

Explaining and Understanding Employee Satisfaction and Leadership within The Market and Social Research Industries in Gauteng Province Using Path and Strategic Impact Analyses

Kingstone Mutsonziwa*

Abstract

This paper is based on the data used for the completion of Doctor of Business Leadership degree submitted at University of South Africa. The purpose of this paper is to identify how demographic information and factors derived from factor analysis affect employee satisfaction in the Market and Social Research Industries in Gauteng Province, South Africa. The data were collected face-to-face from ordinary employees using a quantitative questionnaire. An overall Cronbach alpha of 0.982 showed that the questionnaire used in the study was statistical reliable.

Path analysis is used in this paper. It helps to understand the effect of indirect effects on employee satisfaction within the Market and Social Research industries in Gauteng. Further, the path analysis showed that overall leadership style of the leader affects employee satisfaction directly while overall leadership style was strongly driven by leader's motivator attributes. On the other hand, de-motivator leadership attributes tend to negatively affect overall leadership style of the leader. Day-to-day working conditions and co-worker attributes (all derived from employee/job related attributes) directly drove overall employee satisfaction of the respondents.

Keyword: Leadership, Employee Satisfaction, Path Analysis, Impact Analysis, Reliability, Gauteng Province

Introduction

Castro and Martins (2010) argue that organisations in 21st century are facing more challenges than ever before. These challenges are not unique to any specific organisation, but affect all organisations, regardless of their structure or size (Castro & Martins, 2010). Organisational climate in particular is constantly challenged by changes impacting organisations (Nair, (cited in Castro & Martins, 2010)). To survive and outdo their competitors, organisations are constantly seeking to improve their performance (Castro & Martins, 2010). Mintzberg (1990) laments the lack of new efforts in research and points out that most research is simply a replication of earlier studies. Storey (2005) observes that most textbooks on the subject of leadership do not clearly distinguish or delineate between leadership at various levels, leadership of organisations and leadership within organisations. The lack of focus in leadership research is attributed to a lack of delineation between levels (Storey, 2005). In practice, leaders have been seen to experience great difficulty in expressing exactly what they do that makes them leaders.

Proper research based on actual subjects to be studied is one powerful tool that has been used by many scholars and many research practitioners over many years. New thinking and exploration of different industries has often

* Head of Information and Research, FinMark Trust, South Africa.
Email:kingstonemutsonziwa@gmail.com

produced varied and interesting results. This paper focuses on managerial leadership aspects within the Market and Social Research industries in Gauteng Province of South Africa and it is therefore important to note that the leader in this case would be the head of department (director) of a division. The unit of measurement was an ordinary employee within the organisations selected.

Rationale of the Paper

The concepts of leadership and employee satisfaction are not new phenomena in research, but how researchers approach them is often very different. Studies on employee satisfaction have identified areas that seem to be important for the satisfaction of employees (Abdullah, Musa, Zahari, Rahman, & Khalid, 2011). These areas include a well-managed, supportive and prosperous work environment, on-going professional development, career growth potential, challenging and exciting work, teamwork, acknowledgement of work well done, work-life balance and the work culture (Tarasco & Damato, 2006).

Contribution and Significance of this Paper

This paper uses path and strategic impact analyses on the data collected from the Market and Social Research industries in Gauteng province of South Africa. The strategic impact analysis classifies attributes into four distinct segments requiring different interventions from the leadership. Path analysis, on the other hand, helps to explore the nature of indirect employee satisfaction. These analyses help to demonstrate on how to apply these two important statistical tools on real life data and also the interpretation of the results.

Layout of the Paper

This paper is organised as follows:

- First section provides an introduction to the paper and consists of subsections on rationale of the paper, contribution and significance of the research as well as layout of the paper.
- Second section gives a brief overview of employee satisfaction and leadership as well as discussing the

South African and Market and Social Research industries in the South African context. This section also discusses the thinking behind the strategic impact analysis and the path analysis as well as key factors that were controlled in the study.

- Third section covers research design, reliability, validity, and ethical considerations as well as the sample size covered by the survey.
- Fourth section covers the data analysis while fifth section discusses the results.

