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## FACTORS AFFECTING THE STAFF LOYALTY AT PRIVATE COMPANIES IN CAN THO CITY

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**ABSTRACT:** *Staff loyalty has always been a matter of concern for organizations. Employee turnover is highly detrimental both the organization as well as the employees. Loyalty has an impact over the organization's costs relating to recruitment, training of new personnel and others. Private companies have the problem to keep talent and having more employee loyalty. Therefore, the study objective is to find out the determinants affecting the staffs' loyalty at private companies in Can Tho City (CTC). The researchers surveyed 450 staffs working at private companies and answered 23 questions but sample size of 413 staffs processed. The data collected from August 2018 to March 2019 in CTC. Simple random sampling technique. Cronbach's Alpha and the exploratory factor analysis (EFA) analyzed and used for Structural Equation Modelling (SEM) technique. Finally, the findings of the study have five factors affecting the staffs' loyalty at private companies in CTC with significance level 0.01.*

**KEYWORDS:** Loyalty, private, company, Can Tho and TDU.

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### INTRODUCTION

Nowadays, human resource management in the current period is not merely the implementation of administrative procedures related to people, but it should be considered as a development strategy of any companies in a competitive environment and integration. Modern human resource management does not allow private companies owners to view labor as only an input cost factor, unable to consider relationships with employees just as a hire relationship. They need to be aware that people are the most precious capital in their organization, the resources that need to be invested in development and the strategy to maintain human resources such as maintaining any strategic relationships. The relationship builds between employees and leaders that is a mutually beneficial cooperative relationship. The theory and practice show that maintaining any relationship will be less expensive than building that relationship. It is staffs' loyalty.

Moreover, employee values, attitudes and leadership behavior play a very important role in enhancing employee work loyalty and business performance of company. Loyalty can carefully be adjusted to produce a strong impact on employee work loyalty. Therefore, loyalty would be interesting to examine the precise nature of their roles in influencing the intrinsic versus extrinsic loyalty of employees. In today's business environment, private companies depend on their employees more than at any other time in the past. This is particularly true in hi-tech, biotech, finance and other market segments where employee contribution does not directly depend on the nominal time spent at work. Employee dedication and employee care of corporate interests are part of employee loyalty. Employee loyalty in a constructive way is not an easy task. Above mentioned things, the purpose of this study is to find out the determinants affecting the staff

loyalty at private companies in Can Tho City. This study helps managers who apply the research results for improving the human resource management better in the future.

## LITERATURE REVIEW

### Staff loyalty (SL)

In general, staff loyalty can be defined as a psychological attachment or commitment to the organization and develops as a result of increase satisfaction. Satisfaction results from a process of internal evaluation, and if an employee's expectation level is met or exceeded, then satisfaction grows (Adedeji, Abosede O, 2018). Employee loyalty then develops into a generalized emotional attitude towards the organization. In other words, the more satisfied an employee is regarding his or her working environment, the more likely that he or she will develop a sense of commitment towards the organization in general. Employee attitudes towards the organization then give rise to the behavioral component of loyalty. An employee who has developed an affection to the organization is more likely to demonstrate loyal behaviors and work towards the overall goals of the organization, such as improved productivity, greater efficiency, and a high-quality service orientation to customers (Al-Ma'ani, A. I, 2013).

### Relationship and treatment (RT)

Positive relationship with top management also can pursue organizational commitment. Top management has a greater impact on employee trust than their management style. Leaders also have a powerful source of influence on employee's work behavior. Improving the connection and communication between leaders and subordinates could be a crucial issue in organizational management. Every employee seeks to be treated with respect by those they work with. If employees are in touch with supportive colleagues or peer, they can do their performance (Iqbal A, Tufail MS, Lodhi RN, 2015).

*Hypothesis H1: Relationship and treatment has a positive impact on the staff loyalty at private companies in Can Tho City.*

### Training and development (TD)

It is related to the individual employee's capability of personal development and self-realization, and is viewed by employees as a very significant element that develops employee loyalty. The greater the possibilities of developing competencies and self-realization, the greater the experience of job satisfaction and loyalty among the employees. Workers should be given some level of autonomy to take decisions that might support their jobs (Kumar, D. N. S. & Shekhar, N, 2012). Developing effective employee loyalty gives enough room to sales executives to use their own intuition in solving immediate problem when they are on the field selling the banks' products or services. Several studies confirm this point of view and further emphasize the significant effect of training and education on job satisfaction, commitment and loyalty. The company is committed to equal employment opportunity in implementing its employment practices and the company is dedicated to providing a work environment free from discrimination and harassment, and where employees are treated with respect and dignity (Mwangi, E. K., & Omondi, M, 2016).

