

THE EFFECT OF EMPLOYEES SATISFACTION TOWARDS LOYALTY IN HOTEL INDUSTRY: COMPENSATION, REWARDS, JOB SECURITY AND WORKING ENVIRONMENT

Noraslinda Mohd Said¹, Norhamizan Hamir¹, Hashim Fadzil¹, Fairuz Abdul Hakim¹, Suria Sulaiman¹, Nurdayanah Mohd Yunus²

¹Faculty of Hotel and Tourism Management, Universiti Teknologi MARA, Cawangan Pulau Pinang, 13500, Permatang Pauh, Penang, Malaysia

²Kolej Yayasan Pelajaran Johor, Johor, Malaysia

¹noraslinda698@uitm.edu.my; ¹norhamizan317@uitm.edu.my; ¹hashim@uitm.edu.my;
¹fairuz295@uitm.edu.my; ¹suriasul@uitm.edu.my; ²nurdayanah@kypj.edu.my

ABSTRACT

Employee turnover in the hotel industry is an alarming issue. Due to the challenging job nature, employees have been jumping from one organization to another. This study aims to offer an alternative approach toward factors that lead to employee satisfaction, thus retain them with the organization. Employees satisfaction and loyalty provides significant similarities and also differences in the context of hospitality environment. This study will help the organization in providing an insight for management in the hospitality industry so that the management can re-establish their compensation and rewards program, re-evaluate the benefits given to the employees and also improving employee's work policies, to ensure a more satisfied employees and resulted in loyalty to the respective organization. Through compilation of previous literature, this study identifies the factors that affect the job satisfaction towards employees' loyalty in hotel industry. The study outlined the factors that relate to employee's satisfaction in hotel organization based on the compensation, rewards, job security and working environment.

Keywords: *Employee satisfaction, loyalty, compensation and rewards, job security, working environment.*

INTRODUCTION

Tourism industry is a progressively vital area in the Malaysian economy and has been recognized as a key driver of the development in the service sector. This industry, mainly the services sectors has been helping gross domestic product (GDP) development, investment, and job, and additionally reinforce the employment record of the parity of instalments. In tourism industry, the contribution comes from the services of accommodation, transportation, food and beverage of the hospitality industry. Tourism industry in Malaysia has recorded a positive tourist arrivals growth of 4.8% increase for the January-May 2019 period, registering a total of 10,954,014 tourist arrivals. ASEAN countries are the biggest contributors of international

tourist arrivals to Malaysia with a share of 69.2%, followed by East Asia with 21.4%, and arrivals from West Asia, Africa and European countries with a share of 9.4% (Tourism Malaysia, 2019). Employee satisfaction in hotels industry is an essential issue in relating to employee turnover that could results in employee loyalty. Employees satisfaction and loyalty provides significant similarities and also differences in the context of hospitality environment. This study will help the organization in providing an insight for management in the hospitality industry so that the management can re-establish their compensation and rewards program, re-evaluate the benefits given to the employees and also improving employee's work policies, to ensure a more satisfied employees and resulted in loyalty to the respective organization. According to Heskett, Sasser and Schlesinger (1997), employee will be satisfied if they are happy with the working environment, getting the right rewards and recognition from the management, and also getting a kind of job guarantee and security from the organization. As indicated by Abdullah (2011), the employees are more satisfied when they feel appreciated with being rewarded for their efforts can ultimately be the most successful and it will be beneficial to their companies. Previous researches have conducted a study on the influence of working environment and employee compensation, pay and rewards on job satisfaction (Bakotić and Babić, 2013; Malik, Danish and Munir, 2012; O'Donnell and Mirtcheva-Broderson, 2015); workers intention to stay (Guchait and Cho, 2010; Markey, Ravenswood and Webber 2012) and employee retention (Msengeti and Obwogi, 2015; Rumman, Jawabreh, Alhyasat and Hamour, 2013).

The hotel industry is one of the industry with a high turnover rates of workers and this have been a critical issue in the hotel industry. Hotel industry have been facing a high turnover rate for many years and a lot of companies face troubles in holding workers since most of hotel organization are not able to recognize the components which help worker satisfaction and the loyalty resultant. A hotel spends thousands of dollars in training, recruiting and hiring new employees and put in a lot of effort and money in retaining employees every year. Along these lines, enrolling new staff is a period expending and lavish practice that specifically influences the bottom – line of organization. The issues on improving employee satisfaction and loyalty are discussed most of the time but the same issues occurred; turnover rates are still increasing. This paper tends to focus on the effect of employees satisfaction towards employees loyalty through improving rewards, compensation, working environment and job security to an organization.