Overview of Employee Satisfaction and Leadership

Küskü (2003) advises that employee satisfaction reflects the degree to which an individual's needs and desires are met and the extent to which this is perceived by the other employees. Mutsonziwa (2013) mentions that some of the components that are important in understanding employee satisfaction within an organisation are (i) culture and organisational issues, (ii) immediate manager factors, (iii) colleague group factors, (iv) information and communication factors, (v) the job (tasks and responsibilities), (vi) employee development factors, (vii) image and identification factors of the company (e.g. working condition, pay, fringe benefits) and (viii) leadership of the organisation.

Leadership in the South African Context

Undoubtedly, the researcher strongly believes that the leadership literature and what constitutes a leader has been explored in many fields of study. Organisations have been forced to become more competitive in order to retain and protect local markets against international competitors, as well as to ensure that they are able to compete internationally. Many South African organisations have delivered leaders of outstanding quality, who have made a name for themselves and their organisations (Nel, Gerber, Van Dyk, Haasbroek, Schultz, Sono and Werner, 2004). However, South Africa maintains a very low profile in the world competitiveness surveys, and this shows a need to identify and develop more leaders, and to create organisational cultures which encourage and support quality leadership in our organisations (Nel *et al.*, 2004).

Leadership Practices in the Market and Social Research Industries

Leadership within the Market and Social Research industries, like in any other industry, is essential for proper co-ordination and giving of directions to subordinates. In order for groups to function successfully within an organisation, there is a need for effective group leadership and consistency in terms of leadership from one department to the other within the same company. Mutsonziwa (2013) mentions that most of the Market and Social Research companies within these industries have other offices throughout the country besides their head offices, which are in most cases situated in Gauteng Province. Nel *et al.* (2004) identify issues around trust, expectations, cultural difference, work coordination, and group dynamics which need the leader's attention.

Identification of Key Employee Satisfaction Attributes

Kano's model, which contains the five categories of quality attributes – attractive, one-dimensional, must-be, indifferent, and reverse quality – is widely used by industries and researchers (Yang, 2005). The weakness of this model is that it does not take the importance of the attributes measured into account. There have been many versions and revisions of Kano's model over the years. For example, Yang (2005) refined Kano's model and published a paper entitled "The Refined Kano's Model and its Application". Yang and Chen (2010) address the deficiency in the service quality model by integrating the "importance" and "satisfaction" indices to establish the "importance-satisfaction model (I-S model)", and provided a comprehensive assessment model for improving specific quality attributes.

In this paper, the researcher used the derived importance of attributes, using regression analysis, in order to classify the attributes into four segments, named as follows:

1. Urgent improvement attributes,
2. Leverage attributes,
3. Maintain attributes, and
4. Long-term improvement attributes.

According to Mutsonziwa (2013), the four areas of the strategic impact grid are explained as follows:

Urgent Improvement Area: Yang and Chen (2010) call this area the "to be improved area". The researcher has called it the "urgent improvement" area because attributes in this quadrant are considered to be (i) important in driving overall employee satisfaction, and (ii) are rated as unsatisfactory. Hence, from a strategic point of view, there is a need to urgently improve these attributes so that they can positively contribute to overall employee satisfaction.

Leverage Area: The attributes in this quadrant are often referred to as belonging to the "excellent" quadrant. All the attributes in this quadrant performed (i) satisfactorily, and are also (ii) important in driving the overall employee satisfaction. These attributes would give leverage to the way in which the firm is managed.

Maintain Area: The attributes in this quadrant are classified as (i) satisfactory to the employee but (ii) unimportant to them as well. This might then imply that the business need not take any action with respect to these attributes unless cost pressures require them to do so, and therefore need to "maintain" the status quo.

Long-term Improvement Area: The attributes in this quadrant are those that are considered as being (i) unsatisfactory by the respondents, and (ii) are unimportant in driving the overall satisfaction.

