

# FACTORS INFLUENCING THE LOYALTY OF EMPLOYEES : A STUDY WITH REFERENCE TO EMPLOYEES IN CHENNAI

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**ABSTRACT :** As it is told profit making is the primary goal of any organization. Any organization that enters the market would always look for opportunities to achieve the desired goals which makes them more competitive. In the era of competition an organization which desires to survive and to compete in the market need various factors, loyal human resource is one among them. Human resources are considered to be one of the significant factors that makes an organization a successful one. Organizations can never be successful without its employees. It is the employees in an organization who differentiate an organization from rest of them. Having advanced technologies, good customer base and Infrastructures may not help the organizations to be successful, but having loyal employees may lead to it. This study intends to analyse the factors affecting the loyalty of employees and the strategies an organization can adopt to create loyal employees in the organization. The data has been collected through a structured questionnaire from various employees who are working in various Multinational Corporations in Chennai. Twenty factors have been extracted from various literature reviews and the same factors have been exposed to factors analysis. The results show a positive relationship with various factors that study has analysed.

**KEYWORDS** – Factor analysis, Loyalty, Strategies, Workplace etc

## I. INTRODUCTION

Having a competitive workforce is a vital element for the success of an organization. But having loyal employees in the organization is an asset to the organization. It is the quality in an employee that plays an essential role in the quality of the work. When employees are loyal towards the organization, they have more satisfaction in the roles they perform in the organization, this also helps the organizations to retain such employees and to create a better working environment. Loyalty is the sentiment or the attachment that an individual has towards a particular object. Loyalty is the devotion an employee has towards the job that he or she performs. The loyalty of an employee is expressed in thought and actions. It is the belief that an employee has to work for an organization without any regrets. Benefits like salary, bonus, and allowances may motivate the employees to work hard, whereas it is loyalty that makes employees to stay and work effectively to achieve the desired goals in the organization (Wan, 2013). Building a loyal workforce and Loyalty is a two-way process, both employer and employees must be loyal to each other. When an employer is not loyal to the employees it can make employees disloyal towards the organization. The long-term success of an organization purely depends on the quality and loyalty of the employees. For a growing organization it is extremely important to have and to retain loyal employees. Employees loyalty can directly impact on the profitability of the organization. On the other side building loyal customers is an essential ingredient to build a competent organization, without loyal employees it is impossible to create loyal customers to the products or services a company offers in the market. An organization consists various stakeholders such as employees, investors and customers. The degree of loyalty of each stakeholder may not be the same, it varies due to various factors. An organization must strive towards becoming the object of loyalty for its various stakeholders. Without loyal employees it is highly impossible for the organization to create various interest groups and to achieve the predetermined goals (Adedeji & Ugwumadu, 2018). There was a time where loyalty was considered as living up to the expectations of the employer based on the agreements that an employee get into while joining an organization. But to become a successful organization this degree of loyalty is not sufficient and that's where the role of an organization becomes very important in building loyal employees at workplace. Loyal employees are the reward an organization gets for its various decisions. A satisfied and loyal employee becomes more productive and gains loyal customers for the business or the products of the company. In each and every organization there are people who have significant expertise and skills to perform the expected roles effectively, organizations must strategize to retain such employees. There are instances where such talented and skilled

employees leaving the organization for various reasons. It is very important for organizations to stop such occurrences to reach the goals. As it is said when employees are taken care, they will go beyond what is expected to achieve the organizational goals (Murli, Poddar, & Seema, 2017).

The employees in an organization may have different perceptions or opinions towards the management. There can be various factors that can impact the loyalty of the employees. They can be Compensations and rewards, Relationship with the colleagues, Work environment, Career development, Values of the organizations, Feedback system, Organizational culture, Employee retention and so on. Factors like reward system, organizational culture and the career development policies can motivate employees to work hard and to remain as a member of the organization for a long period of time. Whereas factors like poor management, culture, compensation and retention policies can make employees to leave the organization (Iqbal, Tufal, & Lodhi, 2015). Loyalty is an attachment that can be created even before a recruitment process. There are organizations that people desire to become a member. An organization becomes more attractive when the management gives importance to its employees. When the management ignores the needs of its own employees it brings a critical image, employees would deny to join such organizations. The turnover rates of employees will be high in these organizations due to which the organization may be pushed to a situation where it becomes incapable of achieving the desired goals. There are few policies that organizations can implement to achieve the goal of having more loyal employees. Management must approach employees with the intention of analysis and discovery. Understanding employees will help the management to become more effective in employee engagement. It should also offer competitive pay; this is a very important factor that motivates the employees to retain and work hard. On the other side it must create a learning environment which adds to an individual's career development (Klopotan, Buntak, & Drozdek, 2016). Creating a healthy work environment is also a must to make employees more effective and productive. Above all it is the duty of the organization to listen its employees and create a better working environment. Such policies as mentioned above can make an organization extraordinary and may increase the quantity of loyal employees.

