ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VII Issue I January 2023

Employee Loyalty And Organizational Performance

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Abstract

This study was conducted to examine the importance of employee loyalty in organizational Performance. The study looks at employee loyalty from various dimensions and proceeds to measure organizational performance from profitability and market shares. The study went on to establish an empirical review of what others have done on the issues of employee loyalty and organizational performance. Based on the empirical review and the literature review conducted to identify employee loyalty and organizational performance, the study concluded that a proper financial rewarding of employee is the most influential factor that impacts organizational performance. The study recommends that organizations should have clear and integrated employees' loyalty programs as part of their strategies to stay competitive. Organization should be aware of the importance and benefits of employees' loyalty programs and how it affects their employees' satisfaction and organizational performance

Keywords: Employee loyalty, Organizational performance, Profitability and Market share.

Introduction

Due to globalization and dynamics competitive markets, many organizations are actively seeking to make additional value to their customers and improve quality of their services (Dévier, Mazellier, Ait-Aissa & Budzinski, 2011). Many organizations today are facing more complex work environment and stiff competition which forces them to protect their competitive positions by delivering high quality services focused on earning customers loyalty (Ghoneim & Eltabie, 2014). Based on human factor importance, since it plays a main role in defining organizational success and providing premium services, factors affecting employees' performance rapidly become an active research area within the last two decades (Matzler & Renzl, 2007).

Continuously a new approach areas such as affective and Cognitive loyalty which concentrate on developing and motivating employees in order to enhance organizational profitability and market shares that would be reflected in services quality, customer's loyalty, organizational financial performance and competitive advantage respectively (Naseem, Shikh & Gohr. (2011); Arekar, 2012). This argument is also supported by the social exchange theory that shows how employees' performance increase when organization invest on them (Chi, 2009; Cropanzano & Mitchell, cited in Güngör, 2011; Naseem, 2011; Arekar, 2012; Ghoneim, 2014). Employees are considered the core value for success in organizations around the world (Elsamen & Alshurideh, 2012). How they feel about the work they are doing and the rewards received from that work directly impact an organization's performance and, ultimately, its stability if an organization's employees are highly trained and motivated, they will do whatever is necessary to achieve the goals of the organization as well as to keep track of industry performance to address any potential challenges. As a matter of fact, in this era of globalization and liberalization, employees are becoming the competitive advantage for business

However, employees are considered the core of an organization and the success or failure of the organization is attributed to the performance of the employees. It is of prime importance that the employees are loyal to the organization and don't actively search for other alternative opportunities. Loyalty, as a general term can be defined as a person's devotion or sentiment of attachment to a particular object, which

may be another person or a 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" (Safra, 2007).

In recent times, employees are provided with many employment opportunities which attract them to shift jobs often. However, from the organization's point of view, there is a loss incurred as the organization has spent resources on the employees to make them more competent and dedicated so that the organizational performance is enhanced thus leading to a better gross output. The economic performance of organizations is becoming ever more dependent on the participation, commitment, and more generally, loyalty of their employees (Rodríguez, Boltansky, Chiapello, & Vázquez, 1999). That is why loyalty has become one of the vital concerns for organizations, especially in the context of the economic tensions related to the 'psychological contract' between employers and employees (Naus, van Iterson, & Roe, 2007; Sverke & Goslinga, 2003). Loyalty can be defined as "a strong tie that binds an employee to his/her company even when it may not be economically sound for him/her to stay there" (Logan, 1984). Employee Loyalty is "is a deliberate commitment to further the best interests of one's employer, even when doing so may demand sacrificing some aspect of one's self-interest beyond what would be required by one's legal and other moral duties" (Elegido, 2013). Definition of loyalty can correspond to the following expressions: "relation of trust, resistance to the adoption of opportunistic behaviour faced with an outside job offer" (Dutot, 2004); "significant length of service in the company, less inclination to search for outside job offers and a strong sense of belonging" (Peretti & Igalens, 2015); or "a feeling of belonging" combined with staying in the organization over the long term (Colle, 2006). An employee's loyalty to the occupation, his/her emotional investment, and the regularity of his/her commitment to the organization, are key factors that determine the longevity and the performance of organizations (Bakker & Schaufeli, 2008). Put concisely, employee loyalty is the most important resource of an organization. It is umbrella terms for a set of emotions that make employees feel attached to their current employer organization and less likely to see greener grass elsewhere.

