
A Question of Employee Loyalty

Deepanjana Varshney

Assistant Professor, NDIM

"You can buy people's time; you can buy their physical presence at a given place; you can even buy a measured number of their muscular motions per hour. But you cannot buy enthusiasm.....you cannot buy loyalty.....you cannot buy the devotion of their hearts. You must earn these."

Clarence Francis

Loyalty seems like a quality that is becoming increasingly harder to find, whether it is employee loyalty to a company or consumer loyalty to a product. In the past, the employees believed when they were hired by a company that they would be with that company until they retired. Starting in the 1980s as companies sought to increase profits, workers' perceptions of lifetime employment were shattered by corporate downsizing, company relocations to other states or countries and static wages.

Employees are becoming the competitive advantage for business in the modern world. Bad employees can cause a business to fail; mediocre employees can cause a business to break even. Good employees can make even a so-so business soar.

The days of one employee working for one company for an entire career and ultimately retiring from that company, with pride and pension, are, to a great degree, going away.

With today's mergers and acquisitions, company closings, downsizing, accounting irregularities, tarnished images and intense economic pressure on company portfolios and pension plans, an employee is likely to leave with neither pride nor healthy pension, and maybe even a lot sooner than an anticipated retirement.

The larger the company, the more likely there is to be decreasing employee loyalty. In research

conducted it was found that at large companies (those with 10,000 employees or more), employee loyalty is dramatically decreasing.

- Manpower Inc. (NYSE: MAN) on May 2002 announced the results of an international survey,

Loyalty levels sag noticeably among employees who have 3 – 5 years tenure with their present employer, highlighting this as a group vulnerable to turnover.

- Women report higher levels of loyalty toward their employers (76%) than their male counterparts (68%).

- Strong company leadership is viewed as a much more important loyalty driver in the United States than in any other country.

- Low loyalty levels are more likely to lead to employee exit in small companies than in companies with more than 150 employees.

- The public sector (government entities) revealed the lowest employee turnover rates, and rated "strong teamwork" as the most important loyalty driver. The service sector rated "open and honest communication" as the most important loyalty driver, and the manufacturing sector ranked "job interest and variety" as most important.

To further illustrate the differences among various

employee groups, the employee survey results were segmented into four distinct employee profiles, based upon their loyalty characteristics

- **Mutual Loyalists** (53% of employees surveyed) are loyal to their employer and believe this loyalty is deserved. These employees are likely to see their psychological contract as a two-way street, where their own efforts and performance are rewarded with investment from the company. To some degree, this is the ideal scenario: true, mutual loyalty. This group is comprised of a higher proportion of U.S. employees, women and senior managers.

- **Blind Loyalists** (19% of employees surveyed) express loyalty toward their company despite not feeling that the company deserves it. To some extent, this segment is expressing blind or misplaced loyalty towards the company. The challenge for companies with large numbers in this employee segment is how to generate more positive perceptions of deserved loyalty through improved HR practices. This segment is comprised of a higher proportion of women and U.K. employees.

- **Mercenaries** (6% of employees surveyed) feel that the company deserves their loyalty, but they sense no loyalty toward it. Only about half intend to be with the same company in three years. Mercenaries are represented by a higher proportion of non-managerial employees and employees with lower scores on awareness and understanding of the company's values.

- **Saboteurs** (21% of employees surveyed) feel that the company does not deserve their loyalty, nor do they feel any loyalty toward it. Only one in four of this group would speak highly of their company as an employer, and a similar proportion would actively criticize the business as an employer. Only about half feel any sense of motivation in their jobs, and more than half feel their company does not reward loyalty. Saboteurs are comprised of a higher proportion of men, U.K. employees, and those with 3 – 5 years of tenure with their current employer.

Is Loyalty A Good Thing?

Well, that depends. Loyalty is often thought of as an over-simplified concept. In many ways it is looked at as the intention to still be around in a few years time.

But the research suggests loyalty is actually a more complex phenomenon. For instance, recent debates have focused on the difference between absolute loyalty and deserved loyalty (2). This has moved organisations away from focusing on passive to more active states of loyalty. For instance, in the recent Manpower study, we asked two simple questions of employees: 1. To what extent do you feel loyal towards your company? 2. To what extent do you feel your company deserves your loyalty?

While, as reported above, 72% state their loyalty towards their company, only 59% feel their employing organisations actually deserve that loyalty. To some extent then, there is a loyalty gap or imbalance. While many companies would like to engender loyalty amongst their staff to boost retention of talented employees, they are not, it seems, doing enough to achieve the perception that loyalty is a two-way street between employer and employee.

In a country like India there are only a few companies that really value an employee in the true sense of the term. Money is the main motivational factor for the average Indian employee and employers use this advantage to the fullest extent. The job scenario has become unpredictable today as there is more supply than demand in the market. Similarly there is also a high amount of turnover every year. The days have come when there is the question of putting Employee Loyalty in the balance sheet of the Financial Statement of the company. The company which cannot retain its employees for more than a year or so should question itself.....Am I a good Employer in practice ? Indian organizations mainly operate with the profit-making motive where organizations are treated as mere factors of production. In a way Employee Loyalty is highly related to Employee Turnover. The main problems for low Employee Loyalty in India are given below:

- **Low Pay Package-** Employees are given lower packages than what their competencies and experience deserve

- **Long Hours of Work-** The management has the tendency to make employees work for long periods to get their so called money's worth without realizing the human aspect is not taken into account (illness, exhaustion, stress, dissatisfaction)

Limited Leaves/Holidays- Except the government organizations the private organizations mostly give few leaves to the employees as a result of which there is no refreshment of the Employees at the end of the week.

