

# Linking the employee performance to the employee loyalty: an empirical examination of the National Oil Corporation in Libya

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**Abstract:** Employee performance forms the hub of any organizational success in the field of business. Employee performance can be shown in many different aspects based of the kind of business an organization is operating on. Besides the importance of employee performance, the employee loyalty imposes a huge issue for organization, which increases the organizations to focus on employee loyalty. This research is conducted to identify the role of employee performance towards the employee loyalty on the National Oil Corporation in Libya (NOC). This research used a quantitative approach to obtain primary data from 320 employees from NOC. The finding and results of this research recognized a significant and positive contribution form employee performance on the employee loyalty of NOC. It recommends that establishing good incentives methods as well as building engagement of employees could improve the employees' performance, which reflects on gaining the employee's loyalty.

**Keywords:** Employee Performance, Employee Loyalty, NOC, Libya, and Oil & Gas Industry.

## Introduction

Organizations become more aware toward the significant role of the human capital on the organization performance and effectiveness. Despite the gradual spread of the automated technology and its role in reducing the labor force, but the human brain still represents the main source of determining the proper strategies of the organization (Anitha & Begum, 2016). The Libyan oil and gas sector represents one of the essential economy pillars. Despite the wide size of the country, but the dessert land occupied big size from the total size of the country. The oil wealth has provided a good income, as well as provided many job opportunities (Chivvis & Martini, 2014). The oil sector is the largest sector in Libya. The NOC represents one of the most important pillars of the Libyan economy; according to the World Bank (2014), the NOC contributes with almost 29% from the total gross national production (GNP). Hence, declining the oil prices during the last two years contributed in aggravating the performance issues in the NOC

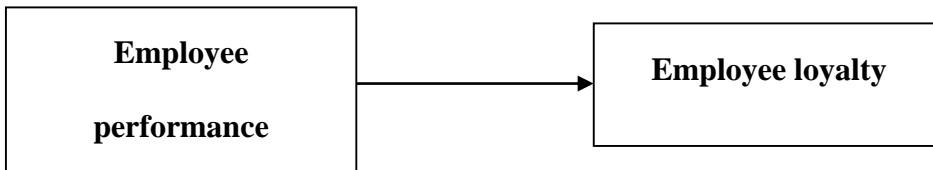
## Problem statement

The managers of NOC of Libya faced many obstacles in the year 2011 during the revolution (Erdağ, 2017), due to the importance of oil field in Libya and considering the high contribution of this area to the government revenue, managers of NOC worked on the continuation of oil production to cover the domestic needs and to fulfill the external contracts, but the main problem that faced them is how they can create a significant motivation for employees to keep them work in that unsteady situation and obtained their loyalty (Abulkasim, Mutalib, Abdulaziz, & Ibrahim, 2016). Precisely, boosting the NOC employee performance needs extensive efforts to overcome the current issue, whatever the oil prices recover, and the need of improving the human practices knowledge must be there. Shifting the hazard of declining the oil prices through investigating related factors to the NOC employee performance and loyalty, it would make good enough boosting toward activating and enhancing other services that provided by the NOC, services such overseas oil exploration projects (Abulkasim et al., 2016)

## Objective

- To identify the impact of employee performance on the employee loyalty in NOC

## Framework



## Literature review

Establishing an integrated relationship among managerial components of organization has paid attention for many decades. Most of these efforts have focused on two essential pillars that employee and organization performance, taking into consideration that increasing the employee performance will reflect an increasing in the organization outcomes. In this regard, most of the previous theories try to focus extensively on one side, either employee or organization.

The performance theory of J. P. Campbell (1999) is one of the essential bases that pave the rational thinking about the employee performance within the organization. According to the performance theory, behaviors of employees within the organization are that linked to the organization goals and lead to achieve the organization objectives. J. Campbell, McCloy, Oppler, and Sager (1993) implicit factors that impact the employee performance based on its link to achieve the organization objectives. Along with Campbell et al. (1993) perception, Carlson, Upton, and Seaman (2006) have identified five functions of HRM that influence the employee performance that training and development, performance appraisals, recruitment package, maintain morale, and competitive compensation. In another side, employee performance as an essential managerial pillar of the organization, the social exchange theory by Blau (1964) provides a psychological base that paves a linkage between employee performance and their loyalty. According to the social exchange theory the human relationships drive by two factors that cost and rewards. Employees within the organization evaluate and balance between these two factors to react accordingly, as much as organization worth their employees, employees will perform back in return. This perspective interpret the employee loyalty as a function of how organization worth it employees.

