DOES ORGANIZATIONAL PERFORMANCE AFFECT JOB SATISFACTION IN NONPROFIT ORGANIZATIONS? EVIDENCE FROM CROATIA

Danica Bakotić

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Abstract

The relationship between organizational performance and job satisfaction is still unclear, especially in nonprofit organizations lacking research on this topic. The purpose of this study is to empirically investigate whether organizational performance in nonprofit organizations, as evidenced by the achievement of organizational goals, influences job satisfaction of their employees. This paper also intends to encourage researchers to investigate this phenomenon further. The empirical research was conducted in Croatian nonprofit organizations with 125 participants who completed the questionnaire. The research results show that the achievement of the observed goals (fundraising, user satisfaction, and cost-efficiency) impacts job satisfaction. Therefore, it can be concluded that the organizational performance of nonprofit organizations influences job satisfaction. These results are supported by theoretical postulates and some other research findings. However, the study findings should be considered in the context of research limitations, while generalizations should be supported by additional research.

Keywords: job satisfaction, organizational performance, nonprofit organizations

1. INTRODUCTION

The relationship between organizational performance and job satisfaction is still unclear, especially in nonprofit organizations lacking research on this topic. Nonprofit organizations are specific because of their mission, goals, and staff. They aim to provide public services to the communities in which they operate. Therefore, they have many different objectives, such as cultural, economic, legal, political, religious, health, educational, etc.

This is what makes the nonprofit sector so diverse. It provides services and helps people engage in public life (Boris and Steuerle, 2006). This sector affects people’s lives by impacting the economy and the community. It has contributed significantly to reform processes and has a significant impact on the modernization of society. Recently, there has been a significant increase in the importance of nonprofit organizations in socio-economic development. Nonprofit organizations play an essential role in solving problems unnoticed by official authorities. In some areas, nonprofit organizations provide solutions to various social problems much more quickly and efficiently and at a lower cost than official authorities (Ciucescu, 2009). As

* Danica Bakotić, Faculty of Economics, Business and Tourism, University of Split, Cvite Fiskovića 5, 21000 Split, Croatia, Phone : +385 21 430 660, E-mail: danicab@efst.hr
increasingly essential providers of essential social, health, educational, and cultural services, nonprofit organizations account for a significant share of total employment and economic value-added. Nonprofit organizations can be seen as a critical tool for achieving social cohesion, as they create social capital and contribute to community resilience (Toepler, 2020). Due to this fact, their importance and social status have increased significantly, and they are now essential stakeholders in economic and social life.

The employees of nonprofit organizations have their characteristics in terms of work status, nature of work, motivation, etc., so different HRM practices should be applied in their management compared to profit organizations. The most important aspects of nonprofit organizations are responsibility, reliability, morality, and openness (Ciucescu, 2009). Nonprofit organizations are independent of government and business but can be closely related to both (Boris and Steuerle, 2006).

Nonprofit organizations are accountable to donors, founders, volunteers, users, and the public community (Ciucescu, 2009), making their goals more complex and challenging, as is the perception and determination of their organizational performance. Tsui-Hsu Tsai and Jing Lin (2014) argued that two dimensions to evaluate the performance of nonprofit organizations are goal achievement and participant satisfaction. Given the characteristics of nonprofit organizations, their success and goal achievement are critical to the job satisfaction of their employees. Indeed, the goals of nonprofit organizations are often socially beneficial and humanitarian and therefore inspiring for the employees. This is especially important because the success of nonprofit organizations depends mainly on their employees, as they do not have significant financial or material resources.

