Determinants Affecting Employee Loyalty of FDI Enterprises in Dong Nai Province

Dr. Phan Thanh Tam
Lecturer of Lac Hong University (LHU)

Abstract: Loyalty to an organization related to loyalty to values, purpose and people. An organization can not accidentally get loyalty, which has gradually accumulated. The employees where just trying to live their lives and to acquire property, possessions and personal experience will not take place for loyal relationships. For these people, the leaders realized that they use the word "employee", but think about the concept of "human resources." An organization want to win the loyalty of employees fuller and longer, the leaders often focus on owning and maintaining employees. The employee ownership is done by giving staff the fairness of the organization. The leaders think that if employees get that, they will be encouraged to take full coherence and longer with the company. Another way to gain the employee ownership is consolidated and entrusted to the employee have the right to control. If there is a project, leaders believe they will give employees the cohesion necessary for the success of the project, so that employees will be loyal. However, the research results showed that there were 450 employees of FDI enterprises interviewed and answered nearly 21 questions. The researcher had analyzed KMO test, used for multiple regression analysis. This paper Data conducted during the period from July 2015 to July 2016. In addition, the exploratory factor analysis (EFA) results showed that there were five factors affecting employee loyalty of FDI enterprises in Dong Nai province with significance level 5%.

Keywords: loyalty theory, enterprise, employee, FDI and LHU

INTRODUCTION

In the process of industrialization and modernization of the country, Foreign Direct Investment (FDI) is considered one of the pillars that contribute to the economic growth of Vietnam. Besides, FDI had achievements gained, also not less restrictive. So, how to attract maximum FDI inflows into Vietnam and effective use of these funds is the problem needs attention now. More than 20 years of renovation, Vietnam has made impressive achievements in all fields, especially in economics. From a country with economic growth slowing, so far Vietnam has become one of the countries with high growth and stability in the region and the world. FDI has been recognized as one of the pillars that contribute to the economic growth of Vietnam. The role of FDI is expressed through contributions to important factors of economic growth, such as: Additional capital investment, technology transfer, boost exports, create jobs and develop human resources.

FDI enterprises also contribute to promoting Vietnam participated deeper integration into the world economy. At FDI enterprises, loyalty of the employees is the major concern of the organizations. Subsequent turnover of the employees interrupt the working environment and the organization competitiveness. We have many reasons of employee’s satisfaction and the most significance is the working condition, work related stress and managerial support. Dissatisfied employees have an intention to leave the organization. There is negative relationship between the employee satisfaction and employees turnover. Every organization human resource practices in the current era have the concern to launch the motivational schemes that help to control on voluntary turnover of employees. Productivity for the employees is high when the employees are satisfied, but the productivity of the organization will only be increase when the employees are satisfied as well as loyal to the organization.

Thus, the researcher had chosen topic “Determinants affecting employee loyalty of FDI enterprises in Dong Nai province” as a paper.

LITERATURE REVIEW

Loyalty of the employees is the major factor for the success of an organization because as the organization will not have the loyal employees, the organization growth would not sustain due to the fluctuation in the management. Phillip & Penny, by defining the employee commitment to the organization states that, “The ideal employee was one who spent fifty years with the same company without uttering a word of complaint”. Loyalty is the employees emotional attachments with the organization, loyalty research center define employee’s loyalty as, employees being committed to the success of the organization and believing that working for this organization is their best option. The Loyalty Research Centre. Employee’s satisfaction is the factor that true contributor to the plan of organization goal achievement. Employee’s satisfaction has defined by many researchers in different context.

Loyalty, as a general term, signifies a person's devotion or sentiment of attachment to a particular object, which may be another person or group of persons, an ideal, a duty, or a cause. It expresses itself in both thought and action and strives for the identification of the interests of the loyal person with those of the object (Britannica, 1998). Organizational commitment has been define as multidimensional in nature and involving an employee’s loyalty to the organization. Also identify the attitude and behavior of the employees. Loyalty of employee cannot be determined through direct questioning, no one can assume whether employees today work effectively. We know loyalty and a commitment is more than simple behavior it’s all just like customer loyalty and commitment (Jeffrey M. Stanton et al., 2003).
Employee loyalty can be defined as employees being committed to the success of the organization and believing that working for this organization is their best option.

Maslow’s hierarchy of needs suggests one of the most famous theories in building motivation. Maslow said that human beings want to satisfy some certain needs and they have seen those needs in the hierarchy system arranged in ascending order from lowest to highest demand. Maslow classified needs into five levels: physiological need, safety need, love/belonging need (society), esteem need and finally self-actualization.