Employee Performance is a scale that reflects employee's achievements as planned, and according to the tasks duties and responsibilities. Employee performance is a standout amongst the most elements that effect on the performance of the association. The productive association comprehends the significance of HR as a basic component straightforwardly influences and contributes to the performance. The accomplishment of any association relies on upon its employee's conduct and their choice, in spite of the fact that there are numerous different elements contribute to that achievement, for example, the association measure, nature in what it work and its exercises. Regularly, human asset administration practices are utilized to assess the performance of the employee in the association, and in present day period and profoundly focused atmosphere between the associations, the inclination to enhance employee performance is by strengthening the HRM rehearses. The employee's performance is utilization of information, attitudes, encounters, and capacities, to play out the relegated mission required by their directors productive and viable (Al-Qudah, Osman, Ab Halim, & Al-Shatanawi, 2014).

Employee performance is a fair result directly from the degree of fit among HR practices that are internal. Internally aligned HR practices work to affect worker skills, motivation, and chances (AMO) in a possibly harmonious way (Delery & Shaw, 2001; Guest, 1997). Therefore, we comprehensively cover how different areas of HR systems may affect skills, motivation, and great opportunities to give along with the possibly powerful alignment among them (Macky & Boxall, 2008; Wood & Wall, 2007). Second worker performance can also be a vital proximal result in the HR-operation linkage. HR studies have analyzed the impact of HR

systems on organizational results (e.g., productivity, quality, and service) or monetary results (e.g. yield on invested capital, return on assets, and return on equity), which might be rather distal from HR systems and might be confounded by many contextual variables such as business (Datta, Guthrie, & Wright, 2005) and strategy. To be able to investigate the “Black Box” in the HR system-company operation relationships (Becker & Gerhart, 1996), recent research indicates analyzing the mediating function of proximal worker results (Butts, Vandenberg, DeJoy, Schaffer, & Wilson, 2009; Chuang & Liao, 2010; Jiang et al., 2012; Nishii, Lepak, & Schneider, 2008; Takeuchi, Chen, & Lepak, 2009). For these reasons, it is suitable to concentrate on worker operation to completely comprehend the concept of HR systems.

Employee loyalty refers to the employee retention with his/her organization without looking for other job opportunities. “Employees feel good and satisfied with the working environment and the work itself, thereby heightening their allegiance to the organization, and bringing forth their positive commitment towards the organization” (Lee, Lee, & Lin, 2015).

Traditionally, the power to remain together with the organization in the long term was meant by worker loyalty. It based because worker devotion may be measured by the quantity of time one work for the business or organization (Silvestro, 2002). As the economic is transforming: downsizing, a restructuring that is join forces had made the meaning of worker devotion change. Worker devotion is unable to be quantified by the full time they work for the business alone, and it need to range from the level of dedication worker makes when they're on the job (Phaneuf, 2013). By Reichheld (2003) devotion is the openness of an employee invests in or forfeits for the business to reinforce a relationship (Reichheld, 2003). So, the intent characterizes devotion to interacting together with the organization in the long term, which plays a positive role in the retention of members in the business. While job satisfaction primarily targets the perspective of worker toward his present occupation, worker devotion investigates a broader framework, which will be worker's approach toward the organization (Chen, Yang, Shiau, & Wang, 2006).

National Oil Corporation of Libya is a state-owned company, one of the largest oil producers in Africa. This policy is to promote Libya's economy through the development, management and exploration of petroleum resources. Choose the National Oil Corporation of Libya to investigate the default factors of motivation for employees, to keep the work in this situation unsteadily, because Libya is in the Organization of Petroleum Exporting Countries member of the (OPEC), which has the largest proven oil reserves, and the largest oil-producing countries in Africa and the world. Oil sector in Libya is imperative because it is the backbone of the Libyan economy. According to the previous studies five dimensions of employee performance have included into the study model, which retrieved from previous studies of (Ashar, Ghafoor, Munir, & Hafeez, 2013; Atmojo, 2015; Jenter & Kanaan, 2015; Melián-González, Bulchand-Gidumal, & González López-Valcárcel, 2015). NOC as a government corporation that dominates the oil and gas industry, it faces many challenges toward controlling it employee performance and loyalty in unsteady situation like what happening nowadays in Libya. If managers are requested to list the issues they face currently, the argument for persuading workers is going to be close to the top (ALDamoe, Yazam, & Ab Hamid, 2013).