In Croatia, nonprofit organizations have become a significant social issue that raises many theoretical questions and requires empirical research on their functioning. There is no research on the relationship between job satisfaction and organizational performance in nonprofit organizations in Croatia. There is also no research on job satisfaction in nonprofit organizations. However, Baturina (2018) studied human resources in nonprofit organizations and found that employees in nonprofit organizations have more opportunities to increase their knowledge and flexibility. In contrast, job insecurity is the most significant negative impact of working in nonprofit organizations. Some research has been conducted on the functioning of nonprofit organizations and their organizational performance. Alfićević and Gabelica (2007) studied management practices in Croatian nonprofits and showed that performance evaluation seems to be the only HRM practice used by most “nonprofit CEOs.” Marić (2011) studied the specifics of management in Croatian nonprofit organizations and found that the management of profit and nonprofit organizations has many similarities and differences. The differences are most significant in some management functions such as planning, performance evaluation, and employee management. Mahaček et al. (2012) focused on the financing of nonprofit organizations in Croatia, while Alfićević et al. (2014) also analyzed Croatian nonprofit organizations’ performance using the social constructivist approach. Dadić (2016), in her study of fundraising among nonprofit organizations in Croatia, found that fundraising is still relatively unknown in the Croatian nonprofit sector.

The peculiarities of nonprofit organizations in terms of their employees and
organizational performance and a lack of empirical research on the causal relationship between these two variables represent the motivation for the empirical research of this thesis. Thus, the purpose of this paper is to examine whether the organizational performance of nonprofit organizations, as evidenced by the achievement of organizational goals, influences job satisfaction in these organizations. This paper is a first step in the investigation of this relationship.

This paper is organized as follows. The theoretical framework and research hypotheses constitute the second section. Section three explains the research methodology. Section four presents the empirical results. Section five is the discussion, and section six contains the conclusions, limitations of the research, and recommendations for future research.

2. CONCEPTUAL BACKGROUND AND HYPOTHESES

Job satisfaction has been an important research topic in organizational behavior. There are several definitions of job satisfaction in the literature, focusing on psychological, physiological, and environmental circumstances. The most widely cited definitions of this phenomenon in order of chronological appearance are the following. Locke (1969) defined job satisfaction as the pleasurable emotional state. Freeman (1978) described it as a subjective variable that measures what people say rather than what they do. Spector (1997) stated that job satisfaction describes people’s feelings about their jobs and various aspects of their work. Job satisfaction has also been defined as an emotional and effective response to various facets of work (Maamari, 2014).

Psychologists and management scientists have developed various theories of job satisfaction. However, two of the essential job satisfaction theories are those of Frederick Herzberg and Edwin Locke. Herzberg’s (1959) two-factor theory assumes that two groups of factors, called motivator and hygiene factors, influence employees’ job (dis)satisfaction. Examples of factors referred to as motivator factors are: accomplishment, appreciation, responsibility, the nature of the work, opportunities for career development, etc. Examples of hygiene factors are pay, status, job security, organization rules, working conditions, supervisors, and interpersonal relations (Toker, 2011). Therefore, Herzberg believes that the factors that affect job satisfaction differ from those that affect job dissatisfaction. If hygiene factors are present, employees will be neither dissatisfied nor satisfied. However, if motivators such as achievement, recognition, and responsibility are present, employees will be motivated and satisfied.

On the other hand, the main idea of Locke’s theory is that satisfaction is defined by an inconsistency between a person’s expectations and what they receive from a job. This theory states that a person’s expectations about a particular aspect of work determine satisfaction or dissatisfaction if their expectations are met or not met. Suppose a person values a particular aspect of the job. In that case, they will be satisfied if expectations are met or dissatisfied if expectations are not met, compared to a person who does not value that aspect of the job.

Although Herzberg’s and Locke’s theories have different origins - one is a content theory, the other a process theory - they both provide an essential foundation for
explaining job satisfaction. They form the basis for much of the research in this area.

Research in job satisfaction addresses the background and consequences of this critical concept across many disciplines, including psychology, sociology, and economics. Organizational interest in job satisfaction has been sparked for two reasons. The first is a humanitarian reason based on the belief that employees deserve to be treated with respect and maximize their psychological and physical well-being. The second reason is the critical finding that job satisfaction positively affects the organizational environment (Abdulla et al., 2011).

For example, several authors note that job satisfaction correlates with many essential organizational aspects, such as turnover (Riketta, 2008; Deery, 2008; Dalal, 2013); employee efficiency and productivity (Riketta, 2008; Deery, 2008; Rich et al., 2010; Ziegler et al., 2012; Dalal, 2013; Lu and Gursoy, 2013); organizational commitment (Chen, 2007; Riketta, 2008; Gunlu et al., 2010; Back et al., 2011; Dalal, 2013); customer satisfaction and service quality (Riketta, 2008; Gu and Siu, 2009; Gallardo et al., 2010; Dalal, 2013; Torres, 2014).

