

**ANALYZING FACTORS AFFECT TO EMPLOYEE LOYALTY IN
FERTILIZER FACTORY**

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Abstract

Employee loyalty is very important for every company around the world. In the recent years, with the participation of Vietnam in WTO, a lot of employment opportunities have been opened for employees. This research explores the aspects of job attractiveness, job satisfaction, promotion, working environment, career opportunities (training opportunities, growth with career, and self-development), management support, relationship to determine whether the employees are loyal with their companies or not.

Introduction

Employee loyalty is very important for every company around the world. In the recent years, with the participation of Vietnam in WTO, a lot of employment opportunities have been opened for employees. They have a larger choice of career development. The competition for quality labor has been more and more serious when the later coming employers tend to pay higher and offer better employment conditions to the employees than the earlier comers. Consequently, a lot of well-trained staffs are often in the position to leave for new jobs if the employers do not take effective measures to hold them back.

This is true for all industries of Vietnam in the current booming time of a growing economy. It is especially more rightly in chemical trading and distribution where the skilled staffs, capable of high performance are largely demanded by almost all employers. The human resources of this type are quite limited though. To add to the complexity of this market segment of labor, many big foreign companies joining Viet Nam market such as Brentag, DKSH, Rhodia... are ready to offer the local staffs very high pay to remove them from their current jobs and to put them in the more promising ones.

On the other hand, to make capable of and well-trained staffs for chemical trading would consume the employers' huge time and money. It requires much hard work to raise the staffs to certain levels of chemical knowledge, sales skill, marketing and English communication to satisfy the job requirements. However, if the employers just simply keep spending time and money to train the staffs but cannot keep the labor, they then waste not only their own resources but the business interests for the companies' survival and development as well.

Under the given circumstance, we do need to know what factors help keeping the employees, and make them loyal to their companies.

To provide employee a good working environment and make the employees loyal to their companies is the purpose of this research.

2. Theoretical perspective

2.1 Employee satisfaction

Employee satisfaction means different things to different people. As a general definition, the employee satisfaction or job satisfaction may be described as how pleased an employee is with his or her position of employment (Moyes et al. 2008).

Employee satisfaction is defined as a combination of affective reactions to the differential perceptions of what he/she wants to receive compared with what he/she actually receives (Cranny et al. 1992). Therefore, the organizations should try to supply the employee expectations in order to approach the employee satisfaction. In addition, emotional state of the employees may also affect their satisfaction. This forces the managers to create and sustain the desired working environments in the organizations. On the other hand, as stated by Organ and Ryan (1995), the employee satisfaction is one of the basics of organizational citizenship behavior. That is, the well-satisfied employees will work more willingly and this contributes to the effectiveness of their organizations.

Locke et al. (1969) describes job satisfaction a pleasurable or positive emotional state resulting from the appraisal of one's job and job experiences. According to this, employee satisfaction is a “function of the perceived relationship between what one wants from one’s job and what one perceives it as offering”.

Judge and Hulin (1993), on the other hand, mentions that employee satisfaction is positively correlated with motivation, job involvement, organizational citizenship behavior, organizational commitment, life satisfaction, mental health, and job performance, and negatively related to absenteeism, turnover, and perceived stress and identify it as the degree to which a person feels satisfied by his/her job.

Cranny et al., (1992), suggests that employee satisfaction encompasses a lot of different facets. Hence overall employee satisfaction describes a person’s overall affective reaction to the set of work and work-related factors whereas the facets of job satisfaction involve workers’ feelings toward different dimensions of the work and work environment.

In contrast, Rousseau (1978) identifies three components of employee satisfaction: they are characteristics of the organization, job task factors, and personal characteristics. According to Rousseau’s identification the characterization of the organization and the job task factors can be regarded as work factors in job satisfaction, while personal characteristics can be regarded as non-work factors of job satisfaction (Hagihara et al., 1998).

