

KYMENLAAKSO AMMATTIKORKEAKOULU  
University of Applied Sciences  
International Business/ International Trade

DANG BAO TRUNG

**FACTORS ON EMPLOYEE LOYALTY IN HOANG PHUC COMPANY**

Bachelor's Thesis 2014

## ABSTRACT

KYMENLAAKSO AMMATTIKORKEAKOULU

University of Applied Sciences

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| DANG BAO TRUNG    | Factors on Employee Loyalty in Hoang Phuc Company      |
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How to retain competent employees in a highly competitive environment nowadays is a hard question challenging every company, particularly Hoang Phuc Company, an electronic wire manufacturer in Vietnam. Therefore, the objective of the paper is to examine factors on employee loyalty in Hoang Phuc Company.

The research uses quantitative method. First, hypotheses were made based on literature review. Then, data collected from the questionnaire were analysed with the software SPSS in order to evaluate the hypotheses and find out correlations among the factors.

The research identified five factors on employee loyalty in Hoang Phuc Company as follows: compensation, work environment, person-environment fit, empowerment, and leadership. It also indicated the level of influence of each factor towards loyalty. Accordingly, managers of the company can use the findings to adjust labour policies and human resource management strategies. At a higher level, the research may contribute a basis of work behaviour for managers in Vietnam in order to set adequate management strategies.

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## 1. INTRODUCTION

### 1.1. Rationale

Competitiveness on human resource is always a key issue in companies. To attract capable labour, enterprises continuously improve policies on human resource management. A more difficult challenge facing companies is how to retain employees from inviting temptation of other competitors. That is a hazard that Hoang Phuc Company want to prevent and limit.

Employee loyalty has a number of benefits for companies. In terms of profit, loyal employees tend to perform better than expected with their highest motivation and ability. That way, labour efficiency will definitely be at a high level, generating more profit for the company. In terms of cost, loyal employees are inclined to remain with the company, and always recommend their company as a good workplace. As a result, the company's recruitment cost will be lessened (Byars, et al 2001). In short, employee loyalty holds the key to the sustainable development of companies.

In order to retain employees, we must find out what affect employee's intention to remain with the company. Accordingly, with the suggestion of the director, I chose "Factors on employee loyalty in Hoang Phuc Company" as the thesis topic to explore what affects employees' loyalty, hence proposing solutions and strategies for the company. The research objects are all the employees in Hoang Phuc Company, including workers, experts, and managers.

### 1.2. Research Objective

The research objective is to determine factors affecting employees' loyalty in Hoang Phuc Joint-Stock Company. In other words, the research is to answer the following question: "What are the factors on employee loyalty in Hoang Phuc Company?" Hence, the company can apply the findings to adjust human resource management strategies and policies to

retain competent employees. At a higher level, the research may provide a kind of reference for enterprises to maintain and enforce employees' loyalty.

### 1.3. Thesis Structure

The thesis consists of 5 chapters. Chapter 1 is the overview of the thesis, including rationale, research objective and research questions. Chapter 2 is the literature review on theories of loyalty, and factors on employee loyalty such as compensation, work environment, value congruence, person-job fit, empowerment, and leadership, hence proposing hypotheses and measures for quantitative research. Chapter 3 is methodology of the research, methods employed to carry out the research. Chapter 4 is the core part of the thesis, presenting findings and analyses of quantitative research, that is, measuring factors on employee loyalty and confirm the hypotheses. Chapter 5 is the suggestion and implications from the findings for the company, research limitations, and further studies.

## 2. EMPLOYEE LOYALTY

### 2.1. Definition

The attempt to define loyalty can be started from mention the principle of common interconnectedness, the core of dialectical materialism (Marx & Engels, 1938) as a basis to examine the concept. That is, there is nothing, no phenomenon, or no process existing individually, absolutely isolated with the others; on the contrary, they exist in relation, binding, dependence, inter-conversion. The principle implies that when considering an object, we must put it in the relations with the others, i.e. the whole context the object exists in. That way, we can draw conclusions comprehensively and precisely.

There is no doubt that, while the subject of loyalty is always an individual, objects of loyalty varies according to eras. In the Middle Ages, when all authority was centralized in monarchs and nobles/officials, the object of loyalty was masters in the master-servant relationship. In

the feudal China, loyalty, known as *Zhong* in Chinese that is interpreted as doing the best you can do for others (Confucius), was put in priority among a plenty of morals and virtues. At that time, the biggest mission of citizens was loyal to the king; if the king commanded you to die, you would have to obey, or you would be considered disloyal to the king. Mentioning loyalty, the Chinese will immediately think about Ji Xin who sacrificed his life to save Emperor Gaozu of Han, You Yu who used his back to shield King Zhao of Chu from the rival's spears, or Yu Rang who swallowed coal to revenge for the master.

In this era that everyone is equal, loyalty to an individual has been no longer a duty. Hence, loyalty is mainly mentioned in the relation between employees and their organisations. There are a great number of definitions of loyalty. Lawrence (1985) emphasized the devotion of workers to their organisations as reflected in their compliance with instructions from supervisors. Buchanan (1974) viewed loyalty broadly as an employee's feelings of attachment to an organisation. Butler (1984) mentioned supporting an organisation and the individuals within it. Logan (1984) described loyalty as feeling attachment when an employee passed on an attractive position with another organisation. Reichheld (1996) asserted that loyalty was remaining with one organisation for some length of time. Recently, researchers have paid attention to employees not harming the organization in defining employee loyalty. Kant (2007) regards employee loyalty as "an implicit promise not to bring harm to other." Dooley (2005) argues that loyal employees must not betray their company for their own sake. Each of the above definitions just describes an aspect of employee loyalty; all of them are approached either from employee attitude towards organisations like attachment (Buchanan, 1974) or from employees' specific acts such as devotion (Lawrence, 1985), supporting (Butler, 1984), remaining (Reichheld, 1996), not harming (Kant, 2007), and not betraying (Dooley, 2005). Loyalty is a sentimental state of someone to someone else or something, a pretty vague concept; therefore, it must be defined based on other clearer sentimental states or specific behaviours. All in all, a common formula of employee loyalty is ***'having positive feelings towards the organisation or doing positive things for the organisation.'*** Loyalty, however, is a notion relating to human behaviour and sentiment,

which are hard to explain thoroughly as affected by numerous factors such as personality, culture, emotion, value, and so on (Beer, 2009). For instance, love, to someone, can mean 'always missing and thinking about his lover,' but to another one, love is doing the best for his lover. Unlike natural science principles that can be all agreed over the world, concepts concerning morals or philosophy are specific to each culture, or even individual (Oldenqvist, 2006). Therefore, what I'm attempting to do is not to find out a versatile key to all locks, but one only to my lock. In other words, the notion that is best appropriate for the research will be chosen. Because the company's concern is how to retain employees, the research will employ the definition of Mowday (1979), that is, *"Employee loyalty is the intention or desire for remaining with the organisation."*

'Faithful' is often used as an interchangeable synonym of 'loyal', but in fact, they have a significant difference in usage. The Cambridge dictionary (5th edition) defines: "Faithful is firm and not changing in your friendship with or support for a person or an organization, or in your belief in your principles." Hence, 'faithful' and 'loyal' both describes closely similar concepts. Nonetheless, because of the "firm and not changing" characteristic of 'faithful', it must be mentioned in the husband-wife relationship or the customer-business relationship, whereas 'loyal' renders the master-servant relationship. In other words, the subjects and objects of 'faithful' and 'loyal' are different.

## 2.2. Factors on employee loyalty

### 2.2.1. Compensation

Compensation is the broadest term of payment given to employees in exchange for work they perform (Sarma, 2009). It can be wages, salaries, commissions, or bonuses. Wage, salary, and income are often used interchangeably, but they, indeed, are not the same thing. Wages are payment on the basis of hourly rates, daily rates, or quantity of work; in contrast, salary is a fixed amount of payment, often received by month, regardless of the number of working hours. The total amount employees get each month is called income. Besides



earning a wage or salary, most employees may gain other benefits as leave travel concession and holidays, health care, insurance and pensions.

The main challenge to any organisation is how to lay down a fair and equitable compensation system. Enterprises might hold various views on compensation system, but in general, they all attempt to achieve the following goals (Beach, 2007): attraction, retention, motivation, and legal compliance. The higher salary enterprises pay, the more attractive to qualified applicant they are. A fair and equitable compensation system will help to retain competent employees somewhat. All components in compensation such as basic salary/wage, rewards, and allowances need to set effectively in order to encourage employees. Enterprises must conform to the labour law and related acts on compensation.

Income from a job, without any doubt, is often considered as a measure of its quality or the level of somebody's success. High income helps satisfy employees' physical needs, so they can devote wholeheartedly to the job, paying more attention to the self-actualisation need. Adequate income greatly affects employees in the following aspects (Louden and Newton, 2009): highly motivated to perform well, less inclined to look for another job, a higher sense of responsibility for their job, and a higher sense of discipline in complying with the organisation's rules.

Hence, the first hypothesis is:

*H1: Compensation affects employee loyalty.*

### 2.2.2. Work environment

The term 'work environment', otherwise known as 'working conditions' means the surrounding conditions in which employees work (Cardy, 2003). Workers' performance and behaviour are always affected by physical working conditions such as noise, lighting, temperature, and ventilation (Sarma, 2009), which are each discussed in more detail below.

Noise: Noise, annoying sounds, is the biggest obsession in industry. The American Standards Association (2008) defined noise as 'undesired sound.' When noise gets too severe, it not only diverts employees but often triggers both mental and physical side effects (Bernardin and Russel, 1993). It may hamper efficiency and cause fatigue apart from various health disorders. Increasing mechanisation has caused considerable rise in industrial noise pollution, provisional or enduring damage to hearing and interruption in speech communication. Noise control is a system-related issue, consisting of noise source, the path of sound propagation and the receiver (Megginson, 2004). Noise prevention and reduction measures must be targeted at: controlling sources of noise; impeding the spread, boost and reverberation of noise; and isolating workers. Noise prevention measures need followed wherever necessary. While offices can be made of noise-proof, making factories absolutely noise-free is another story that requiring more effort (Byars, 2001). The level of noise can be lessened by designing better machines, but it cannot be completely excluded. Accordingly, workers must learn to cohabit with some noise. It is commonly admissible that noise is a distractor and that it must be maintained at the minimum degree in order to attain better outcomes. While complete eradication of noise in factory situation is neither possible nor preferable, some effort should be taken to maintain it within permissible limits.

Lighting: In spite of the fact that human beings have an outstanding capability to adapt to the environment, well-being, morale and fatigue are impacted by light and colour (Beach, 2007). Instances of visual disorders at workplace are commonplace, and their causes are diverse. They must be considered seriously, and workplace had better strive to give optimum visual states. According to Boxall and Purcell (2002), good lighting should meet: optimal illumination, uniform lighting, avoidance of glare, appropriate contrast, and correct colour. The result of adequate illumination at workplace has been proved to significantly affect human performance (Beach, 2007). Significant of the degree of illumination varies based on the task in hand. What is good and correct lighting depends on the visual task to be

performed. Proper lighting yields a joyful mood and results in partial enhancement in efficiency and productivity (Louden and Newton, 2009).

Ventilation: Industrial ventilation is regarded as a core part of air-conditioning when it goes with heating, cooling and humidifying appliances to bring the interior of work space to an appropriate state for products or for the thermal comfort of workers. When used alone, ventilation is frequently either to get occupants cool or to lessen the density of a contaminant in the air inhaled by them (Bhadury, 2000).

Temperature: The temperature of a human being's vital organs must be kept within small limits, if he is to survive from subjection to inordinate environments (Dennis, et al., 1990). When heat exerts on man, his first reaction is a feeling of discomfort. Highest acceptable limits must be established for the thermal extremity of workplace in order to maintain thermal balance either throughout a working day or over the duration needed for finishing work. If the integration of workload and environmental heat is so big that thermal balance cannot be kept balanced, workers will get vulnerable to heat collapse. While physical work gets worse in conditions of high temperature and sluggish air, there is no proof to claim that under similar states, mental work also worsens. Those from hot climate with high humidity seem to perform as much mental work as those from cool climate although they seemingly have more breaks. Although there might be economic and technical challenges in declining the damaging effects of heat and illumination, continuing efforts are crucial to provide an adequate and appropriate work environment (Christopher, 2008).

Work environment has a strong impact on employees' efficiency and satisfaction. Clearly, a faintly-lighted, inadequately-ventilated and crowded workplace obstructs labour productivity. Blake (2006) concludes that poor working conditions cause greater fatigue, negligence, absenteeism and indiscipline among the employees. According to a research by Al-Anzi (2009), over 90% respondents confirm the quality of their working environment affects their mood and attitude about their work, and about 89% respondents claim the

quality of their working environment is very important to them view of job satisfaction. Obviously, working in a convenient work environment makes workers comfortable, powerful, and enthusiastic, thus focusing on perform their tasks well.

