



# A Study on the Factors Influencing Employee Loyalty in Private Enterprises

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**Abstract.** or organizations, the fundamental elements that constitute talent include virtue, knowledge, capability, and performance, among others. However, for a company to achieve sustainable growth, employee loyalty is a critical foundation. In practice, as well as supported by extensive research, issues such as the loss of employees' sense of job security and the shift in their career perspectives have increasingly led to a decline in employee loyalty, recognition, and organizational commitment. Company R, a small to medium-sized enterprise focused on consulting and training services in the power industry, has employees with typical characteristics of knowledge workers. Based on theories such as Maslow's hierarchy of needs, the two-factor theory, equity theory, and organizational commitment, this paper analyzes the issue of knowledge worker loyalty using methods such as legal analysis, questionnaires, and on-site interviews. The study delves into the factors affecting the loyalty of knowledge workers, investigates the current state of employee loyalty management at Company R, and proposes solutions to address the identified issues.

**Keywords:** Knowledge Workers, Employee Loyalty, Organizational Commitment, Female Leadership.

## 1 Introduction

High turnover rates, loss of job security, and diversified career perspectives are intertwined factors that present significant challenges for both the long-term development of enterprises and the career growth of individuals. Employee loyalty, which has become increasingly complex and multifaceted, must be reconsidered. As the factors influencing employee loyalty become more varied, organizations need to adopt a multi-dimensional approach to enhancing loyalty. Traditional command-and-control management styles are no longer sufficient in today's corporate environment. Enterprises must recognize the expectations and needs of their employees, striving to develop new relationships between employees and the organization that reinforce and enhance loyalty.

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K. Zhang et al. (eds.), *Proceedings of the 4th International Conference on Management Science and Software Engineering (ICMSSE 2024)*, Advances in Engineering Research 244,

[https://doi.org/10.2991/978-94-6463-552-2\\_25](https://doi.org/10.2991/978-94-6463-552-2_25)

By fostering and maximizing employee potential, companies can ensure sustainable, long-term growth. In the management consulting industry, which has grown significantly over the past few decades, companies have become increasingly sought after to provide development solutions for other businesses. These companies are typically knowledge- and intellect-intensive, with employees serving as their most valuable assets and direct sources of productivity. Given the flat organizational structures and open communication channels that are typical in these firms, it is essential to consider the needs of employees. In the current climate—marked by short-termism, cost-cutting, a lack of job security, and diverse career values—the successful management of employee loyalty within small- to medium-sized knowledge-based management consulting firms is crucial for ensuring the long-term, healthy development of the company and the industry as a whole.

## 2 Current State of Research

Meyer (1993) and his colleagues synthesized various research findings into a three-component model of loyalty: affective commitment, continuance commitment, and normative commitment. They also developed a three-dimensional scale to measure organizational loyalty. Affective commitment refers to the emotional attachment, identification, and involvement that employees have with their organization. Employees remain with the organization primarily because of their deep emotional connection to the company, rather than material incentives.<sup>[1]</sup>

Peter F. Drucker (1991), in his book *The Challenges of Management for the 21st Century*, defined employee loyalty as the decision not to leave an organization even when presented with better pay and career opportunities elsewhere, maintaining a commitment to the company.<sup>[2]</sup>

Brian Schrag (2001) argued that employee loyalty is driven by an intrinsic willingness to contribute to the company, not by external pressures. This loyalty is rooted in the employee's optimism about the company's future and their belief in mutual benefit, without which loyalty cannot be sustained.<sup>[3]</sup>

Fredrick Reichheld (2001), in his book *Loyalty Rules*, explained that loyalty is built on the mutual creation of value between employees and the company. He argued that employee satisfaction alone does not guarantee loyalty; rather, loyalty is cultivated as employees develop their skills in alignment with the company's needs, promoting mutual growth.<sup>[4]</sup>

Berberoglu (2018) suggests that employees' levels of organizational commitment vary depending on the organizational climate, particularly the positivity of that climate. Generally, the more positive the organizational climate, the higher the organizational commitment.<sup>[5]</sup>

Lambert (2020) posits that among the factors influencing employees' organizational commitment, one significant aspect is the fairness of procedural distribution within the organization. Research indicates that perceptions of distributive justice and procedural justice within the organization can positively affect employees' organizational commitment.<sup>[6]</sup>

In summary, after decades of theoretical research, scholars have enriched the understanding of loyalty. Employee loyalty is an internal recognition of the company's values, driving employees to contribute to the company's growth. However, loyalty is not a one-way street; it involves mutual commitment between employees and the company. Loyalty can be categorized into affective, continuance, and normative loyalty, forming a measurable model that has been proven effective. As the times change, scholars continue to explore the factors influencing employee loyalty, identifying factors such as personal attributes, corporate development, organizational culture, leadership, compensation and benefits, and career development.

