MODEL OF FACTORS AFFECTING THE EMPLOYEES LOYALTY IN THE STATE OWNED ENTERPRISES

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ABSTRACT
Personnel management in administrative bodies of State keeps specific characteristics compared with other sectors. It includes the management of officers, employees with the contents as follow: recruitment, training, foster, assignment, promotion, usage and implementation of policies of employees...Meanwhile, it is impossible to ignore planning, training, foster and development of human resources, attraction of talents to work in State agencies. To meet management requirements and increase the effectiveness of the agency which both manage and train the youth to supply other sectors, state agencies of provincial Union not only keep the existing and qualified employees to avoid brain drain but also supplement the high-quality human resources. Therefore, it is necessary to identify, review, evaluate the factors affecting the loyalty of employees, then makes suitable policies and decisions in management to keep good employees, and avoiding brain drain in the future is an urgent need of state agencies directly under provincial union. It is also the reason why authors choose the subject: “Model of factors affecting the employees loyalty in state owned enterprises” for this paper.

Keywords: model, employees loyalty, state-owned enterprises
Literature review

A employee is a Vietnam’s citizen who is recruited, appointed into a state branch with the title in Communist Party of Vietnam, political and social organizations from central level to provincial and district levels; who works in the units under People’s Army but not officer, professional soldier, defense worker; who works in the units under the public security forces but not officer, professional sergeant; who works in the leadership and management of public service units of Communist Party of Vietnam, State, political-social organizations (hereinafter referred to public career units) whose salary is ensured by the public career unit’s salary fund as per legal regulations.

A public service is an activity implemented by employees for shared benefits of peoples and society.

Office is a workplace of employees, is headquarter of state agencies, organizations, units; political and social organizations with the specific names, location to implement public service activities.

Officials and employees using agency: is an agency, organization or unit which has the right to manage, distribute, arrange and test the implementation of duties, power of officials and employees. Officials and employees managing agency: is an agency, organization or unit which has the right to recruit, appoint, rank, increase salary, solve the issues of severance, retirement, regimes, policies and rewards, as well as disciplining for officials and employees.

Working position: is a work associated with the title, position, structure and branch to identify the staffing and arrangement for employees in agencies, organizations and units.

Some theories of mobilization

Mobilization is to create enthusiasm, happiness and responsibility of employees which make them to more effectively implement their tasks.

Motivating employees is one of the administrative functions of an administrator in general and a good administrator in particular. It will help employees have motivation and improve their capacity in work, help them become fonder of their organization.

However, it is extremely difficult to understand what motivation can encourage employees to actively work. There are many theories of motivation to encourage people to work, but the most outstanding one is the Hierarchy of Needs Theory by Abraham H.Maslow, X and Y theory by McGregor, ERG theory by Clayton Alderfer, the Two-factor theory by Frederick Herzberg. Research of these theories will be the initial basic for this subject.

Hierarchy of Needs Theory by Abraham H.Maslow (1943). Hierarchy of Needs Theory by Abraham H.Maslow is not supported by the critics because not all people need 5 demands of Maslow. The researches have not confirmed the existence of 5 hierarchies of needs of human needs.
beings exactly. Needs do not appear in hierarchy as mentioned by Maslow, it depends on individuals and contexts. The researchers have pointed out that man’s needs are different depending on career stages and geological location. In fact, it is difficult to prove Maslow’s theory: this need is met, another need will arise higher. In such countries as Japan, Greece, the security need is ranked higher than self-improvement need; while in such countries as Mexico, and Pakistan the social demand seems higher.

ERG theory by Clayton Alderfer (1969). ERG theory identifies 3 types of needs: Existence needs which is the desire of healthy body and spirit; Relatedness needs who is desire of being satisfied in the relationship among people; Growth needs which the desire of personal growth and development. The reason why employees find out new jobs with higher salary and better working conditions even when the conditions they are having are also suitable with labor market is that employees do not feel satisfied with the communication and growth demands.

Two-factor theory by Frederick Herzberg (1959). Demotivate factor: is the factor of dissatisfaction in jobs. These factors include: organization’s policies, supervision, working conditions, wages and welfare, relationship with colleagues, position, and private life. Motivator factor: Is the factor of satisfaction in jobs. These factors include: achievement, recognition, work itself, responsibility, advancement, and growth. Two factors Satisfaction and Dissatisfaction affect the work quality of employees. Working conditions are frequently considered as a factor which will create more satisfaction without mentioning the difference between individuals and defining the relationship between satisfaction and motivation.