Therefore, the second hypothesis is:

*H2: Work environment affects employee loyalty.*

### 2.2.3. Value congruence

Value congruence is equivalent to the concept of person-organisation fit, or the matching between a person's values and believes with the organisation's values and rules (Netemeyer, 1997; O'Reilly, 1991). Value congruence is a very important basis for numerous researched factors (Chatman 1991). Argyris (2008) assumes that the incongruence between an individual's aspirations and needs for growth and organizational forms causes unintended consequences such as passivity, aggression and related behaviours that interfere with the achievement of organizational goals. Recent research on organizational behaviour has centred on empirical studies of value congruence. Kristof-Brown, Zimmerman, and Johnson (2005) have viewed value congruence as "the compatibility between an individual and a work environment that occurs when their characteristics are well matched." Value congruence plays as a representation of person-culture fit and shows that employees adapt better to their work environment when the organizational values and their personal value orientations are congruent (Vandenberghe, 1999).

Google is probably the pioneer of developing and maintaining value congruence. Stacy Savides Sullivan, Google's Chief Culture Officer, described why Google puts so much emphasis on its recruitment. Sullivan stated that:

"I think one of the hardest things to do is ensure that we are hiring people who possess the kind of traits that we're looking for in a Google-y employee. Google-y is defined as somebody who is fairly flexible, adaptable and not focusing on titles and

hierarchy, and just gets stuff done. So, we put a lot of focus in our hiring processes when we are interviewing to try to determine first and foremost does the person have the skill set and experience potential to do the job from a background standpoint in addition to academics and credentials. But also are they going to be good culture or team fits” (Mills, 2007).

Value congruence is obvious at Google since it attempt to achieve a good fit between the type of employees and the maintenance of its culture and core values-- the elimination of hierarchy, and collaborative environment.

Empirical evidence indicates that a high level of value congruence has various benefits. Value congruence was verified to be correlated with work attitudes such as job satisfaction and organizational commitment (Boxx et al., 1991; Bretz & Judge, 1994; Chatman, 1991; Downey, Hellriegel, & Slocum, 1975; O'Reilly, 1991; Posner, Kouzes & Schmidt, 2000; Tziner, 2004; Vancouver & Schmitt, 1991). Value congruence can be used to anticipate intention of quit and turnover (Chatman, 1991; O'Reilly et al., 1991; Vancouver et al., 1994), related to prosocial behaviours such as organizational citizenship behaviours (O'Reilly & Chatman, 1991), self-reported teamwork (Posner, 1992), and contextual performance (Goodman & Svyantek, 1999). Cable (1996) discovers that organization members who share the values of the organization are inclined to be more committed to the organization, more satisfied with their jobs, and less likely to switch. A high level of congruence between individual and organizational values can result in such positive job attitudes as job involvement, career success, health and adaptation, and lower stress (Saks & Ashforth, 1997), and to instinctive behaviour benefiting the organization (Caldwell et al., 2004; Goodman & Svyantek, 1999; O'Reilly & Chatman, 1991). Recent research has indicated that value congruence is an indispensable condition for employees' positive working attitude and behaviour (Netemeyer, 1997). Employees tend to love their job, work more dedicatedly, and remain with the organisation when their goals and values are congruent with those of the organisation (Vancouver & Schmidt, 1991).

Thus, the third hypothesis is:

*H3: Value congruence affects employee loyalty.*

#### 2.2.4. Person-job fit

Person-job fit (P-J fit) means the match between the capabilities of a person and the demands of a job or the desires of a person and the attributes of a job (Edwards, 2003). The elements of need-supply perspective contain the wants of the individuals and the characteristics and attributes of the job that may meet those desires. Individuals' desires consist of goals, psychological needs, interests, and values. Job supplies are regarded as general characteristics of occupation, pay, or other job attributes. The demand-ability perspective comprises the job demands that are mandatory to perform the tasks of the job and the capabilities that can be utilized to satisfy the job requirements. Job demands typically include the knowledge, skills, and abilities needed to work at a satisfactory degree (Caldwell & O'Reilly, 2009). Abilities consist of education, experience, and employee aptitudes or knowledge, skills, and abilities (French et al., 2006).

There is considerable evidence that a high level of P-J fit has a number of positive outcomes. Edwards (2003) confirms that job satisfaction, low job stress, motivation, performance, attendance, and retention are the positive outcomes of P-J fit. When P-J fit is appraised as the compatibility between what an employee desires and gains from performing job, it is correlated with improved job satisfaction, adjustment, and organizational commitment, and lessened intention to switch. Other benefits for task performance have been demonstrated when the definition of P-J fit is extended to contain the match between abilities and their job demands (Lawler, 2011). Buckley and Russell (1997) prove that validated and structured processes for identifying P-J fit result in more effective selection of employees in comparison to unstructured techniques.

Accordingly, the fourth hypothesis is:

*H4: Person-job fit affects employee loyalty.*

#### 2.2.5. Empowerment

Empowerment is currently a prevalent term in human resource management. Sarma (2009) claims: "Empowerment is the process of allowing workers to set their own goals, make decisions, and solve problems within their spheres of responsibility and authority."

Empowerment would be easy and complicated simultaneously (Peter, 2002). It is easy because it notifies supervisors to stop bossing people around too much and to allow them to perform their tasks. It is complicated in that supervisors and employees are, generally, not trained to do that. A significant amount of time, training and practice may be needed to truly empower employees. Purcell (2002) abridges the characteristics of an empowered organisation as follows:

Trust: Existing a belief that employees can be trusted to deal with their work, hence a minimal need for surveillance, scrutiny, directives and layers of management.

Curiosity: eager to learn from others and about how the company runs.

Forgiveness: Mistakes must be somewhat accepted and tolerated.

Togetherness: flexible to co-operate with any team regardless of hierarchy to aim at the shared goals and values.

According to Hradesky (1995), there are various benefits from empowerment as follows:

It qualifies the best utilization of employees' understanding and competencies, implants engagement and a sense of ownership in the employees and fosters employee productivity.

It generates a set of problem solvers in the organisation, establishing an environment helpful for continual advancement in productivity, product quality, and other measures of individual and group performance. It strengthens open communication at all levels in the organisation.

Hence, the fifth hypothesis is:

*H5: Empowerment affects employee loyalty.*

#### 2.2.6. Leadership

“The challenge of leadership is to be strong, but not to be rude; be kind, but not weak; be bold, but not bully; be thoughtful , but not lazy; be humble, but not timid; be proud, but not arrogant; be humorous, but without folly.” (Rohn, 1992, pp.250)

Needless to say, leadership holds the key to the success of any organisations. There are a large number of definitions and approaches to leadership, but in general, they are all based on the following basic assumptions.

The first assumption is that leadership is an organizational or group phenomenon, expressed through role behaviours performed by an individual in order to influence and regulate the activities of group or organizational members towards a common goal. The second assumption is that leadership is both a relational and an attributional phenomenon. That is, leadership comes into play when followers grasp the leader’s behaviour in a certain manner, receive the leader’s influence attempts, and then credit leadership status to the individual. The third assumption is that leadership can be examined in terms of its contents and processes. In other words, comprehending the leadership phenomenon needs the characteristics of: the basic leadership elements – the leader, the followers, the situational context; and the major relational processes – the leader-follower influence process, the leader-context relational process, and the context-follower relational process (Mendonca, 2006).

The classical research approach to leadership is to identify leader role behaviours in groups. Researchers pointed out three leader roles – social role, task role, and decision-making role (Rue, 2002). Nonetheless, that approach seems to zoom in the daily routine maintenance of the status quo, rather than the true phenomenon of future leadership as observed in society.



For this reason, leadership studies need to shift from the current preoccupation with task, people, and participative orientations to the crucial behaviours seen in leaders who create deep changes in both the organizations and in their members – behaviours such as visioning, articulating a vision, and developing strategies to attain the vision. This trend in leadership research is called the ‘neo-charismatic paradigm’ (Conger and Kanungo, 2003), and the Conger-Kanungo Model of Charismatic Leadership is the best representative. The model regards charismatic leaders as moving organizational members from an existing state towards a desired future state. It comprises three stages. Stage 1 is evaluation of the status quo. In this stage, leaders analytically assess the status quo to figure out the shortcomings and the deficiently utilized opportunities as well as the limitations in the environment. Eventually, charismatic leaders are greatly subtle to both the social and physical environments. They will implement all the methods for pragmatic evaluation, including inside and outside sources. Stage 2 is formulation and articulation of the future vision. After evaluating the environment, charismatic leaders constitute and proclaim an idealized vision, the desired goals for attaining the organization’s objectives. Charismatic leaders are generally distinguished by a sense of strategic vision. Stage 3 is accomplishing the vision. In the final stage, charismatic leaders participate in behaviours that form followers a belief in the leader’s vision, more particularly, in the leader’s capability to attain the organization’s goals necessary to accomplish the vision.

Charismatic leadership brings about a ton of benefits. Charismatic leadership behaviours will lead to high internal cohesion, low internal conflict, high value congruence, and high consensus. Thanks to the leading of a charismatic leader, followers are concurrent to achieve the common goals. At the individual level, followers’ results can be determined in two manners: the followers’ behaviours and attitudes toward the leader and toward the task. Regarding followers’ behaviours with the charismatic leader, followers show a high degree of respect for the leader, a high degree of faith in the leader, and a high level of satisfaction with the leader. Concerning the followers’ attitudes to the task, followers manifest a high

degree of cohesion within the team group, a high level of task performance, and a high level of feeling empowered within the organization to complete tasks (Conger, 2000).

Accordingly, the sixth hypothesis is:

*H6: Leadership affects employee loyalty.*

### 2.3. Hypotheses

After a comprehensive literature review, hypotheses are generated as follows: H1: Compensation affects employee loyalty, H2: Work environment affects employee loyalty, H3: Value congruence affects employee loyalty, H4: Person-job fit affects employee loyalty, H5: Empowerment affects employee loyalty, H6: Leadership affects employee loyalty. The following figure is the theoretical framework of the research.

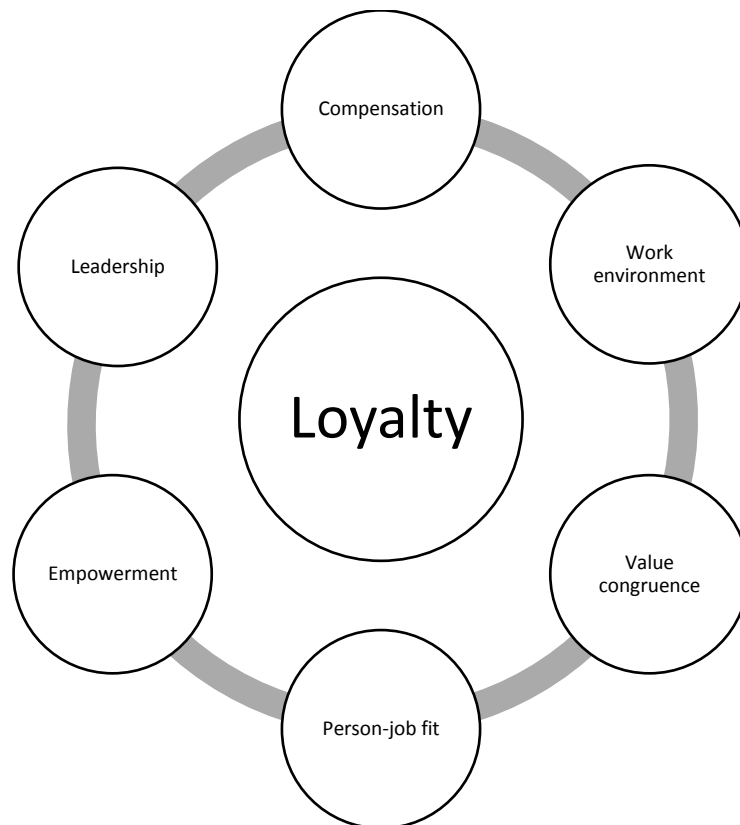


Figure 1.1: Theoretical framework

## 2.4. Measured factors

Employee loyalty is affected by numerous factors. However, with the scope of this research, the factors that are regularly appeared in research on employee loyalty will be chosen. Therefore, the scale in the paradigm includes six independent factors and one dependent factor. Variables are constituted based on the literature review.

### 2.4.1. Independent factors

#### 2.4.1.1. Compensation

Compensation includes wage/salary, allowances, rewards, and fringe benefits. Employee satisfaction with compensation is rendered in the correspondence with employees' capacity or responsibility, and in living standard. Therefore, factor 'compensation' is measured by the three following variables:

- My wage/salary corresponds to my capacity and responsibility.
- I live totally well with my current wage/salary.
- Allowances, rewards, and fringe benefits are adequate.