There is no limit for the employees to reach the full satisfaction and it may vary from employee to employee. Miller (2006) states that employees need to change their behaviors in order to execute their duties more effectively to gain greater job satisfaction. Having good relationships with the colleagues, high salary, good working environment, training and career opportunities, career developments, good leadership or any other benefits may be related with the increasing of employee satisfaction. When investigating the employee satisfaction, it should be known that an employee may be more satisfied by a satisfying item, whereas the other employee may be less satisfied with the same item. Because of this, analyzing the employee satisfaction from a large perspective will be better. That means the sum of all satisfying factors composes that employee satisfaction level.

To investigate what the employees are satisfied and measuring the employee satisfaction in the workplace is critical to the success and increases the profitability of the organization for having competitive advantage (Kelley, 2005). Therefore, researching the employee satisfaction in terms of different factors and, on various areas (such as manufacturing industry, service industry, etc.) will enrich the literature and contribute to organizations.

Human Resource Management (HRM) literature underlines the importance of employee satisfaction as well. HRM can be defined as the management of the decisions and actions related with the employees in the organization to implement the strategies for creating competitive advantage. The relationship between “appropriate” HRM practices and positive employee attitudes including employee satisfaction, loyalty and productivity have been widely analyzed (Edgar & Geare, 2005). It is also suggested that treating employees as a valuable asset improves their commitment and loyalty which leads to higher performance and quality (Silvestro, 2002). Armstrong (2000) concludes that HRM is a strategic business and should be concerned strategically. Strategic HRM helps the organization in reaching its objectives, and the main players in strategic HRM are the “employees”.

2.2 Employee loyalty

Employee loyalty can be defined as employees being committed to the success of the organization and believing that working for this organization is their best option. Not only do they plan to remain with the organization, but they do not actively search for alternative employment and are not responsive to offers. Employees are more loyal and productive when they are satisfied (Hunter & Tietyen, 1997), and these satisfied employees affect the customer satisfaction and organizational productivity (Potterfield, 1999).

The concept of employee loyalty has been a focus for research and practice for the last two decades in particular and considered to be a critical issue for organizational performance. A number of scholars and management “gurus” stressed the importance of employee loyalty and its influences on organizational performance.

The concept of employee loyalty is a multi-dimensional and inter disciplinary term that has been attracted the attention of researchers and practitioners from different disciplines such as psychology, human resource management, organizational behavior, and so forth. In literature there are a large number of studies that analyze the term from many different perspectives and its relationship with various organizational variables. However there is no universal definition of employee loyalty that exposes all these dimensions at the same time.

Most of the definitions emphasize the importance of employees' job-related perceptions that link the expectations of them and what they receive in return. Some researchers focus on the overall job loyalty or even life satisfaction of employees whereas some others underline a variety of satisfaction facets such as satisfaction with pay, promotion, supervisor, or co-workers.

Many experts believe that one of the best ways to maintain employee loyalty 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 team-building retreats that are designed to strengthen the working relationship of the employees in a non-work related setting. Camping trips, paintball wars and guided backpacking trips are versions of this type of team-building strategy, with which many employers have found success.

Of course, few workers will not experience a boost in morale after receiving more money. Payment 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. Make certain they have a comfortable, clean break room with basic necessities such as running water. 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 loyalty, as workers will feel well cared for by their employers.

The backbone of employee loyalty is respect for workers and the job they perform. In every interaction with management and leadership, employees should be treated with courtesy and interest. According to Conger (1993), the turbulent environment of the twenty-first century requires newer forms of leadership at all levels of the organization (Ford & Ismail, 2006). The organization may lose or gain in the market because of its own leadership ability. For Hunt (2004), leadership is an influencing process between leaders and the employees and sometimes the roles are changed between the employees and the leaders, where the employees also may legitimize and influence the leaders, so it is not only a top-down process but also exercised sideways, diagonally, and down-up throughout an organizational hierarchy (Antonakis, 2006). 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.

2.3 Employee loyalty and job satisfaction

Employee loyalty is affected by job satisfaction. Employees are more loyal and productive when they are satisfied (Hunter & Tietyen, 1997), and these satisfied employees affect the customer satisfaction and organizational productivity (Potterfield, 1999). Hence, H₁: There is a positive relationship between job satisfaction and employee loyalty.