On the other hand, Organizations are group or collection of people working together for a defined goal. An Organization consists of various components working in coordination towards achieving a common goal. Organizational performance can be defined as the actual output or results of an organization as measured against its intended outputs (Alfred, Thirolf, Harris, & Webb, 2012). Organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently (McNamara). According to (Richard, Devinney, Yip, & Johnson, 2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.) (b) Product market performance (sales, market share, etc.) and (c) Shareholder return (total shareholder return, economic value added, etc.). The effectiveness of employee loyalty on performance in organization is being undermined by the unfavorable work condition and work life conflict. It is therefore imperative to examine the impact of employee loyalty on organizational performance. The purpose of this study is to expound the relationship between employee loyalty and organizational performance. The study has as an objective to determine the impact of employee loyalty on organizational performance.

Theoretical Foundation

A theoretical foundation or framework is lens from which all knowledge is constructed either metaphorically or literally for a research study. It serves as a structure and support or as the rational for the study. Kyle LaMafia, 2007 posited that as an employer, you need to understand why your employees are emotionally tied to your business which is much more than salaries, training or benefits. Reasons why employees show loyalty other than aforementioned are work place environment recognition and sense of belongings. Fredrick Reichheld, 2006 said that loyalty, for those who plan to stay with an organization at

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VII Issue I January 2023

least two years, can be affected by several factors like benefits and pay, working atmosphere, job contentment and customers. In search of theories of employee loyalty and organizational performance, a number of theories have been raised. However, this study adopts the Social Exchange Theory as its theoretical framework.

The social exchange theory is grounded in an economic model of human behaviour whereby interactional processes between individuals are motivated by a desire to maximize rewards and minimize losses. The basic premise of social exchange theory is that relationships providing more rewards than costs will yield enduring mutual trust and attraction (Blau, 1964). Furthermore, these social transactions incorporate both material benefits and psychological rewards including status, loyalty and approval. For example, in the workplace, the supervisor provides a subordinate with support and monetary rewards while in exchange, the subordinate contributes personal devotions and expertise. The most widely studied behavioural correlate of commitment has been turnover in the organization. However, this focus on turnover may be shortsighted.

Organizational Performance

As stated earlier, organizations are group or collection of people working together for a defined goal. In the opinion of March & Sulton, 1997, organizations are defined as instruments of purpose. An organization consists of various components working in coordination towards achieving a common goal. Therefore, organizational performance can be defined as the actual output or results of an organization as measured against its intended outputs (Alfred, Thirolf, Harris & Webb, 2012).

Performance is a multicomponent concept and on the fundamental level one can distinguish the process aspect of performance, that is, behavioral engagements from an expected outcome (Borman, & Motowidlo, 1993; Campbell et al., 1993; Roe, 1999). The behavior over here denotes the action people exhibit to accomplish a work, whereas the outcome aspect states about the consequence of individual's job behavior (Campbell, 1990). Apparently, in a workplace, the behavioral engagement and expected outcome are related to each other (Borman, & Motowidlo, 1993), but the comprehensive overlap between both the constructs are not evident yet, as the expected outcome is influenced by factors such as motivation and cognitive abilities than the behavioral aspect.