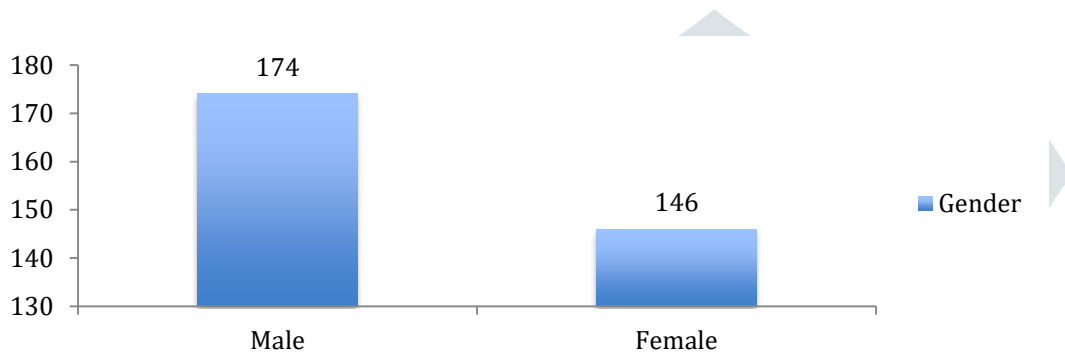
## Research methodology

This research depends on the quantitative methodology approach; the purpose of using the quantitative approach in this research is to provide appropriate and exact results as well as a ground discussion about the study examinations. In addition to provide a better perception of the relationship between the employee performance and the employee loyalty, which can't be forecasted from the qualitative approach only, using quantitative analysis will help to enhance the data constancy of the final conclusion of the research (Hussein, 2015). The population of this study is the total employees of NOC, which are 75,000 according to the NOC (NOC, 2016); hence, the study sample is 382 participants based on Payne (1967) sample determinants table. For the purpose of collecting this research data, a questionnaire instrument will be used. The measurements of this study have adopted from previous studies. The measurements of the employee performance factor have adopted from (Babaei, 2011), while the measurements of employee loyalty from (Khuong & Tien, 2013). The

obtained primary data of this research will be tested by employing SPSS software, the correlation and regression tests will be used to examine the impact of employee performance on the employee loyalty in NOC.

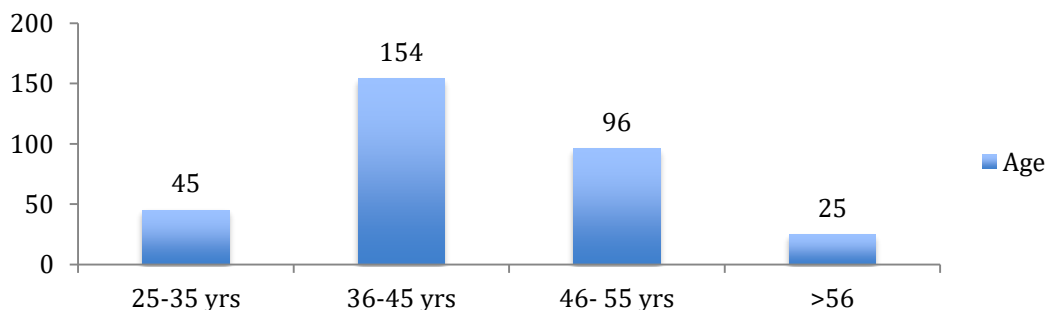
## Finding and discussion

The research had several tests, which were the demographic test to ensure that respondents came from different backgrounds, the reliability test to ensure that the items used in the questionnaire are reliable and valid, the correlation test to find out the relationship between the employees performance and independent variable and the employee loyalty as a dependent variable, and the regression test to predict the future impact of employees performance on employee loyalty. The following tables and figures explain the obtained results. Figures 1,2,3,4,5, and 6 shows the respondents demographic backgrounds, a total of 320 employees have participated from NOC. Most of the participants are male (n=174, 54.4%), while the female participants (n=146, 45.6%).