Path Analysis

Path analysis is a part of the broader Structural Equation Modelling (SEM). In this paper, the first step of the path analysis was to identify the structural model with two main components showing potential causal dependencies between endogenous and exogenous variables and the measurement model showing the relations between latent variables and their indicators. In SEM language, other variables regress on exogenous variables. Further, exogenous variables would be recognised in a graphical version of the model as the variables sending out arrowheads and thus denoting which variable it is predicting. A variable that regresses on a variable is always an endogenous variable, even if the same variable is also used as a variable to be regressed on. Endogenous variables are recognised as the receivers of an arrowhead in the model. In this study, there were a total of 62 independent variables and therefore doing structural equation modelling relationship first would have called for a "messy" relationship and therefore it was necessary

to perform data reduction techniques like exploratory factor analysis to really understand the structure of the data. The paper aimed to identify the broad structure of the relationship in an easy to understand manner.

Factors that were Controlled in the Study

In any research, there are causal factors that can affect the research process and which therefore need to be given sufficient attention before the commencement of the study. In this study, the following variables were controlled (i) industry effects, (ii) organisational size and geographical location, (iii) natural cultural effects, (iv) corporate governance and reputation-related effects, and (v) demographic effects of respondents (Mutsonziwa, 2013).

Research Design

The quantitative research methodology was used to gain a deeper understanding of what affects employee satisfaction in the Market and Social Research industries of South Africa. Multifactor Leadership Questionnaire (MLQ) and employee satisfaction questionnaires were slightly modified, taking into account how the questions addressed the objectives of the study and, more importantly, linking employee satisfaction to leadership. A number of dimensions were measured using a 10-point Likert scale, where 1 represented extremely dissatisfied and 10 represented completely satisfied.

After piloting the questionnaire, the structured questionnaires were administered to respondents (employees) face-to-face. All the different stages of data collection were closely monitored and the data was verified before data analysis was done. The completed questionnaires were captured using EpiData software and different quality control checks were done. Data analysis was done using Statistical Package for the Social Sciences (SPSS).

Reliability, Validity and Ethical Considerations for the study

For this study, the overall Cronbach was 0.982 indicating that the questionnaire and the scale were reliable. In terms of validity, the questionnaire had been designed on the basis of related studies and therefore had high reliability

and validity. Validity is the strength of conclusions, inferences, or propositions made from the data collected and thus refers to the accuracy or truthfulness of a measurement or study done. It was emphasised to the respondents that the data collected was confidential and only going to be used for academic research purposes only. The researcher also ensured that no physical or non-physical harm was done to respondents and that their privacy and dignity were observed at all times.

Sample size for the Study

A total of 261 employees from the Market and Social Research industries participated in the study. The response rate at the company level was therefore 68% which was good enough for the purpose of this research. The data gave valid and reliable results. A sample of 261 respondents yielded an overall error rate of 4.9% at the 95% confidence interval (C.I.) which was acceptable statistically.

Data Analysis

The data were analysed using different statistical tools in SPSS and Analysis of Moment Structures (AMOS) module. This section looks at path analysis done on the data to explore further the demographic drivers and factors of overall employee satisfaction.

The approach of using the identified factors from Maximum Likelihood extraction method to perform the path analysis was used. This approach made the modelling of the data much clearer and easier to specify instead of dealing with so many attributes. In its simplistic terms, path analysis can best be described as a statistical method of finding cause and effect relationships graphically or diagrammatically. In path analysis, the association among the models or variables should be linear and additive in nature.

For example, Bryman and Cramer (1990) looked at path analysis for job survey using four variables namely age, income, autonomy, and job satisfaction. Fig.1 summarises the path analysis of employee satisfaction using age, income, and position of the respondent for this study.