Yet several support an indirect influence through organizational commitment, because many authors still argue relationship between job satisfaction and organizational commitment. The organizational commitments done by the company in case are payment, working environment, career opportunities, management as social activities of the company to the employee (Falk and Fehr, 2003; Hamermesh, 2001, Dessler, 2000; Antonakis, 2006).

Payment refers to all forms of pay or rewards going to employees and arising from their employment. An employee will be loyalty to company if they feel satisfy with their compensation. Some authors mentioned that a compensation of an employee consists of mainly components such as paid fairly, wage competitive, and business costs meet the expectations of employees (Borjas, 1979; Freeman, 1978). The importance of payment fairness in labor markets rests largely on experiments examining the behavior of workers. How worker productivity or the effort number varies with the wage competitive, type of wage contract offered, or who determines the wage is of primary interest (Falk and Fehr, 2003). As a result, the relationship between payment and job satisfaction is concerned to find out in this research. Consequently, the more payment concerned by the organization the more job satisfaction is received by the employee. Thus, H₂: There is a positive relationship between payment and job satisfaction.

Recent study by Hamermesh (2001) has shown that **working environment** and job satisfaction are systematically related to basic individual characteristics, and that these relationships lend themselves to intuitive economic explanations. Some people claim they work well in a high-stress environment. They mentioned that their productivity is highest when they are fully relaxed. Good working environment includes working room standards, safe working environment, and working conditions. Consequence an increase in consideration in the working environment enhances job satisfaction of the employee. Therefore, H₃: There is a positive relationship between working environment and job satisfaction.

To **career opportunities**, Dessler (2000) mentioned that employees look back on their carriers they have had - with satisfaction, knowing that what they might have achieved they did achieve, and that their career hopes were fulfilled. Career opportunities include short training in foreign countries, going abroad for study, and short training in local country. Nowadays, career opportunities are more likely to be driven by the person, not the organization reinvented by the person from time to time as the person and the environment change (Otte and Hutcheson, 1992).

This means that if the company concerns and implements the building capacity programs, such as sending employee for training programs including in local and foreign country, the employees can get more satisfaction, because they think they can get more knowledge for future. Thus, H₄: There is a positive relationship between career opportunities and job satisfaction.

Management of employer is an important factor for the job satisfaction of employees. Management of employers is called leadership skills. The good leadership related to leader's friendly and open-hearted, taking care of individual's talent, strong leadership skills, stimulating individual's creation, and active responses of managers to employees. The organization may lose or gain in the market because of its own leadership ability. For Hunt (2004), leadership is an influencing process between leaders and the employees and sometimes the roles are changed between the employees and the leaders, where the employees also may legitimize and influence the leaders, so it is not only a top-down process but also exercised sideways, diagonally, and down-up throughout an organizational hierarchy (Antonakis, 2006). 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. Based on that, we propose hypothesis H₅ as follows: H₅: There is a positive relationship between management and job satisfaction.

