

The Relationship Between Employee Value Proposition and Employee Loyalty: A Conceptual Framework

Normardiyah Binti Muhammad Azman Ng¹, Md.Lazim Bin Mohd Zin²

(1. College of Business, Universiti Utara Malaysia; 2. School of Business Management, Universiti Utara Malaysia, Malaysia)

Abstract: An Employee Value Proposition (EVP) is the unique value of benefits offered to the employees and the employee will get consequently from the skills, capabilities and experience they convey to an organization. An EVP is about differentiating the organization from the others. Employee loyalty is when they employee feels satisfied, obligated and willing to commit and stay with the organization for organizational success. In this paper, the relationship between EVP and employee loyalty will be proposed. A conceptual framework on this relationship is used as a fundamental for highlighting the roles of EVP in influencing talented workers or outstanding performers to remain loyal with the current organization. Five dimensions of EVP such as rewards, opportunity, organization, work and people are discussed, and its potential significant influence on employee loyalty is concluded at the end of the discussion.

Key words: employee value proposition; employee loyalty; rewards; opportunity; organization

JEL code: M12

1. Introduction

The employment availability is becoming more challenging and increasingly difficult not only its availability, but especially in retaining the employees in light of the organization's point of view (Goswami, 2015). With a competition of getting and retain the best talent in the market, companies are encountering increasing difficulties to characterize their companies from the competitors. In view of the statement express by Forbes (2017) in the most recent years, compare with non-millennials, millennials were three times more likely to change jobs and they are not willing to stay with their current company more than three years with the percentage of 91%. Naturally, the employee can find job elsewhere due to further influence by the "perceived ease of movement" and it will damage the continuity of employee loyalty, along with the desire on the part of the employee to stay behind the firm. It can be indicated that employee loyalty is one of the alarming issues nowadays. Forbes Workforce survey stated that the definition of loyalty has change over time and it is agreeable by 80% of the respondents (Forbes, 2017). For a fact, in comparison to companies with less loyal employees there is a strong view that companies with loyal employees have a higher rate of survival and a valid competitive advantage (Ong et al., 2014). Thus, in any company, the quality and loyalty of its people may benefit the company for their long term accomplishment

Normardiyah Muhammad Azman Ng, Ph.D. Candidate, School of Business Management,Universiti Utara Malaysia (UUM); research areas: HRM & Organization Behavior; E-mail: normardiyah70@gmail.com.

Md. Lazim Mohd Zin, Ph.D., Associate Professor, School of Business Management,Universiti Utara Malaysia (UUM); research areas: HRM & Organization Behavior; E-mail:lazim@uum.edu.my.

(Keiningham & Aksoy, 2009).

More organization is really concerned on the level of the loyalties of their employees in order to sustain their business performance. This is due to the downturn of employee loyalty is concern to hurt organizations by causing disengagement (80%), low morale (84%), lack of team spirit (73%), growing distrust (76%) and high turnover (80%) (American Management Association, 2015). A survey by AARP, substitution of a competent worker in turnover-related costs may worth about 50% or more of the individual's annual salary (AARP, 2013). Meanwhile, companies allocated around one-fifth of an employee's annual salary in turn to replace the said workers (Boushey & Glynn, 2012). From the statistics, low level of employee loyalty in organizations tend to lead the organization to incur more cost to hire new talented and skilled worker moreover may affect the productivity of the current employees subsequently affecting the business performance of the organization.

Recognizing the significance of a strong employee value proposition as a cornerstone for companies to increase the employee loyalty, much research has been conducted to explain the factors that may contribute to employee loyalty. With the imbalance of employee's need and expectation, higher cost in recruiting and training a new staff, unstable job market that require employees to travel from one job to another for security and company financial lost for losing skilled employees, it is crucial for the research to study on the factors that may affect employee loyalty. However, by adopting quite a limited approach, extant studies seem to miss some of the important points that may help to provide an accurate and comprehensive conclusion of the cause that influence the employee loyalty. This is important due to organization is the place to work where the employee live within the framework of company regulations, do their jobs, and it provides an image of people who come to work (Maznah et al., 2010). Against of all the factors contributed towards the employee loyalty, prior studies in the employee loyalty context have been primarily focused on the relationship between employee training, teamwork, personal development, appraisal system, empowerment, participation, human resource management policies, working environment, employee motivation, human resource management practices, rewards, recognition and compensation, peer cooperation, position title, employee benefits and relationship with superior, employee satisfaction and employee loyalty (Uzair et al., 2017; Ross & Ali, 2011; Hooi, 2012 ; Maznah et al., 2010).