### **3 Research Methods and Tools**

#### **3.1 Overview of Company R**

Founded in July 2009 and headquartered in Shenzhen, Company R has been serving clients in the power industry nationwide for 14 years. The company has grown from 5 employees to 77, with a steadily increasing business volume, placing it among the top firms in the power industry with a solid reputation. Company R primarily provides training and human resources management consulting for power companies, with services covering areas such as party building and leadership, strategic planning and execution, marketing services, human resources optimization, talent development systems, training resource development, learning maps, marketing service capability enhancement, team building, in-house trainer system development, course development, and training management.

#### **3.2 Research Tools**

This study will use literature review, questionnaire surveys, and field interviews to examine the current state of employee loyalty management, influencing factors, and improvement strategies at Company R. The questionnaire consists of three parts: the employee loyalty scale, the employee loyalty influencing factors scale, and the Gallup employee engagement scale. For the loyalty scale, we used a set of "Chinese Employee Organizational Commitment Questionnaire" developed by Professor Ling Wenquan and others (2000)<sup>[7]</sup>, which has been validated for reliability and validity through extensive data. Professor Ling and his team explored the psychological structure of organizational commitment among Chinese employees, proposing a five-factor model. These five basic types of commitment are affective commitment, normative commitment, ideal commitment, economic commitment, and opportunity commitment. Additionally, we used the Gallup Q12 questionnaire to measure employee engagement and work environment as a supplement.

The scale for factors influencing employee loyalty was developed based on literature review findings. The questions were selected to match the identified factors, with additional questions related to marital and family influences due to the significant proportion of female employees at the company. The scales use a Likert five-point scoring method, with options ranging from "completely disagree" to "completely agree."

Respondents are asked to select the option that best reflects their situation, with scores ranging from 1 to 5.

This study divides the factors influencing employee loyalty into four dimensions: personal subjective factors, organizational factors, family factors, and external environmental factors, further subdivided into 10 sub-factors.

### 3.3 Questionnaire Collection

A total of 77 online questionnaires were distributed, with 70 valid responses returned. Additionally, 15 interview questionnaires were collected. The sampling distribution of the questionnaire is as follows:(See Table 1).

**Table 1.** Questionnaire Sample Statistics

<b>Ensnion</b>	<b>Sample Size</b>	<b>Dimension</b>	<b>Sample Size</b>
<b>Marital Status</b>		<b>Tenure</b>	
Unmarried	39	Less than 1 year	18
Married without children	11	1-3 years	25
Married with children	20	4-5 years	11
<b>Gender</b>		6-10 years	12
Male	20	More than 10 years	4
Female	50		
<b>Age</b>		<b>Department</b>	
Under 25	4	Sales Department	14
25-30 years	26	Learning & Development Dept.	20
31-35 years	23	Consulting Department	22
36-40 years	12	Business Support Dept.	9
41-45 years	5	General Management Dept.	5
<b>Education Level</b>		<b>Position Level</b>	
Associate Degree	9	General Staff	52
Bachelor's Degree	47	Mid-level Management	16
Graduate Degree	14	Senior Management	2
<b>Work Experience</b>		<b>Direct Supervisor's Gender</b>	
Less than 1 year	2	Male	20
1-3 years	10	Female	50
4-5 years	13		
6-10 years	22		
More than 10 years	23		

This distribution of samples provides a comprehensive view across various demographic and professional dimensions, enabling a thorough analysis of the factors influencing employee loyalty within the company. The broad coverage across different age groups, marital statuses, genders, education levels, work experiences, departments, and

leadership demographics ensures that the findings will be robust and reflective of the diverse workforce at Company R.

## 4 Reliability and Validity Testing

### 4.1 Reliability Analysis

#### 4.1.1. Employee Loyalty Reliability Validation.

The Cronbach's  $\alpha$  value for the overall employee loyalty scale is 0.882, indicating high reliability. This suggests that the scale has good internal consistency and can be used directly. Furthermore, the Cronbach's  $\alpha$  values for the subscales—emotional loyalty, normative loyalty, ideal loyalty, economic loyalty, and opportunity loyalty—range from 0.742 to 0.859, showing significant differences and high reliability for these subscales as well. Details are shown in the table below: (See Table 2).

