Employee Loyalty- A Literature Review

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ABSTRACT
Employee loyalty arise because of several sources which includes levels of role ambiguity, autonomy, quality of supervision, quality of social relationships, and level of support in the workplace. Besides that, employees’ attitudes and behaviours play a vital role in the quality of work. In this regard, employees are primarily responsible for providing a sustainable competitive advantage. Apart from that, higher employee loyalty can help the industry to retain the employees because employees have high satisfaction toward their jobs. The study aims in identifying key determinants for employee loyalty.

Keywords— employee loyalty, competitive advantage, satisfaction, retention

I. INTRODUCTION
DEFINITION AND IMPORTANCE OF EMPLOYEE LOYALTY
"Loyalty, as a general term, signifies a person's devotion or sentiment of attachment to a particular object, which may be another person or group of persons, an ideal, a duty, or a cause. It expresses itself in both thought and action and strives for the identification of the interests of the loyal person with those of the object" (Encyclopedia Britannica, 1998).

Based on Loyalty Research Center (2002), employee loyalty can be defined as “employees believe that they have no regrets for working in their organization and they are considered it was a best choice for them”. The salary, bonus and benefits given to the employees will enhance them to work hard and the loyalty will increase to stay in the organization. There is a considerable expense incurred for replacing an employee whether he/she is holding a high position or low position in the organization since the employee loyalty is not easily built up in the organization. Employee loyalty is the very important tool nowadays for the improvement of the organization quality and productivity. The employee loyalty is diminishing towards the organization among the present generation; many organizations are trying to find some ways to increase the employee loyalty.

II. DETERMINANTS OF EMPLOYEE LOYALTY

Compensation and Rewards
According to Steers and Porter (1991), stated that compensation and rewards provided by the company plays a lead role in motivating the employees and the employees who are attracted by the compensation provided by the firm will continue to remain in the form with utmost loyalty. The study revealed that a factor plays a major role in boosting the employee loyalty. That is when the employees are provided with adequate information related to the policies and procedures of the organisation, they will be more committed and loyal. (Konovsky&Cropanzano,1991 Wanous(1992) in his research found that there is a strong the relationship between organisation living up to the expectations of employees and employee loyalty. The correlation result showed that significant level of 0.39 was found between the degree to which employee expectations were met and employee loyalty to the company.

When appropriate compensation and rewards are offered to the employees when they succeed to achieve certain goals assigned to them, this due recognition will make they stay long in the organisation with utmost loyalty (Bass & Avolio, 2004).

According to Gerhartet et al. (1994) loyalty increases when employee compensation increases as it plays a key role. It acts as a critical role in the employment relationship. The tangible rewards such as competitive salaries and bonus are associated with management and supervisory employee loyalty respectively.

Haack, 2012 in his study found that once the employee starts receiving the financial rewards for meeting
organisational goals, they will began to work for the rewards. It will also help their organisation to be successful. Intrinsic motivation is developed among employees to work resulting in the increase of employee loyalty.

**Relationship (Co-worker, Supervisor and Subordinates)**

According to Graversen (1992) co-worker relationship plays an important role in the well-being of the employees in the organisation. When the social working environment of the employees is not good, then this will significantly induce stress among employees leading to disloyalty. Employee downsizing, rightsizing, and re-engineering have mainly resulted in layoffs. This may ultimately result in a considerable reduction in the commitment of employees leading to the reduction in employee loyalty (Moskel, 1993). The organisation should know what motivates their employees and incorporate that knowledge into identifying, recruiting, employing, training, and retaining a productive workforce. Motivating the employees requires both managers and employees to work together. This will help in increasing the loyalty level of the employees (Buford, 1993). According to Jennifer Laabs (1996), the current employer-employee relationship is like dating that is meeting each other’s needs for the present, but not making any long-term commitments.

Moberg, 1997 in his study highlighted the need for a more precise conceptualization of loyalty. This research suggests that by understanding the nature of co-workers' relationships with one another is very essential. Management should understand the factors that shape ethical and unethical behavior at work.