*Hypothesis H2: Training and development have a positive impact on the staff loyalty at private companies in Can Tho City.*

### **Income and remuneration (IR)**

It is the consumption and savings opportunity gained by an entity within a specified timeframe, which generally expressed in monetary terms. However, for households and individuals, income is the sum of all the wages, salaries, profits, interest's payments, rents and other forms of earnings received... in a given period of time. Remuneration often refers to the total compensation received by an executive, which includes not only the person's base salary but options, bonuses, expense accounts and other forms of compensation (Nasiri S, Najafbagy R, Nasiripour AA, 2015). The amount of remuneration and the form it takes is dependent on many factors, including the employee's value to the company (full-time vs. part-time, executive position vs. entry-level), the job type (salaried vs. hourly pay, commission vs. base pay, tipped positions) and the company's business model (some companies offer bonuses or employee stock options while others do not). One company might try to hire a desirable employee of another company by offering better remuneration (Nasiri S, Najafbagy R, Nasiripour AA, 2015).

*Hypothesis H3: Income and remuneration have a positive impact on the staff loyalty at private companies in Can Tho City.*

### **Work environment (WE)**

In many cases, the regulation leaves sufficient space for negotiation between the managers and staffs. The experience of most foreign investors in the region thus confirms what probably holds true for most parts of the world: that the actual relationship between the employer and employees depends far more on a good HR policy (Waqas, A., Bashir, U., & Sattar, M. F, 2014). In addition, the informal negotiations and relations between both sides rather than on a strict enforcement of all legal prescriptions which are usually used as a last resort when things go the wrong way. Besides, it located where a task is completed. When pertaining to a place of employment, the work environment involves the physical geographical location as well as the immediate surroundings of the workplace such as a construction site or office building (Sinha, C., & Sinha, R, 2012). Factors relating to the place of employment, such as the quality of the air, noise level and additional perks and benefits of employment such as free child care or unlimited coffee, or adequate parking.

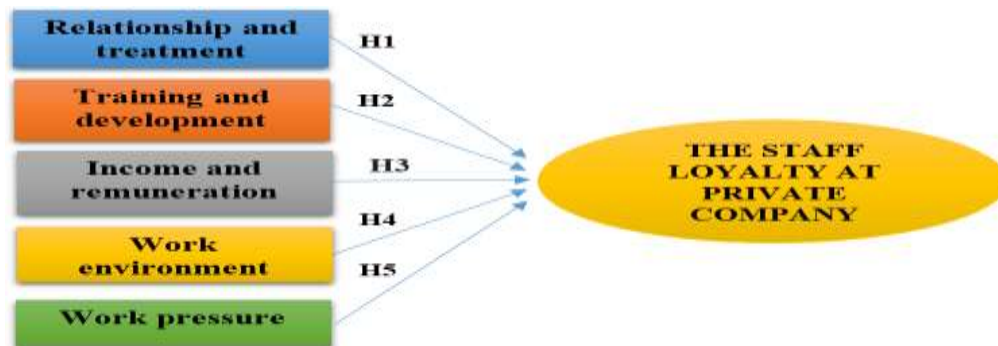
*Hypothesis H4: Work environment has a positive impact on the staff loyalty at private companies in Can Tho City.*

### **Work pressure (WP)**

Despite its popularity, the concept of work pressure is not very clear. We have addressed this issue elsewhere. However, in general it can be stated that work pressure can be seen as the result of rather taxing work situations. Work pressure is the cognitive energetic state that may result when persons evaluate the impact of the work demands of the present task and the manageability of the work that still has to be done (Nasiri S, Najafbagy R, Nasiripour AA, 2015). The pressure of work always causes many people to be in a state of stress, sometimes impasse and even arise negative thoughts. However, solving these problems is not as difficult as many people think (Osinbanjo, A. O., Salau, O. P., & Falola, H. O, 2014).