**Table 2.** Cronbach's  $\alpha$  Value for Employee Loyalty Scale

Scale Name	Number of Indicators	Cronbach's $\alpha$ Value	Scale Name	Number of Indicators	Cronbach's $\alpha$ Value
Employee Loyalty	25	0.882	Ideal Loyalty	5	0.803
Emotional Loyalty	5	0.836	Economic Loyalty	5	0.851
Normative Loyalty	5	0.742	Opportunity Loyalty	5	0.855

#### 4.1.2. Employee Loyalty Factors Reliability Analysis.

The Cronbach's  $\alpha$  value for the overall employee loyalty factors scale is 0.861, indicating high reliability. Details are as follows: (See Table 3).

**Table 3.** Cronbach's  $\alpha$  Value for Employee Loyalty Factors Scale

Scale Name	Number of Indicators	Cronbach's $\alpha$ Value	Scale Name	Number of Indicators	Cronbach's $\alpha$ Value
Overall Factors	41	0.861	Work Factors	6	0.707
Personal Factors	4	0.745	Career Development Factors	3	0.769
Organizational Factors	4	0.857	Compensation and Benefits Factors	3	0.945
Management Factors	5	0.868	Family Involvement	2	0.760
Leadership Factors	7	0.957	Family Support	3	0.771

## 5 Validity Analysis

### 5.1.1. Criterion-Related Validity Analysis.

The Gallup Q12 measurement method is used to assess employee engagement and work environment, consisting of 12 questions designed to understand employees' views and feelings about work requirements, resources, incentives, etc. In this study, the Q12 scale is used as a criterion for organizational loyalty. The Pearson correlation coefficient between the loyalty scale and engagement is 0.7, indicating a high level of correlation with significant differences. The Pearson correlation coefficients between the sub-dimensions of employee loyalty and engagement range from 0.384 to 0.723, showing moderate to high positive correlations with significant differences. Details are as follows: (See Table 4).

**Table 4.** Pearson Correlation Coefficients between Loyalty Scale and Q12 Engagement

Scale Name	Pearson Correlation with Q12 Engagement	Scale Name	Pearson Correlation with Q12 Engagement
Employee Loyalty	0.700**	Ideal Loyalty	0.723**
Emotional Loyalty	0.646**	Economic Loyalty	0.426*
Normative Loyalty	0.606**	Opportunity Loyalty	0.384**

**Note:** \*Correlation is significant at the 0.05 level (two-tailed).

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

### 5.1.2. Loyalty Scale Structure Validity Analysis.

The Pearson correlation coefficients among the sub-dimensions of the loyalty scale range from 0.299 to 0.847. Except for the high correlation between emotional loyalty and normative loyalty, other correlations are moderate and show significant differences, indicating that the factors are both interrelated and independent. Details are as follows: (See Table 5).

**Table 5.** Pearson Correlation Coefficients among Sub-Dimensions of the Loyalty Scale

	Emotional Loyalty	Normative Loyalty	Ideal Loyalty	Economic Loyalty	Opportunity Loyalty
Emotional Loyalty	1				
Normative Loyalty	0.847**	1			
Ideal Loyalty	0.579**	0.600**	1		
Economic Loyalty	0.547**	0.547**	0.547**	1	
Opportunity Loyalty	0.299*	0.316**	0.346**	0.827**	1

**Note:** \*Correlation is significant at the 0.05 level (two-tailed).

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

## 6 Factor Analysis

### 6.1 Descriptive Analysis

R Company shows notable variations in the evaluation of factors affecting employee loyalty. The highest scores were given to personal factors, aligning well with the characteristics of knowledge workers. The low score for family investment indicates that R Company employees strive for a balance between work and family life. The low score for compensation and benefits reveals employee dissatisfaction with their pay. Employees feel they contribute significant value to the company but find the current compensation and benefits inadequate. R Company must urgently revise its compensation and benefits system. (See Table 6).

**Table 6.** Analysis of Factors Affecting Employee Loyalty

Loyalty Influence Factor	Minimum Score	Maximum Score	Average Score	Loyalty Influence Factor	Minimum Score	Maximum Score	Average Score
Personal Factors	1.00	5.00	3.84	Career Development	1.00	5.00	3.33
Corporate Factors	1.00	5.00	3.61	Compensation and Benefits	1.00	5.00	2.78
Management Factors	1.00	5.00	3.31	Family Investment	1.00	5.00	2.61
Leadership Factors	1.00	5.00	3.42	Family Support	1.00	5.00	3.22
Work Factors	1.00	5.00	3.35	External Factors	1.00	5.00	3.52

### 6.2 Correlation Analysis

Employee loyalty: Correlated with all ten factors, with significant differences. Among these, corporate factors, management factors, leadership factors, career development factors, and compensation and benefits factors show significant medium-to-high strength correlations.