Performance in the form of task performance comprises of job explicit behaviors which includes fundamental job responsibilities assigned as a part of job description. Task performance requires more cognitive ability and is primarily facilitated through task knowledge (requisite technical knowledge or principles to ensure job performance and having an ability to handle multiple assignments), task skill (application of technical knowledge to accomplish task successfully without much supervision), and task habits (an innate ability to respond to assigned jobs that either facilitate or impede the performance) (Conway, 1999). Therefore, the primary antecedents of task performance are the ability to do the job and prior experience. In an organizational context, task performance is a contractual understanding between a manager and a subordinate to accomplish an assigned task. Entrusted task performance is broken into two segments: technical–administrative task performance and leadership task performance. The expected job performance comprising of planning, organizing, and administering the day-to-day work through one's technical ability, business judgment and so on are called as technical–administrative task performance.

Leadership task performance is labeled through setting strategic goals, upholding the necessary performance standards, motivating and directing subordinates to accomplish the job through encouragement, recognition, and constructive criticisms. (Borman, & Brush, 1993; Tripathy, 2014). Borman, and Motowidlo (1997) defined job performance in the context of task performance as "effectiveness with which job occupants execute their assigned tasks, that realizes the fulfillment of organization's vision while rewarding organization and individual proportionately." Werner (1994) has synthesized the earlier propositions of task performance through relating it to organizational formal reward stating as "the demonstrated skill and

behavior that influences the direct production of goods or services, or any kind of activities that provide indirect support to organization's core technical processes." This work will be looking at employee performance from profitability and market shares.

Profitability

Profitability is an excess of revenue over associated expenses for an activity over a period of time. Every organization or business expected to earn a profit, because profits are the engine drive room for success. The growth and survival of any business dependence on the profit earn by such a firm. Thus, profit should not just be seen as the reward to owners of business rather it should be related with the interest of other segments of the society. Profit is the medium for deciding not just the economic, but the level of managerial efficiency and achievement of societal objective.

Profitability can be defined as the ability of a firm or business to be able to make profit from all its business activities. Profitability determines the level or degree to which firm efficiently manages available resources to yield the maximum return on business. Profitability is when an organization uses its limited resources to produce or create income above incurred expenses. However, it is very important to note that the concept of profitability can never be liken to efficiency, because is just an index of efficiency. Though, profitability is an important indicator for determining the extent of efficiency, the level of profitability cannot be taken as a final proof of efficiency. Sometimes satisfactory profits can indicate inefficiency and conversely, a proper degree of efficiency can be accompanied by an absence of profit. Profitability on this ground work at indicators like gross domestic products, net operating profits and return on capital employed ratio. While profitability analysis from the standard point of shareholders include net profit to net revenue ratio and return on owners' equity ratio.

Profit and profitability are used interchangeably, but in real sense, differences exist between the two. Profit is a final term and profitability is to some extent relative, however, both of them are mutually interdependent, having different and unique roles in business. Profit refers to the total income got by a firm during her specific period of time while profitability refers to the operating efficiency of the enterprise. Profitability is the ability of the enterprise to make profit on sales; it is the ability of firms to get enough return on their capital and employees used in the business operation. Financial management profits is the test of efficiency and a measure of control, to the owners a measure of the worth of their investment, to the creditors the margin of safety, to the government a measure of taxable capacity and a legislative action and to the country profit is an index of economic progress, national income generated and the rise in the standard of living while profitability is an outcome of profit.

Profitability basically can be seen from two typed both profitability in relative to sales and those showing profitability in relation to investment. The work analyses profitability from the view point of management and shareholders, the management of firms are naturally eager to measure its operating efficiency similarly, the owners invest their funds in the expectation of reasonable returns. The operating efficiency of the firm and its ability to ensure adequate returns to its shareholders depends upon the profit received by such firm.

Market shares

It is now widely recognized that one of the main determinants of business profitability is market share. Under most circumstances, enterprises that have achieved a high share of the markets they serve are considerably more profitable than their smaller-share rivals. Market share represents the percentage of an industry, or a market's total sales that is earned by a particular company over a specified time period. Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company in relation to its market and its competitors. A company's market share is its portion of total sales in relation to

the market or industry in which it operates. To calculate a company's market share, first determine a period you want to examine. It can be a fiscal quarter, year or multiple years. Investors and analysts monitor increases and decreases in market share carefully as this can be a sign of the relative competitiveness of the company's products or services. As the total market for a product or service grows, a company that is maintaining its market share is growing revenues at the same rate as the total market. A company that is growing its market share will be growing its revenues faster than its competitors.