- **Physiological need**: is the basic need for human survival such as food, water, clothes, accommodation...
- **Safety need**: includes the security need and protection need from bad effects to your body, risk of losing job and losing properties...
- **Society need**: includes intimacy, sense of belonging and acceptance, and friendship
- **Esteem need**: emphasizes on the satisfactions such as power, prestige and position
- **Self-actualization need**: is considered as the highest need in Maslow’s hierarchy. It is our desire to reach the spot where a human should reach, in other ways; this helps to wake up the potential ability of people and helps them fulfill a certain goal.

Other studies also point out that the need’s hierarchy of different countries is different depending on their own culture. Each person has his/her own different demand systems and hierarchy of needs, therefore, his or her motivation for action will be different. The more satisfaction employees have, the more motivation they gain. That is the reason why administrators should pay attention to employee to satisfy their needs partly and in contrast; this brings positive contribution to the organization.

**ERG theory (Existence, Relatedness, Growth):**

Apart from Maslow’s theory, ERG theory also studied about need’s classification of employees to set up a trend supporting for management with high efficiency. This theory divides needs in to three kinds of needs established by Alderfer:

- **Existence need (E)**: This need is similar to the psychology need of Maslow’s theory of hierarchy of needs. It is the material requirements and other basic needs such as food, clothes, accommodation.
- **Relatedness need (R)**: This is the need of having good relationships among people in action. In the working process, it symbolizes the relationships between colleagues, boss and employees. In family, it is the relationships between parents and their children, between cousins. In society, it is presented through the relationships of friends and other relating people.
- **Growth need (G)**: This is the need of effective working creation and doing all things that people can implement

Clayton Alderfer said that people could have two or more needs at the same time; the power of communication does not require satisfying previous needs. In case of no ability in meeting the communication and behavior needs, it can be created the motivation through the existence need.

When the society is more and more developing, the communication need is broader because people are likely to join in groups and society. Therefore, this need becomes very important and necessary; hence, organizations should create more opportunities for meeting that need.

**METHODS OF RESEARCH**

The research is based on primary data. This Data was collected through self-designed questionnaire. The method for a quantitative research is direct interview by giving questionnaire, data collection and data analysis. To investigate the influence of the independent variable on the dependent variable (employee’s loyalty) and to know the relationship between the independent factors and employee’s loyalty the questionnaire methodology has been used in this study. Five point likert scales (5 = Strongly Agree, 4 = Agree, 3 = Natural, 2 = Disagree, 1 = Strongly Disagree) were used in the questionnaire to measure the effects of the independent variable on the dependent variable and the relationship between the dependent variable and the outcome. 450 questionnaires was distributed 414 were received and used in this study. Multiple regression analysis was used in this study. The statistical package social sciences program (SPSS) was used for the analyses.

The researcher surveys of 450 employees of FDI enterprises and answered nearly 21 items. The reason tested measurement models, model and test research hypotheses. Data collected were tested by the reliability index (excluding variables with correlation coefficients lower < 0.30 and variable coefficient Cronbach's alpha < 0.60), factor analysis explored (remove the variable low load factor < 0.50). The hypothesis was tested through multiple regression analysis with linear Enter method. To measure the sample characteristics, mean, median, mode, standard deviation, were used. Linear regression model was applied in this paper to measure the relationship between dependent, independent variables.
RESEARCH RESULTS

Table 01: Std. Deviation and Cronbach's Alpha test for factors affecting employee loyalty of FDI enterprises in Dong Nai province