LITERATURE REVIEW

Employee loyalty is a complex area as different employees have different job satisfaction level and many researchers highlighted that loyalty is closely related to employees' satisfaction to the job. Different employees have different preference, and it can be very subjective in determining the level of job satisfaction of the workforce. Hotel organization can re-evaluate their working policies, rewards and compensation, improve working environment and increase job security to satisfied their employees more.

Employee Loyalty

According to Yuryevna, Sergeevna and Sergeevna (2019) and Goman, C.K. (2004) there are two measurements of loyalty which is the internal or psychology level and the external or behavioural perspective. Internally, loyalty is an inclination of holding, commonality, association, or trust. Externally, loyalty may show itself in an assortment of ways and since feelings are clearly imperceptible, it is through the behavioural measurement that will be use

to assess loyalty. Gerhart, Minkoff and Olsen (1995) founded that to create closed employment relationship between employees and employers, employers should provide employees with compensation and rewards as it will have resulted in organizational commitment. According to Tsai, Cheng and Chang (2010), employee job satisfaction is very important and organization need to fulfill the need of an employee in order to gain their satisfaction so to have good and loyal employee. The loyalty of an employee can be improved when the satisfaction on compensation, rewards, job security and the working environment increased. Previous research by Chen (2006), the loyalty of employee will be higher if they have high job satisfaction, and they can be more committed with their work and also the organization. According to Pandey and Khare (2012), workers are an essential asset for running the companies, particularly since they understand a generous interest as far as selecting, hiring, enrolling, training, health awareness arranges, rewards and so forth. As indicated by Solomon (1992), employee loyalty is the eagerness to stay with the company. Employee can show an essential venture and discriminating resources for all company on the grounds that the compensations, rewards and employee advantages can raise the workers buckle down and reliability to the company. This is upheld by Mowday, Porter and Steers (1979), a company eagerness to cherish loyalty for the benefit of the association and a solid craving to keep up participation in the company.

Job Satisfaction

According to Guliyev, Avci, Ozturen and Safaeimanesh (2019) and Locke (1976), employee job satisfaction is an approach that are pleasurable which resulted from the employee's performance appraisal conducted by the management of the organization in giving the employees opportunity to express their opinion about the general emotion, behaviours and their forms of thinking about their job scope and workplace condition. The work of Al-Aameri (2000), loyalty is a psychological state that are gained by the good relationship of an employee which has an implication on the decision to be loyal to an organization. According to Chen (2006), job satisfaction represents employee's response to the job given to them and an attitude toward performing that job. Research conducted by Wu and Norman (2006) also proposed that there is a strong relationship between employees' loyalty and employee job satisfaction, in which low job satisfaction may influence employees to switch jobs and change careers in order to seek for much better satisfaction with a different job. Employees will be more loyal with their jobs when they are satisfied and they will have greater organizational loyalty than unsatisfied employees Kim, Leong and Lee (2005). Hence, we hope prove that when employee job satisfaction increased, their loyalty towards their employers will also increase.

Compensation and Rewards

According to De Spiegelaere, Van Gyes and Van Hootegem (2018) and Gerhart et. al. (1995), the study indicates that substance of occupation relationship is discriminating significance to both workers and managers by given the employee compensation to them. Employees are satisfied when companies provide wages, compensations, and so on to outfit a great piece of their pay and wellbeing security. The payment choices will focus the manager authority to compete for workers in the workforce market, and their manner and practices while with the manager. Banjoko (1996) expresses that many supervisors use cash as a mode to provide compensation for their workers to get more advancement and improvement in their performances. Past research by Porter, Bigley and Steers (2003), stated that compensation is the best-established method to attract employees to be working with a company and the employees will remain working with that company for a longer period of time. Recognition and rewards are an important aspect in employment as most employees want to be recognized

and appreciated which can result in high morale and attitudes towards the organization that they are working for.