2. Literature Review

2.1 Employee Loyalty

Generally, employee loyalty which resulted in increases of satisfaction could be described as a psychological connection or responsibility towards the organization (Hooi, 2012). Bettencourt, Gwinner, and Meuter (2001) suggested that loyalty that present employee commitment to organization over promotion of its interest identified as organizational citizenship behavior. Meanwhile, Silvestro (2002) declared that the duration of the employees stay in the organization can be considered as the employee loyalty. So, it can be stated that employee loyalty is when the employee has commitment and willing to stay longer to give their best services in an organization. Also, employee loyalty accordingly, been attached to a devotion on the part of the worker to stay employed not beyond a particular firm, moral obligations and trust (Ross & Ali, 2011). In this study, loyal employees considered as employees strong believe, commitment, satisfaction, feel obligated to serve the organization and willingness to stay longer in one organization in order to build and achieve the desired goals in general. An employee who has established closeness to the company is further feasible to show loyal behaviors such as a high-quality service orientation to customers, greater performance, enhance productivity and work against the overall goals of the

organization, (Hooi, 2012). Hence, by keeping loyal employee, it may help the organizations reduce cost in hiring and training new people also it will be additional advantages towards the organizations by having more quality, skilled and loyal employee. Quality and valuable employees will benefits the organizations not only by them doing a good job but also can sustain the glory and the quality of service provided by the organizations itself

2.2 Employee Value Proposition

An employee value proposition (EVP) is known as a bunch of combination and contribution offered by an organization as a response for the experiences, capabilities and skills an employee contribute to the organization (Minchington, 2005). In addition, Brian (2007) proposed Employee Value Proposition refer to employee's reflection of the value or benefit he or she may receive through connection with the company and as a diagnostic appliance in analyzing retention strategies and high-impact employee engagement. An EVP is a set of organizational practices that an organization acknowledge for new professionals more than those of its competition in the market (Doh et. al, 2011). Employee's value proposition refers to discover a balance in the work culture among performance of the employee and employee's job satisfaction (Goswami, 2015). High employee value proposition measures up to low attractive quality of development; low employee value proposition meets high allure of development (Pawar & Charak, 2015).

The EVP research demand a new-to-world framework for understanding how the EVP develop employment commitment and engage candidates. Besides, it is also survey on how to effectively design and segment the EVP. Organizations with competitive talent management practices display extensive returns in terms of their capability to retain, attract and drive the performance of top talent as confirmed by the research studies done by the Corporate Leadership Council over the past five years (Corporate Leadership Council, 2006). In general, EVP research mostly conducted to test the relationship between EVP & Employee Branding (Dewi et al., 2014; Sengupta, 2015; Goswami, 2015). However, less empirical research in the recent past has studied the impact of EVP on Employee Loyalty. Past studies mostly revealed the impact of each of EVP dimension with Employee Loyalty separately in their research.

In enhancing the loyalty of the workers, the rewards given by the organizations can be the most influencial in retaining them (Maznah et. al, 2010). With the rapid challenges faces by the company with the competitors, unique and various of rewards may become an added value to their organizations. Sibson's 2003 Reward of Work study shows that one of the reason why people join and stay in an organization are broader than compensation itself, but in need to include together with the full range of reward offerings (Bradley, 2005). From the previous study, Turkeyilmaz (2011) in his study examined factors contributing to employees loyalty towards employees in Turkish public sector, found that there is a positive linear relationship between rewards and employee loyalty. Supported by research done by Kreisman (2002), Rahman et al. (2012), Onsardi (2017), and Uzair (2017) show that rewards significantly determine the employee loyalty in an organization and has a direct positive effect on employee loyalty. Furthermore, employee needs and wants are satisfied when they realize that rewards from the organization (e.g., personal growth, meaningful work, promotion, pay and recognition) fair or exceed their predictions (Hackman & Oldham, 1980; Locke, 1976).

Numerous literatures have demonstrated that work and organization as the factors for employees to stay or leave the organization (Ongori, 2007; Turkeyilmaz, 2011; Ong et al., 2014). Global Talent Management and Rewards and Global Workforce Studies 2016 found that employees view rewards, work and opportunities when deciding to stay behind or leave the organizations (Towers Watson, 2016). Based on the research done by Turkeyilmaz (2011) among public sector employees in Pakistan, the findings show that there is a positive linear

relationship between work and reward and employee loyalty. Ong et al. (2014) also found that there is a positive relationship between organizational factors and employee loyalty in their research among fresh graduates in Malaysia. In contrast, research done by Zakaria (2000) towards non-managerial employees in one of the organizations in Malaysia revealed that, as a whole there is no significant relationship between organization factor and employee loyalty. The instability of the research findings provides an opportunity for a further research to be done in this area of study. Furthermore, it is important to examine the relationship between organization factor and employee loyalty because employees tend to quit and look for another organizations assuming that they observe the present organizations is not stable, not providing and completing their needs also in the situations where organizations are not stable, as with stable organization the employees would be able to predict their future (Ongori, 2007).