*Hypothesis H5: Work pressure has a positive impact on the staff loyalty at private companies in Can Tho City.*

*Research model for factors affecting the staff loyalty at private companies in Can Tho City following:*



(Source: Researchers proposed)

**Figure 1: Research model for factors affecting the staff loyalty at private companies in Can Tho City**

## METHODS OF RESEARCH

In this study, the researchers have the research process divided into three phases following:

Phase 1: Preliminary research is carried out by available theoretical research methods and through in-depth interview techniques to explore, correct and develop key elements and components of staffs' loyalty. The study has interviewed 30 experienced experts in human resource management. Besides, the researchers applied the expert methodology and based on 30 managers' consultation as group discussions are to improve the scale and design of the questionnaire. The results of surveying 30 human resource management experts and 30 managers at private companies who showed that factors affecting staff loyalty. The researchers created a list of possible factors gathered from the literature reviews as mentioned in the above studies.

Phase 2: The researchers tested a reliability scale with Cronbach's Alpha coefficient and exploratory factor analysis. Completed questionnaires were directly collected from the surveyed staffs related to the private companies because it took them less than 25 minutes to finish the survey. There are 450 staffs to survey among more than 50.000 staffs represented and answered 23 questions but 413 samples processed (37 samples lack of information). The primary sources of data collected from August 2018 to March 2019 in Can Tho City. The researchers surveyed by hard copy distributed. All data collected from the questionnaire are coded, processed by SPSS 20.0 and Amos. Any observational variables with a total correlation coefficient greater than 0.3 and Cronbach's Alpha coefficient greater than 0.7 would ensure reliability of the scale. This method is based on the Eigenvalue, the appropriate factorial analysis and the observed variables in the whole which are correlated when Average Variance Extracted is > 50%, the KMO coefficient is within 0.5 to 1, Sig coefficient  $\leq 5\%$ , the loading factors of all observed variables are > 0.5. In addition, the researchers testing scale reliability with Cronbach's alpha coefficient and exploratory factor analyses (EFA) were performed. (Hair, Anderson, Tatham, & Black, 1998).

Phase 3: The researchers had confirmatory factor analysis (CFA) and model testing with Structural Equation Modelling (SEM) analysis. The purpose of CFA helps to clarify: (1) Unilaterality, (2) Reliability of scale, (3) Convergence value, and (4) Difference value. A research model is considered relevant to market data if Chi-square testing is  $P\text{-value} > 5\%$ ;  $CMIN / df \leq 2$ , some cases  $CMIN/df$  may be  $\leq 3$  or  $< 5$ ;  $GFI, TLI, CFI \geq 0.9$ . However, according to recent researchers' opinion,  $GFI$  is still acceptable when it is greater than 0.8;  $RMSEA \leq 0.08$ . Apart from the above criteria, the test results must also ensure the synthetic reliability  $> 0.6$ ; Average Variance Extracted must be greater than 0.5 (Hair, B. B., & Anderson, 2010).

## RESEARCH RESULTS

**Table 1: Cronbach's alpha for factors affecting the staff loyalty**

<b>Relationship and treatment (RT)</b>	<b>Cronbach's Alpha</b>
RT1: The support from colleagues you always get the enthusiastic from their helping	0.940
RT2: The support from managers when you always have the working of the collaboration and eat dinner with them in the company	
RT3: The support from colleagues the group members often share their knowledge and skills to work in the company	
RT4: The disciplined ingenuity that your Superior disciplined sensitively in the company	
<b>Training and development (TD)</b>	<b>Cronbach's Alpha</b>
TD1: Company has a policy of training and professional development for employees	0.860
TD2: Company gives you the opportunity to develop personal ability in the job	
TD3: Company always creates advancement opportunities for qualified persons in the life	
TD4: Company has the opportunity to study and promote fair	
<b>Income and remuneration (IR)</b>	<b>Cronbach's Alpha</b>
IR1: The income you was rewarded with the results of the working at private company	0.947
IR2: The current salary is in line with your job at private company	
IR3: The income which is enough money to ensure your life and the family	
IR4: The income which is to commensurate with your salary the same position in another company	
<b>Work environment (WE)</b>	<b>Cronbach's Alpha</b>
WE1: The working conditions where your work is clean, cool, useful and comfortable	0.933
WE2: The working conditions where you provided a full range of hours of work, rest periods, and work schedules needed for the job	
WE3: The working conditions where make your job really become safe, happy, confident and powerfull	
WE4: Working time and your break is consistent at private company	
<b>Work pressure (WP)</b>	<b>Cronbach's Alpha</b>
NP2: Your job is very interesting, comfortable and wonderful at private company	0.885
NP3: You were given authority in accordance with your abilities at work	
NP4: The division of working is suitable for each position at private company	
<b>The staff loyalty (SL)</b>	<b>Cronbach's Alpha</b>
SL1: Relationship and treatment affecting the staff loyalty at private companies	0.869
SL2: Training and development affecting the staff loyalty at private companies	
SL3: Income and remuneration affecting the staff loyalty at private companies	
SL4: Work environment and Work pressure affecting the staff loyalty	