#### 2.4.1.2. Work environment

Work environment includes equipment in the workplace, workplace's temperature, light, and noise. Employees are satisfied with work environment when they feel comfortable, and safe in the workplace. Therefore, factor 'work environment' is measured by the four following variables:

- Equipment in the workplace is very good.
- The work environment is comfortable.
- The workplace's temperature, light, and noise are appropriate.
- I feel safe in the workplace.

#### 2.4.1.3. Value congruence

Value congruence is the compatibility between employees' values and the company's values. It occurs when employees realize and commit to the company's values and strategies. Therefore, factor 'Value Congruence' is measured by the three following variables:

- The values and beliefs I respect and those the company pursues are matching.
- I respect the company's culture.
- I commit to follow the company's strategies.

#### 2.4.1.4. Person-job fit

Person-job fit is the matching between employees' capacity and the job's requirements. It exists when employees feel satisfied with their jobs. Hence, factor 'Person-job fit' is measured by the three following variables:

- My competence is suitable for job requirements.
- I feel motivated and happy with working.
- I love my job.

#### 2.4.1.5. Empowerment

Empowerment is the process of allowing workers to set their own goals, make decisions, and solve problems within their spheres of responsibility and authority. Hence, factor 'empowerment' is measured by the five following variables:

- My supervisor lets me perform my tasks by myself.
- My supervisor lets me make decisions.
- My supervisor lets me set my own goals for work.
- My supervisor generally forgives my minor mistakes by my wrong decision making.
- My supervisor believes in my work evaluation.

#### 2.4.1.6. Leadership

Modern leadership is regarded as moving organizational members from an existing state towards a desired future state. Therefore, factor 'leadership' is measured by the four following variables:

- My supervisor gave me a clear path for my personal development.
- My supervisor always listens to my opinions and care about my interests.
- My capabilities are improved thanks to my supervisors' training.
- I admire and respect my supervisor.

#### 2.4.2. Dependent factor

According to Mowday (1979), employees are loyal to a company when they are willing to recommend the company as a good workplace, feel proud when talking about the company's products, and are inclined to remain with the company. Hence, factor 'loyalty' is measured by the three following variables:

- I am willing to recommend my company as a good workplace.
- I feel proud when talking about my company's products.
- I will work here for a long time even though other companies might offer me a better wage.

### 3. METHODOLOGY

#### 3.1 Quantitative research

According to Jha (2008), qualitative research, a prevalent scientific method widely applied in various academic disciplines, is “detailed descriptions of situations, events, people, and interactions, observed behaviours, direct quotations from people about their experiences, attitudes, beliefs, and thoughts and excerpts or entire passages from documents, correspondence, records, and case histories.” Its basic objective is to gather in-depth understanding on research objects using words. Qualitative data can be acquired from a number of means participant observation, non-participant observation, field notes, reflexive journals, structured interview, semi-structured interview, unstructured interview, and analysis of documents and materials (Marshall, 1998). This paper uses analysis of documents and materials to propose hypotheses and measures for the quantitative research.

In contrast with qualitative research that uses words to describe objects, quantitative research is a systematic empirical examination by collecting numerical data that are analysed using mathematically based methods (Muijs, 2004; Jha, 2008). It is mostly viewed as hypothesis testing exploration. Quantitative research aims to explore relationships among phenomena, and their classification. The research objective is to figure out factors on employee loyalty in Hoang Phuc Company; therefore, quantitative research is the best choice here.

Basically, the research consists of two stages. In stage 1, hypotheses and measures are made based on existing literature. In stage 2, data collected from the questionnaire are analysed with the software SPSS in order to evaluate the hypotheses and find out correlations among the factors. The specific steps are shown in the following diagram.

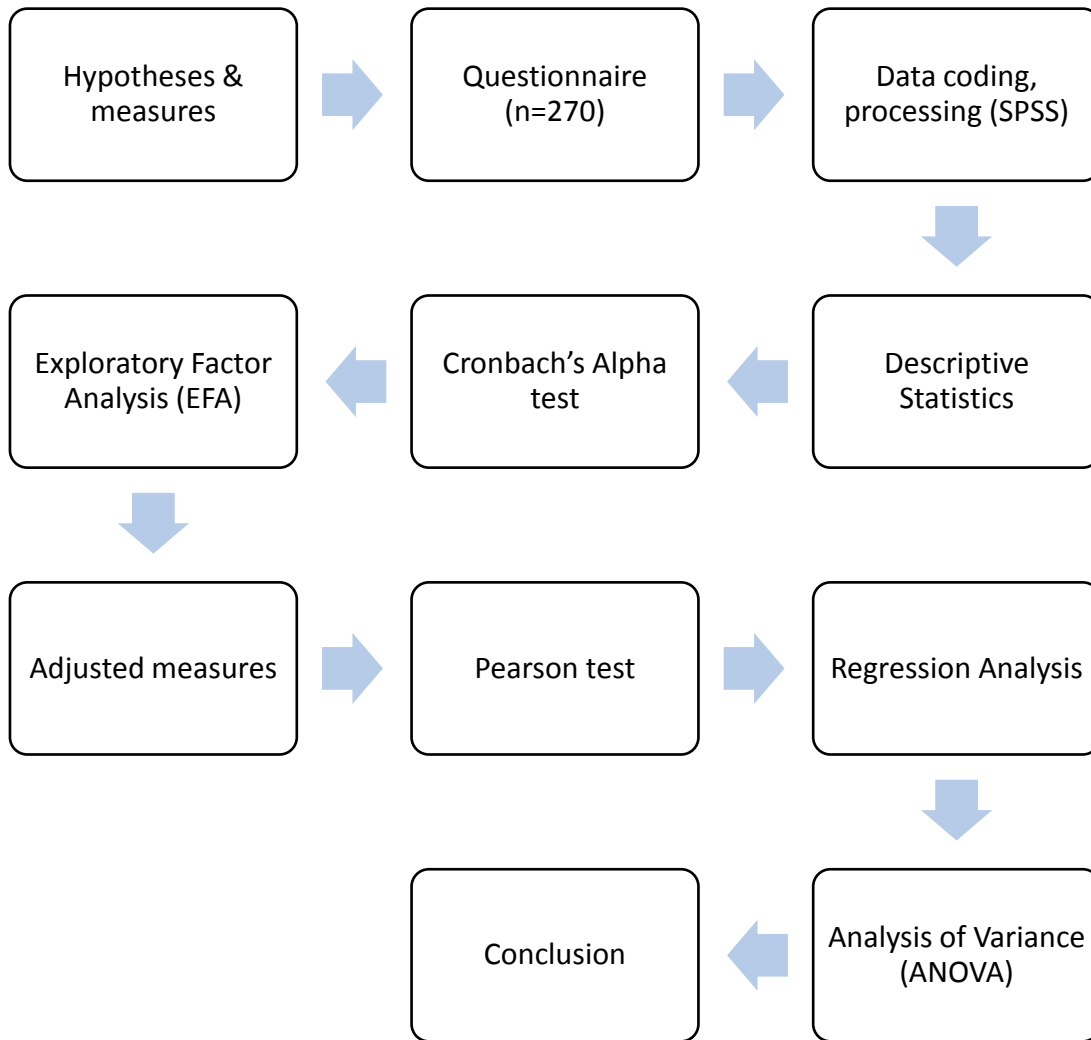


Figure 2.1: Research framework

### 3.2 Data Acquisition

The research uses a questionnaire to collect information from employees of Hoang Phuc Company. The questionnaire is designed based on 6 independent variables and 1 dependent variable derived from the qualitative research. It comprises 25 questions constructed as statements on the Likert scale, ranging from 'totally disagree' to 'totally agree'. 270 copies of the questionnaire will be distributed to the employees. They will be told that this survey is to adjust the company's labour policies, in other words, to their own benefits. As a result, they

had better take it sincerely and as precisely as possible. For that reason, the survey's reliability is at a high level.

### 3.3 Data Analysis

#### 3.3.1 Data processing

After data collection, the next step is data coding, the process of adding value based on the responses of the questionnaire. Each variable will be attributed a label and a code number shown on the questionnaire for analysis convenience.

|                         | <b>Variables</b>   | <b>Labels</b> |
|-------------------------|--|---------------|
| <b>Compensation</b>     | My wage/salary corresponds to my capacity and responsibility.                              | Q1.1          |
|                         | I live totally well with my current wage/salary.   | Q1.2          |
|                         | Allowances, rewards, and fringe benefits are adequate.                                     | Q1.3          |
| <b>Work environment</b> | Equipment in the workplace is very good.   | Q2.1          |
|                         | The work environment is comfortable.   | Q2.2          |
|                         | The workplace's temperature, light, and noise are appropriate.                             | Q2.3          |
|                         | I feel safe in the workplace.  | Q2.4          |
| <b>Value congruence</b> | The values and believes I respect and those the company pursues are matching.              | Q3.1          |
|                         | I respect the company's culture.   | Q3.2          |
|                         | I commit to follow the company's strategies.   | Q3.3          |
| <b>Person-job fit</b>   | My competence is suitable for job requirements.  | Q4.1          |
|                         | I feel motivated and happy with working.   | Q4.2          |
|                         | I love my job.   | Q4.3          |
| <b>Empowerment</b>      | My supervisor lets me perform my tasks by myself.  | Q5.1          |
|                         | My supervisor lets me make decisions.  | Q5.2          |
|                         | My supervisor lets me set my own goals for work.   | Q5.3          |
|                         | My supervisor generally forgives my minor mistakes by my wrong decision making.            | Q5.4          |
|                         | My supervisor believes in my work evaluation.  | Q5.5          |
| <b>Leadership</b>       | My supervisor gave me a clear path for my personal development.                            | Q6.1          |
|                         | My supervisor always listens to my opinions and care about my interests.                   | Q6.2          |
|                         | My capabilities are improved thanks to my supervisors' training.                           | Q6.3          |
|                         | I admire and respect my supervisor.  | Q6.4          |
| <b>Loyalty</b>          | I am willing to recommend my company as a good workplace.                                  | Y1            |
|                         | I feel proud when talking about my company's products.                                     | Y2            |
|                         | I will work here for a long time even though other companies might offer me a better wage. | Y3            |



After all data are transcribed into computer, SPSS software have data cleaning functions, detecting mistakes such as value missing. After all, the author get 250 satisfactory samples (270 copies are distributed), reaching 92,5%.

### 3.3.2 Descriptive Statistics

The first analysis is descriptive statistics. Descriptive statistic is a set of brief descriptive coefficient to summarize a given data set, which can either be a representation of the entire sample or a population. It is applied to describe the basic features of the data in a study, providing a simple summary about the sample and the measures with simple graphics analysis (Trochim, 2006). In this research, descriptive statistics is employed to create charts of employees' background information.

### 3.3.3 Scale Assessment

Two tools—Cronbach's Alpha and Exploratory Factor Analysis (EFA)—are used to assess the validity and reliability of the scale.

Cronbach's Alpha, a coefficient of internal consistency, is a concept used in statistics to evaluate the reliability of a scale, thus eliminating unsatisfactory variables (Cronbach, 1951). The purpose of this test is to check if variables measure a common concept. In other words, it can check whether respondents answer seriously or randomly. According to Nunnally (1994), a variable must meet the two following criteria, otherwise eliminated:

- Corrected item-total correlation  $\geq 0,3$
- $\alpha \geq 0,6$

Hair (1998) states 'exploratory factor analysis' a statistical method used to explore the underlying structure of a relatively large set of variables, identifying the underlying

relationships between measured variables. In EFA, factor loading's values that are more than 0,5 are considered significant. KMO (Kaiser-Meyer-Olkin) is an indexing indicating the degree of suitability of EFA method; indexes that is less than 1 and more than 0,5 are considered suitable. Bartlett's test is used to test if the EFA test is statistical significant. In short, EFA must meet the following requirements:

- Factor Loading > 0,5
- $0,5 < KMO < 1$
- Bartlett's test Sig. < 0,05
- Rotation Sums of Squared Loadings > 50%
- Eigenvalue > 1

### 3.3.4 Inferential Analysis

#### 3.3.4.1 Pearson Correlation Analysis

Pearson's chi-squared test ( $\chi^2$ ) is used to measure the independence between a pair of variables (Gosall, 2012). If the variables are closely correlated, multicollinearity, a statistical phenomenon in which two or more predictor variables in a multiple regression model are highly correlated, must be taken into account. The cause of this problem is that statements made by the researcher are nearly the same. It occurs when Pearson index is more than 0,3.

#### 3.3.4.2 Multiple Regression Analysis

Multiple regression analysis is a statistical method that is applied to analyse the relationship between the dependent variable and multiple independent variables, in which more than one independent variable is supposed to influence the dependent variable (Srivastava, 2011). In the multiple regression analysis, multiple independent variables of the study will be entered into the same types of regression equation. A separate regression of each variable will be determined to define the relationship with the dependent variable. The relationship that takes place between each dependent variable and independent variable is linear. All the

variables of the questionnaire are measured through the Likert scale. Multiple regressions will be identified using the following formula to study the relation between the independent variables and the dependent variable.

$$Y = \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \dots + \beta_nX_n$$

$Y$  represents the dependent variable, coefficient  $\beta$  the partial regression coefficient.