Job Overload- There is a tendency of the management to give lots of tasks or jobs to the Employee making the overall target unrealistic.

Whether its India or some country in the West , the basic issue of Employee Loyalty remains the same because human beings are essentially the same all over the world.

The 1999 America@Work study shows a Workforce Commitment Index of 100.3, compared with 98.7 in 1998 and a baseline of 100 created in 1997. "Keeping the best people is a challenge that just won't go away," says David Stum, senior vice president of Aon Consulting and director of the survey of 1,800 employees. "Companies are accustomed to competing for market share. Now they're competing for work-force share as well."

The winners will be companies that help workers manage the dual demands of work and home. The No. 1 driver of commitment is management's recognition of needs stemming from employees' personal and family lives, according to the survey. The simple act of allowing workers to attend to personal matters while at work boosted the commitment score to 104; workers who spend no time on personal matters at work scored 96.

The index measures teamwork, an employee's willingness to recommend the company (and its products and services), and the employee's intention to stay with an employer. Money still lures workers away, but half said it would take a 20 percent raise to get them to move. One-fourth said they would job-hop for a 10 percent raise.

How to Create Employee Loyalty

I)Right Hiring: Hiring good employees is keeping good employees. It takes focus, work and commitment to keep good employees. The idea is that the satisfied

employee is less likely to search for greener pastures. **II) Pay:** Pay is only a non-issue when an employee is not dependent on the paycheck or has another source of income. If the company is offering below market rate it will only attract the worst of the prospective employee pool.

III) Benefits:These are similar to pay. Employer can also offer additional benefits that will attract better employees. Life insurance, sick and vacation days will "sweeten the pot."

IV) Training: Good employees know they must be continually learning and improving their skills. Most businesses concentrate only on direct job-related training.

V) A Learning Environment: It provides a chance to learn on the job. This not only improves skills, knowledge and performance but keeps the employee's interest level high.

VI) A Career Plan : It will help the employee set their long term goals. If the business can assist the employee in reaching those goals the employee will become more loyal. Most businesses do not help their employees in this way.

VII) Evaluations and Reviews : It should be held on a regular basis and certainly no longer than three months apart. Problems and concerns can be addressed and progress toward goals monitored.

VIII) Regular Business Meetings : They are an excellent way to get employee input, make improvements and address concerns before they become problems.

IX) Recognize Good Work: This can be done by financial and non-financial recognition. Employees often feel management only addresses them when there are problems.

X) Good Working Conditions : They are a must. Good employees expect their employer to be making constant improvements so the workplace is not only safe but pleasant.

XI) Have Fun: Good, loyal employees do not want boring, drudgery-filled work. There are many ways

employers can make work fun and many of these techniques cost little or nothing. With today's mergers and acquisitions, company closings, downsizing, accounting irregularities, tarnished images and intense economic pressure on company portfolios and pension plans, an employee is likely to leave with neither pride nor healthy pension, and maybe even a lot sooner than an anticipated retirement.

The larger the company, the more likely there is to be decreasing employee loyalty. In research conducted, it was found that at large companies (those with 10,000 employees or more), employee loyalty is dramatically decreasing, while at small companies, loyalty is actually increasing.

At large companies, almost 60 percent of respondents said employees are less loyal than two years ago. In small companies — those with fewer than 100 employees — almost half said that loyalty has increased from two years ago, with most of the others saying there was no change.

For the most part, the larger the company, the less loyal the employees are and the smaller the company, the more loyal the employees are. **All these might lead to the following conclusion - 10 steps to Employee Loyalty**

- 1) **Increase confidence in leadership.**
- 2) **Improve company culture.**
- 3) **Increase trust.**
- 4) **Create advancement opportunity**
- 5) **Promote stability of company.**
- 6) **Provide autonomy and challenge.**
- 7) **Provide stability of job.**
- 8) **Fairly compensate.**

- 9) **Provide flexibility.**

- 10) **Monitor benefits.**

It has to be admitted that the concepts of Loyalty have suffered a severe jolt today. We treat friendships, organisations and even marriage differently than we would have treated a couple of years back. Lay-offs, stock market churn, fickle customers, job surfing- all signs seem to point towards opportunism and disloyalty as the governing principles in society at large. However, loyalty is itself not dead and gone, but only the unqualified hierarchical loyalty that looked so much like obedience. Free markets have replaced it with something far superior—mutual earned loyalty. Loyalty is in fact as basic a virtue as it ever was. But today, in business, there is a critical difference between blind trust and eyes-wide-open loyalty. The former is out of date and unproductive, the latter, if properly understood and managed, can mean great value for employees and, for the organisation, a long life of sustained growth and profit.

REFERENCES

Books :

1. The Quest for Loyalty - Frederick F. Reichheld
2. Managing for Commitment - Carol Kinsey Goman
3. The Loyalty Factor : Building Trust in Today's Workforce - Carol Kinsey
4. One More Time: How to Motivate Employees - F. Herzberg
5. Motivation and Personality - Abraham Maslow
6. Changing the Mindset - Rohinton D. Aga

Websites:

- Ø www.HR.com
- Ø www.astd.com
- Ø www.hrtools.com
- Ø www.manpower.com
- Ø www.elanresource.com
- Ø www.darwinmag.com

Acknowledgement : I owe my indebtedness to the MD, Mr. Z. Calcuttawala, Mr. Asgar Ali, GM (HR) and colleagues and staff of M.S. Fittings Pvt. Ltd. (Kolkata) for useful discussions and for providing me with research facilities and valuable insights.