## **II. REVIEW OF LITERATURE**

Loyalty is the honesty, faithfulness, devotion and an attachment that an individual hold towards a place, individual or organization. Employee loyalty is a characteristic that makes them to work hard, it is a driving force that pushes them to use maximum of time, knowledge and skills to reach the organizational goals. Loyalty of the employees is an intangible asset to a company that contributes to its long-term success. Employees loyalty can directly impact on the progress and profitability of an organization. Employee loyalty is the important factor in creating loyal customers to business says (Rishipal & Manish, 2013). In a study on employees' job satisfaction and loyalty (Frempong, Agbenyo, & Darko, 2018) says that loyalty of employees is nothing but a relationship that ties an employee and employer even if there is no much monetary benefits. The authors have concluded that job satisfaction is one of the significant factors that make employees loyal to the organization. It makes employees to go beyond what is expected from them for the accomplishments of organizational goals. It is the thoughtful commitment where an employee strives hard to reach the organizational goals. The author says there are three levels of commitment. The first one is affective commitment, employees simply stay in organization just because they want to employees here have an attachment with organization that makes them to stay. The second level of commitment is continuance commitment, where employees don't leave the organization because they are aware of the cost of leaving the organization. The third level of commitment is normative commitment where employees choose to stay in organization not because they want to but because they have to. Loyalty must be a two-way process i.e. an employer should be loyal to employees and employees should be loyal to employer. Employee loyalty is something that can be created or increased. The decision of the organization can also turn loyal employees to become disloyal. Downsizing, corporate restructuring and poor management may result in breaking the bond and trust that employees have with the organization. Loyalty can't be measured just by the time employees spend on the job. Progressive leaders don't assess the employees based on the amount of time they spend in the job but based the impact that they create at workplace. Loyalty of an employee must be the result of the commitment that he or she has towards the organization and that should make them to believe staying in the organization is the best choice says (Hatwal & Choubay, 2014).

### **Factors determining the loyalty of employees**

An employee becomes loyal by choice. It is a slow process where an employee builds an attachment with the organization. There are various factors that contribute in creating loyal employees. Among many few important factors are discussed below:

**Compensation and Rewards-** This is the primary aspect that motivates the employees to work hard and stay in the organization for a long period of time. When employees are attracted and motivated it makes them to stay in the firm with supreme loyalty (Steers & Porter, 1991).

**Leadership** – Leadership is one of the hardest challenges that management of the company should focus on. Management must communicate effectively at all levels and also it should listen to its employees when it is required. The leadership style a company holds can significantly affect its performance and employees (Preko & Adjete, 2013)

**Work Environment-** Management must try to be honest with its employees and aim at creating a healthy and optimistic work environment. Recognising the efforts of employees is also a differentiating factor that can increase the number of loyal employees. A healthy work environment affects the employees’ attitudes and emotions positively which can boost their productivity (Yee, Yeung, & Cheng, 2011).

**Career Development** - Career development an important aspect an organization must consider. The key element can create a desire for employees to join the organization and to stay. When the individual needs pertaining to career and skill development are not recognised it paves a path for employees to leave the organization.

**Job Satisfaction-** when employees are satisfied with the roles, they play in the organization they can highly produce satisfied customers for the products or services of the of the company. Satisfied employees try to be productive in each task they do.

**Job Security-** When employees feel secured in the job, they perform, they’ll be more confident and stay loyal to the organization.

**Values-** Loyalty itself is a moral value, hence, when management wants its employees to loyal it should have a set of moral and ethical values, which differentiates it from other organizations. When an organization has its own moral values, it creates a positive attitude in the employees to stay loyal towards the organization they work for (Magesh & Kiruthiga, 2015). There can be other factors that can influence an employee’s loyalty level. Having loyal employee is something that every employer wish. But everything starts with the management and the organization. Making employees loyal or disloyal is in the control of the organization.

**Objectives**

- To analyse the impacts of various factors affecting loyalty of the employees in the organization
- To know the various strategies that management can adopt in creating loyal employees at workplace.