3. Conceptual framework

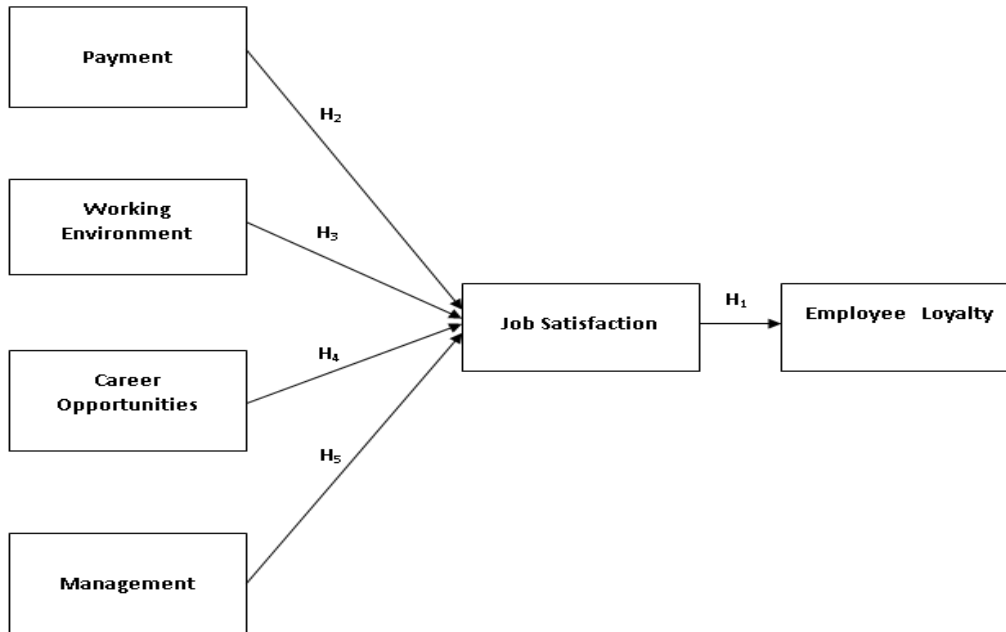


Figure 1: Conceptual framework

Source: Moderated by authors

4. Results and discussion

4.1 The sample

In order to use factor analysis, Hair et al, (2006) argue that the following conditions should be fulfilled: variables should be metric, sample size should be at least 50, but for better results a sample size of 100 -200 is recommended. The study should comprise at least five times as many observations as the number of variables to be analyzed, and the more acceptable sample size should have a 10:1 ratio (Hair et al., 2006). The sample size of 164 is sufficient.

4.2 Exploratory Factor Analysis (EFA) and Empirical Results

Exploratory Factor Analysis (EFA) is applied in this session with the sample size of 164. Initially there are 33 variables designed in the method. On the basis of Bartlett test (Sig. = 0.00), and Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) (0.82) (Table 4.1), we confirmed that there are underlying factors in the variables, which needs to be extracted by factor analysis. In order to make further sense of the individual item scores, the Likert scale data were subject to principle components analysis (PCA).

Table 1: KMO and Bartlett's Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.82
Bartlett's Test of Sphericity	Approx. Chi-Square	2123.80
	df	435.00
	Sig.	0.00

By using explanatory factor analysis, with combination of three factor retention criteria (i.e. latent root criterion, scree test and percentage of variance criterion), four factors or components are selected resulted, due to all those factors or components have Eigen value above 1. Total variance of those four factors accounts for 60.97%, this is a good result due to those four factors are strongly representative for the sample. The method used to rotate the factor is Varimax with Kaiser Normalization. As a result, each factor with different variables is named as follow. Based on that, scored mean of each factor is based on the mean value of variables belong that factor. As mentioned in table 2. Working environment is the most favorable for the employee.

Table 2: Factor name and its mean score

Name of factor	Mean score
Factor 1: Management	2.98
Factor 2: Working environment	3.31
Factor 3: Career opportunities	2.23
Factor 4: Payment	2.47

Loadings on the first principal component (factor 1) posit an association between employee satisfaction and **management** of employer. This involves a cluster of impacts related to: “leader’s friendly and open-hearted”, “taking care of individual’s talent”, “strong leadership skills”, “strong voice of employee”, stimulate individual’s creation”, active responses of managers to employees”. This factor accounted for 31.73 percent of the variation of the sample.

The second principal component (factor 2), accounting for 10.72 percent of the sample variation can be called **working environment**. This includes the “working room standards”, safe working environment”, “working conditions”, and “relaxing room”.

The third principal component (factor 3) related to **career opportunities**. This factor accounted for 10.08 percent of the variation of the sample. This involves a cluster of impacts related to: “short training in foreign countries”, “going abroad for study”, and “short training in local country”.

The fourth principal component (factor 4) can be called **payment** that is done by the company. This factor accounts 8.44 percentage of the variation of the sample. This includes the “paid fairly”, “family income improved”, “wage competitive”, “business costs meet the employee’s expectations”.