Job Security

According to Eissenstat and Lee (2017), Holm and Hovland (1999) and Schmidt (1999), job security concerns in the industry has changed the mental contract between the employers and employees and eventually will contribute to changes in the hierarchical structure. According to Al-Anzi (2009), the research has examined that conclusion were demonstrating that feeling and conduct of representative and employers are the influences of more than 90% saying the nature of their workplace is important. All the above studies are called attention to those different sorts of variables which will focus the organization consist of worker loyalty. A research from Mehta, Singh, Bhakar, Sinha (2010) found that there is a relationship between loyalty and job security when “an individual stays employed with the same company with no reduction of seniority, pay, pension rights and so forth.” Bolman and Deal (1991) prescribed that promotions from an affiliation would pay employee an inclination of professional job stability that they help worker to stay with the managing body and collect more aptitudes. Through the training, the employees can associate the new step of training and gaining as a part of promoting themselves to the organization. When an employee’s feels that there will be a chance for them to get promoted, the level of their loyalty will be increased and they will be more loyal towards that organization. According to Nicholson and Johns (1985) employees have contributed a lot to the organizations, and the organizations should promise opportunities on job security and career promotion as a substitute for their loyalty.

Working Environment

According to Nguyen, Dang and Nguyen (2015) and Al-Anzi (2009), the working environment is the place that represent the organization and this environment encompasses the quality of the establishments that the employees are working for. Working environment gives of the quality for the establishments, through the well-maintained surroundings, environment, physical and mental force that effect the employees; the surroundings can influence the representatives' gainfulness, security, health, and mental. As indicated by Al-Anzi (2009) study results demonstrate in excess of 90% respondents say that bore of their work space influences their mind-set and disturbed them mentally. According to Awases, Gbary, Nyoni, and Chatora (2004) the working environment are one of the major de-motivators for employees with needs of an impressive work surrounding and it can also be the reason of why skilled people leaving their job and looking for a better job with better working environment. The quality of workplace environment normally impacts on the level of employees' satisfaction and motivation which can sometimes be the major downfall of their performances and disciplines: increase in error rate, absenteeism and job retain with the organisation (Al-Anzi, 2009). According to Markey, Ravenswood and Webber (2012), the working environment has significant impact on the intention of the employees to quit their job.

Conceptual Framework

This conceptual framework is created based on referring to framework from previous researchers; from Halil and Selim (2007) as the main reference; and this conceptual framework are then developed. In Figure 1.1, employees loyalty are measured by identifying the relationship between factors that can relate to employees job satisfaction. While investigating the relationship between employees loyalty and satisfaction, these are the factors that are

developed based on comparing the factors created by previous researchers on employee satisfaction. The factors that effect the employee satisfaction and employee loyalty are compensation and rewards, job security and working environment. Employees loyalty are the outcome of achieving the level of job satisfaction in an organization through providing good compensation, rewards, job security and working environment.

The conceptual framework of this research is as below:

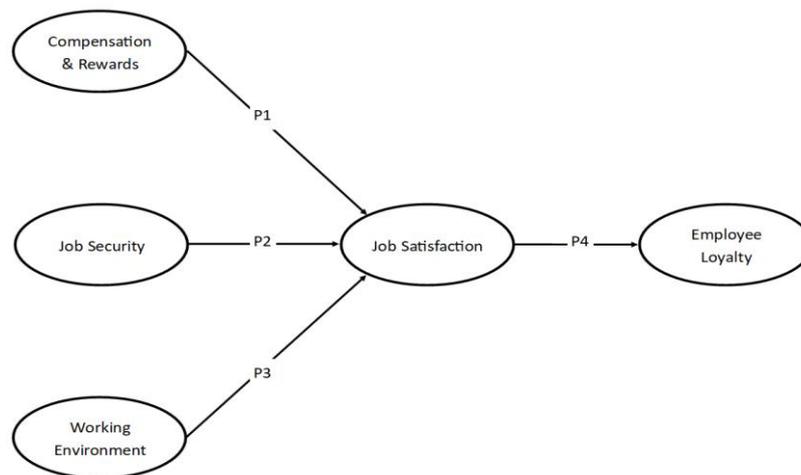


Figure 1.1: Conceptual framework of Employees Satisfaction towards loyalty in Hotel industry

CONCLUSION

This conceptual framework is mainly focusing on finding the probable connection between employee satisfaction and loyalty, in hotel industry. Past researchers have found that there are close relationship between employees loyalty and satisfaction in an organization. Compensation and rewards, working environment and job security can be the main factors that attract an employees to stay with and organization, and it can also be the factors that make the employees quit their job. Further studies should be conducted to investigate the consequences that contributes to the action taken by the employees. Compensation and rewards, working environment and job security are the factors that leads the employees to be satisfied and loyal, and can be the factors that influence the intention of the employees whether to stay or quit their job.

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