The employees loyalty in organizations. There are different ways of approach on the employees’ loyalty. Loyalty can be a component factor of organization’s commitment; also can be an independent concept.

Allen & Mayer (1990) focused on three psychological statuses when associated with the organization and mention the loyalty. Employees can be loyal to their organizations, then they will stay with the organization although other agencies can pay them more; they can be loyal to the organization because they do not have opportunity to find out better jobs or because the moral standards they are pursuing. Meanwhile, Cook & Wall (1980) pays attention to the behavior aspects of employees.

In Vietnam, the appearance of a series of foreign investors, multi-national corporations and banks lacking qualified human resources after Vietnam has joined WTO has made the labor market hotter. Employees will suggest the requirements which bring their loyalty. Some of them consider income as the most important factor which creates their loyalty. Many of them wish to have the opportunities to study, develop themselves; for example Jaerid Rossi (extracted from Penelope Trunk (2007) said: “Like the function of time, loyalty is the idea of promise, an employee only feels work attractive when he/she can often learn”. In contrast, “Companies do not want a blind loyalty; the best loyalty is when both company and employees gain mutual benefits”.
According to The Loyalty Research Center (2004), “Employees’ loyalty is obtained when employees commit to associate with organization’s success and believe that working for the organization is the best choice”.

At the moment, new idea about loyalty has not been widely popular in Vietnam and there are still many difficulties in measurement. Therefore, this research uses the Mowday and his colleagues’ definition of the loyalty, together with development and usage of employee’s loyalty scale which was developed by Man Power (2002).

Benefits of having and keeping employees’ loyalty. Employees’ loyalty is extremely valuable to minimize the training fee and it is priceless to keep the qualified and experienced employees. What create the loyalty nowadays is different from what created loyalty before. Seniority, work experience, organization’s stability will be factors which are thought about at first but beyond personal experience we will have more overall view of benefits of attracting and keeping employees for the state agencies under today context.

For performance, loyal employees tend to work better than expected and always ready to work with their all ability. Both two these features are very important in stabilizing operation of organization and increase operation effectiveness of organization. In other words, instead of focusing on keeping the employees (try to make servants who decide to leave off the work change their minds), employee administration agencies need to actively and more proactively in admitting the benefits of understanding, managing and improving the employees’ loyalty.

Therefore, employees’ loyalty is admitted to two of the most decisive factors for the success of the state agencies. It is not a surprise when the state agencies are facing with the severe challenges in developing a team of qualified, enthusiastic employees.

Related studies on employees’ loyalty. There are many researches on the employees’ loyalty to companies, enterprises without having many researches on the loyalty of employees to the state agencies. Most of previous researches only focused on studying generally a certain aspect such as: Above researches only focuses on generally studying a certain aspect but not go deep into the factors affecting employees’ loyalty to organizations. These researches simultaneously focuses on the private sectors, production and business which are different in public sectors, specifically research object is the employees. This research will study every specific factor such as: high income, working condition and environment, suitable job…which will affect employees’ loyalty to agencies based on the theories of demands, adjustment, and supplement of the scale from previous researches carried out in Vietnam. In summary, compared with the previous researches, this one focuses on quitely special career object-employees who have not been cared about by researchers.
The factors affecting the employees’ loyalty. There are seven general factors affecting the employees’ loyalty including: work nature, training and promoting opportunities, leadership, colleagues, wage, working conditions. Meanwhile, the result of primary research process and interview on specialists of Binh Duong provincial Youth Union requires adding two factors including: family factor, power and duties of employees.

Nature of Work. The following factors need to be considered: the job allows using personal capacity the best; the job is very interesting, the job include many challenges; employees are commended after finishing the job well. Therefore, H₁ theory is formed: the suitable work nature will make employees to be loyal to their organizations more.