<table>
<thead>
<tr>
<th>Code</th>
<th>INTERESTING WORK (IW)</th>
<th>Std. Deviation</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>IW1</td>
<td>Work at FDI enterprise helps you to promote your personal capability</td>
<td>0.92752</td>
<td></td>
</tr>
<tr>
<td>IW2</td>
<td>Work at FDI enterprise is diversified and requires creativity</td>
<td>1.00157</td>
<td>0.874</td>
</tr>
<tr>
<td>IW3</td>
<td>Work at FDI enterprise has many challenges that I want to conquer</td>
<td>0.90152</td>
<td></td>
</tr>
<tr>
<td>IW4</td>
<td>You can finish the job without depending on others</td>
<td>0.94430</td>
<td></td>
</tr>
<tr>
<td>IW5</td>
<td>You are proud to talk about your work</td>
<td>0.91106</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>INCOME (IN)</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN1</td>
<td>Your remuneration is equivalent to work performance</td>
<td>0.86643</td>
</tr>
<tr>
<td>IN2</td>
<td>Your salary can guarantee personal living</td>
<td>1.57144</td>
</tr>
<tr>
<td>IN3</td>
<td>You get bonuses or pay raise upon good work performance</td>
<td>1.44525</td>
</tr>
<tr>
<td>IN4</td>
<td>Your salary raise decision at the company is fair</td>
<td>1.29567</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>PROMOTION AND DEVELOPMENT (PD)</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD1</td>
<td>You have many opportunities to be trained for necessary knowledge for your job</td>
<td>0.96581</td>
</tr>
<tr>
<td>PD2</td>
<td>You know clearly company’s conditions to be promoted</td>
<td>1.11048</td>
</tr>
<tr>
<td>PD3</td>
<td>Your promotional chance is equal among everyone</td>
<td>1.30747</td>
</tr>
<tr>
<td>PD4</td>
<td>The company helps you to build a specific training and career development plan</td>
<td>1.35648</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>CONDITIONS/WORKING ENVIRONMENT (CE)</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>CE1</td>
<td>A clean, non-toxic working environment</td>
<td>1.37666</td>
</tr>
<tr>
<td>CE2</td>
<td>Working facilities and equipment are adequate</td>
<td>0.98036</td>
</tr>
<tr>
<td>CE3</td>
<td>Reasonable working time</td>
<td>1.25203</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>WELFARE POLICY (WP)</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>WP1</td>
<td>You are satisfied with the periodic medical examination of the company</td>
<td>0.86479</td>
</tr>
<tr>
<td>WP2</td>
<td>You never have any problems with arrangement for leave of absence</td>
<td>0.74307</td>
</tr>
<tr>
<td>WP3</td>
<td>The company gives you annual travel and company’s welfare policy is good</td>
<td>0.76327</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>EMPLOYEE LOYALITY (EL)</th>
<th>Std. Deviation</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL1</td>
<td>FDI enterprise makes you happy not only your work but also your life</td>
<td>0.65798</td>
<td>0.732</td>
</tr>
<tr>
<td>EL2</td>
<td>At FDI enterprise, you are willing to sacrifice personal interests for the good work done</td>
<td>0.74971</td>
<td></td>
</tr>
<tr>
<td>EL3</td>
<td>FDI enterprise makes you feel more motivated at work</td>
<td>0.69759</td>
<td></td>
</tr>
</tbody>
</table>

(Source: The researcher’s collecting data and SPSS)

Look at table 01 the top of the output and you will see more than "0.6" under "Cronbach's Alpha." This is the most common statistic used to describe the internal consistency reliability of a set of items. If you are using a questionnaire in your research, your results should include a report of the Cronbach's alpha for your questionnaire. Table 01 showed that there are 21 items surveyed and there were 450 employees of FDI enterprise interviewed: all of variables surveyed Corrected Item-Total Correlation greater than 0.3 and Cronbach's Alpha if Item deleted greater than 0.6 and Cronbach’s Alpha is very reliability. Such observations make it eligible for the survey variables after testing scale. This showed that data was suitable and reliability for researching.
Table 02: KMO and Bartlett's Test for determinants affecting employee loyalty of FDI enterprises

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.824</td>
<td>.923</td>
<td>3.965</td>
</tr>
<tr>
<td>2</td>
<td>3.447</td>
<td>.917</td>
<td>3.395</td>
</tr>
<tr>
<td>3</td>
<td>2.382</td>
<td>.907</td>
<td>3.057</td>
</tr>
<tr>
<td>4</td>
<td>2.344</td>
<td>.844</td>
<td>2.622</td>
</tr>
<tr>
<td>5</td>
<td>1.242</td>
<td>.878</td>
<td>2.911</td>
</tr>
</tbody>
</table>

The table 02 showed that KMO coefficient is 0.760 (Kaiser-Meyer-Olkin) is an index used to examine the appropriateness of factor analysis. KMO coefficient is high 0.6 and the level of significance (Sig) is 0.000, said factor analysis is consistent with survey data of 450 employees of FDI enterprises but 414 employees processed. The results showed that eligibility data into analytical models multivariate linear regression. Total of 74.940% variance extracted is the variation of the observed variables is explained by five factors having been drawn.

The results showed that we have 5 components follows:
X1: Promotion and development (PD): 4 items; X2: Interesting work (IW): 5 items;
X3: Income (IN): 4 items; X4: Welfare policy (WP): 3 items and
X5: Conditions/working environment (CE): 3 items.

The dependent variable (Y) is the employee loyalty of FDI enterprises.
Regression table 02 measures the amount of total variation in dependent variable due to independent variable. The value of R square in table 02 is 0.764. This value indicates that there is almost 76.4% variation in dependent variable (employee loyalty) due to one unit change in independent variable.