Therefore, job satisfaction is an essential organizational issue that significantly affects organizational performance. In this regard, research focusing on the relationship between job satisfaction and overall organizational performance has found a correlation between these two variables (Lok and Crawford, 2004; Deery, 2008; Chi and Gursoy, 2009; Toker, 2011; Boecker man and Ilmakunnas, 2012; Maamari, 2014; Bednarska and Szczyt, 2015), implying that higher employee job satisfaction means better organizational performance.

However, other authors have observed the inverse relationship and found a correlation between organizational performance and job satisfaction, suggesting that better organizational performance leads to greater job satisfaction among employees (Gross and Etzioni, 1985; Ryan et al., 1996; Cole and Cole, 2005). In the context of nonprofit organizations, these findings are very inspiring. Namely, nonprofit organization performance is a complex phenomenon. Different findings and approaches to this topic can be found in the literature. The organizational performance of nonprofit organizations can be observed in terms of financial and social performance. Financial performance includes fundraising and efficient use of the funds raised and is observed through fiscal performance, public support, and administrative ratio (Jaskyte, 2020; Prentice, 2016; Bowman, 2011), while social performance includes user satisfaction and mission accomplishment (Landrum, 2007). Some authors examined the organizational performance of nonprofit organizations based on goal achievement (Brown and Slivinski, 2006), others observed different dimensions (economic, financial, social) of nonprofit organizational performance (Bagnoli and Megali, 2011; Hel mig et al., 2014; Englert and Helmig, 2018), while some considered the system approach as the leading model for determining nonprofit organizational performance (Milles, 1980). More recently, the multidimensional approach to measuring organizational performance has been increasingly used in academic research because it facilitates the comparison of different practices across nonprofit organizations. Nonprofit organizations are under pressure from funders and regulators to meet accountability-based expectations and face a shortage of resources (Macindoe and Barman, 2012). Nonprofit organizations are structurally different from profit organizations and government institutions, although they cooperate in complementary or competitive relationships. These
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differences are related to critical dimensions, objectives, outcomes, resources, distribution criteria, accountabilities, participants, and work motivation (Toeppler, 2020). this leads to different goal aspects and different outcomes of nonprofit organizations, which means a multidimensional approach to measuring organizational performance.

however, all authors argued that the performance of nonprofit organizations is primarily focused on their primary mission - to serve society (jaskyte, 2020). in these organizations, both the employees and their passion for serving society are essential assets necessary to accomplish the mission. hudson (1999) argued that the effectiveness of nonprofit organizations depends on the involvement of people and their shared values and assumptions about the purpose of the organization. in these organizations, employees are committed to the mission because their values and beliefs are incorporated (lyons, 2001; neville, 2009). this leads to the premise of social exchange theory (thibaut and kelley, 1959), which states that individuals will engage in the organization if they believe that their desires and objectives will be satisfied through that engagement (bang et al., 2012). thus, they might perceive the success of these organizations as their success, which provides them with satisfaction. therefore, in support of social exchange theory, if the values and goals of individuals engaged in nonprofit organizations are aligned with the values and goals of the organization, individuals might be more satisfied if those goals are achieved.

another vital theory addresses the relationship between organizational performance and job satisfaction in nonprofit organizations. social identity theory (tajfel and turner, 1986) posits that a person’s sense of who they are depends on the group to which they belong. the sense of belonging to an organization and identification with the organization’s values and goals are essential for both the individuals and their organizations (boros, 2008). therefore, volunteers and employees in nonprofit organizations can identify with the organizational goals and achievements. in this context, they might perceive themselves and the organization as a social entity (edwards and peccei, 2007), which involves an affective and cognitive bond between the organization and the individual (karanika-murray et al., 2015). since the organization’s well-being is in the interest of individuals, organizational performance could be the source of their job satisfaction.