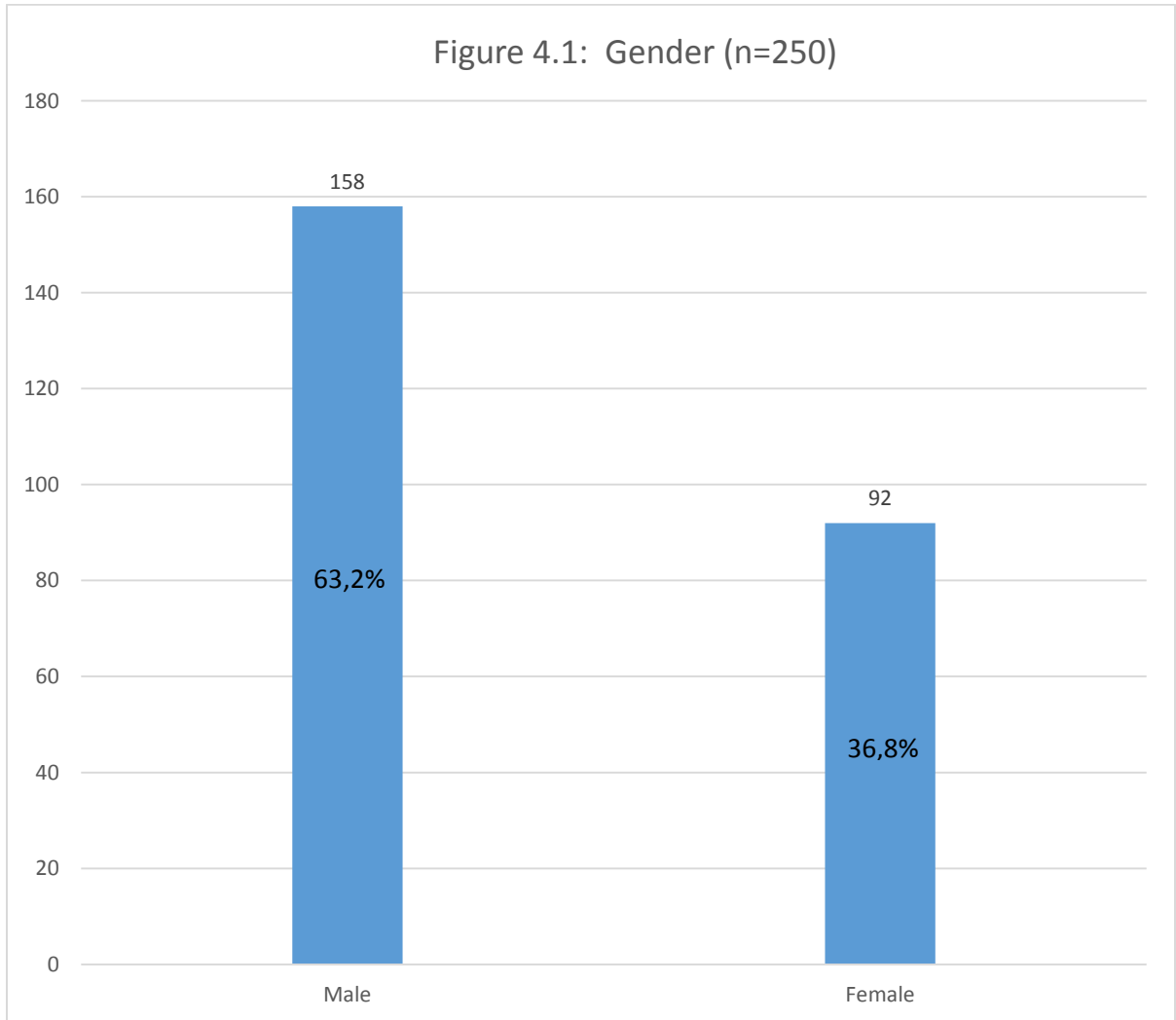
#### 3.3.4.3 Analysis of Variance (ANOVA)

Analysis of variance (ANOVA) is a statistical test employed to analyse the differences among group means (Belle, 2008). If we have only two groups, we could apply the t-test to compare the means of the groups, but it might come unreliable in case of more than two groups. In case of only two means, the t-test will give the same outcomes as the ANOVA. There are four fundamental assumptions in ANOVA as follows:

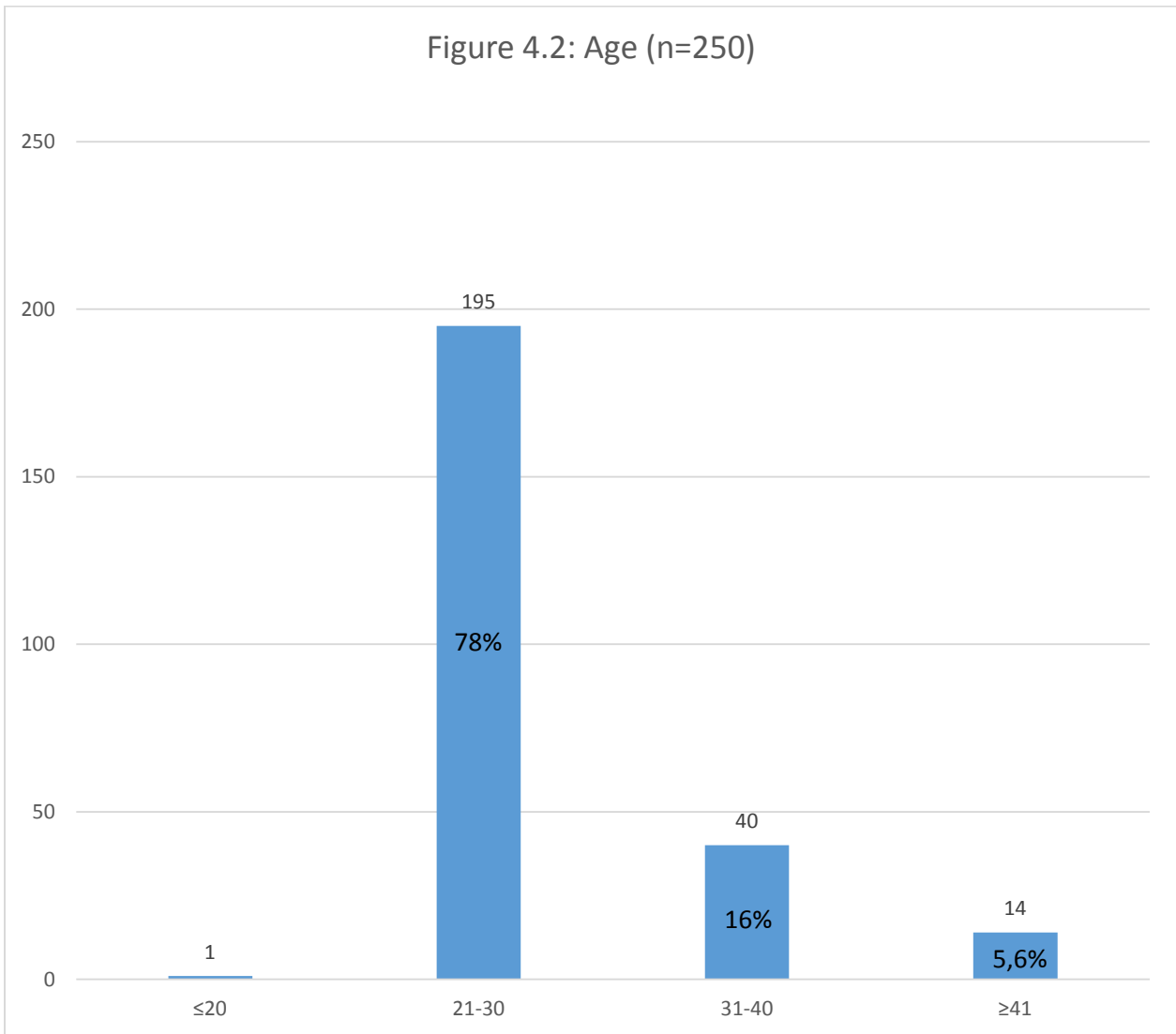
- The errors' expected values are zero.
- The errors' variances are the same.
- The errors are autonomous.
- The errors are generally disseminated.