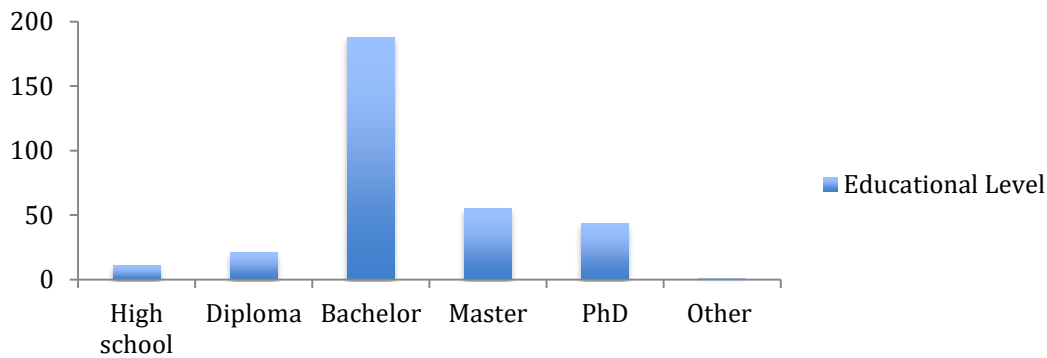
**Figure 1: Respondents Demographic Backgrounds (Gender)**

In term of age, the age category (36-45) has the highest score (n=154, 48.1%), age category (25-35) has got (n=45, 14.1%), age category (46-55) has got (n=96, 30%), while the age category (above 56) has got (n=25, 7.8%).



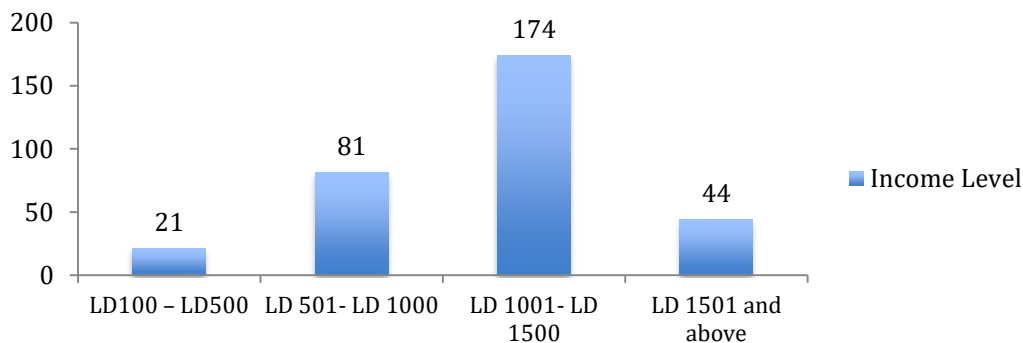
**Figure 2: Respondents Demographic Backgrounds (Age)**

In education level, most of the NOC hold a bachelor degree (n=188, 58.75%), high school level (n=11, 3.4%), diploma level (n=21, 6.6%), master level (n=55, 17.19%), PhD level (n=44, 13.75%), and other (n=1, 0.3%).



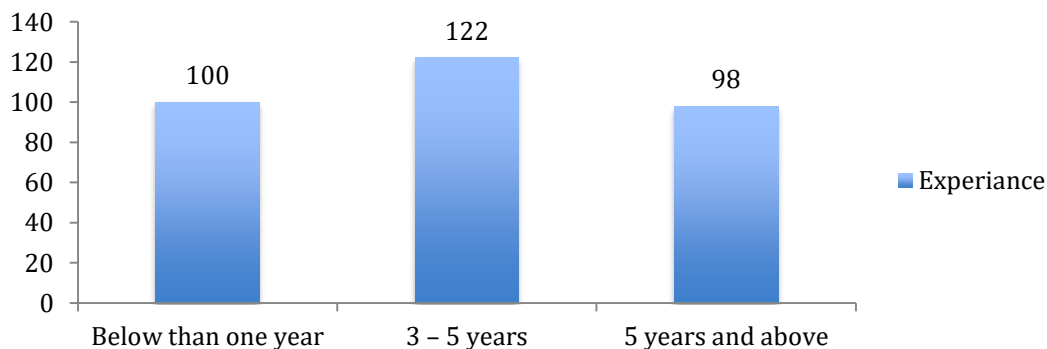
**Figure 3: Respondents Demographic Backgrounds (Educational Level)**

The income level of the participants is ranged from LD100 to LD 1501 and above, for the income level (LD100 – LD500) has scored (n=21, 6.6%), income level (LD 501- LD 1000) has scored (n=81, 25.3%), income level (LD 1001- LD 1500) has scored (n=174, 54.4%), and income level (LD 1501 and above) has scored (n=44, 13.75%).