**III. RESEARCH METHODOLOGY**

This study intends to analyse various factors affecting the loyalty of employees in organizations. On the other hand, the study describes different approaches to deal with employees to make them loyal to the organization. In this study a descriptive survey design has been used. The employees in Chennai who are working in various multinational companies have been chosen to conduct the survey. A total of 390 employees were investigated in the survey, this includes employees from top level to the lower level. This study has used random sampling technique to collect the data from the respondents. The source of the data used in this research is primary in nature and the data is collected from the employees of various multinational companies through a structured questionnaire. The questionnaire contained basic questions to collect demographic details of the respondents and the second phase of the questionnaire contains various statements which deals with employees loyalty, factors affecting employees loyalty and the strategies or policies that an organization can adopt to create loyal employees at workplace. The questionnaire had a five-point Likert scale in this study, starting from strongly agree to strongly disagree. In this study the various factors that affects the employees are considered as independent variables and loyalty is considered dependent variable. In the present study content validity approach is used to validate the questionnaire to confirm that the questionnaire clearly defines the concepts and the constructs used in the study.

**IV. DATA ANALYSIS AND INFERENCE**

**Factor Analysis with Varimax Rotation**

<b>Rotated Component Matrix<sup>a</sup></b>	
	Component

	1	2	3	4
F1	.926	-.095	-.004	-.012
F6	.926	-.095	-.004	-.012
F11	.893	-.021	-.071	-.017
F2	.890	.067	.125	.112
F7	.885	.173	.083	.193
F16	.878	.142	.208	.186
F3	.878	.142	.208	.186
F8	.762	-.214	-.100	-.065
F17	.625	-.574	-.094	-.209
F15	-.024	.924	.191	.162
F4	-.030	.920	.116	.196
F14	-.030	.920	.116	.196
F9	.004	.828	.268	.032
F13	.044	.813	.107	.069
F5	.040	.589	.494	.400
F12	.048	.113	.889	-.024
F10	-.025	.337	.760	.325
F19	.150	.293	.706	.079
F20	.256	.157	.136	.832
F18	-.002	.463	.137	.780

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 a. Rotation converged in 5 iterations.

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.989	34.945	34.945	6.989	34.945	34.945	6.697	33.486	33.486
2	6.486	32.428	67.374	6.486	32.428	67.374	5.162	25.808	59.294
3	1.305	6.524	73.898	1.305	6.524	73.898	2.093	10.467	69.761
4	1.022	5.111	79.009	1.022	5.111	79.009	1.850	9.248	79.009
5	.889	4.447	83.456						
6	.560	2.799	86.255						
7	.526	2.631	88.887						
8	.436	2.178	91.064						
9	.364	1.820	92.884						
10	.317	1.587	94.471						
11	.272	1.361	95.833						
12	.243	1.214	97.047						
13	.224	1.118	98.164						
14	.153	.765	98.930						
15	.114	.572	99.502						
16	.067	.336	99.837						
17	.033	.163	100.000						
18	0.44	1.34	100.000						
19	0.45	0.34	100.000						
20	0.23	1.12	100.000						

Extraction Method: Principal Component Analysis.

<b>Communalities</b>		
	<b>Initial</b>	<b>Extraction</b>
Working in this organization is the best choice for me F1		
I would like to stay in the organization for a long period of time F2	1.000	.869
I will work harder and go beyond what is expected to reach organizational goals F3	1.000	.900
I will stay with the organization even if the organization performs poor in its business. F4	1.000	.867
My current Income is equal to my ability and my contribution to the organization F5	1.000	.752
Employee compensation in my organization is fair F6	1.000	.825
The rewards motivate me to perform better at workplace F7	1.000	.680
I am ready to work harder to gain more rewards.F8	1.000	.641
I am satisfied with my income F9	1.000	.279
The Work Environment in the organization F10	1.000	.759
Each employee in the organization has individual space F11	1.000	.801
I can balance between work life and personal life F12	1.000	.841
My work schedule in the organization is flexible F13	1.000	.856
I am satisfied with the working conditions of my organization. F14	1.000	.917
I get enough support from my superiors and colleagues to perform well at work F15	1.000	.804
My superiors listen to my opinions and concerns F16	1.000	.806
Each individual in the organization work with coordination to accomplish the goals of the organization F17	1.000	.773
I have more opportunities to grow in my organization F18	1.000	.798
My organization recognizes my efforts and rewards for the same F19	1.000	.869
I am satisfied with the career growth opportunities in my organization F20	1.000	.900
Pragmatic decisions	1.000	.867
Extraction Method: Principal Component Analysis.		