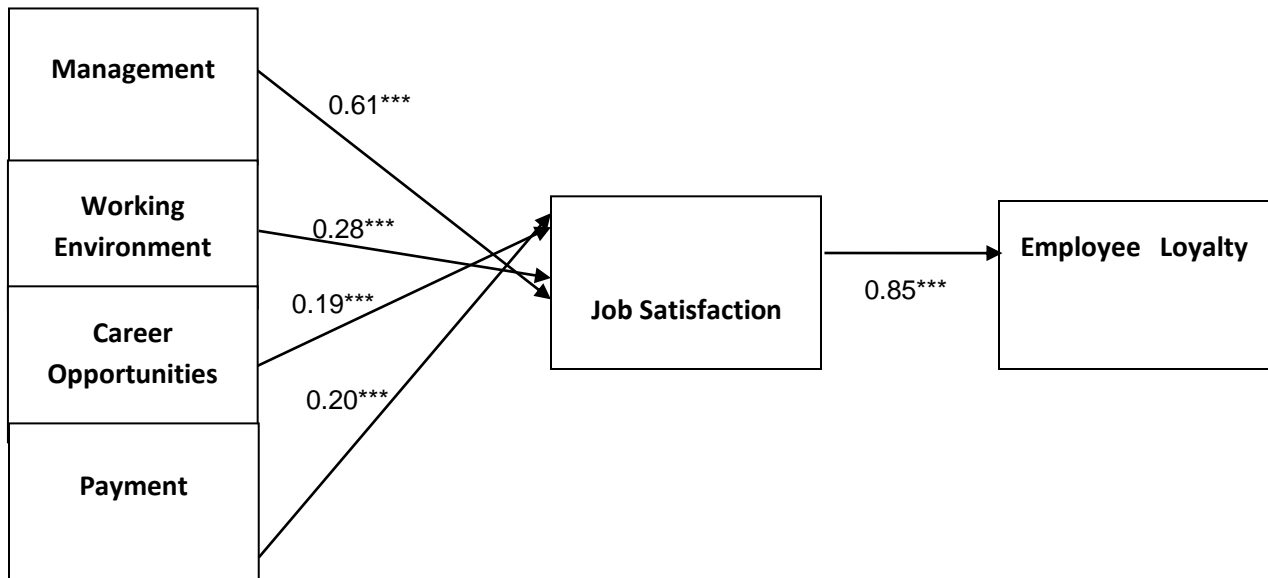


Figure 2: Result of job satisfaction and employee loyalty

Source: Data analysis 2017

5. Conclusion

This study reveals that positive perception of individual employees on the management skill of leadership, payment of company, working environment, career opportunities leads to a higher level of employee satisfaction.

We found that management skill of leadership is the best impact on the job satisfaction. Obviously, the leaders have the major impact on the fulfillment of employee satisfaction and consequently on how well they perform. The leaders have to think how to manage the company and they must also think how the lead the employees who work for company. Managers who have the leadership skills to accomplish these conditions will create a high level of fulfillment in their employees with a direct impact to the bottom line. Employee satisfaction impacts the outcome and is largely determined by employee day-to-day interactions with leaders. Therefore, the company can improve to impact employee satisfaction by improving the effectiveness of the leadership skills.

The result shows that employees' satisfaction in the work environment is indeed being supported. The positive trend in this section displays that employees satisfied in their work environment. In addition, the employees considered the company can provide them the career opportunities as an important issue.

Employees have reported being satisfied with the way the companies provide training and supports. They evaluated that they had received an appropriate level of support and training to work effectively in the company. In a competitive business environment, it is necessary to find ways to help employees feel satisfied in their work.

The research is showing that there is a relationship between the employee loyalty and employees satisfaction. Our research suggests that the company have to satisfy employee in order to keep them working for the company longer. Employees are more loyalty and productive when they are satisfied (Hunter & Tietjen, 1997). Therefore, the company should try to provide the employee expectations in order to approach the employee satisfaction.

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