

# STUDIES ON DETERMINANTS OF EMPLOYEE LOYALTY TO THE ORGANIZATION-A STATE OF ART

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**Abstract:** Today's businesses are facing many challenges & one of these are recruiting & retaining competent & committed workforce. The biggest portion of company's budget goes to manpower management. Thus an organization needs to be very careful while dealing with this key resource i.e. human resource. In today's era of cutthroat competition company needs not only competent but also committed workforce in order to deliver required results and achieve profitability even they create healthy work environment. Loyal & committed employees are those who are self driven, motivated, satisfied & possess sense of belongingness to the organization. In this paper the determinants of employee loyalty are explained.

**Key Words:** Employee Loyalty, Employee retention, Performance Management, Work environment.

## INTRODUCTION

Walt Disney once said: "You can dream, create, and build the most wonderful place in the world, but it requires people to make the dream a reality. This depicts the pivotal role of employees in organization.

"The speed at which today's economy changes has totally altered how you must go about recruiting, hiring and training new and existing staff to your way of doing business. As in order to organization be an efficient & effective it need to maintain healthy work environment, and healthy work environment will exist if an organization will be an able to attract & retain not only competent, well qualified & skilled but committed and loyal workforce. Loyal employees can reinforce the motivation of other employees & are the vital source of productivity to the organization.

Now a day's we are witnessing that the labor market is shifting continually and dramatically, which forces employers to adopt new strategies for managing workforce. Hiring & retaining competent & committed employees is the challenge for organizations.

Most likely, the greatest portion of company's budget goes to Human Resource costs as they represent significant investment in term of locating, recruiting, training let alone salaries, welfare plans, bonuses and rewards etc. Thus it becomes more obvious for an organization to create loyalty amongst these competent employees in order to achieve productivity and profitability.

## **Employee Loyalty**

Loyalty is a strong feeling of support or allegiance. It signifies a person's devotion, sentimental of attachment to a particular object, which may be another person or group of persons, an ideal, a duty, or a cause. It expresses itself in both thought and action and strives for the identification of the interests of the loyal person with those of the object.

Employee satisfaction is the sense of belongingness & devotion an employee has to the organization. There is a psychological contract between employer and employee. It does mean that both employer and employee have some expectations from each other. Their symbiotic relationship will exist until they fulfil mutual expectations and remains satisfied. This sense of psychological satisfaction generates feeling of devotion amongst employees towards organization.

Employees' loyalty towards organization is often referred as organizational loyalty of the employees. It is the most important factor that determines the effectiveness and efficiency of the organization. It is the one of the key elements that measures the compatibility between employees on one hand and the organization on the other hand, since if this compatibility increases, the organization achieves a lot of its goals and aspirations. Employees with loyalty towards organization are committed employees with a sense of belongingness towards the organization. Such employees accept the organizational goals and values and have psychological attachment to the organization. These employees identify themselves with the organization.

## **DETERMINANTS OF EMPLOYEE LOYALTY TO THE ORGANIZATION**

### **1) Fair Performance Management System**

As organization is the instrument of purpose. Organization has to perform at that extent so as to achieve these purposes & objectives. Organization's performance is depending upon the performance of its employees. So, in performance management system organization plan job description and key result area for each employee which is aligned with the objectives of an organization which it has to achieve, documents the performance of employees, assess it against set targets and accordingly train & reward employees..Proper performance management system is the key tool for any organization in order to assess and reward employee's performance.

If the performance assessment and rewards system is transparent & fair then employees feel motivated, as they are sure that if they perform at par they will be certainly appreciated & rewarded. This brings psychological satisfaction & sense of loyalty to the company.

### **2) Career Growth opportunities**

Every human being desires growth and progress thus employees. Employees hired to perform specific tasks will learn and perform the very best they can. Once they feel they have mastered this role, they will seek out a new opportunity in order to have more responsibility and/or higher wages. So, organization should know their employee value proposition and provide career opportunities to them within an organization so as to retain them.

### **3) Workplace environment**

Employees would like to work at place where they are treated like a king & not a slave. They should feel motivated in order to be devoted. As per the Herzberg's two factor theory, two-factor theory distinguishes between:

- **Motivators** (e.g. challenging work, recognition for one's achievement, responsibility, opportunity to do something meaningful, involvement in decision making, and sense of importance to an organization) that gives positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth.
- **Hygiene factors** (e.g. status, job security, salary, fringe benefits, work conditions, good pay, paid insurance, vacations) that do not give positive satisfaction or lead to higher motivation, though dissatisfaction results from their absence. The term "hygiene" is used in the sense that these are maintenance factors. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices, or wages/salary.

Organization should consider these factors while framing employment policies. Learning, positive environment leads to employee loyalty.

## **INDICATORS OF EMPLOYEE LOYALTY**

### **Job involvement**

Loyal employee is highly involved in his work & very devoted to his duty. We can assess this involvement from the performance & work behaviour of an employee. Highly involved employee will be regular & punctual at workplace. Tend to complete given task on time with accuracy. He is less likely to give excuses and does not involve in office gossips.

### **Employee retention**

Now that era has gone when employees used to plan their whole career with that single organization they join. This is the time where job hopping is common. Employees are the deal prone employees like they leave their current organization once they find new & beneficial opportunity. But, loyal employees usually believe that being an employee of this organization is in their best interest. Not only do they plan to remain with the organization, but they do not actively seek for alternative employment opportunities. So lower the attrition higher is the sense of loyalty organizational employee possess.

### **Positive work environment**

A loyal employee is the satisfied employee. Satisfied employee reinforces motivation of other employees which tend to create less dysfunctional conflicts at workplace enforcing the positive work environment which is in turn productive.

## **CONCLUSION**

Human capital of an organization is the resource on which the success & growth of an organization is completely dependent on. Loyal & committed workforce is the pillar of any organization because they not only deliver performance results but also create healthy work environment. Wish is very fruitful for the company. Thus employee loyalty is an intrinsic part for the success of the business.

So, businesses should create learning & positive work environment in organization where employees can not only work but also can participate & progress. This will boost commitment amongst employee to the organization.

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