## 4. FINDINGS & ANALYSIS

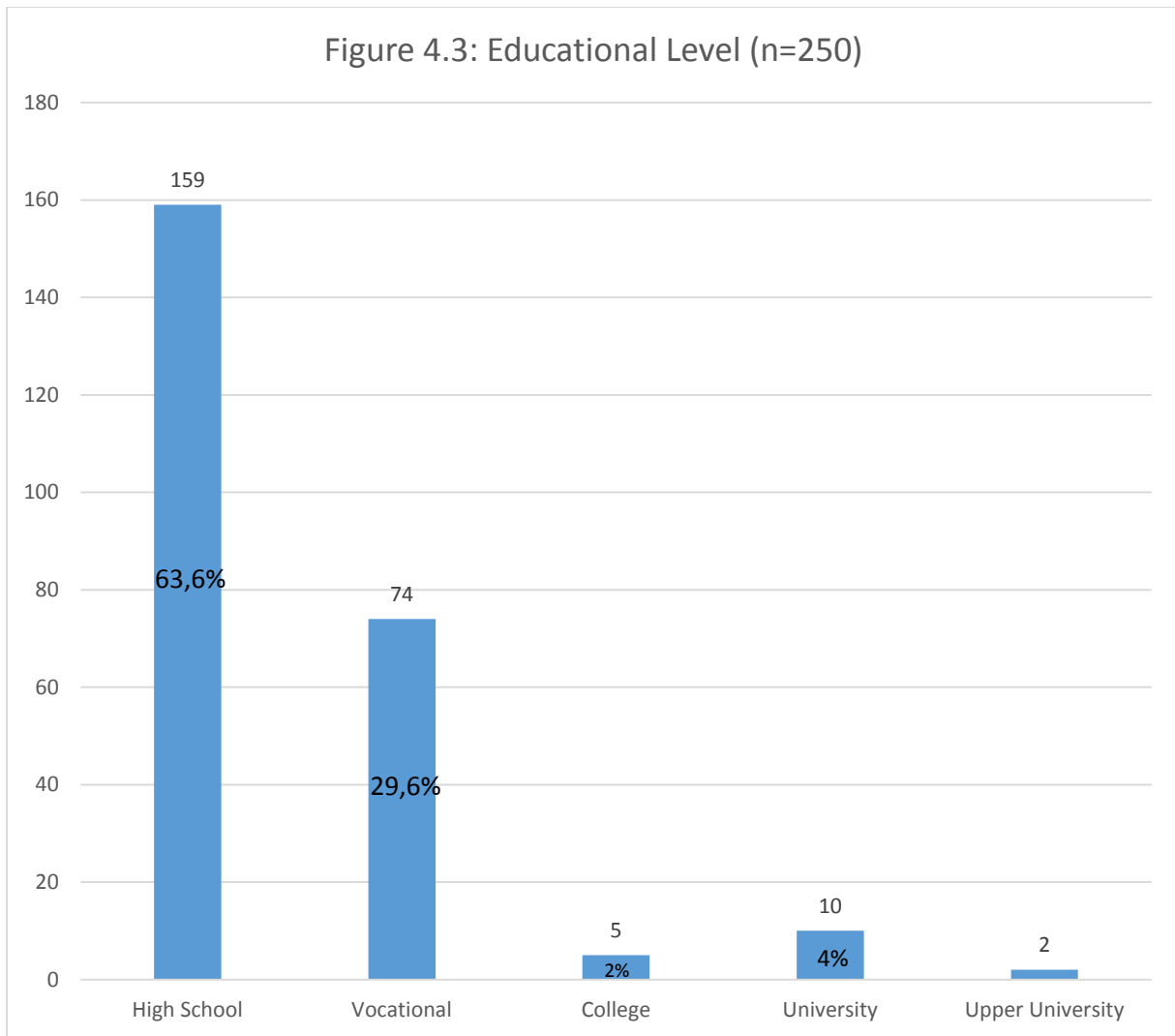
### 4.1. Background Information



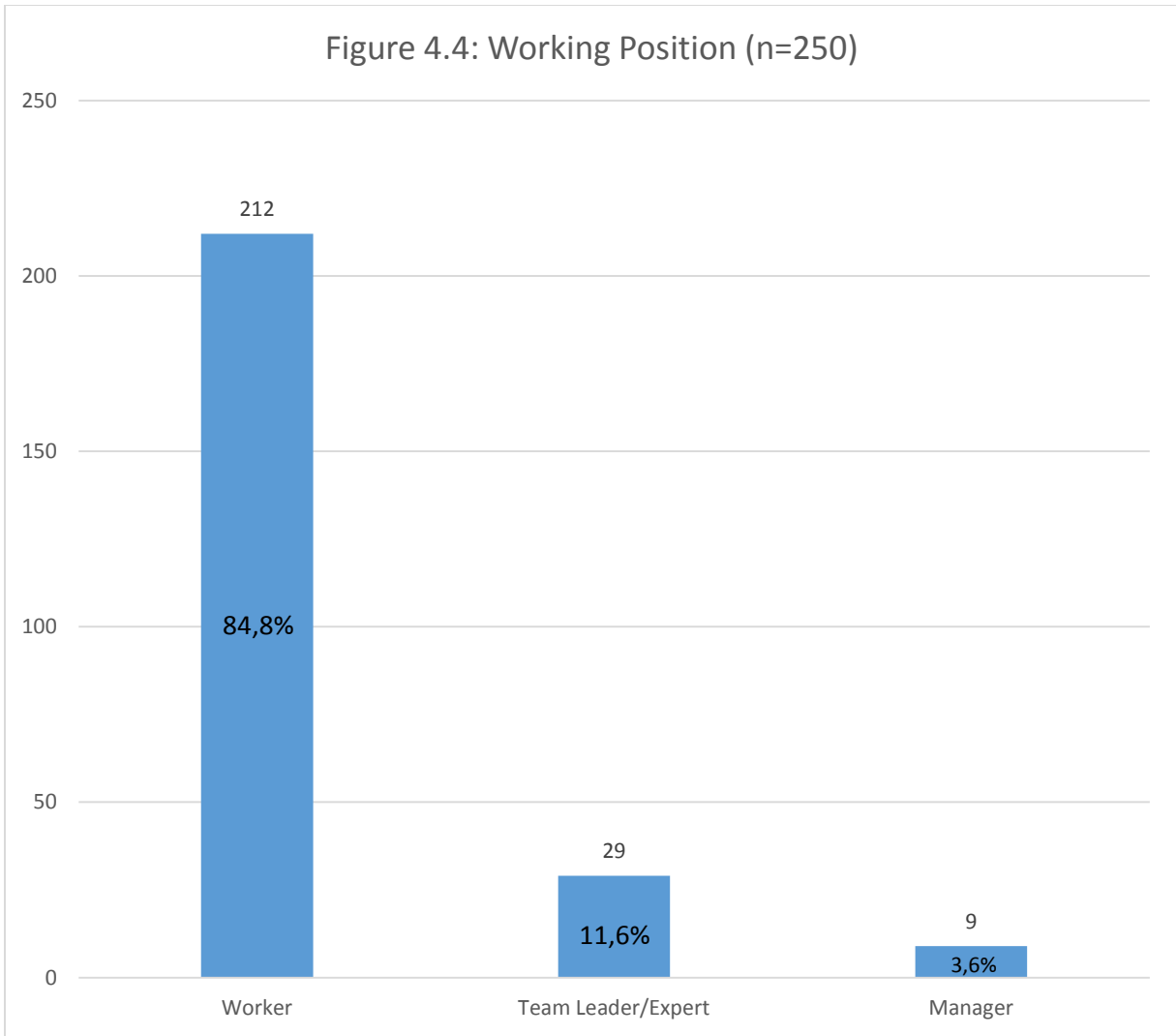
As can be seen from the figure, the number of research objects is 250, including 158 males (63,2%) and 92 females (36,8%). The number of males is almost double the number of females probably because of the nature of job that requires power and health.



As can be seen from the figure, the research objects are divided into 4 groups on the basis of age. The smallest group  $\leq 20$  has 1 object, covering 0,4%. The biggest group 21-30 has 195 objects, accounting for 78%. The group 31-40 has 40 objects, accounting for 16%. The group  $\geq 41$  has 14 objects, accounting for 5,6%. Most of the employees of Hoang Phuc Company are from 21-40, which can be easily understood because of the nature of job that requires power and health.



As can be seen from the figure, the research objects are divided into 5 groups on the basis of educational level. The biggest group 'High School' has 159 objects, covering 63,6%. The second-biggest group 'Vocational' has 74 objects, covering 29,6%. Group 'College' has 5 objects, covering 2%. Group 'University' has 10 objects, covering 4%. The smallest group 'Upper University' has 2 objects, covering 0,8%. Most of the employees' educational level are high-school or vocational because the company is an electronic wire manufacturer, which does not require high level of education to work. So there is no need for so many highly-educated employees.



As can be seen from the figure, the research objects are divided into 3 groups on the basis of working position. The biggest group 'Worker' has 212 objects, covering 84,8%. Group 'Team Leader/Expert' has 29 objects, covering 11,6 %. Group 'Manager' has 9 objects, covering 3,6%. As the company function is manufacturing wires, most of employees are hired as workers.

## 4.2. Descriptive Statistics

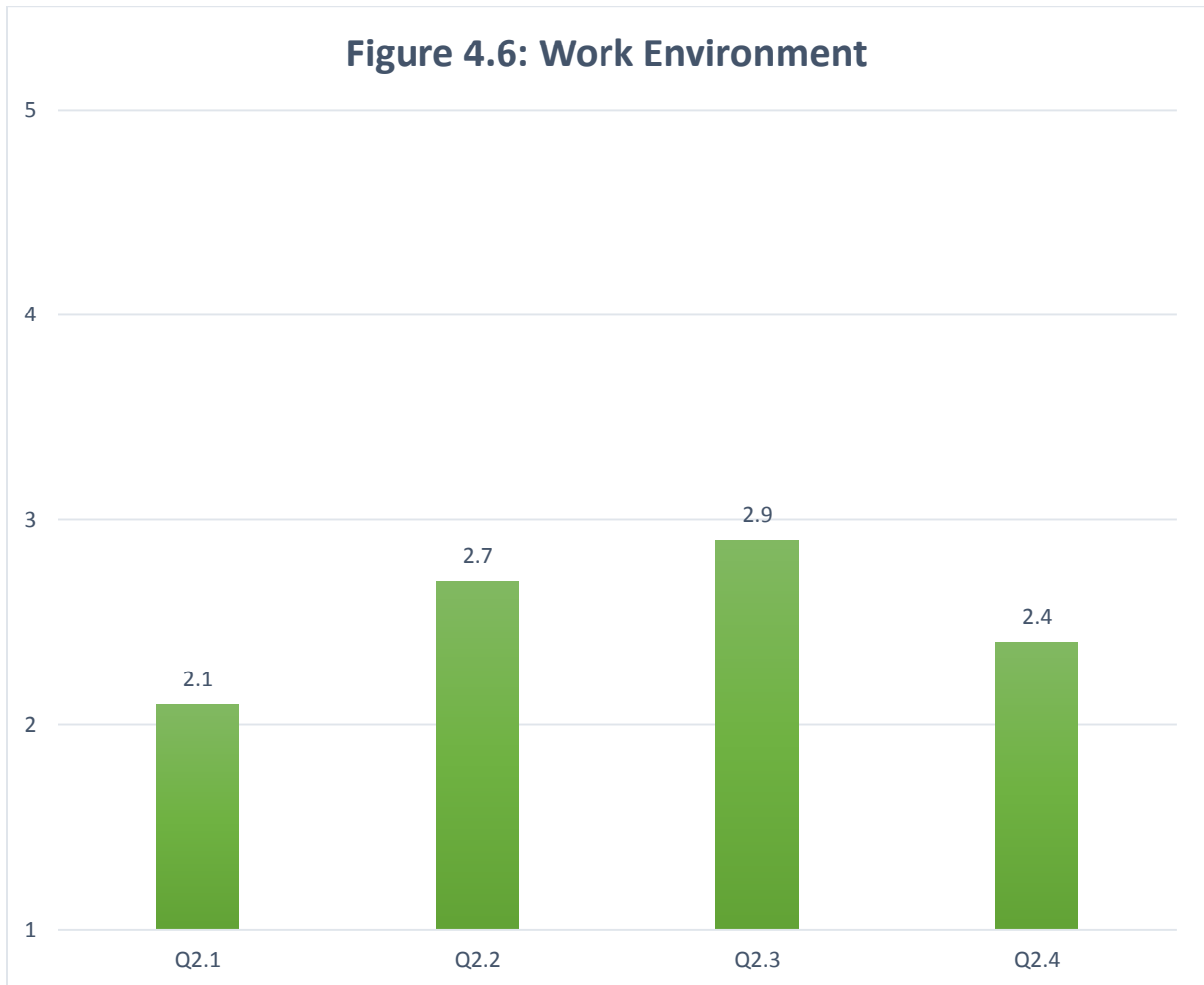
### 4.2.1. Compensation



As can be seen from the figure, in factor *Compensation*, variable Q1.2 is at the highest level of agreement (3,4), variable Q1.3 at the lowest level of agreement (3,2). In general, there is no major difference in level of agreement among the variables. All variables are at a low level of agreement, indicating the employees are not so satisfied with the company's compensation system. Therefore, the company needs to consider its compensation policies.

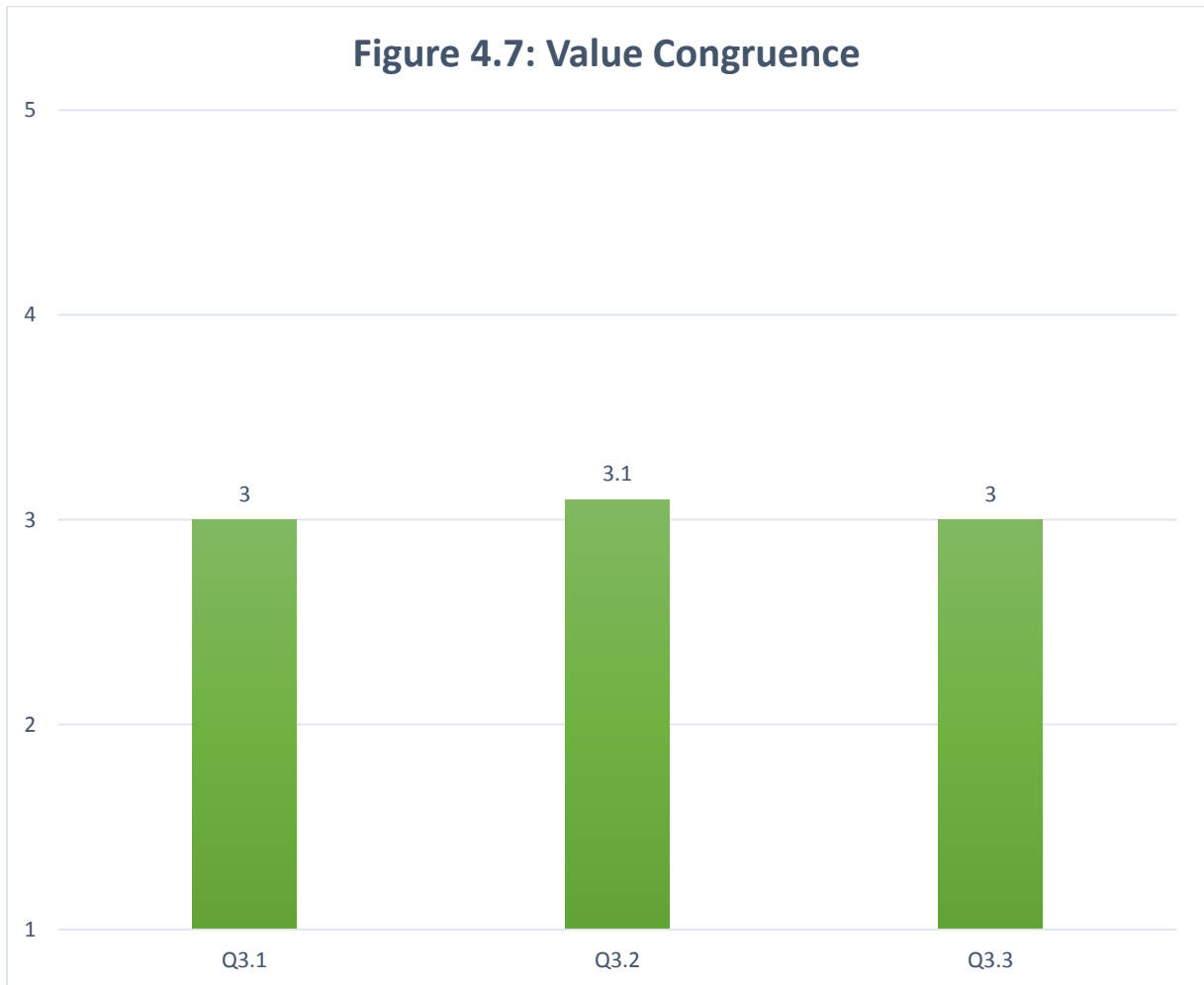


#### 4.2.2 Work Environment



As can be seen from the figure, in factor *Work Environment*, variable Q2.3 is at the highest level of agreement (2,9), variable Q2.1 at the lowest level of agreement (2,1). In general, there is no major difference in level of agreement among the variables. All variables almost reach the level of disagreement, indicating the employees are not satisfied with the company's work environment. Hence, the company needs to improve its work environment.