Research done by Rahman et al. (2012) among employees who work in hotel industry in Klang Valley, Malaysia shows that work have significant relationship with employee loyalty. These findings are consistent with Metha et al. (2010), Tukyilmaz (2011), Adjetey and Prako (2013), Maznah et al. (2010) and Klopota (2016). Hence, poor working conditions, low rewards and inadequate benefits are the contributing factors of lack of employee loyalty as a result will increase employee turnover in an organization (Carraher, 2011). So, the employees tend to thrive in organizations that have positive work environments as they claimed that they are satisfied with their work and enjoy working. One of the variable that are derived from James (2004) found that opportunities is important factor that may affect the employee turnover rate (Loquercio, 2006) as rewards alone is not sufficient to keep the loyal employees. Mehta et al. (2010) in their research revealed that opportunity has appeared as the most influential determinant of employee loyalty. Also, findings from research done by Klopota (2016), there is strong correlation between opportunity with employee loyalty among employees in Croatia, but the relationship are vary across age, level of education, gender and private and public sector employees. Moreover, the organization should provide various opportunity and flexible work arrangement as a strategy in retaining workers in organization (McRae, 2001). Interestingly, study conducted among over 600 hotel employees throughout Hungary in examined the factors that contributed towards employee loyalty show that opportunity negatively associated with employee loyalty (Ineson, 2013). The study concluded that any opportunity provided by the organization to their employees will not affect their decision of staying or leaving. Khuong and Tien (2013) contend that in order to attain high employee loyalty, companies especially in banking industry should provide good working environment, complete high level of employee job satisfaction, teamwork among employees (people), and enhance supervisor support as people also is one of the factors that can lead to employee loyalty in organization. Supported with the previous findings, there is strong correlation between people and employee loyalty as examined by Klopota (2016) meanwhile, Maznah et al. (2010) indicates that there is a significant direct positive relationship between people and employee loyalty and it have the biggest influence on employee loyalty. Happy workers create an environment conducive of efficiency and enjoyment and resulted in employee's decision to stay loyal in the organization.

3. Conceptual Framework

The conceptual framework explains the relationships between EVP and employee loyalty in organizations. The study comprises of Employee Value Proposition as the independent variable and Employee Loyalty as dependent viable. Employee Value Proposition is made up of five dimensions as consist of Rewards, Opportunity,

Organization, Work and People. Figure 1 below shows the research framework proposed for the study. This research is developing to identify on how employee value propositions named as rewards, opportunity, organization, work and people have the relationship with employee loyalty.

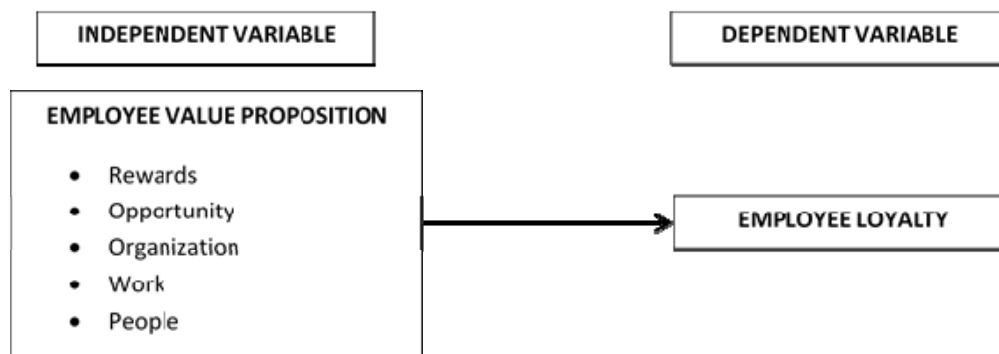


Figure 1 Conceptual Framework

4. Conclusion

This paper has presented a conceptual framework of employee value proposition and employee loyalty to show how research findings can be successfully implemented into practice. These research findings are expected to contribute to the theory and practice in order to retain loyal employees. Loyal employees is important in sustaining the organizations in the future. This research administers academic input by offering endorsement and empirical evidence in the expansion of structural relationship model in employee value proposition and employee loyalty context. Moreover, this study also occupies the research gap by computing a reliable and useful source of literature in terms of employee value propositions and employee loyalty for the purpose of improving organizational performance. Further research can be developed in different area of the industry not only in Malaysia context, but also it is researchable towards different context as the result may be vary due to different culture, working environment and country policies.

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