Now-a-days the loyalty level among employees is decreasing. The management should make sure that a supportive bond exists between employer and employee (The Wall Street Journal, 1998). Sibson & Company (Raleigh, NC) study reported that nearly 80% of U.S. workers are committed to their employers and 66% believe their employers are supportive of their work efforts. Only 16% plan to leave their job within the next year. This shows that when the employer is supportive to the employee and guides the employee in all situation then employee will stay loyal.

**Job Satisfaction**

The model developed by Heskett et al. (1994) claims that a satisfied employee will be loyal and the level of service provided by the employees to the organisation will contribute to customer satisfaction and loyalty which in turn increases the productivity and profitability of the organisation.

The supervisors should be in a position to support and take care of the employees when the employees need them to solve work related issues. This will boost up the satisfaction level among the employees leading to greater loyalty (Griffin, Patterson and West, 2001).

Shanker, Smith and Rangaswamy (2003) in their research suggested that loyalty and satisfaction have a relationship. Satisfaction and Loyalty positively reinforces the other. Satisfaction builds loyalty, which in turn reinforces satisfaction.

Employees are really sensitive to the financial compensation of the organisation. In most of the situation pay acts as the significant factor contributing to job satisfaction (Ineson et al., 2000). The Job satisfaction helps in examining the attitudes and issues which influence the behaviour of employees.

Lack of employee loyalty is influenced by factors including lack of employee satisfaction, poor working conditions, low compensation and inadequate benefits. Organisation should place effort in overcoming these barriers to create a loyal work force (Milman, 2003).

Kazlauskaite et al., 2012 in his study explored the relationship between employee attitudes and their behaviour towards their work in order to prove that employee satisfaction is strongly associated with employee loyalty.

**Work Environment**

Loyalty is a two way process. If an employer is not loyal to employees, then the thinking goes in the same way that employee thinking why they should be loyal to the employers. (Goodman, 1995). The perception of the employees regarding the nature of the workplace has been widely increasing; Boyett with Boyett, 1995). Some aspects of the workplace includes, change (more rapid), self-managed teams, organizational structures (flatter), These may help the employees to become loyal.

Yeung (2011) provided strong evidence regarding the significant roles played by employee satisfaction and loyalty in order to enhance the operational performance of organisations in the ‘high-contact’ service sector. Managers have to give sufficient authority to employees, increase employee accountability, delegate responsibilities and encourage teamwork. This will create an optimistic and healthy work environment which will create a workforce that is productive and it will enhance motivation. It will create a confident and loyal. It will enhance the profitability of the organization. Employees with an engaging workplace environment that provides them with personal development and recognition have a stronger probability to remain loyal to the company.

According to Al-Anzi (2009), research findings shows that over 90% of the employees feel that their mood and attitude towards their work changes according to the quality of work environment. This in turn reflects on employee loyalty. Employee will be loyal to the organisation that provides them with a favourable working atmosphere. It includes strong leadership and healthy interrelations, safety, wellbeing, opportunities, inclusion in decision making (Gill, 2009).

Kyle (1996), there are few ways to increase the employee’s loyalty in the organization. For instance, telecommuting is important to enhance the employees’ loyalty because it can reduce the travel time and generally
helps employees strike a better work/life balance. It’s best for positions that benefit from employees’ thinking, but not for all the employees who rely on meetings and collaboration. The management in office, job involvement, and self-education improvement for employees are good examples of flexibility in the modern workplace. Instead of meeting financial and health needs, the organisation can satisfy human and lifestyle needs, which are equally important.

Loyalty of the employees will increase in organisations where employees are valued. This will help in increasing the sense of pride of the employees and will work to their fullest potential Cole (2000). Van Knippenberg (2000), suggested that employees become more loyal and stay in the organisation when they are able to attach themselves within the organisation and contribute to the productivity of the organisation.

According to Vince (2005), understanding the organisation should understand their employees’ needs and should cultivate the employee loyalty towards the organization. The organisation should know their employees well to enhance the operation and productivity of the organization. The employees should be respected and treated with dignity. Employees should be recognised and rewarded for their achievement of goals and objectives. All these will help in increasing the loyalty among employees.