From the path diagram shown in Fig. 1, the indirect effects for each path could be calculated from age to employee satisfaction as follows:

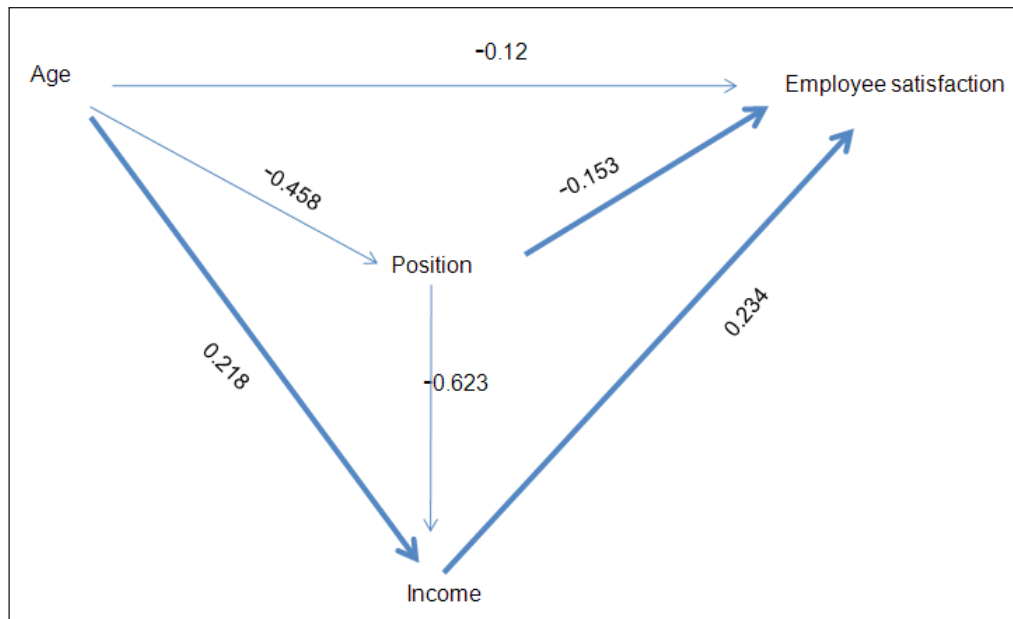


Fig. 1. Path Analysis of Causal Relationship on Employee Satisfaction Using Income, Position and Age of Respondent

- Age → income → satisfaction is $0.218 \times 0.234 = 0.051$
- Age → position → satisfaction is $-0.458 \times -0.153 = 0.07$
- Age → position → income → satisfaction is $-0.48 \times -0.623 \times 0.23 = 0.069975$

- Overall employee satisfaction = $f(f_1, f_2, f_3, f_4, e_i)$
= $f(\text{job related attributes, leadership attributes, } e_i)$
- Leadership = $f(f_1, f_4, e_i) = f(\text{leadership attributes, } e_i)$
- Overall employee satisfaction = $f(\text{overall leadership style, } e_i)$

Total indirect effect = $0.051 + 0.07 + 0.069975 = 0.191061$

This tells us that the total indirect effect of age of employee satisfaction is positive and relatively large (0.191061) whereas the direct effect is relatively large and negative (-0.12). The total effect would then be 0.071 (-0.12+0.191061) which is relatively much smaller in comparison to the two calculations. If the path analysis was not used, then the results would be misleading and therefore leading to sometimes inconclusive and misleading conclusions. Therefore the path analysis helps to understand the effect of indirect effects like these on employee satisfaction within the Market and Social Research industries in Gauteng.

A number of these path analysis diagrams were done in this study. A simplified path analysis that summarises the results is shown in Fig. 2.

From the path diagram shown in Fig. 2, it was evident that the following relationships existed:

The summarised path (Fig. 2) further shows that overall leadership style of the manager/leader affect overall employee satisfaction directly while overall leadership style is strongly driven by factor 1 (leader motivator)) attributes. On the other hand, factor 4 (de-motivator leadership) attributes tend to negatively affect overall leadership style of the manager/leader. Factor 2 (day-to-day working conditions) and factor 3 (co-worker) attributes (all derived from employee/job related attributes) directly drive overall employee satisfaction of the respondents. The factors themselves were positively correlated to each other.

When using 4 factors derived from Maximum Likelihood method of extraction from (factor analysis), two factors derived from employee/job related attributes were the key drivers of overall employment satisfaction. These are co-workers and day-to-day working conditions. Fig. 3 of strategic impact grid classified the aggregated factor mean scores into the respective quadrants.