(Source: The researchers' collecting data and SPSS 20.0)

Table 1 showed that all of 23 variables surveyed Corrected Item-Total Correlation greater than 0.3 and Cronbach's Alpha if Item deleted greater than 0.7. Table 1 showed that Cronbach's Alpha for Relationship and treatment (RT) is 0.940; Cronbach's Alpha for Training and development (TD) is 0.860; Cronbach's Alpha for Income and remuneration (IR) is 0.947; Cronbach's Alpha for Work environment (WE) is 0.933; Cronbach's Alpha for Work pressure (WP) is 0.885 and Cronbach's Alpha for The staff loyalty (SL) is 0.869. This showed that all of Cronbach's Alpha are very reliability. Such observations make it eligible for the survey variables after testing scale. This data was suitable and reliability for researching.

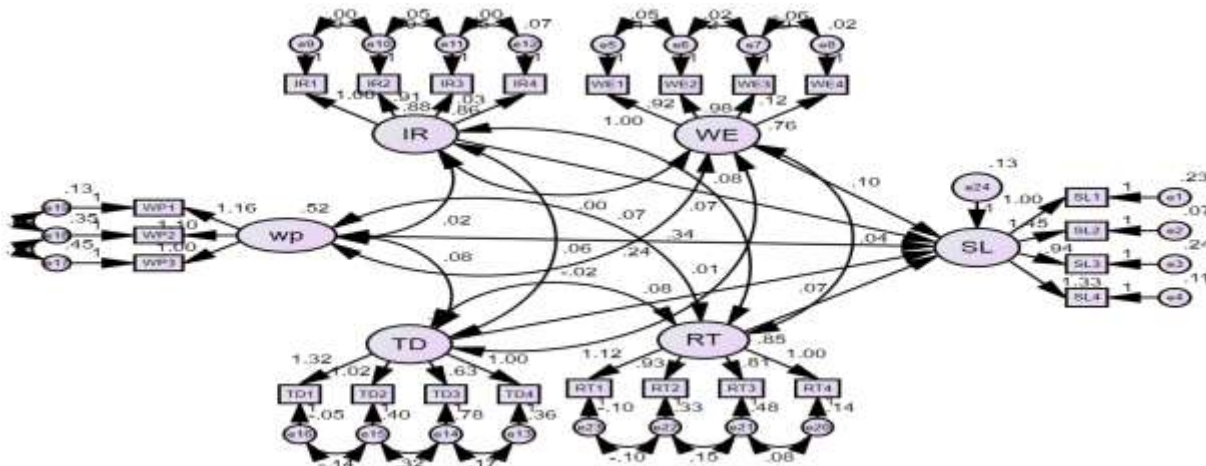
**Table 2: Coefficients from the structural equation modelling (SEM)**

Relationships	Coefficient	Standardized Coefficient	S.E	C.R.	P	Conclusion
SL <--- WE	.102	.196	.029	3.494	***	H4: Supported
SL <--- IR	.069	.141	.022	3.054	.002	H3: Supported
SL <--- WP	.240	.385	.041	5.923	***	H5: Supported
SL <--- RT	.068	.139	.020	3.368	***	H1: Supported
SL <--- TD	.078	.123	.027	2.880	.004	H2: Supported

Note: \*\*\* Significant at 1 percent (All t-tests are one-tailed)

(Source: The researchers' collecting data and SPSS 20.0, Amos)

Table 2 showed that column "P" < 0.01 with significance level 0.01 and column "Conclusion" H1: supported; H2: supported; H3: supported; H4: supported and H5: supported. This showed that five factors affecting the staff loyalty at private companies in Can Tho City with significance level 0.01.