High unemployment, limited development opportunities, demanding working conditions and declining compensation, all have contributed to a frustrating workplace environment. The obvious conclusion is that unhappy employees are disloyal employees (Reed, 2011).

Job security

Schmidt 1999 suggested that in the present generation lots of workers are available for the organisation. So, they need not depend on any particular worker. This leads to a decrease in the job security. This in turn tends to reduce the employee loyalty. When an employee feels that the organisation is providing him with secured job, it will help to generate an environment of confidence along with employees which will reinforce their loyalty to the company (Abdullah, Boyle & Joham 2010).

Values

Number of researchers have given importance to the role of moral values in organizations. Management should practice moral and ethical values within the organisation for creating a loyal workforce (Baron, 1999). According to the research work conducted by Cunha et al. (2002) it has been found that if the organisation culture, structure and leadership managed properly to satisfy employees it will help in building employee loyalty in an effective way.

The study conducted by (Silvestro, 2002) revealed that when the organisation treats the employees as a valuable asset it results in the improvement of their commitment and loyalty which leads to higher performance and quality.

**Employee retention**

High employee loyalty will help the industry to retain the employees because the satisfaction levels of the employees towards their jobs increases. Therefore, industries should maintain higher employee loyalty in order to reduce absenteeism and increase retention rate of employees. Retaining employees can play a critical role in the financial health of an organisation because replacing employees can cost 150 percent or more of an employee’s annual salary (Bliss, 2001).

Lack of employee loyalty will ultimately result in low employee retention. To increase loyalty importance should be given to the following factors including job satisfaction, working conditions, compensation and benefits (Carraher, 2011).

**Career Development**

Career development plays an important role in increasing the loyalty of the employees. According to Kreisman (2002), career development is important in retaining employees. Skill development opportunities and career movement are key attractors of the organizations. If an organization does not recognize the individual needs and desire to grow, then the lack of development will becomes a primary reason for resignation.

According to Mehta, Singh, Bhakar, and Sinha (2010), career development is the key factor and plays a prominent role in determining employee loyalty. Career development means when the employees are finding a place in an organization where they can express excellence and contribute to the achievement of organisational goals and a dignified position in which he could advance such as promotions and upward mobility.

**Leadership**

Leadership plays a critical role in boosting the loyalty among the employees. When the employees are comfortable with a particular leadership style then they ultimately stay in the organisation with loyalty (Kleinman, 2004). The important factors that lead to the increase in employee loyalty focused on three areas, including personal characteristics of the individual, group and organisation efforts, and characteristics of other members (Coughlan, 2005).

**Feedback system**

Frederick Reichheld (2006) in his study reported many factors that affect the loyalty among the employees. The factors include benefits and pay, working environment, satisfaction and customers. Employee loyalty is critical for organizations as when an employee leaves the organisation it costs much for the organisation to replace them. Employee feedback system will help in raising the employee loyalty by providing two-way communications between employees and management. If employees get the feeling that the organization is listening
to them and recognizing them for their achievements, they will more likely be loyal to the company. According to the perspective of the employer, a broader value is provided for corporate storytelling. It has the potential to persuade, motivate and inspire employees about their organisation, thus strengthening internal loyalty and reputation (Simmons, 2006).

Bhatti and Qureshi (2007) in his research reveal that the management should provide chance to the employees in organisational decision making. The employee participation in organization measures develops a sense of motivation. They will get a sense of pride and satisfaction when the organisation consults this. This will in turn increases the loyalty level of the employees. Employee commitment and loyalty are the very essential factors for the industry. Because committed and loyal employees will give high outputs along with profitability factors for the industry. Because committed and loyal employees will more likely be loyal to the company. According to the Loyalty Centre Research.


III. CONCLUSION

Employee loyalty has become an important and complex area faced by the present era managers when it comes in retaining them. Though many researches have been conducted on employee loyalty, a new study is always needed in order to find any possible way to maintain loyal workforce. The study reveals that work environment and compensation plays a pivotal role in increasing the loyalty of the employees. Relationship of the workers and job satisfaction also help in creating loyalty. The organisation should boost loyalty among the employees by placing emphasis on the above determinants.

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