Market share increases can allow a company to achieve greater scale with its operations and improve profitability. A company can try to expand its share of the market, either by lowering prices, using advertising or introducing new or different products. In addition, it can also grow the size of its market size by appealing to other audiences or demographics. Changes in market share have a larger impact on the performance of companies in mature or cyclical industries where there is low growth. In contrast, changes in market share have less impact on companies in growth industries. In these industries, the total pie is growing, so companies can still be growing sales even if they are losing market share. For companies in this situation, the stock performance is more affected by sales growth and margins than other factors.

In industries, competition for market share is brutal. Economic factors play a larger role in the variance of sales, earnings, and margins, more than other factors. Margins tend to be low and operations run at maximum efficiency due to competition. Since sales come at the expense of other companies, they invest heavily in marketing efforts or even loss leaders to attract sales. In these industries, companies may be willing to lose money on products temporarily to force competitors to give up or declare bankruptcy. Once they gain greater market share and competitors are ousted, they attempt to raise prices. This strategy can work, or it can backfire, compounding their losses.

Employee Loyalty:

Today it can be safely said that employee is the most important asset of an organization. The performance in terms of success or failure of the organization can be linked to the performance of the employee. This performance is stemmed from the fact that employee is loyal to the organization not necessary because of her reward system but because of the commitment of that employee to the cause of the organization.

Loyalty generally can be defined as being trothed to a cause. Encyclopedia Britannica, 1998 defined Loyalty, as a person's devotion or sentiment of attachment to a particular object, which may be another person or a group of persons, an ideal, a duty, or a cause. ''It expresses itself in both though and action and strives for the identification of the interests of the loyal person with those of the object'' (Safra, 2007).

As opined by Barling et al. (2007) in Liao, H., & Chuang, A. (2007) employee loyalty is a psychological term which is influenced by various factors. It increases workers efficiency that leads to increase employee as well as organizations overall performance. The satisfaction of employee comes from the contribution of employee loyalty. On the other hand, Adam et al. (2007) commented that employee satisfaction matters a lot in terms of employee loyalty. The loyal employees are spirit of successful business. Employee loyalty is a psychological attachment to the organization which develops as a result of increased satisfaction. If employees are satisfied with their job or they feel fulfilled as per their requirement, they can go beyond to help their organization.

This satisfaction results from a process of internal evaluation, and if an employee's expectation level is met, then satisfaction grows. This leads to emotional tie towards the organization. Their behavior has been changed which build strong relationship with organization that develops the path of organization's performance, so they have to concentrate on employees' need and motivational factors. It leads to employee satisfaction as well as to employee loyalty. In order to satisfy employees, the organizations have to have some well -mannered strategies (Barrs & Ellis, 2008). From the foregoing, it can be safely said that financial

reward, type of job security, job description, work environment and performance evaluation can greatly affect employee loyalty.

Importance of Employee Loyalty:

Organizations are highly dependent on employees' loyalty. Konrad (2013) had evaluated the importance of employee loyalty to a business. On the other hand Richadson (2010) opined that employee loyalty can be highly beneficial for a company or business venture. The term loyalty straightly comes from a person's fulfillment. It is because, development as well as revenue of an organization mainly inspired by customer loyalty. The satisfaction of consumer comes from the value which has formed primarily by the employees of the organization. So, here the issue comes as 'employee satisfaction'. Employee satisfaction is needed first which will lead to consumer satisfaction. (Zhou & George, 2001).