**Inference for the above factor analysis**

It is very difficult task for the organisations worldwide because loyalty is a divine terminology, which arises only when a person is satisfied with the job, which has been. Assigned to him loyalty might arise due to various reasons few reasons might be flexible workforce and furies is may be more associated with the financial benefits which has been given to the Employees. Different work has different types of loyalty factors because loyalty is more associated with recognition and flexibility in the work. Employees working in multinational corporations tend to have a lot of workload, which might reduce the loyalty as there is no satisfaction and hence loyalty has to be understood in a clear-cut way in the multinational corporation. Employees working in multinational corporations have been given an opportunity to travel to abroad countries with family and with team member, which is also considered one of the key components, which will increase the loyalty. Disloyalty and recognition, which has been given to employees, might motivate employees to work for the organisation for a longer span of time. The employees would put more efforts and modification and their efforts should be taken by the employees to connect their individual goals with the overall goals of the organisation. In this research the loyalty factors of employees working in multinational corporations were analysed by collecting data from employees working in different multinational corporations in Chennai. the collected data has been exposed to a factor analysis using a Varimax rotation. in this research 20 factors have been taken from the literature review per se and the same has been used for the factor analysis and all the 20 factors have been exposed to factor analysis and as an outcome the initiation and extraction has positive values. The rotated component Matrix has positive values more than 4.5. All the factors have been cloned into smaller components, which is very easy to understand.

- Component one is termed as a recognition and flexible work
- Component two is termed as job satisfaction and financial credits

- Component three is called as organisational climate and good workforce
- Component four is termed as Career Growth.
- Component five is termed as psychological understanding of employees

## **V. SCOPE FOR FUTURE STUDY**

This study mainly focuses on various factors that could affect the loyalty of the employees in organizations. Future studies can focus on deep analysis of each factors influence on the loyalty of the employees. Moreover, future studies on employee's loyalty can focus on how loyal employees can make an organization successful. Creating loyal employees in an organization is a complicated process which demands much from the organizations, hence future studies can also focus on the various complexities involved in creating loyal employees in an organization.

## **VI. CONCLUSION AND RECOMMENDATIONS**

Retaining employees in an organization who can lead an organization to the path of success is one of the major concerns of each employer. Employees expectations from an organization has increased over the years. When employees are not satisfied with job or with organization, they leave the organization. In this era of competition an organization can never reach its destiny without its employees (Turkyilmaz, Akman, Ozkan, & Pastuzak, 2011). Therefore, having loyal employees who have emotional attachment with the organization can make an organization extraordinary. The first component of this study deals with the recognition of employees and job flexibility. When an organization recognizes the work of its employees it gives a sense recognition and belongingness with the organization. An organization must be such that where employees should choose to stay. Employers must provide fair rewards and motivate employees to work harder. In decision making process of the organization employees must also be involved (Sekyi, Boakye, & Ankumah, 2016). The Second component of the analysis deals with the job satisfaction and Financial credits both the elements are interrelated or interconnected. when the work schedule in the organization is flexible it keeps the motivation of the employees alive. An employee's satisfaction on job is the combination of satisfaction on income, work flexibility and work conditions. Employees when really satisfied with the job they'll choose to stay in the organization even during the organization performs poor. Hence organization must focus on creating healthy work environment and reward its employees equally based on their ability and contribution (Šajeva, 2007).

The third component of the study deals with the work life balance and work environment in the organization. It is the major concern of any employee in MNCs. Having a balance between professional life and personal life is a challenge to each employee, when the workload makes employees to extend the work hours it can really affect the personal life of an employee. This imbalance can lead to various problems, when the personal life of an employee gets affected it can affect the professional work and the productivity of an employee. Therefore, organizations should always give importance to the work life balance of its employees. Employees with good work life balance can become more productive at workplace. On the other side the organizational culture also matters in retaining employees. When the work environment is healthy it can bring positive outcomes from the employees (Suharti & Suliyanto, 2012).

The fourth component of the study deals with the career and personal growth of employees. Any individual in the organization will look for growth opportunities. When an employee feels unfulfilled on the career goals or the personal development, they may not hesitate to leave the organization. An organization also has the responsibility of paving the path to an individual's growth. When the opportunities in the organization leads individuals to career growth and personal growth it makes employees to choose the organization over the others.

Various studies have already proven the need and essence of having loyal employees in the organization. A study by (Adedeji & Ugwumadu, 2018) on the factors that motivate employee's loyalty and retention also reveals the same results as this study has shown. Therefore, it is very important aspect the organizations must focus on to become competent and to be successful in the market.

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