### 4.2.3 Value Congruence



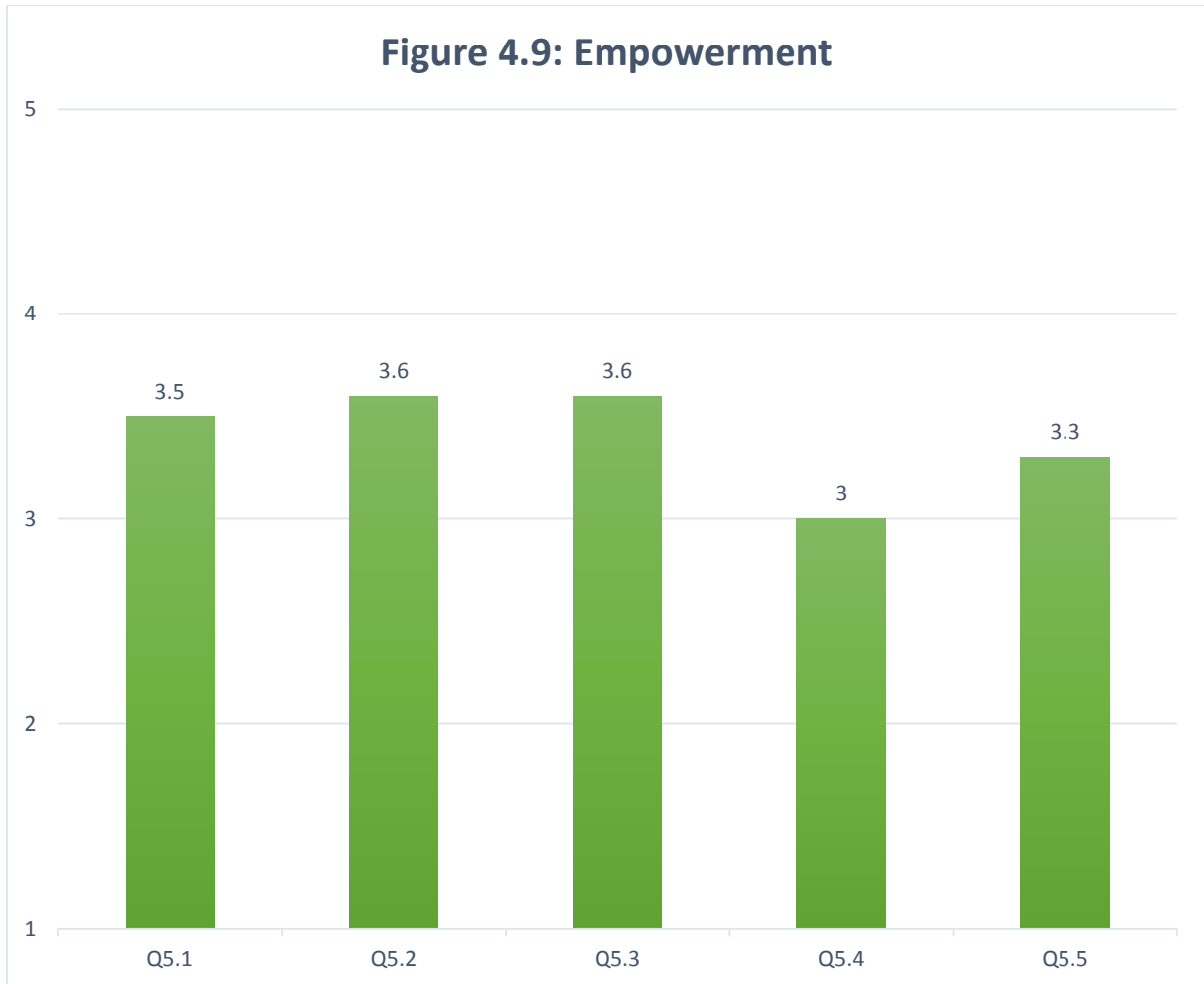
As can be seen from the figure, in factor *Value Congruence*, variable Q3.2 is at the highest level of agreement (3,1), variable Q3.1, and Q3.3 at the lowest level of agreement (3,0). In general, there is no major difference in level of agreement among the variables. All variables are at a low level of agreement, indicating the employees' values and the company's values are not so compatible. Therefore, the company needs to consider adjusting its strategies and goals.

#### 4.2.4 Person-Job Fit



As can be seen from the figure, in factor *Person-Job Fit*, variable Q4.2 is at the highest level of agreement (3,4), variable Q4.1 at the lowest level of agreement (2,9). In general, there is no major difference in level of agreement among the variables. All variables are at a low level of agreement, indicating the employees are not so satisfied with their jobs. Therefore, the company needs to consider adjusting its task distribution.

#### 4.2.5 Empowerment



As can be seen from the figure, in factor *Person-Job Fit*, variable Q5.3 is at the highest level of agreement (3,6), variable Q5.4 at the lowest level of agreement (3,0). In general, there is no major difference in level of agreement among the variables. All variables are at an intermediate level of agreement, indicating the employees are not so satisfied with the company' empowerment system. Therefore, it is not so necessary to improve empowerment strategies.

#### 4.2.6 Leadership



As can be seen from the figure, in factor *Leadership*, variable Q6.2 is at the highest level of agreement (3,3), variable Q6.1 at the lowest level of agreement (2,6). In general, there is no major difference in level of agreement among the variables. All variables are either at a low level of agreement or reaching disagreement, indicating the employees are not so satisfied with the way they are led. Therefore, the company needs to consider adjusting its leadership strategies.

#### 4.2.7 Loyalty



As can be seen from the figure, in the dependent factor *Loyalty*, variable Y1 is at the highest level of agreement (2,7), variable Y3 at the lowest level of agreement (2,4). In general, there is no major difference in level of agreement among the variables. All variables reach the disagreement level, indicating the employees are not loyal to the company, or they are not inclined to remain with the company. Therefore, it is urgent and essential for the company to adjust its human resource management strategies if it wants to retain the employees.

#### 4.3. Reliability test

| No. | Factors          | Number of Items | Cronbach's Alpha | The greatest Cronbach's Alpha if Item Deleted | The smallest Corrected Item-Total Correlation |
|-----|------------------|-----------------|------------------|---|---|
| 1   | Compensation     | 3               | 0,771            | 0,758   | 0,411   |
| 2   | Work environment | 4               | 0,763            | 0,738   | 0,504   |
| 3   | Value congruence | 3               | 0,692            | 0,713   | 0,409   |
| 4   | Person-job fit   | 3               | 0,620            | 0,551   | 0,409   |
| 5   | Empowerment      | 5               | 0,732            | 0,725   | 0,391   |
| 6   | Leadership       | 4               | 0,738            | 0,722   | 0,456   |
| 7   | Loyalty          | 3               | 0,794            | 0,752   | 0,604   |

As shown in the table above, all the Cronbach's Alpha values are over 0,6 and all the Corrected Item-Total Correlation values are over 0,3. For those reasons, the research scale is reliable.

#### 4.4. Exploratory Factor Analysis

Normally, confirmatory factor analysis is used to check the validity of the scale. However, that tool is not equipped in KyAMK's computers. Therefore, exploratory factor analysis is used to group variables.

##### 4.4.1. First try

|                                   | Value   | Comparison        |
|-----------------------------------|---------|-------------------|
| KMO                               | 0,827   | $0,5 < 0,827 < 1$ |
| Sig. in Bartlett's Test           | 0,000   | $0,000 < 0,05$    |
| Rotation Sums of Squared Loadings | 56,331% | $56,331\% > 50\%$ |
| Eigenvalue                        | 1,315   | $1,315 > 1$       |

As can be seen from the table, KMO = 0,827, so the exploratory factor analysis is suitable. Sig. in Bartlett's Test = 0,000, so the variables are correlated in total. Rotation Sums of

Squared Loadings = 56,331%, meaning 56,331% of total variance is explained by 5 new factors. Eigenvalue = 1,315, so new factors are suitable.

| Rotated Component Matrix |           |      |      |      |      |
|--------------------------|-----------|------|------|------|------|
|                          | Component |      |      |      |      |
|                          | 1         | 2    | 3    | 4    | 5    |
| Q3.2                     | ,717      |      |      |      |      |
| Q4.2                     | ,674      |      |      |      |      |
| Q4.3                     | ,659      |      |      |      |      |
| Q4.1                     | ,620      |      |      |      |      |
| Q3.3                     | ,619      |      |      |      |      |
| Q3.1                     | ,601      |      |      |      |      |
| Q2.4                     |           | ,766 |      |      |      |
| Q2.2                     |           | ,764 |      |      |      |
| Q2.1                     |           | ,714 |      |      |      |
| Q2.3                     |           | ,648 |      |      |      |
| Q5.1                     |           |      | ,776 |      |      |
| Q5.2                     |           |      | ,769 |      |      |
| Q5.3                     |           |      | ,760 |      |      |
| Q5.4                     |           |      | ,480 |      |      |
| Q5.5                     | ,387      |      | ,434 |      |      |
| Q6.1                     |           |      |      | ,757 |      |
| Q6.3                     |           |      |      | ,747 |      |
| Q6.2                     |           |      |      | ,732 |      |
| Q6.4                     |           |      |      | ,575 |      |
| Q1.2                     |           |      |      |      | ,834 |
| Q1.1                     |           |      |      |      | ,769 |
| Q1.3                     |           |      |      |      | ,591 |



Almost all the factor loading values are over 0,5, except variables Q5.4 and Q5.5, which are less than 0,5. Accordingly, they must be eliminated, and the EFA test must be run again.

#### 4.4.2. Second try

| Rotated Component Matrix |           |      |      |      |      |
|--------------------------|-----------|------|------|------|------|
|                          | Component |      |      |      |      |
|                          | 1         | 2    | 3    | 4    | 5    |
| Q3.2                     | ,734      |      |      |      |      |
| Q4.2                     | ,671      |      |      |      |      |
| Q4.3                     | ,644      |      |      |      |      |
| Q3.3                     | ,642      |      |      |      |      |
| Q4.1                     | ,625      |      |      |      |      |
| Q3.1                     | ,602      |      |      |      |      |
| Q2.2                     |           | ,771 |      |      |      |
| Q2.4                     |           | ,765 |      |      |      |
| Q2.1                     |           | ,713 |      |      |      |
| Q2.3                     |           | ,654 |      |      |      |
| Q6.1                     |           |      | ,770 |      |      |
| Q6.3                     |           |      | ,751 |      |      |
| Q6.2                     |           |      | ,741 |      |      |
| Q6.4                     |           |      | ,586 |      |      |
| Q5.2                     |           |      |      | ,815 |      |
| Q5.3                     |           |      |      | ,779 |      |
| Q5.1                     |           |      |      | ,759 |      |
| Q1.2                     |           |      |      |      | ,822 |
| Q1.1                     |           |      |      |      | ,779 |
| Q1.3                     |           |      |      |      | ,613 |

As can be seen, variables Q3.1, Q3.2, Q3.3, Q4.1, Q4.2, Q4.3, in factor 'Value Congruence' and 'Person-job fit' are grouped into a new factor. Therefore, we can name the new factor as '**Person-environment fit**'. The other factors still remain the same as before.

|                                   | <b>Value</b> | <b>Comparison</b> |
|-----------------------------------|--------------|-------------------|
| KMO                               | 0,808        | 0,5 < 0,808 < 1   |
| Sig. in Bartlett's Test           | 0,000        | 0,000 < 0,05      |
| Rotation Sums of Squared Loadings | 58,867%      | 58,867% > 50%     |
| Eigenvalue                        | 1,254        | 1,254 > 1         |

KMO = 0,827, so the exploratory factor analysis is suitable. Sig. in Bartlett's Test = 0,000, so the variables are correlated in total. Rotation Sums of Squared Loadings = 56,331%, meaning 56,331% of total variance is explained by 5 new factors. Eigenvalue = 1,315, so new factors are suitable. All the factor loading values are over 0,5 and explain only for one factor.