In the words of Julie and Arthur (2008), there is a well-built correlation between employee satisfaction, loyalty, and efficiency of workforce, customer loyalty and profit of the organization. According to Jelinek et al. (2000), if the management of an organization cares as well as listens to its worker's view, it helps in developing the background of an organization. A successful business strongly required loyal employees to maintain the growth of the outfit. They may lead a company to a successful position whereas lack of loyal employees can make the organization worst. The organizational performance reflects on those loyal employees.

Employee loyalty can help in successful implementation of business strategy of a company. Hyvönen et al. (2009), suggested that employee loyalty can be formed through creation of effective shared value and culture. In the words of Huey (2008), the behavior of employers towards its employees should be impressive and collaborative. The impression the workers have about their organization go a long way in determining the success or otherwise of the business. It should be present such a way that it becomes a good example for the employees which is enough to motive them. Going that way it can enable the organization to squeeze more knowledge, capability, gains belief, sincerity as well as consistency etc. Holman and Fernie (2000), has acknowledged that these could be the effective steps towards create employee loyalty. In the words of Holman and Fernie (2000), employers should not have to hide which related with the organization. They should be flexible in terms of sharing and frankness. The employees have to be aware of what is the progress of the mission they are working for. The need to share companies overall performance to which employee's contribution is most important. According to Konrad (2009) information on the employees need to be maintained properly. Getting half information can create misunderstanding among employees. It can affect in cohesiveness which will have negative impact on employees. On the other hand it will be an obstacle in the way of building loyalty which will directly effect on organization's performance (Krug, 2006).

Employers should stress on the growth of the employees career. They should have a requirement of career opportunity activities. The leaders have to care about their career courses that help employees to understand about the opportunities they are getting from their company side. In the words of Harter & Schmidt (2010), this will also help employees to improve their performance to overcome their hard time. The opportunities presented to them to improve their skills as well as knowledge. These things encourage employees to share their proficiency which is necessary for the organization. In the opinion of Hakanen et al. (2008), the relationship between employees and employers plays a very important role in development of the organization. They have to create good working environment which values genuine community relationship. It brings togetherness among them. On the other hand, it makes them feel that all of them are equally contributing to achieve mutual aim. In the words of Griffin & Moorhead (2009), if the cohesiveness builds among them, it will lead to achieve target faster. As a result, the performance of the organization increases. In the words Green and Medlin (2006), the leaders or the employers should not blame employees without proper judgment. If it happens, it will not only make employees uncomfortable and also de-motivate them.

Then it will have effect on employee loyalty as well as organizations performance. In the words of Gordon and DiTomaso (1992), employee may make mistakes but the employers have to discuss with that person individually and try to find out the reason. On the other hand, Germain et al. (2008), has suggested another option that the leaders should create some strategies to manage the mistakes which would occur in future.

Can employee loyalty be measured? How and what impact does it have on the organizational performance? Employee loyalty can be measured as the result of overall performance. Even though loyalty cannot be linked with profits and earnings, it acts as a bottom line. It can also be measured with the priorities issues.

Employee Loyalty and Profitability

Employee Loyalty Leads to Enhanced Productivity

Loyal employees are motivated to work. They work hard not because they HAVE to but because they WANT to.

Increased Profits: Business investments generally go to one of two places: capital assets or human assets. You may assume that focusing on short-term capital gains will be the most helpful to your organization, especially during a recession. But consider this…

Researchers at the University of Pennsylvania wanted to see exactly which investment had a bigger payoff in the long run. They found that when an organization invests 10% of its revenue to improve capital, productivity increased by only 3.9%. But when they invested that same 10% into employee capital, productivity increased by 8.5%. Know what else increased? Profits!

It should be noted that loyalty is influenced by customer satisfaction. Customer satisfaction is stimulated by a high perception of the value of the service. Value is the result of productive employees and productivity stems from employee satisfaction.

Put another way, profits are driven by customer loyalty, customer loyalty is driven by employee satisfaction, and employee satisfaction is driven by putting employees first. Employee's happiness is key in business; therefore investing in employees is as critical and important as investing in a company.