- 1. Emotional Loyalty:** Correlated with all factors except "External Environmental Factors," with significant medium-to-high strength correlations in management factors, leadership factors, work factors, and compensation and benefits factors.
- 2. Normative Loyalty:** Correlated with all factors except "External Environmental Factors," with significant medium-to-high strength correlations in management factors, career development, and compensation and benefits factors. This indicates normative loyalty is primarily influenced by management atmosphere, career prospects, and satisfactory compensation and benefits.

- 3. **Ideal Loyalty:** Correlated with all factors except "Family Investment," with significant medium-to-high strength correlations in corporate factors, management factors, leadership factors, career development, and compensation and benefits factors.
- 4. **Economic Loyalty:** Correlated with all factors except "Personal Subjective Factors" and "Work Factors," with generally low correlation. "Compensation and Benefits Factors" show the highest correlation, while "Family Investment" shows the lowest.
- 5. **Opportunity Loyalty:** Correlated with all factors except "Personal Subjective Factors," "Work Factors," and "Family Investment," with the highest correlation in "Compensation and Benefits Factors" and the lowest in "Family Support."

Overall, the factors affecting employee loyalty are diverse, with management and compensation and benefits factors being the most influential across dimensions. Knowledge workers place high importance on the management atmosphere and their degree of autonomy. Given their high education levels, they also have higher salary expectations. (See Table-7).

**Table 7.** Impact of Different Factors on Employee Loyalty Dimensions

	Employee Loyalty	Emotional Loyalty	Normative Loyalty	Ideal Loyalty	Economic Loyalty	Opportunity Loyalty
Personal Subjective Factors	0.250*	0.257*	0.337**	0.238*	0.161	0.013
Corporate Factors	0.622**	0.505**	0.522**	0.752**	0.428**	0.274*
Management Factors	0.722**	0.683**	0.673**	0.695**	0.476**	0.351**
Leadership Factors	0.670**	0.642**	0.587**	0.704**	0.447**	0.287*
Work Factors	0.408**	0.610**	0.452**	0.375**	0.130	0.052
Career Development	0.682**	0.541**	0.627**	0.728**	0.469**	0.357**
Compensation and Benefits Factors	0.700**	0.617**	0.632**	0.634**	0.509**	0.400**
Family Investment	0.318**	0.351**	0.272*	0.231	0.285*	0.128
Family Support	0.469**	0.486**	0.398**	0.392**	0.353**	0.239*
External Environmental Factors	0.330**	0.181	0.198	0.373**	0.287*	0.276*

**Note:** \*Correlation is significant at the 0.05 level (two-tailed).

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



## 7 Conclusions

This study focuses on employee loyalty at R Company, analyzing human resource status and employee turnover data over the past three years. By reviewing relevant literature and employing theories such as Maslow's Hierarchy of Needs, Equity Theory, Motivation Theory, and Organizational Commitment Theory, and using established loyalty and engagement scales, the study surveys the current state of employee loyalty and its influencing factors at R Company. The findings are as follows:

(1) Analysis of employee turnover data shows that employees with less than three years of service account for 87.8% of departures. This high turnover rate is attributed to job inadequacy, personal development, family reasons, and work-related issues (e.g., high-intensity overtime, adapting to remote work, health reasons). Notably, female employees exhibit unique characteristics in work and family factors due to physiological and psychological aspects.

(2) Analysis of employee demographics (education, department, job level, marital status, gender of direct supervisors) reveals significant relationships with loyalty. There is a need for targeted improvements based on individual characteristics and needs.

(3) The survey indicates that ideal loyalty scores highest, while economic and opportunity loyalty scores are lower. Knowledge workers, with higher education and personal qualities, have a strong sense of self-worth and pursue career success and salary expectations. When unable to achieve career development or meet salary demands, they are prone to leaving. Gender differences in loyalty are less pronounced early in careers, but female employees exhibit higher loyalty during marriage and childbirth stages due to the need for work-family balance.

Based on the analysis, the study recommends that R Company focus on effective management during the recruitment phase, improve corporate management (including culture, management practices, compensation and benefits systems, career development, and leadership capabilities), and implement targeted measures to enhance loyalty. Specific suggestions include:

- Cultivating a positive corporate culture.
- Optimizing recruitment strategies to increase the likelihood of finding suitable candidates.
- Enhancing internal referral incentives and expanding internal job opportunities.
- Improving compensation and benefits, ensuring fairness, and offering flexible benefits to boost loyalty.
- Developing training and promotion mechanisms to support career planning and career advancement.
- Expanding communication channels and addressing the needs of both female managers and employees to further enhance overall employee loyalty.

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