the postulates presented above lead to the formulation of the research hypotheses of this paper. since mission accomplishment of nonprofit organizations, as an undisputed indicator of nonprofit performance, is challenging to measure (helmig et al., 2014), the research hypotheses are based on the financial and social goals of nonprofit organizations (landrum, 2007; bowman, 2011; prentice, 2016; jaskyte, 2020):

**hypothesis 1:** successful fundraising positively affects job satisfaction in nonprofit organizations.

**hypothesis 2:** user satisfaction positively affects job satisfaction in nonprofit organizations.

**hypothesis 3:** cost efficiency positively affects job satisfaction in nonprofit organizations.

additionally, the defined hypotheses are based on social exchange theory and social identity theory, which suggest that accomplishing specific goals of nonprofit organizations could lead to higher job satisfaction.
3. METHODS

3.1. Aim of the study

This study aims to empirically investigate and determine whether the performance of nonprofit organizations (as measured by the achievement of organizational goals) affects job satisfaction in these organizations.

3.2. Research sample and procedure

The study was conducted in Croatia from November 2019 to February 2020 on a convenience sample of Croatian nonprofit organizations. The questionnaire was distributed online via Google Forms, using the nonprofit organizations’ e-mail addresses available online. In the cover letter, participants were informed that their participation was anonymous and voluntary, that they could abandon the research at any time, and that the collected responses would be used only for scientific purposes. The number of participants who completed the questionnaire was 125, working in 125 different nonprofit organizations throughout Croatia. Table 1 shows the characteristics of the sample.

Table 1. Sample characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>29</td>
<td>23.2</td>
</tr>
<tr>
<td>Female</td>
<td>96</td>
<td>76.8</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under 20 years</td>
<td>8</td>
<td>6.4</td>
</tr>
<tr>
<td>21 - 30</td>
<td>65</td>
<td>52.0</td>
</tr>
<tr>
<td>31 - 40</td>
<td>28</td>
<td>22.4</td>
</tr>
<tr>
<td>41 - 50</td>
<td>12</td>
<td>9.6</td>
</tr>
<tr>
<td>51- 60</td>
<td>9</td>
<td>7.2</td>
</tr>
<tr>
<td>More than 60</td>
<td>3</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Tenure in organization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 6 months</td>
<td>26</td>
<td>20.8</td>
</tr>
<tr>
<td>From 7 months to 1 year</td>
<td>28</td>
<td>22.4</td>
</tr>
<tr>
<td>From 2 to 5 years</td>
<td>47</td>
<td>37.6</td>
</tr>
<tr>
<td>From 6 to 10 years</td>
<td>10</td>
<td>8.0</td>
</tr>
<tr>
<td>From 11 to 15 years</td>
<td>10</td>
<td>8.0</td>
</tr>
<tr>
<td>From 16 to 20 years</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>21 years and more</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vocational education</td>
<td>5</td>
<td>4.0</td>
</tr>
<tr>
<td>Secondary education</td>
<td>33</td>
<td>26.4</td>
</tr>
<tr>
<td>College education</td>
<td>27</td>
<td>21.6</td>
</tr>
<tr>
<td>University education</td>
<td>60</td>
<td>48.0</td>
</tr>
</tbody>
</table>
The majority of respondents were women, 76.8% of them. Respondents aged 21 to 30 years dominated, 52% in total. In addition, most respondents had been working between 2 and 5 years, 37.6% in total. The highest percentage of respondents had a university education, 48.0% in total.

3.3. Research instrument

Job satisfaction was assessed using a questionnaire developed by the consulting group AT Adria, in which 11 factors of job satisfaction were tested on a 5-point Likert scale, with responses ranging from very dissatisfied to very satisfied. These factors were the nature of the job, top management, colleagues, supervision, promotion, pay, status, working conditions, training and development, job security, and working hours. Because job satisfaction is a complex and multifaceted concept, it is often studied by examining satisfaction with various factors (Spector, 1997; Rollinson, 1998). In this study, job satisfaction was examined using this multifaceted approach to avoid focusing only on the nature of the job or satisfaction with goal achievement, as the dominant job satisfaction factors in nonprofit organizations. Overall job satisfaction was calculated as the mean value of these factors. Bakotić (2016) confirmed the validity of this questionnaire. In this study, Cronbach’s alpha showed high reliability of the questionnaire ($\alpha = .836$).