Wage and reward. The state agencies often pay as per branch, grade, and increase wage according to fixed seniority with tight legal regulations; so very few people have their wages increased before allowed time. Therefore, the state agencies make very little motivation to attract the good employees, and are difficult to compete with the private sectors in maintaining the good servants, encouraging their creativity to improve the job. Theoretically, highly the state agencies’ wage are paid, more qualified candidates take part in the public sector. At the same time, to maintain the qualified employees for the state agencies, paying high wage is not enough; it is necessary to show fairness within internal state agencies. All the components of income include: basic salary, reward, welfare, support which need to be effectively used in order to create highest motivation for employees. Finally, the legal basis issues relating to employees’ wages in the state agencies often focus on the regulations of basic salary, working time and condition, additional wages…Job and its quality are often evaluated through income that job can bring when mentioning job and work quality. Therefore, income is considered as one of the measurement tools for job as well as success of that servant in career. High income will make employees satisfied more physically, and then they will try more to prove their values. Therefore, motivation affects significantly working spirit of employees that is presented in the following aspects: when the employees receive worthy salary, they will feel satisfied and be excited in working. They will not leave the job while being temporally satisfied by their income. They will be more highly disciplined in obeying the regulations and more self-control in work. They rarely find out new jobs. Therefore, H₂ theory is given out: wages and reward will make employees more loyal to their organizations.

Welfare regimes. In addition to wages and rewards, the regulations of social welfare such as the right to buy house, provide house, social insurance, maternity, labor accidents…are also the reason helping employees have motivation to work better. Therefore, H₃ theory shows: high welfare regimes will make the employees more loyal to their workplaces.

Working environment. Working environment is always cared about by labors because it is related to personal convenience and helps they finish their tasks. Labors do not like dangerous, disadvantageous and inconvenient working environment. Temperature, light, noise
and other environmental factors are suitable. Moreover, many labors like working near their home with clear, modern and suitable equipments. Nowadays, the employees have to work in the high-pressure environment, so they are often tired and stressed. Everyone think that the state employees are leisured but it is not true. Most of people think that qualified employees should work for private sectors or foreign companies to have a higher income and only unqualified ones work for the state agencies. People say much about they are tired of administrative procedures but no one talk about that employees are derogated in workplace. They sometimes become people’s anger. Therefore, many young, qualified, confident employees are ready to leave when they have to face with a disadvantageous working environment. Therefore, $H_4$ theory shows that: advantageous working conditions will make employees more loyal to their workplaces.

Colleagues’ support. Being supported by colleagues within working process, friendliness and coordination in the work, care about mutual benefits of both two parties are the important factors helping employees associated with their organizations. A agency with division among employees will cause the psychological frustration, dissatisfaction with the work and agency. Therefore, $H_5$ theory shows that: the employees may be more loyal to the organization if he is supported by colleagues.

Promotion condition. The promotion opportunities in workplaces are very important factor. If the employees are properly evaluated, arranged, promoted and appointed equally and suitably, they will self-conscious, responsible and ready to work. Moreover, if they know clearly the promotion criteria and opportunities, are provided the necessary knowledge and technique as well as opportunities for personal development, they tend to associated with the agency more. A fact which is being overcome in the state administration system is recruitment, arrangement, promotion, appointment, and distribution of the work based on the blood-relationship, marriage, and social relationship without real capacity or publicized promotion criteria. Therefore, $H_6$ theory shows that: advantageous promotion condition will make employees more loyal to the organization.

Support from superior. Support from superior is paid attention by many researches (Podsakoff & ctg, 1996) is defined as the degrees of consideration and support provided for employees by supervisors (Niemeyer & ctg, 1997). A good leader should help and treat employees equally, encourage two-way communication, and admit the contribution of employees to gain company’s targets. Leader’s behavior is the key factor to identify the satisfaction. Labors’ satisfaction is increased if their leaders are knowledgeable, friendly, determined people who care about and listen to the employees’ ideas (Lam, 1998). It is similar in the state agencies, leaders should care about, help and facilitate the employees to finish the tasks, treat fairly with everyone, encourage and praise the employees who work well that will motivate employees to work better. Thus, $H_7$ theory shows that: having the support from superior will make employees more loyal to the organization.
Family factor. The result of direct interviews carried out by specialists and the fact that employees in the families having revolution tradition, good education environment of family often tend to choose the jobs as per family tradition. That parents or brothers, sisters are the employees with higher family position will make the employees more loyal to their organization. Thus, \( H_8 \) theory shows that: good curriculum vitae will also make the employees more loyal to their workplaces.

