. It is important for all organizations to put in place strategies that will ensure that employees are equally satisfied. Careful consideration of all factors that influence employee satisfaction is important, as this will have an overall effect on the productivity of employees in the organization. Feedback on the employee satisfaction survey will be effective when it is timely and accurate as it forms the cornerstone of organizational growth. When it is done well, it builds morale, relationships and performance. Employees in the process have been seen to gain the ability to inspire and motivate, mentor, coach and manage change.

The study was based on management and non-management staff and the results show high levels of employee satisfaction. This is in line with the argument in the literature review that employee satisfaction is influenced by various factors other than remuneration. From the research findings, 60% of the respondents agree that major factors contributing to their satisfaction included extrinsic rewards, supervisory support, fairness, autonomy, corporate image, and affiliation and employee development.

Other factors included being treated with respect, recognition, empowering employees, offer of above industry-average benefits and compensation, employee benefits and company activities, and positive management within a success framework of goals, measurements, and expectations. This is consistent with the findings of previous studies that were reviewed in the section on literature review.

## **5.2 Conclusion**

This study showed a strong influence of the stated factors that have an effect on employee satisfaction. The business environment is very dynamic and organisations need to concentrate on factors that influence employee satisfaction for continued professional and commercial growth. A considerable amount of time and energy should be used to determine how to maximise employee satisfaction.

It can be concluded that employee satisfaction factors have a great effect on organizational success and growth of commercial banks in Kenya. When employee satisfaction factors are considered without any element of subjectivity, the employees are content and derive satisfaction in their jobs, which in turn leads to an efficient growth in the organization.

Management has a major role to play in order to ensure that the same is effectively implemented. They will therefore ensure that reward systems are efficiently administered with fairness and equitability in consideration. The organization will ensure continuous training and development of employees, encourage supervisory support and job

autonomy. Finally, employee involvement in all processes should be highly encouraged since employee satisfaction is a key antecedent to employee involvement.

### **5.3 Recommendations**

The reward system should be audited regularly in order to assess its effectiveness, the extent to which it is adding value and its relevance to the recent and future needs of the organization. Management should also seek opinions from employees concerning the reward system in use; the management should therefore assess the employees' opinions, which will lead to a diagnosis of the system's strengths and weaknesses. This will enable them to assess what needs to be done, how and why. The Human Resources department should also continuously monitor employee satisfaction levels in relation to the operation of the reward system.

The use of employee satisfaction surveys should be encouraged. This way, this way the organization is able to receive feedback on its employees' feelings and attitudes. This will enable the human resources department to know which factors to address in order for employee satisfaction to be improved. This will open up feedback and give both the management and employees a more rounded view of satisfaction levels than they may have had previously.

### **5.4 Suggestions for further research**

This survey focused on the three leading commercial banks in Kenya. The study looked at extrinsic rewards, supervisory support, fairness, autonomy, corporate image, affiliation and employee development as factors that influence employee satisfaction.

There is therefore a need for more research to be done in order to discover other factors that might influence employee satisfaction. Future research could also extend its focus on other commercial banks besides the three and to other financial institutions.

### **5.5 Limitations of the study**

A generalisation of the findings to represent a wider and more diverse sample of commercial banks would have provided broader insight on the subject and revealed issues that are more specific.

Some of the factors that posed as constraints to the study include some of the staff being uncooperative in responding to the questionnaires. Some of the employees did not have the chance to respond, which would have enriched the study.

Another constraint was the feelings of the staff, which are bound to change over time. The study looked at a single industry (banking) thus the findings may not be applicable in other industries.

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# APPENDIX I

## QUESTIONNAIRE

### Section 1: Demographic data

Tick where applicable

Gender

Male

Female

1) What is your age category?

Below 20 years

21 – 30 years

31 – 40 years

Above 40 years

2) What is your monthly remuneration?

Below 30,000

30,000 - 60,000

60,000 - 90,000

90,000 - 120,000

Above 120,000

3) What is your highest academic?

O'level

A' Level

Certificate

Higher Diploma

Masters

4) How long have you worked for the organization?

0 – 5 Years

5 – 10 Years

10 – 15 Years

Over 15 years

5) What is your position in the organization?

Management

Non-management

## Section 2: Employee satisfaction

Tick the relevant box.

Statement	Strongly Agree	Neither agree or disagree	Strongly Disagree	Disagree
1. I work in pleasant surroundings.				
2. In my job, I am treated as a valuable asset.				
3. I feel that my job is important.				
4. I am involved in decision-making.				
5. Communication between my supervisor and I is good.				
6. I am content with my remuneration given the work I do.				
7. I am proud to be working for this bank.				
8. Considering everything, I am a satisfied employee.				

### Section 3: Factors influencing employee satisfaction

Statement	Strongly Agree	Neither agree or disagree	Strongly Disagree	Disagree
1) I am content with my remuneration and the benefits.				
2) My superior/supervisor is supportive.				
3) I feel fairly compensated for my effort.				
4) I am in control of my job.				
5) I am proud to be associated with this organization.				
6) I am regarded as an asset by the organization.				
7) Employee development is emphasized.				

## **List of Kenya Commercial Banks**

1. African Corporation Bank
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CFC Stanbic Bank
7. Charterhouse Bank
8. Chase Bank
9. Citibank N. A
10. Commercial Bank of Africa
11. Consolidated Bank
12. Cooperative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank
17. Eco Bank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank
22. Fina Bank

23. First Community Bank
24. Giro Commercial Bank
25. Gurdian Bank
26. Gulf African Bank
27. Habib Bank A. G. Zurich
28. Habib Bank Limited
29. Housing Finance Corporation of Kenya
30. Imperial Bank
31. I , M Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank
40. Southern Credit Banking Corporation
41. Standard Chartered Bank
42. Transnational Bank
43. UBA Kenya Bank
44. Victoria Commercial Bank