

FACTORS THAT INFLUENCE EMPLOYEE LOYALTY: A STUDY AT MANUFACTURING SECTOR IN KLANG AND SHAH ALAM INDUSTRIAL ZONE

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1. INTRODUCTION

Employees are among the most important assets in any organization because they drive the organization's success or failure. It is critical to maintaining their loyalty to the organization while also preventing them from actively seeking another job alternative or opportunities at another organization (Murali, Poddar & Seema, 2017). Murali, Poddar, and Seema (2017) stated that in general, loyalty is defined as a person's devotion or sentiment of attachment to a specific object, which could be another person or a group of people, an idea, a duty, or a cause. According to Safra (2017), the term loyalty expresses itself in both thought and action and strives for the identification of the loyal person's interests with those of the object. Loyalty can come not only from the employee but also from the organization towards the employee. Jigjiddorj, Tsogbadrakh, Chojil, and Zanabazar (2019), stated that one of the most important factors in sustaining an organization's performance is the retention of skilled and experienced employees. Employee loyalty signals employees' or staff members' capacity to stay and contribute successfully to their employment for an extended period.

In recent years, employee turnover has increased significantly in the manufacturing sector in Malaysia. Prior research has shown that excessive staff turnover has an undeniable impact on output, productivity, profitability, and stifling further expansion in any manufacturing firm, small, medium, or big. Despite the abundance of empirical research on employee wages and salary, organizational support, working environment, training and development, and career development, however, a very limited study was conducted in the manufacturing sector in Malaysia. This research focuses on the manufacturing sector in Klang and Shah Alam Industrial Zone. The goal of this study is twofold namely (1) to examine the relationship and (2) to examine the effects of employee wages and salary, organizational support, working environment, training and development, and career development on employee loyalty. Findings of the study revealed that all factors have a correlation with staff loyalty except for wages and salary, all other factors have a significant effect on employee loyalty. The recommendations for future research are also discussed.

2. METHODOLOGY

To achieve the objectives of this study, a cross-sectional design by using a quantitative method was employed. In this type of analysis, participants are chosen based on specific variables of interest (Cherry, 2019). The cross-sectional survey is used because data is collected at a specific time to answer all the research objectives (Sekaran & Bougie, 2009). Furthermore, a quantitative research method is used in this study, which is based on primary data from a survey of manufacturing sector employees in Klang and Shah Alam. According to the official

website of the Department of Statistics Malaysia (2021), the total population of staff in the manufacturing sectors in Selangor is 652,000. The items in this study were adapted from Trung, (2014), Ahmed, Owais, Ali, Kamal, and Qazi (2014), Iqbal, Tufail, and Lodhi (2015), Ying (2016), and Nassazi (2013). The population sample size required is 384 based on Krejcie and Morgan's (1970) table. The researcher received 410 responses from the target respondents, resulting in a 100% response rate that exceeds the number of responses required. The Statistical Package for Social Science (SPSS) software version 26 was used to analyse the data in this study. This study has employed both correlation and regression analysis to analyse the research objectives.

3. RESULTS AND DISCUSSION

This section discusses the study's findings based on the above two objectives.

To Ascertain the Relationship between (1) Wages and Salary, (2) Organizational Support, (3) Working Environment, (4) Training and Development, (5) Career Development, and Employee Loyalty in the Manufacturing Sector in Klang and Shah Alam Industrial Zone

Table 1: Summary of Pearson's Correlation

No.	Variable	Pearson's Correlation (r-value)	Sig. Value (p-value)
1	Wages and Salary	0.171	p<0.01
2	Organizational Support	0.607	p<0.01
3	Working Environment	0.558	p<0.01
4	Training and Development	0.589	p<0.01
5	Career Development	0.683	p<0.01

DV=Staff Loyalty

Based on the correlation analysis, it was found that all variables are correlated with staff loyalty. Employee loyalty was strongly influenced by organizational support, working environment, training and development, and career growth. Meanwhile, wages and salary have a positive but weak relationship with staff loyalty. The finding is supported by past research by Fry (2016) regarding turnover among Gen Y youth employees. It was found that Gen Y employees have a significant proclivity for job-hopping, which appears to be a prevalent trend among them. Job hopping leads to excessive turnover, which may indicate a lack of employee loyalty. This concludes that not all Gen Y are easily influenced by wages and salary to retain them in the organisation and that there is a weak relationship between wages and salary to increase staff loyalty. In terms of organizational support, this study discovered a link between organizational support and employee loyalty. This finding is consistent with Ahmad's (2018) finding, which shows that when employees perceive their employers as caring more about their personal growth, improvement, and welfare by assisting them, employee feelings and connection to the company, as well as turnover intentions, improve. Next, this study also discovered that the working environment has a relationship with employee loyalty. This finding is consistent with the findings of Raziq and Maulabaksh (2015), who discovered a positive relationship between working environment and staff relationship ($r=0.283$, $p=0.05$). In terms of training and development, it was found that there is a relationship with employee loyalty. This finding is supported by Ng, Woo, Lim, and Wong (2019), who validated this in their study article, stating that training and development is one of the variables that affect employee turnover in a company. Lastly, career development was also found to have a relationship with employee loyalty. Several studies, including one by Khuong and Linh (2020), discovered similar findings, arguing that providing employees with career development opportunities can

improve employee job satisfaction. Employees who are happy with their jobs are more likely to stay with their employers.