(Source: The researchers' collecting data, SPSS 20.0 and Amos)

**Figure 2: The structural model showing the structural linkage between WE, IR, WP, TD, RT and SL**

Chi-square = 452.477; df = 201; p = 0.000; Chi-square/df = 2.251; GFI = 0.914; TLI = 0.961; CFI = 0.969; RMSEA = 0.055.

RT and SL

## CONCLUSIONS & MANAGERIAL IMPLICATIONS

### Conclusions

The loyalty of individuals in the organization plays an important role in improving productivity and efficiency of working for individuals and organizations. The most important purpose is creating motivation for the rational use of labor resources, effective exploitation of human resources in order to constantly improve the operational efficiency of the organization. Staff loyalty has great implications for the performance of the organization. Besides, the researchers surveyed 450 staffs working at private companies and answered 23 questions but sample size of 413 staffs processed. The data collected from August 2018 to March 2019 in CTC. Simple random sampling technique. Cronbach's Alpha and the exploratory factor analysis (EFA) analyzed and used for Structural Equation Modelling (SEM) technique. Finally, the findings of the study have five factors affecting the staffs' loyalty at private companies in CTC with significance level 0.01. The researchers had managerial implications for policymaker of private companies continued to improve the management capability better in the future following.

### Managerial implications

Human resources are always considered as the factors that create success and development for enterprises. Enterprises can only achieve high productivity when there are active and creative workers. Therefore, private companies should improve following: (1) private companies should use salary factor as a basic tool to stimulate material workers. Wages include: Basic salary, bonus, allowances, social benefits... These are the factors associated with employees, helping them to feed themselves and cover all criteria for individuals and families. The salary received must be commensurate with the contribution of the employee. When workers receive a salary that suits their efforts, they will constantly improve their academic and creative levels to contribute more to the organization. Therefore, in order to create employee's loyalty, the managers must first give enough salary to convince, secondly, rational use of financial incentives such as: salary increase commensurate with real work, apply incentives, pay benefits, bonus forms. Bonuses are a kind of physical stimulus that has a positive effect on workers in striving for better work. However, the salary and bonus work must be done fairly and transparently, otherwise it will cause discontent between employees and management levels. (2) The private companies should build an effective working environment. The working environment is always interested and respected by individuals because it is an essential element to help them fulfill their assigned tasks. Therefore, through observation, through surveys or direct exchanges, management levels need to recognize and grasp the working environment of staffs in the organization to regulate adjust positively as a basis for motivating them. (3) The private companies should promote opportunities for staff's development them assert and express themselves, recognize new opportunities for career development and become more attached to the organization, consciously strive and make more efforts in real life. Besides, the private companies should set clear direction for all individuals who is required by any organization. And organizations need to clearly define promotion policies, ensure promotion based on capacity, work efficiency, ensure fairness and equality in approaching advancement opportunities. (4) The private companies should set clear goals. Staffs will be motivated and targeted, actively seeking to achieve that goal. However, if the goal is too high or too low to be formally impossible, it will cause depressed psychology and loss of motivation to work. Therefore, it is necessary to base on the objectives of the organization and the unit, on the working

capacity to concretize the objectives for each individual. Besides, staff is the one who understands the specific objectives that can bring about the overall effect for the job. They understand whether they are capable of achieving that goal or not. Therefore, in the process of building goals for subordinates, managers need to exchange their opinions. Thus, they are ready to fulfill the goals set out, do not feel forced and work most effectively. (5) The private companies should ensure the assignment of work in accordance with the capabilities, capabilities and forte of officials, public servants and officials. This is also the task of cadre work. When staffs are assigned jobs in accordance with their abilities and abilities, they will develop their working capacity to the utmost in the most normal conditions. The regular and reasonable assessment will create a basis for appropriate solutions. Therefore, it is necessary to continue the renovation of staff evaluation work; build and perfect professional title criteria, specific evaluation criteria for each title and working position.

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