**Figure 4: Respondents Demographic Backgrounds (Income Level)**

For the experience profile of the participants, most of the participants belong to the experience category (3-5 years) (n=122, 38.1%), experience category (below than one year) (n=100, 31.3%), and experience category (5 years and above) (n=98, 30.6%)



**Figure 5: Respondents Demographic Backgrounds (Experience)**

Table 1 shows the results for the reliability test for the two variables for this research. The reliability test ensures the internal consistency of the variables. The reliability test uses the factor Cronbach Alpha to determine the internal consistency of the variables; if the result is above 0.7 then the variables show good



internal consistency. For this research the results were 0.786 for employee performance and 0.838 for employee loyalty.

**Table 1: Reliability test**

Factors	Items	Cronbach Alpha
Employee Performance	3	0.786
Employee loyalty	4	0.838

For the reason of recognizing the relationship between employee performance and employee loyalty among NOC employees, the correlation test is employed. Table 2 shows a significant and positive relationship between employee performance and employee loyalty ( $r=0.807$ ,  $p=0.000$ ).

**Table 2: Correlations test**

		EP	EL
EP	Pearson Correlation	1	.807**
	Sig. (2-tailed)		.000
EL	Pearson Correlation	.807**	1
	Sig. (2-tailed)	.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Tables 3 shows the result of regression test, this test is employed to examine the contribution of employee performance to the employee loyalty in NOC. The adjusted  $R^2$  value is 65.2%, this means the model construct significantly explains the employee loyalty of NOC employees. As the T value is 24.386 for the construct, and P-value was less than 5% for the construct, the regression result shows a significant contribution from employee performance to the employee loyalty of NOC. Looking at the coefficients of the variable,  $\beta$  weight for employee performance 0.807.

**Table 3: Regression test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.389	.069		5.664	.000
EPV	.815	.033	.807	24.386	.000
Adjusted $R^2$	65%				

a. Dependent Variable: ELV

The result of this research is similar to the result in the literature review of the employee loyalty; it provides evidence that the level of employee performance of the company affects NOC employees. This result emphasized the role of boosting the employee loyalty to the company. Employee performance incorporates these practices and performance conducted by the corporation with the main target of recognizing and engaging possible staff. It has been long considered as a significant part of human resource management as it implements the important option of designing an essential resource (Chaneta, 2014). Delery and Doty (1996) described

seven HRM practices, which can be important to general organizational performance. Most of the previous studies in the field of employee loyalty stated that employee loyalty is affected by the employee performance, which this research's results also reassure these findings on the NOC Corporation based on the point of view of the employees of NOC.

## Conclusion and recommendations

This research has been conducted to identify the relationship of employee performance and the employee loyalty on the Libyan National Oil Corporation (NOC). Libya was selected to be the scope of this research because of that Libya is a rich country of oil, so Libya can benefit so much of the essential findings of this research in order to improve the oil and gas industry in Libya. According to the unsteady situation of the country; several HRMPs issues have arisen during the period from 2011 to 2016, the turnover rate has increased rapidly during the last five years, which increased the demand and focus on employee loyalty to ensure the success for organizations. According to this research results, employee performance is a key success factor for organizations to gain employee loyalty, especially for those organizations that operate in oil and gas industry. To sum it up, the researcher has come up with the following recommendations for NOC to take into considerations in order to improve employee performance that impact on employee loyalty.

1. NOC should build trust among its employees and leadership; the staffs need to trust each other as well as their management. Management always monitor employees to understand how their choices affect the vital impact of the organization and whether their practices reflect what they say. This was can assist NOC to ensure its employees loyalty.
2. NOC should apply more incentives to its employees; incentives are proven in many studies that they can increase the employees' performance. Coordinated incentives for responsibility and results. Officials who need their staff must be convinced that incentives should be allocated in the light of targeted standards and that different things inspire many staffs.
3. NOC should build engagement among its employees. NOC Prove that they are really concerned about the feelings of employees and make use of social media networks as a communications tool to build engagement.

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