In short, after carrying out EFA, 22 independent variables are grouped into 5 new factors. New variables X1, X2, X3, X4, and X5 are calculated as the means of the previous variables in each factor, respectively in the following table.

| <b>Factors</b>                | <b>Labels</b> | <b>Variables</b>  | <b>Labels</b> |
|-------------------------------|---------------|---|---------------|
| <b>Compensation</b>           | X1            | My wage/salary corresponds to my capacity and responsibility.                 | Q1.1          |
|                               |               | I live totally well with my current wage/salary.                              | Q1.2          |
|                               |               | Allowances, rewards, and fringe benefits are adequate.                        | Q1.3          |
| <b>Work environment</b>       | X2            | Equipment in the workplace is very good.                                      | Q2.1          |
|                               |               | The work environment is comfortable.  | Q2.2          |
|                               |               | The workplace's temperature, light, and noise are appropriate.                | Q2.3          |
|                               |               | I feel safe in the workplace.   | Q2.4          |
| <b>Person-Environment fit</b> | X3            | The values and believes I respect and those the company pursues are matching. | Q3.1          |
|                               |               | I respect the company's culture.  | Q3.2          |
|                               |               | I commit to follow the company's strategies.                                  | Q3.3          |
|                               |               | My competence is suitable for job requirements.                               | Q4.1          |
|                               |               | I feel motivated and happy with working.                                      | Q4.2          |

|                    |    |  |      |
|--------------------|----|--|------|
|                    |    | I love my job.   | Q4.3 |
| <b>Empowerment</b> | X4 | My supervisor lets me perform my tasks by myself.                        | Q5.1 |
|                    |    | My supervisor lets me make decisions.                                    | Q5.2 |
|                    |    | My supervisor lets me set my own goals for work.                         | Q5.3 |
| <b>Leadership</b>  | X5 | My supervisor gave me a clear path for my personal development.          | Q6.1 |
|                    |    | My supervisor always listens to my opinions and care about my interests. | Q6.2 |
|                    |    | My capabilities are improved thanks to my supervisors' training.         | Q6.3 |
|                    |    | I admire and respect my supervisor.                                      | Q6.4 |

Here is the adjusted theoretical framework after exploratory factor analysis.

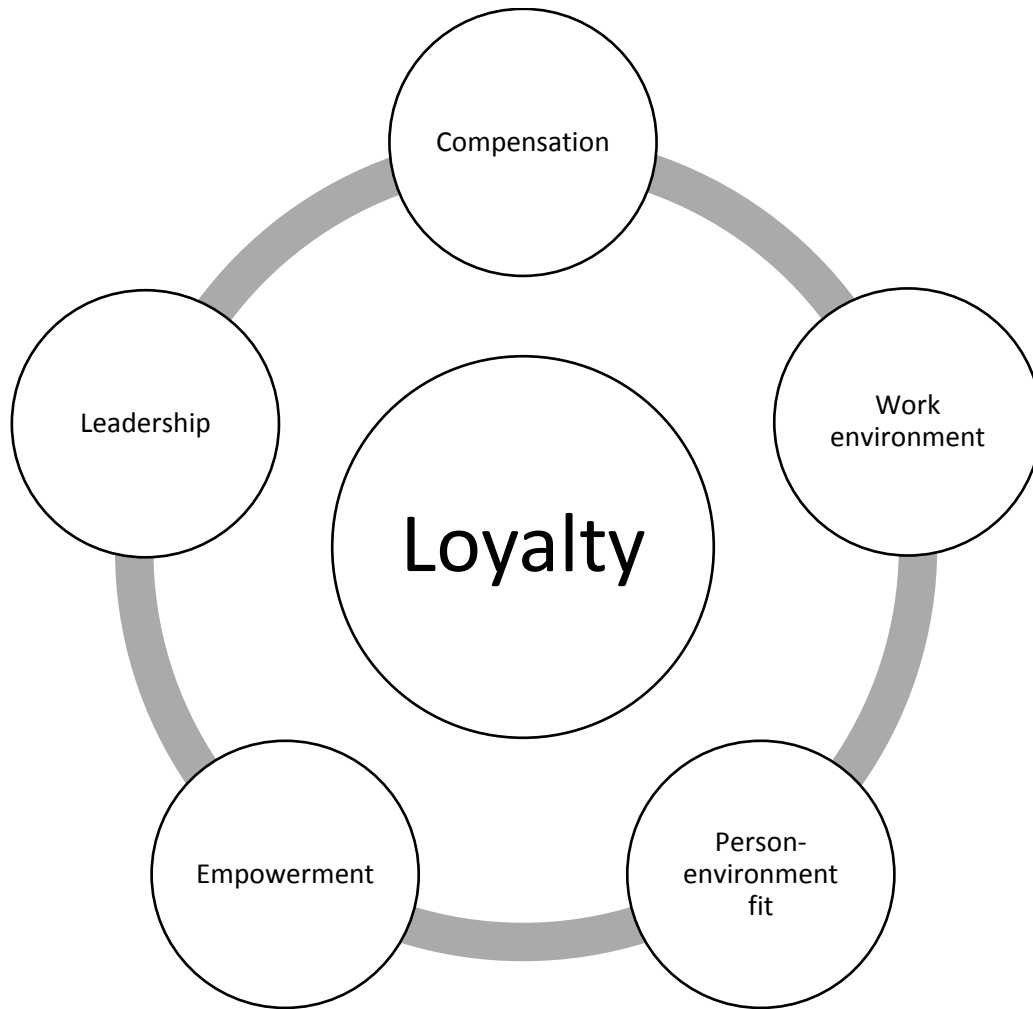


Figure 4.1: Adjusted Paradigm

#### 4.5. Inferential Analysis

##### 4.5.1. Pearson Correlation Analysis

|    |                     | X1     | X2     | X3     | X4     | X5     | Y      |
|----|---------------------|--------|--------|--------|--------|--------|--------|
| X1 | Pearson Correlation | 1      | ,227** | ,349** | ,363** | ,340** | ,335** |
|    | Sig. (2-tailed)     |        | ,000   | ,000   | ,000   | ,000   | ,000   |
|    | N                   | 250    | 250    | 250    | 250    | 250    | 250    |
| X2 | Pearson Correlation | ,227** | 1      | ,391** | ,203** | ,330** | ,573** |
|    | Sig. (2-tailed)     | ,000   |        | ,000   | ,001   | ,000   | ,000   |
|    | N                   | 250    | 250    | 250    | 250    | 250    | 250    |
| X3 | Pearson Correlation | ,349** | ,391** | 1      | ,261** | ,265** | ,432** |
|    | Sig. (2-tailed)     | ,000   | ,000   |        | ,000   | ,000   | ,000   |
|    | N                   | 250    | 250    | 250    | 250    | 250    | 250    |
| X4 | Pearson Correlation | ,363** | ,203** | ,261** | 1      | ,251** | ,319** |
|    | Sig. (2-tailed)     | ,000   | ,001   | ,000   |        | ,000   | ,000   |
|    | N                   | 250    | 250    | 250    | 250    | 250    | 250    |
| X5 | Pearson Correlation | ,340** | ,330** | ,265** | ,251** | 1      | ,434** |
|    | Sig. (2-tailed)     | ,000   | ,000   | ,000   | ,000   |        | ,000   |
|    | N                   | 250    | 250    | 250    | 250    | 250    | 250    |
| Y  | Pearson Correlation | ,335** | ,573** | ,432** | ,319** | ,434** | 1      |
|    | Sig. (2-tailed)     | ,000   | ,000   | ,000   | ,000   | ,000   |        |
|    | N                   | 250    | 250    | 250    | 250    | 250    | 250    |

All Sig. values in the table are less than 0,05, so all the pair of variables are correlated and statistical significant.

#### 4.6.2 Multiple Regression Analysis

The multiple regression equation conveys the influence degree of independent factors to the dependent factor, thus helping to confirm the hypotheses.

- H1: Compensation affects employee loyalty.
- H2: Work environment affects employee loyalty.
- H3: Person-environment fit affects employee loyalty.
- H4: Empowerment affects employee loyalty.
- H5: Leadership affects employee loyalty.

Implementing multiple regression analysis with 5 independent factors (X1, X2, X3, X4, and X5) and the dependent factor Y with 'Enter' method, the author gain the following table:

| Factor | Standardized Coefficients | Sig. | Collinearity Statistics |        |
|--------|---------------------------|------|-------------------------|--------|
|        |                           |      | Tolerance               | VIF    |
| X1     | ,074                      | ,029 | ,031                    | 3,2281 |
| X2     | ,408                      | ,000 | ,049                    | 2,0370 |
| X3     | ,184                      | ,009 | ,031                    | 3,1954 |
| X4     | ,110                      | ,139 | ,028                    | 3,5682 |
| X5     | ,217                      | ,000 | ,041                    | 2,4301 |

From the table above, factor X4 has Sig. 0,139 > 5%, so it is not statistic significant. All the other factors have Sig. value that are less than 5%, so they are statistic significant.

Accordingly,

- Hypothesis **H4** is **denied**, meaning *empowerment* does not affect employee loyalty in Hoang Phuc Company.
- Hypotheses **H1**, **H2**, **H3**, and **H5** are **accepted**, meaning factors *compensation*, *work environment*, *person-environment fit*, and *leadership* does affect employee loyalty in Hoang Phuc Company.

After eliminating factor X4 and running the analysis again with the other factors, the author gain the following table:

| Factor | Standardized Coefficients | Sig. | Collinearity Statistics |        |
|--------|---------------------------|------|-------------------------|--------|
|        |                           |      | Tolerance               | VIF    |
| X1     | ,118                      | ,006 | ,038                    | 2,6568 |
| X2     | ,421                      | ,000 | ,050                    | 1,9918 |
| X3     | ,215                      | ,002 | ,034                    | 2,9138 |
| X5     | ,239                      | ,000 | ,044                    | 2,2830 |

Therefore, all factors X1, X2, X3, and X5 are still statistic significant; in other words, factors *compensation*, *work environment*, *person-environment fit*, and *leadership* do affect employee loyalty in Hoang Phuc Company.

With this result, all Sig. values are less than 5%, tolerance value over 0,0001, VIF value less than 10. For those reasons, these independent variables is suitable for multiple regression equation.

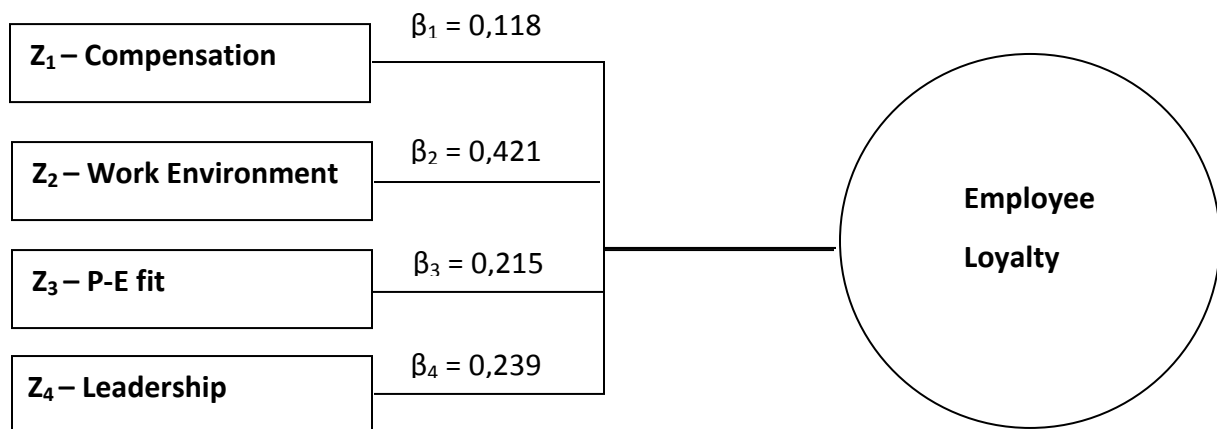
The standardized multiple regression equation:

$$Y = 0,118X1 + 0,421X2 + 0,215X3 + 0,239X5$$

|                         | Value |
|-------------------------|-------|
| Adjusted R <sup>2</sup> | 0,961 |
| Sig. of F test          | 0,000 |

F test is used to check the suitability of multiple regression analysis. Its Sig. value is  $0,000 < 5\%$ , so the multiple regression analysis is suitable. The adjusted  $R^2$  is  $0,961$ , meaning **96,1%** of the dependent variable's variation is affected by the independent variables. In other words, **the research is extremely successful** because employee loyalty in Hoang Phuc Company is explained almost by the researched factors.

✚ Explain the multiple regression equation:  $Y = 0,118Z_1 + 0,421Z_2 + 0,215Z_3 + 0,239Z_4$



Factor *Work Environment* has the strongest impact on employee loyalty ( $\beta_2 = 0,421$ ), almost double the second strongest factor *Leadership* ( $\beta_4 = 0,239$ ) and the third strongest factor *Person-Environment fit* ( $\beta_3 = 0,215$ ), and almost four times bigger than the weakest factor *Compensation*. All the beta coefficients are positive, which means  $Y(Z_1, Z_2, Z_3, Z_4)$  is an increasing function. In other words, when *Compensation*, *Work Environment*, *Person-Environment*, and *Leadership* grow positive, *Employee Loyalty* also grows positive, and vice versa. Accordingly, if the company want to improve *Employee Loyalty*, it must advance *Compensation*, *Work Environment*, *Person-Environment*, and *Leadership*.

More specifically,

**Ceteris paribus, higher compensation makes employees more loyal to the company.** Income from a job, without any doubt, is often considered as a measure of its quality or the level of somebody's success. High income helps satisfy employees' physical needs, so they

can devote wholeheartedly to the job, paying more attention to the self-actualisation need. They are highly motivated to perform well, and less inclined to look for another job. As a result, they will have intention to remain with the company.