Employee Loyalty Attracts Top Talent: When your employees are valued and there is a strong foundation of employee loyalty within the workplace, word spreads. Before you know it, you have talented professionals banging on your door wanting in on the action.

Employee Loyalty results in employee retention: Employee loyalty attracts and results in employee retention. Staff turnover are reduced as well as cost in engaging new entrants. This is because the employees are happy and motivated which leads to loyalty.

All companies want to attract the best possible talent to their workplace. But who would want to work with a company that treats its members as disposable assets?

Investing in your employees is a great business opportunity, and it builds a solid reputation for your company. People want to work for organizations that promote their growth and value their opinions. Hence their loyalty will not be in doubt and can also lead to dedication, motivation and increased profitability.

Employee loyalty and market share

A company's market share is the percentage it controls of the total market for its products and services. Market share is an essential metric for businesses because it's an indicator of a company's profitability and

success. It can signal dominance in an industry and how well a company's revenue-generating efforts are working to achieve business goals.

A company that focuses on attracting and keeping talented employees is focused on increasing its market share. That's because skilled employees can become dedicated employees. That, in turn, can cut expenses related to hiring and training. Plus, a skilled workforce that excels at its tasks can allow a company to maintain its focus on producing exceptional products and sales. Attracting the best requires competitive salaries and a strong selection of benefits, including options for flexible work schedules and relaxed office settings.

In today's world where experience is everything, we all know that an individual can make or break the customer experience, writes Melanie Parker, founding director of Stream Loyalty.

A more engaged, motivated and loyal workforce will lead to better retention, saving the business time and money on recruitment and inductions. Even if you ignore the fact that staff turnover costs time and money, an engaged and happy workforce will have a significant impact on customer experience.

Employee's loyalty stems from an internal reward and recognition programme geared towards larger employee retention and engagement strategy in order to fully reap the benefits in your business.

Reward and recognition: Rewards are the physical, hard benefits (technology items, experiences, etc) that are given to your employees. Usually, they are more memorable to the recipient as they're tangible items and have an economic value; and in the case of experiences, they can even foster lifelong memories.

Recognition, on the other hand, is one of the soft benefits that add emotional value and attachment to the company. Recognition is the emotive behaviour that represents the business culture, such as announcing accomplishments and praising behaviours or actions.

Rewards are usually associated with achieving targets, and therefore are more anticipated than recognition. Neither should be run in isolation; they work best when designed to complement each other when highlighting appreciation to employees.

Once you have the recognition framework in place, then you can build up to the rewards. A targeted and measurable reward programme can start with a small budget. Running a rewards programme alongside a long-term retention plan will be worth your investment.

Brands need to make sure that they are considering employees needs and how to create culture and engender loyalty. An internal reward and recognition programme can be the first step towards a larger loyalty culture strategy designed to thank employees.

Essentially, looking after your employees has never been more important. With the rise in remote and hybrid working, employees have access to a much wider job market than ever before. As cost-of-living rises, start to impact employees (and we haven't even seen the worst of it yet), introducing a loyalty programme with reward and recognition at its heart will help support them through the tough times ahead.

Engage, reward positive activity and recognise those people who are important to your brand and then reap the results.

When you recognize the importance and value of your employees, you remind your team what you're working towards, and what they're doing right, which in turn, inspires them to keep doing better. Doing better will increase productivity which in turn increase market share that leads to more profit.

Employee Loyalty is Infectious: When employees are happy in the work place, they are loyal and feels a sense of belonging and appreciation for the organization. This positivity can be spread far and wide leading to wide and increased market share. On the other hand, when they feel negative about the company, that negativity can spread to your customers.

Employee Loyalty Improves the Company's Image: The first image and identity of any company are the employees. They are the first ambassadors and image makers. They are not just people that help you make and sell your products and services. Employee loyalty sends the signal to customers that your organization is worth investing in. This will increase the market share.