Besides, table 02 showed that all the values t > 2 (smaller significance level 0.05) and statistically significant data to explain the variation of employee loyalty of FDI enterprises. Moreover, the regression coefficient is positive. This means that the impact of the independent variables in the same direction with employee loyalty of FDI enterprises. The regression results showed the Durbin-Watson stat = 1.607 said no autocorrelation phenomena. Besides, there is the considering magnification coefficient variance VIF (Variance Inflation Factor). VIF is exaggerated coefficient variance, when VIF value exceeding 10 is shown signs of multicollinearity phenomenon. While results tables can assert no correlation between the independent variables in the equation. Meaning no multicollinearity phenomenon by VIF values less than 10. The findings of the research conclude that there is a significant impact of five components on employee loyalty of FDI enterprises.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The research result showed that there were nearly 450 employees interviewed but 414 employees processed (having 36 missed samples) processed and answered 21 questions. The multiple regression analysis had the results showed that we have 5 components follows X1: Promotion and development (PD): 4 items; X2: Interesting work (IW): 5 items; X3: Income (IN): 4 items; X4: Welfare policy (WP): 3 items and X5: Conditions/working environment (CE): 3 items. All of components had been affecting employee loyalty of FDI enterprises with 5% significance level.

RECOMMENDATIONS

Component 1: Promotion and development

FDI enterprises continued to improve the promotion and development following: Training and development help employees update their skills and knowledge can help them to successfully apply the changes of technology and
techniques in business and help employees with skills needed for health promotion and replace the management staff, the expertise needed satisfy the training needs for staff development and staff will stimulate job done better, achieve more trophies, want be given the task more challenging, there are many more opportunities for advancement. Therefore, training is seen as a fundamental element in order to meet the strategic goals of the organization. Quality staff has become one of the competitive advantages of enterprises; businesses should focus on training policies and opportunities for employees to develop themselves.

**Component 2: Interesting work**

FDI enterprises continued to improve the Interesting work following: All these workers wanted to be commended for the dedication or their contributions certain ways. Workers can get in the organization not only more money and not everyone who works for the money. Money will be strong encouragement factors for the low-qualified workers and those who pursue material wealth, but money has little effect to those who like to do challenging work. Therefore, the reward must aim to satisfy the individual needs of employees expected that workers would not pursue the rewards when they realize the rewards are unattainable. Thus, the forms of material incentives should be designed in a way that it will create confidence in the associated labor between reward and effort. Moreover, the reward should demonstrate fairness individuals (compare the efforts spent for the rewards received) and social justice (compare the effort and reward yourself with others in the same conditions). If the reward is not so that the employees a sense of fairness, it is difficult to have the good functioning of the workers. In addition, to encourage the efforts of the employees towards achieving the goals of the organization, the rewards must be tied to the results and effectiveness of the implementation of the tasks of workers.

**Component 3: Income**

FDI enterprises continued to improve the Income following: Wages are a form of labor remuneration which is the amount that the economic organizations, enterprises pay for employees a fixed and regularly in a unit of time (week, month, year) for workers and employees in accordance with the quantity and quality of their labor contribution. Remuneration is always one of the most challenging problems for administrators in all business industry. Enterprises often have multiple views, different goals when paid placement system, but businesses are generally towards four fundamental objectives: Attracting employees, maintaining good employees, stimulating motivate employees and satisfy the requirements of the law. Most people when it comes to jobs and the quality of work is often assessed; measured by income that work brings. Therefore, the income is considered as a measure of work and success of the employee at work.

**Component 4: Welfare policy**

FDI enterprises continued to improve the Welfare policy following: Welfare concerns expressed by businesses on the lives of workers have a stimulating effect on employee loyalty and attachment to the business. Enterprise benefits include: social insurance and health insurance; retire; vacation, holidays; lunch by now covered; Enterprise subsidies to employees with many children or disadvantaged; corporate gifts for employees on birthdays, weddings, employee longevity parents. Welfare consists of two main parts: the benefits under the provisions of law and welfare by companies to voluntarily apply part to stimulate motivate employees to work, and partly to maintain and attract talented people to work for the company. Welfare programs are voluntary medical insurance, health insurance plans, these types of services, the health insurance program, a health insurance program, the services, the program pays read harmful subsidies and insurance and other benefits such as subsidies to establish child care centers while their parents work or programs to diagnose and treat hypertension. Each company has a number of initiatives on the different types of benefits, but all have a common goal of encouraging employment, relief work, and stick with more authority.

**Component 5: Conditions/working environment**

FDI enterprises continued to improve Conditions/working environment following: Article economical working employees always concerned because the work environment related to personal convenience, but it also is a factor to help them fulfill their duties. The employee did not like the dangerous working conditions, unfavorable and inconvenient. Temperature, lighting, noise, and other environmental factors must be consistent. Moreover, many workers prefer to work closer to home, with the means to work clean, modern and with the appropriate equipment.

**REFERENCES**


retailer and the store. International Review of Retail, Distribution & Consumer Research.