**Ceteris paribus, comfortable work environment makes employees more loyal to the company.** This is the strongest factor on employee loyalty. This can be explained that Hoang Phuc Company is a manufacturing firm, most employees of which are workers, working in an industrial manufacturing environment. Therefore, workers need a clean, bright, adequately-ventilated environment, which makes them comfortable, powerful, and enthusiastic, thus loving their job and intending to remain with the company.

**Ceteris paribus, person-environment fit makes employees more loyal to the company.** When employees can apply their knowledge and skills in their job, they will perform well and find their job a source of happiness. In other words, they feel motivated, enthusiastic, and satisfied with their job. As a result, they will desire to remain with that source of happiness instead of risking with another job.

**Ceteris paribus, effective leadership fit makes employees more loyal to the company.** When leaders are good-hearted and competent enough, they can not only develop the company, but also develop their followers. In other words, leaders will receive charisma of followers. Hence, regarding followers' behaviours with the charismatic leader, followers show a high degree of respect for the leader, a high degree of faith in the leader, and a high level of satisfaction with the leader. Concerning the followers' attitudes to the task, followers manifest a high degree of cohesion within the team group, a high level of task performance, and a high level of feeling empowered within the organization to complete tasks. When employees gain benefits, they will intend to remain with the company.

#### 4.6.3 Analysis of Variance (ANOVA)

##### 4.6.3.1 Gender



According to Levene's Test for Equality of Variances, Sig. > 5% (0,856), so variances of male and female are equal, and t-test for Equality of Means can be used. The Sig. value of t-test is less than 5% (0,03), so it can be concluded that there is a difference in employee loyalty between males and females.

| Levene's Test for Equality of Variances |       | t-test for Equality of Means |       |                 |                 |                       |   |        |       |
|---|-------|------------------------------|-------|-----------------|-----------------|-----------------------|---|--------|-------|
| F                                       | Sig.  | t                            | df    | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference |        |       |
|   |       |                              |       |                 |                 |                       | Lower                                     | Upper  |       |
| Equal variances assumed                 | 0,033 | 0,856                        | 0,735 | 248             | 0,03            | 0,067                 | 0,091                                     | -0,112 | 0,245 |
| Equal variances not assumed             |       |                              | 0,749 | 202,175         | 0,04            | 0,067                 | 0,089                                     | -0,109 | 0,242 |

#### 4.6.3.2 Age

According to Levene Statistic, Sig. > 5% (0,779), so variances of the age groups are equal, and ANOVA results can be used. The Sig. value of ANOVA is more than 5% (0,353), so it can be concluded that there is no difference in employee loyalty between the groups of age.

| Levene Statistic | df1 | df2 | Sig. |
|------------------|-----|-----|------|
| ,249             | 2   | 246 | ,779 |

|                | Sum of Squares | df  | Mean Square | F     | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 1.553          | 2   | .777        | 1.637 | ,197 |
| Within Groups  | 117.227        | 247 | .475        |       |      |
| Total          | 118.780        | 249 |             |       |      |

#### 4.6.3.3 Educational Level

According to Levene Statistic, Sig. > 5% (0,700), so variances of the groups of educational level are equal, and ANOVA results can be used. The Sig. value of ANOVA is more than 5% (0,251), so it can be concluded that there is no difference in employee loyalty between the groups of educational level.

| Levene Statistic | df1 | df2 | Sig. |
|------------------|-----|-----|------|
| ,549             | 4   | 245 | ,700 |

|                | Sum of Squares | df  | Mean Square | F     | Sig. |
|----------------|----------------|-----|-------------|-------|------|
| Between Groups | 2,565          | 4   | ,641        | 1,352 | ,251 |
| Within Groups  | 116,215        | 245 | ,474        |       |      |
| Total          | 118,780        | 249 |             |       |      |

#### 4.6.3.4 Working Position

According to Levene Statistic, Sig. > 5% (0,556), so variances of the groups of working position are equal, and ANOVA results can be used. The Sig. value of ANOVA is more than 5% (0,475), so it can be concluded that there is no difference in employee loyalty between the groups of working position.

| Levene Statistic | df1 | df2 | Sig. |
|------------------|-----|-----|------|
| ,589             | 2   | 247 | ,556 |

|                | Sum of Squares | df  | Mean Square | F    | Sig. |
|----------------|----------------|-----|-------------|------|------|
| Between Groups | ,714           | 2   | ,357        | ,747 | ,475 |
| Within Groups  | 118,066        | 247 | ,478        |      |      |
| Total          | 118,780        | 249 |             |      |      |

## 5 CONCLUSION & SUGGESTION

### 5.1 Results

The initial paradigm includes 6 factors on employee loyalty as follows: *Compensation, Work Environment, Value Congruence, Person-Job Fit, Empowerment, and Leadership* along with 25 variables. The descriptive statistics has shown that the employees are pretty satisfied with *Empowerment* and *Compensation*; moderately satisfied with *Value Congruence* and *Person-Job Fit*; and pretty unsatisfied with *Work Environment* and *Leadership*. The research also indicates that the employees are not loyalty to the company, that is, not inclined to remain with the company. After Cronbach's Alpha test and exploratory factor analysis, the variables are grouped into 5 factors. One new factor *Person-Environment Fit* is the combination of factors *Value Congruence* and *Person-Job Fit*.

The multiple regression analysis indicates that *Employee Loyalty* is affected **mostly** by 4 factors: *Compensation, Work Environment, Person-Environment Fit, and Leadership*. In other words, the research is **extremely successful** in accomplishing its objective. In particular, factor *Work Environment* has the strongest influence on employee loyalty, the second strongest *Leadership*, the third strongest *Person-Environment Fit*, the weakest *Compensation*. The hypotheses are confirmed that high compensation, comfortable work environment, high degree of person-environment fit, and effective leadership make employees loyal to the company. The analysis of variance shows that gender affects employee loyalty in Hoang Phuc Company. Age, educational level, and working position have no impact on employee loyalty.

### 5.2 Implications

First, the company needs to constitute a more competitive compensation system as the employees are not so satisfied with the current compensation system. The company must consider the nature of jobs carefully, having a certain plan to determine differential

compensation on the basis of various job requirements concerning diverse skill, effort, responsibility and working conditions. Effort must be made to keep the company's the level of wages in line with that obtained in the labour market or industry. Regardless of individual consideration, the company must ensure equal pay for equal work based on flexibility of jobs. A plan must be made to adapt fair measure for admitting individual differences in capability and contribution. The company should make attempt to provide some procedure for dealing with wage complains.

Second, the company should make the workplace as pleasing, clean and neat as possible. The adequacy of ventilation, lighting and equipment must be checked regularly. Unusual heat, noise, dust and fumes must be routinely corrected. Hazardous conditions at the workplace should be removed. Also, the company had better have a look at other employers' working conditions in the local area. Besides working facilities, the company must pay attention to other facilities for daily needs, ensuring suitable and proper toilets, clean drinking water, and hygiene eating rooms. Especially, meals for employees should be healthy and nutritious in order to guarantee employee health. The company are bound to provide employees with equipment and accessories that are fit for safe and effective work.

Finally, the company should regard the employees as individuals, important human beings at all times and revere them. The leaders must make attempt to understand and explain the company's policies precisely to the followers at all times. Obviously, the leaders must be an ideal model for the followers. A principle that the leaders should bear in mind is "Praise in public and reprimand in private." The leaders should let the followers understand that they are given opportunity to develop and enhance their capability and incomes. Followers also need to be taken care of individually; the leaders should care about followers likes and dislikes, listening to their wishes and desires. And most importantly, the leaders must train the followers properly, improving their skills and knowledge in order to achieve a shared common goal, that is, for the company.

### 5.3 Further Study

The research has indicated the factors on employee loyalty in Hoang Phuc Company, that is, *Compensation, Work Environment, Person-Environment Fit, and Leadership*. Therefore, further research topic can be:

*Improving the compensation system in Hoang Phuc Company*: the research examines the current compensation system to find out shortcomings and then propose solutions to improve.

*Improving the work environment in Hoang Phuc Company*: the research figures out the specific shortcomings in the work environment based on employees' feedback through questionnaires, and proposes solutions to improve.

At the macro level, this research has important findings, contributing a paradigm of employee loyalty with four factors *Compensation, Work Environment, Person-Environment Fit, and Leadership*. However, it is just proved to work best with a specific manufacturing company. Therefore, this paradigm can be implemented again with a wider scope, for instance, employees of companies in a city, or in a nation. Other factors such as *career promotion opportunities, rewards, and empowerment* could be used to measure, too. This research also contributes an interesting finding—gender affects employee loyalty but in a small scope. Hence, this research can be implemented again with a wider scope to test whether there is a relationship between gender and employee loyalty.

| <b>Compensation</b>   | Totally Disagree | Disagree | Neither disagree nor agree | Agree | Totally agree |
|---|------------------|----------|----------------------------|-------|---------------|
| My wage/salary corresponds to my capacity and responsibility. | 1                | 2        | 3                          | 4     | 5             |
| I live totally well with my current wage/salary.              | 1                | 2        | 3                          | 4     | 5             |
| Allowances, rewards, and fringe benefits are adequate.        | 1                | 2        | 3                          | 4     | 5             |

| <b>Work environment</b>  | Totally Disagree | Disagree | Neither disagree nor agree | Agree | Totally agree |
|--|------------------|----------|----------------------------|-------|---------------|
| Equipment in the workplace is very good.                       | 1                | 2        | 3                          | 4     | 5             |
| The work environment is comfortable.                           | 1                | 2        | 3                          | 4     | 5             |
| The workplace's temperature, light, and noise are appropriate. | 1                | 2        | 3                          | 4     | 5             |
| I feel safe in the workplace.                                  | 1                | 2        | 3                          | 4     | 5             |

| <b>Value congruence</b>  | Totally Disagree | Disagree | Neither disagree nor agree | Agree | Totally agree |
|--|------------------|----------|----------------------------|-------|---------------|
| The values and beliefs I respect and those the company pursues are matching. | 1                | 2        | 3                          | 4     | 5             |
| I respect the company's culture.   | 1                | 2        | 3                          | 4     | 5             |
| I commit to follow the company's strategies.                                 | 1                | 2        | 3                          | 4     | 5             |

| <b>Person-job fit</b>                           | Totally Disagree | Disagree | Neither disagree nor agree | Agree | Totally agree |
|---|------------------|----------|----------------------------|-------|---------------|
| My competence is suitable for job requirements. | 1                | 2        | 3                          | 4     | 5             |
| I feel motivated and happy with working.        | 1                | 2        | 3                          | 4     | 5             |
| I love my job.                                  | 1                | 2        | 3                          | 4     | 5             |

| <b>Empowerment</b>  | Totally Disagree | Disagree | Neither disagree nor agree | Agree | Totally agree |
|---|------------------|----------|----------------------------|-------|---------------|
| My supervisor lets me perform my tasks by myself.                               | 1                | 2        | 3                          | 4     | 5             |
| My supervisor lets me make decisions.   | 1                | 2        | 3                          | 4     | 5             |
| My supervisor lets me set my own goals for work.                                | 1                | 2        | 3                          | 4     | 5             |
| My supervisor generally forgives my minor mistakes by my wrong decision making. | 1                | 2        | 3                          | 4     | 5             |
| My supervisor believes in my work evaluation.                                   | 1                | 2        | 3                          | 4     | 5             |

| <b>Leadership</b>  | Totally Disagree | Disagree | Neither disagree nor agree | Agree | Totally agree |
|--|------------------|----------|----------------------------|-------|---------------|
| My supervisor gave me a clear path for my personal development.          |                  |          |                            |       |               |
| My supervisor always listens to my opinions and care about my interests. | 1                | 2        | 3                          | 4     | 5             |
| My capabilities are improved thanks to my supervisors' training.         | 1                | 2        | 3                          | 4     | 5             |
| I admire and respect my supervisor.                                      | 1                | 2        | 3                          | 4     | 5             |

| <b>Loyalty</b>   | Totally Disagree | Disagree | Neither disagree nor agree | Agree | Totally agree |
|--|------------------|----------|----------------------------|-------|---------------|
| I am willing to recommend my company as a good workplace.                                  | 1                | 2        | 3                          | 4     | 5             |
| I feel proud when talking about my company's products.                                     | 1                | 2        | 3                          | 4     | 5             |
| I will work here for a long time even though other companies might offer me a better wage. | 1                | 2        | 3                          | 4     | 5             |

### **Personal Information**

1. **Gender:**                      1. Male              2. Female
2. **Age:**                              1. ≤20              2. 21-30              3. 31-40              4. ≥41
3. **Working position:**      1. Worker              2. Team leader/Expert              3. Manager
4. **Educational level:**
  1. High School                              4. University
  2. Vocational                              5. Upper University
  3. College

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