Employee Loyalty and Organizational Performance

In the opinion of Boselie et al. (2005), employee loyalty plays a vital role in the bottom line of organization. Through the review of recent research reports on UK industries it has been observed that employee loyalty is playing an important role in enhancing the overall performance of the companies. To consider the case of Starbucks Company their profit margins and market performance have grown significantly with contribution of employee loyalty. On the other hand Abiodun (2010) mentioned that several human resource managers of various UK companies have acknowledged that employee loyalty has helped in accomplishment of organizational goals and objectives. Adam et al. (2007) opined that around 45 percent of organizations in UK have succeeded through employee loyalty. As opined by Antoncic and Antoncic (2011), the greater part of the UK human resources have the same opinion that job satisfaction has very much impact in developing employee loyalty of the organizations. It creates employee loyalty through motivating them. Barling et al. (2007) opined that apart from the assortment, all the researchers suggested that employee loyalty is highly reliant on the supervisor procedure of companies. The reports suggested that employees always looking for better treatment by the executive bodies of the companies. So, there have exists a need of the assessment of association the human resource practices of companies with that of the employee loyalty. It has been assumed that proper human resource strategies can help introducing loyalty within the employees of organizations. It will enhance the performance of the organization which will give competitive advantage (Barrs & Ellis, 2008).

In the words of Baumruk (2009), employee loyalty and business outcomes are directly related and give sufficient insight to the managers. In fact research has proved that employee loyalty has had a positive impact on the outcome of the business. It is a truism that manager can gain more insight about their loyal business units when based on the relationship of the manager with the employees. According to Brenton and Driskill (2010), although the managers are equipped with the data that can help in improving the system, most organizations overlook the situation. For most managers the information gathered does not exist, a laxity on the manager's part to collate the data and analyze it. As individual's everyone is worried about the bad news. When the managers fail to analyze the data provided, bad news hits them in employees leaving the organization. Employee loyalty is like a mirror ie. till the time the company is loyal to the employee, the employee is loyal to the company (Buchner, Sanner, Borgel & Rump 2007).

Kyle LaMalfa (2007) pointed out in his study that as an employer, you need to understand why your employees are emotionally connected to your business – and it's usually much more than salaries, training, or benefits. Research has shown that emotionally connected employees are the best employees as they are engaged and productive, and they feel authorized and appreciated. Those who planned to stay long in an organization can be motivated by several factors, like benefits and pay, working atmosphere, job contentment and customers. Employee loyalty is critical for organizations as continuous turnover can be very expensive. In his study he specified that one of the most effective ways to improve employee loyalty is to make employees feel like they are a significant part of the organization. His study found that only 55 percent of the employee's surveyed feel like their organization treats them well. He suggested that an

employee feedback system can help raise employee loyalty by providing two-way communications between employees and management. If employees feel like the organization is listening to them, recognizing them for their contributions, they will more likely be loyal to the company. Rewards, financial or otherwise, should be valued and must be perceived as based on performance. Perhaps there is no hitch in acknowledging this principle. But most organizations have far to go in implementing them. This study makes allusions to several management practices such as time-based compensation, inadequate performance appraisal etc. that hinder reward- performance contingency and equity in the Indian context.