Power and duties of employees. The employees’ work brings the nature of public service activities. To become a employee, you must have a decision from a competent individual or agency with tight and complicated administrative decisions. For some careers or specific work, employees will not be allowed to work in some related sectors as per regulations. Thus, \( H_9 \) theory shows that: power and duties of employees will make them more loyal to their workplaces.

The scale used in research. The scale used in research includes the independent and dependent components.

**Independent components**

**Nature of work**

The component “Nature of work” is measured by 4 following observation variables:
1) The work allows to maximum personal capacity
2) The work is very interesting
3) The work includes many challenges
4) Employees are praised when finishing the work

**Wages and rewards**

The component “Wages and rewards” is measured by 5 following observation variables:
1) High salary
2) Life level is based on income from the work in agency
3) Salary commensurate with the work performance
4) Wages and income are paid equally
5) Salary is often increased

**Welfare**

The component “Welfare” is measured by 4 following observation variables:
1) Good welfare
2) Good social insurance
3) Good medical insurance
4) Satisfaction on reward regulations

**Working environment**

The component “Working environment” is measured by 5 following observation variables:
1) Not high pressure
2) Do not require frequent overtime
3) Sufficient and clear equipment and machines
4) Stable work, not worry about losing jobs
Support from colleagues
The component “Support from colleagues” is measured by 4 following observation variables:
   1) Comfortable and friendly colleagues
   2) Good coordination with colleagues
   3) Mutual help in work
   4) Opportunities to learn from colleagues
Promotion condition
The component “Promotion condition” is measured by 4 following observation variables:
   1) Clear promotion conditions
   2) Be provided many promotion conditions as well as opportunities
   3) Be provided necessary knowledge and technique
   4) Be provided many opportunities for personal development
Support from superior
The component “Support from superior” is measured by 4 following observation variables:
   1) Employees receive the support from superior
   2) The agency operates effectively
   3) Employees are respected and trusted in work
   4) Employees are treated equally without discrimination
Family factor
The component “Family factor” is measured by 4 following observation variables:
   1) Family with revolution tradition
   2) Family with parents or brothers, sisters as employees
   3) Family’s political position
   4) Family’s desire
Power and duties of the employees
The component “Support from colleagues” is measured by 5 following observation variables:
   1) Employees’ duties
   2) Employees’ responsibility
   3) Employees’ power.
   4) Employees’ moral standard
   5) what the employees are not allowed to do
Scale of loyalty
The component “Loyalty” is measured by 3 following observation variables:
   1) I tend to stay long with the agency
   2) I still stay if another company pay me higher
   3) I see the agency as my second home on many aspects
Research model

Figure 1. Sample Research model

Comprehensive Research model

Based on the sample research models and the result of primary studying process, interviews on experts, comprehensive research model is proposed as follow:

\[ \text{Loyalty} = \beta_0 + \beta_1 \times \text{Nature of work} + \beta_2 \times \text{wage and reward} + \beta_3 \times \text{welfare} + \beta_4 \times \text{working environment} + \beta_5 \times \text{support from colleagues} + \beta_6 \times \text{promotion condition} + \beta_7 \times \text{support from superior} + \beta_8 \times \text{Family} + \beta_9 \times \text{Power and duties of employees.} \]
Figure 2. Comprehensive Research model

The hypothesis of the model: H1: the suitable nature of work will make employees more loyal to the agency; H2: high wages and rewards will make employees more loyal to the agency; H3: Stable welfare will make employees more loyal to the agency; H4: Good working environment will make employees more loyal to the agency; H5: Support from colleagues will make employees more loyal to the agency; H6: advantageous promotion condition will make employees more loyal to the agency; H7: Support from superior will make employees more loyal to the agency; H8: Family with clear curriculum vitae will make employees more loyal to the agency; H9: Power and duties of employees will make employees more loyal to the agency.
Conclusion

When the employees are more loyal to the state agencies, they will work better with high performance and really become servants of peoples who are seen as the customers to serve. Accordingly, the images of state units and employees who have been considered as imperious people will be improved, the relationship between employees and peoples will closer. The purpose of this research is to define the factors which affect the loyalty of staff toward the company, build up and assess the scales to measure these factors. To quantify the impact of these factors to the loyalty toward the Company of a staff, a theory model is built and verified. This model is built upon the theory of satisfaction of staff work as well as the loyalty of staff toward the company and the impacting factors have been carried out by some previous researches in Vietnam, combine with specific research in State Management field.

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