Data on the organizational performance of the nonprofit organization were collected using a specially designed questionnaire. The questionnaire consisted of three items designed to measure whether nonprofit organizations achieved specific goals (fundraising, cost efficiency, user satisfaction). These specific goals were selected based on theoretical considerations (Kaplan and Norton, 1996; Landrum, 2007; Bowman, 2011; Prentice, 2016; Jaskyte, 2020). A 5-point Likert scale was used for respondents’ answers, with responses ranging from “strongly disagree” to “strongly agree.” Cronbach’s alpha confirmed satisfactory reliability of the scale ($\alpha = .761$). Data were also collected on the personal characteristics of the employees (gender, age, length of service, and education).

3.4. Data analysis

The collected data were analyzed using SPSS 23. The statistical procedures used were descriptive statistics, correlations, and multiple regression analysis.

4. RESULTS

The results of descriptive statistics and correlations are presented in Table 2.
On average, people who worked in nonprofit organizations were satisfied (M= 3.9466). In terms of organizational goals, on average, they agreed that their organizations achieve fundraising success (M= 4.0000), that users are satisfied (M= 4.3600), and that organizations are cost-efficient (M= 4.2000). The correlations between job satisfaction and the specific nonprofit organizations’ goals were positive and statistically significant, as were the correlations between the various nonprofit organizations’ goals.

Multiple regression was applied to examine the relationship between job satisfaction and three specific nonprofit organizational goals (fundraising, user satisfaction, and cost-efficiency). Job satisfaction was the dependent variable, while fundraising, user satisfaction, and cost-efficiency were the independent variables. All regression assumptions were met. Table 3 shows the results of the multiple linear regression analysis.

The results presented in Table 3 showed that fundraising (β = .407, p = .000), user satisfaction (β = .245, p = .000) and cost efficiency (β = .250, p = .001) were the significant predictors of job satisfaction in nonprofit organizations. These results confirmed all research hypotheses.
5. DISCUSSION AND IMPLICATIONS

Many authors have addressed the impact of job satisfaction on organizational performance. They believed that employees who have high levels of job satisfaction are more motivated; they perform better individually, and the sum of their performance affects the overall organizational performance, which is ultimately greater. In this regard, Harter et al. (2002), Evans and Jack (2003), Mafini and Pooe (2013), and Latif et al. (2015) found a positive correlation between job satisfaction and organizational performance in their studies, while some other authors did not notice any correlation between these two variables (Daily and Near, 2000; Mohr and Puck, 2007). This implies that the relationship between job satisfaction and organizational performance is not yet fully understood.

In contrast, some authors have studied the impact of organizational performance on job satisfaction, assuming that organizational success could be the source of employees’ job satisfaction. However, this research is very scarce, especially when it comes to nonprofit organizations. The literature on this topic includes the research of Gross and Etzioni (1985), who assumed that “organizational reality and human happiness go hand in hand.” Ryan et al. (1996) found that customer satisfaction affects employee morale, while Cole and Cole (2005) found that organizational performance affects employee satisfaction.

In the context of nonprofit organizations, which are specific in many ways, especially in their goals and mission, the possibility that organizational performance impacts job satisfaction was understandable and expected. The research findings of this study are consistent with these considerations. Organizational performance, as measured by the achievement of various organizational goals, was found to impact job satisfaction in nonprofit organizations. These findings are consistent with Herzberg’s two-factor theory postulates, which states that achievement belongs to the group of intrinsic factors or motivators whose presence leads to higher job satisfaction. In addition, the results of this study are consistent with Locke’s theory. Employees of nonprofit organizations are particular; they are likely to be focused on social benefit and service to society. Otherwise, they would not be involved in these organizations, and when their organizations achieve the goals, they experience job satisfaction. The impact of nonprofit organization performance on job satisfaction is based on social exchange theory. Namely, in nonprofit organizations, employees perceive the success of nonprofit organizations as their own, mainly because their personal goals are aligned with the goals of nonprofit organizations, which increases their job satisfaction. The research findings of this paper could also be considered within the framework of social identity theory, which, in short, proposes that individuals define themselves through the organization as a social entity (Edwards and Peccei, 2007). Accordingly, the organization’s success as one’s interest increases job satisfaction.