From the grid shown in Fig. 3, employee/job related attributes were classified into leverage or excellent grid which means

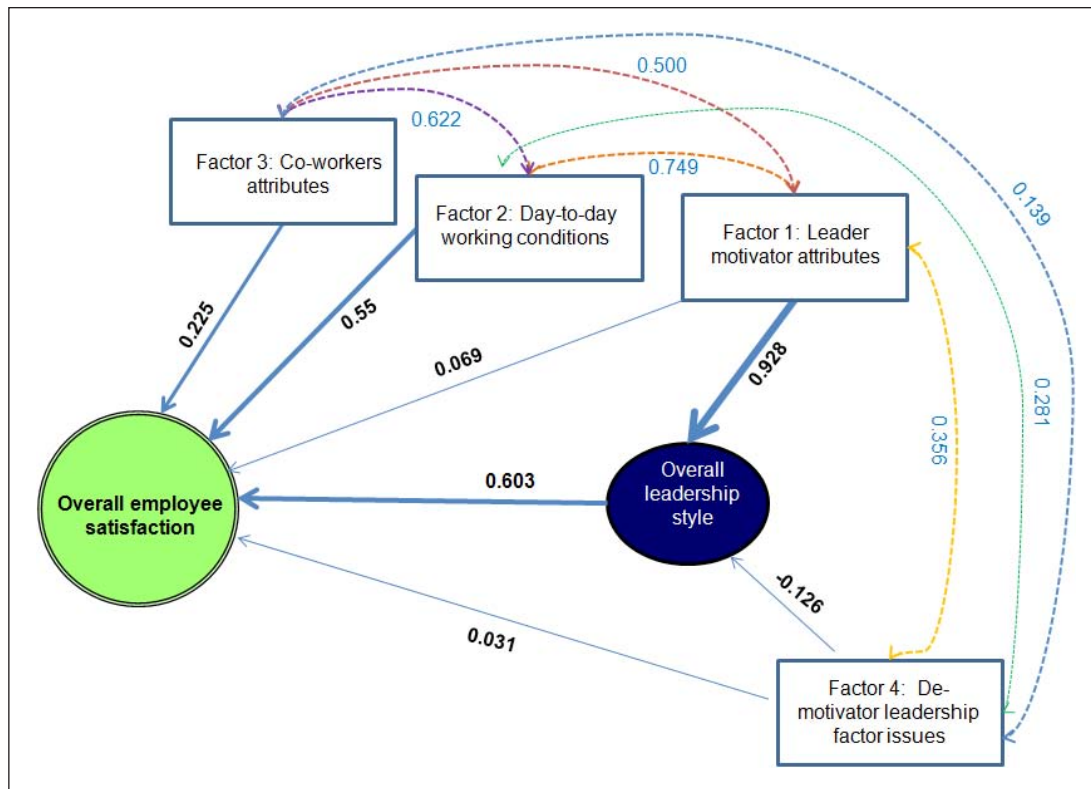


Fig. 2. Summarised Path Analysis Using Factors Identified

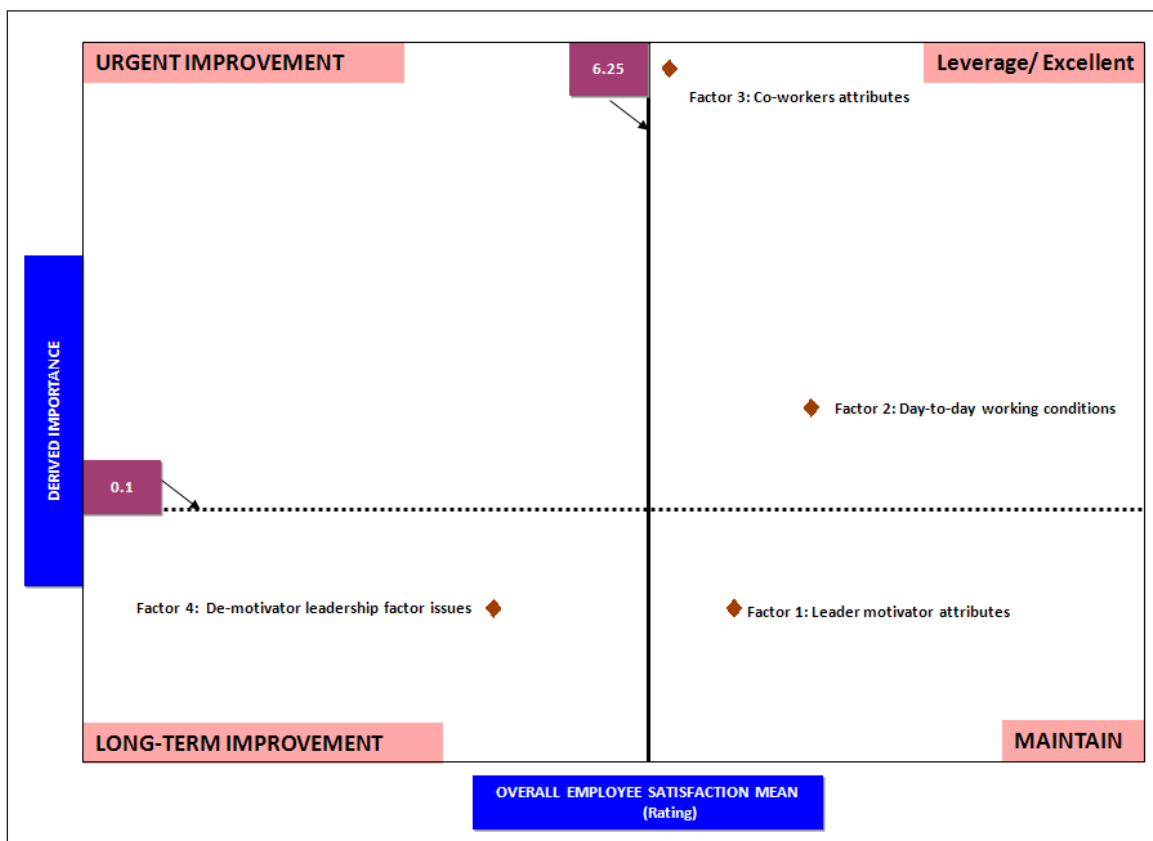


Fig. 3. Strategic Impact Grid of Aggregated Factor Mean Scores for ML Extraction

that they were important in deriving overall employee satisfaction and generally satisfying. Leader motivator factors were loaded into factor 2 and were in the Maintain quadrant of the impact grid. These attributes in this quadrant are classified by employees as (i) satisfactory to them but (ii) are unimportant to them as well. On the other hand, factor 4 attributes were in the long term improvement quadrant meaning that they were less necessarily important in driving overall employee satisfaction and not less satisfactory.

Discussion of the Results

Tsui (2006) argues that the best companies have certain common traits and they do not treat people casually since they put a very high premium on valuing the employees. Yang and Chen (2010) mention that satisfied employees tend to show a higher level of loyalty and commitment to their companies and are unlikely to leave their jobs. Employee recognition takes various forms which can be formal or informal. Recognition of employees can also be monetary or non-monetary. By acknowledging employee efforts and making them feel valued and appreciated, organisations can increase employee satisfaction, morale and self-esteem. Furthermore, managers and leaders have the major impact on the fulfilment (satisfaction) of employees and, consequently, on how well they perform. Voon, Lo, Ngui and Ayob (2011) argue that by adopting the appropriate leadership styles, leaders can affect employee or job satisfaction, commitment and productivity. The path analyses helped to understand the effect of indirect effects on overall employee satisfaction.

The paper further emphasises that there is a relationship between overall employee satisfaction and overall leadership practices. The issues of proper systems were emphasised by the leaders. Once there are proper management systems, then running the organisation and proper coordination of employee activities would be considered to be relatively simplified. This paper has added some information on the body of research and as expected will generate debate.

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