To Ascertain the Effect of (1) Wages and Salary, (2) Organizational Support, (3) Working Environment, (4) Training and Development (5) Career Development have on Employee Loyalty at Manufacturing Sector in Klang and Shah Alam Industrial Zone

Table 2: Coefficients of Regression

Model	Unstandardized Coefficients		Standardized Coefficients β	t	Sig.	Collinearity Statistics	
	β	Std. Error				Tolerance	VIF
1 (Constant)	-.051	.218		-.235	.815		
Wages	.039	.044	.031	.885	.377	.951	1.052
Support	.199	.049	.201	4.095	.000	.492	2.031
Environment	.189	.040	.202	4.687	.000	.643	1.555
Training	.131	.055	.123	2.408	.017	.458	2.183
Career	.370	.060	.341	6.130	.000	.384	2.603

a. Dependent Variable: STAFF LOYALTY

Based on regression analysis, it was found that only four (4) independent variables of the study have significant effects on staff loyalty, namely organizational support, working environment, training and development, and career advancement. Meanwhile, wages and salaries have no significant effect on staff loyalty. Several studies discovered the same, like a study by Ludviga et al. (2016), where compensation has no direct influence on employee turnover, and the pay or salary structure does not affect employee turnover. Meanwhile, organizational support was found to have a significant effect on employee loyalty. This finding is consistent with the findings of an earlier study by Aktar and Panggil (2017), which found that organizational support has a significant relationship with employee loyalty. Furthermore, this study found that the working environment has a significant effect on staff loyalty. Wiebell's (2019) research also confirmed the assumption that a high-quality work environment is positively associated with employee retention. Employees will be more motivated to work if they work in a pleasant atmosphere. In terms of training and development, this study discovered that it has a significant effect on employee loyalty. Diem (2016), who hypothesized a positive relationship between training and development and employee loyalty, also received support (= 0.18, p = 0.019). Lastly, it was found that there is a significant relationship between career development and employee loyalty. This finding concurs with a study by Samat et al. (2020) that explores the link between career advancement and employee loyalty.

4. RECOMMENDATIONS AND CONCLUSION

This study concentrated on the elements that impact employee loyalty. Several key limitations and difficulties encountered during the research were highlighted in this study. The limitations stated should be considered by future researchers in their future studies. The goal is to improve both the quality of research and the outcomes of future studies. The first key limitation is the accessibility of the researcher to targeted respondents. Because of the implementation of Movement Control Order (MC) due to the Covid-19 pandemic, access to data with regards to the population of the manufacturing sector as well as its subpopulations was very difficult. Thus, accessibility is critical to reaching the intended respondents. Secondly is generalizability, although this study may be generalized to different manufacturing sectors in other areas, it is only limited to manufacturing sectors with similar features, norms, culture,

and customer service. This is due to the research being limited to the manufacturing sector in the Klang and Shah Alam areas. As a result, it does not represent the entire Malaysian manufacturing industry. Thirdly is current study is only limited to five factors with results in only 54.5% of prediction power towards employee loyalty. This implies that another 45.5% may be attributed to other employee-loyalty-related factors, such as work-life balance and the nature of the job. As a result, concluding that these four variables influence employee loyalty are insufficient.

Given the limitations described above, the following are recommendations for future research. Future studies may choose a qualitative data collection method. Secondly, future research may use the longitudinal study method. Future studies should also include population and responses from other industry organizations in Selangor for better and more reliable results, especially for a larger population and sample size. Finally, future studies should investigate additional factors such as work-life balance, job type, and other factors that may influence employee loyalty in manufacturing organizations.

This study found that career development was the top-most important element influencing employee loyalty, followed by the working environment, organizational support, and training respectively. This study also found that wages and salaries were insignificant in this study, which impliedly signals that employee in the manufacturing industry in Klang and Shah Alam are not affected by wages and salaries to remain with their present manufacturing company. In conclusion, employee loyalty is an important human resource aspect for an organization, particularly in the manufacturing sector, because it has a direct influence on workers' desire to leave, which affects the company's cost and time to replace personnel.

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