6. CONCLUSION, LIMITATIONS, AND RECOMMENDATIONS FOR FUTURE RESEARCH

This paper aimed to examine the relationship between the organizational performance of nonprofit organizations and job satisfaction. The organizational performance of nonprofit organizations was analyzed in terms of goal achievement. More specifically, the purpose was to determine whether the achievement of nonprofit organizations’ goals (fundraising, user
satisfaction, and cost-efficiency) affects job satisfaction in these organizations. The research results showed that the achievement of the observed goals affects job satisfaction, so it can be said that the organizational performance of nonprofit organizations affects job satisfaction. These findings were based on theoretical postulates and other research results, which are discussed in more detail in the discussion section of this paper.

There is limited research on the relationship between organizational performance and job satisfaction, especially regarding nonprofit organizations in Croatia. In this context, this paper attempts to provide some insights into this relationship, which constitutes its scientific contribution. However, the limitations of this study restrict the generalizability of its conclusions. The limitation is the sample size, which includes 125 respondents working in 125 nonprofit organizations. The nonprofit organizations’ characteristics (size, sector, etc.) were not identified. In addition, the role of respondents in nonprofit organizations is unknown. Future research needs to be conducted with a much larger and better-defined sample. In addition, employees in nonprofit organizations could be considered both volunteers and employees, which was not the case in this study. The organizational performance of nonprofit organizations could be determined by other measures, not just goal attainment and respondents’ opinions about it. Indeed, as determined by respondents’ opinions, goal attainment is subject to severe limitations. It is a perceptual and subjective way of measuring nonprofit organizations’ performance. There is a risk of circular reasoning that satisfied employees perceive organizational performance positively, which leads to higher job satisfaction. Therefore, the research limitation related to measuring nonprofit organizations’ performance should be seriously considered when interpreting the research findings and conclusions. Another limitation of the study is the cross-sectional analysis. The data were collected at a specific point in time, limiting the causal direction of the relationship between job satisfaction and organizational performance in nonprofit organizations. Therefore, the results of this study could serve as the first step in planning and designing future research in this area.

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UTJEČU LI ORGANIZACIJSKE PERFORMANSE NA ZADOVOLJSTVO POSLOM U NEPROFITNIM ORGANIZACIJAMA?

DOKAZI IZ HRVATSKE

Sažetak

Odnos između organizacijskih performansi i zadovoljstva poslom još uvijek nije jasan, posebno u neprofitnim organizacijama, u kojima ne postoji dovoljno istraživanja na ovu temu. Cilj ove studije je empirijski istražiti da li organizacijske performanse neprofitnih organizacija, koje se iskazuju kroz postizanje organizacijskih ciljeva, utječu na zadovoljstvo poslom njihovih zaposlenika. Ovim se radom, također, želi potaknuti istraživače na daljnje istraživanje navedene problematike. Empirijsko je istraživanje provedeno na uzorku hrvatskih neprofitnih organizacija, pri čemu je 125 sudionika ispunilo anketni upitnik. Rezultati istraživanja pokazuju da postignuće promatranih ciljeva (povezanih s prikupljanjem sredstava, zadovoljstvom kupaca i troškovnom učinkovitosti) djeluje na zadovoljstvo poslom. Stoga se može zaključiti da organizacijske performanse djeluju na zadovoljstvo poslom. Ovi rezultati potvrđuju teorijska polazišta, ali i druge empirijske rezultate. Međutim, oni se trebaju promatrati u svjetlu istraživačkih ograničenja, dok bi generalizaciju trebalo poduprijeti dodatnim istraživanjima.

Ključne riječi: zadovoljstvo poslom, organizacijske performanse, neprofitne organizacije.