Studies on loyalty based upon the analytical context proposed by Hirschman (1970), and have interpreted it either as an attitude that inspires expression (voice) and discourages departure (exit) from the organization, or as an alternative form of behaviour to both voice and exit (Guillon & Cezanne, 2014). In a study that enquiries the financial consequences of employee turnover, Hinkin and Tracey (2000) proposed the five cost groups: separation costs, recruitment costs, selection costs, hiring costs, and loss of productivity costs. They developed a piece of computer software based on these five categories to simplify the labour turnover cost calculations. Their study revealed unpredictably high costs related to labour turnover and emphasized the duty of managers and human resources (HR) authorities in retaining staff with practices beyond financial benefits (Ineson, Benke, & Laszlo, 2013). The studies conducted by Graham (1996) and Hizer (1998) showed that organization's efforts in reviewing the relationship between employee satisfaction, customer satisfaction, efficiency, and financial performance revealed the following points to them: Grief-stricken employees have low efficiency and high absence records, Content employees are efficient, innovative, and loyal, A rise in job contentment would cheer up the employees, and lead to an increase in efficiency. Employee satisfaction leads to customer loyalty (Graham, 1996) (Davidhizar & Shearer, 1998). Jawahar (2006) found that performance evaluation played a role in the relationship between employee satisfaction and employee loyalty in this study. Performance evaluation is an important element of loyalty because it is positively related to organizational performance and negatively related to turnover intentions. Job satisfaction and organizational performance fall into a broader definition of loyalty. Satisfactory appraisal system is also necessary to have steady performance by employees. The appraisal fairness provides perceived fairness to the employees, elicits employee satisfaction and organizational, performance (Hassan, Nawaz, Abbas, & Sajid, 2013).

Organizational Performance with Profitability and Market Share.

Peter F. Drucker the well-known management guru was of the view that an organization's employees need to see the connection between what they do and the outcomes. He said, "The focus of the organization must be on performance. The spirit of organization is high performance standards, for the group as well as for each individual." But before employees can see this connection and work toward achieving high performance, managers need to specify the performance outcomes that will be measured. The most frequently used organizational performance measures include organizational productivity, organizational effectiveness, and industry rankings.

The focus here shall be on productivity. Productivity is defined as the overall output of goods or services produced divided by the inputs needed to generate that output. Organizations strive to be productive. They want the most goods and services produced using the least amount of inputs. Output is measured by the sales revenue an organization receives when those goods and services are sold (selling price x number sold). Input is measured by the costs of acquiring and transforming the organizational resources into the outputs. It's management's job to increase productivity by reducing the input cost and increasing the output price (selling price). Doing this means being more efficient in performing the organization's work activities. So, organizational productivity becomes a measure of how efficiently employees do their work.

The volume of market share and the profit level will in the long run the overall performance of the organization. When a company increases its market share, this can improve its profitability. This is because

as companies increase in size, they too can scale, therefore offering lower prices and limiting their competitors' growth. It is now widely recognized that one of the main determinants of business profitability is market share. Under most circumstances, enterprises that have achieved a high share of the markets they serve are considerably more profitable than their smaller-share rivals.

Profitability is ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's capability of generating profits from its operations.

Market share and profitability are closely related and it is also an indication of organizational performance.

Conclusion

Based on the empirical and the literature review to identify the factors that affect employee loyalty and organizational performance, this study concluded that a proper financial rewarding of employee is the most influential factor that impacts organizational performance. From employee's perspective, there is a motivational factor which provides impetus to the work. If organization pays little or no attention to the private lives of the employees, conflict can arise. Conversely, if organization shows understanding for the employee and can help the employee find fulfillment and on the job satisfaction, his loyalty will not only be maintained but also increase. There is a cost associated with hiring a new employee to replace another one. These costs are cost spent on the person leaving; cost involved in hiring a new person, cost of training and of course lost productivity cost. Organization has to maintain the enthusiasm of the employee so as to maintain and keep the employee loyalty. Therefore, management should look out for various ways to motivate the workers like provision of bonus, invest in training, making the work schedule flexible and making the work environment suitable and friendly.

Recommendations

Based on the above, several recommendations can be addressed to decision makers in organization. These include:

1) Organization should have clear and integrated employees' loyalty programs as part of their strategy to stay competitive.

2) Organization should pay special attention to financial reward. There should be clear financial reward systems that involve salary, bonus, commission, etc. to attract and encourage employees to do their best.

3) Organization should be aware of the importance and benefits of employees' loyalty programs and how it affects their employees' satisfaction and organizational performance.

4). Organization should focus on their employees' loyalty programs to attract distinguished employees.

5). Continuous and systematic approach to training and career development plan of employees should be undertaken by organization.

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ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VII Issue I January 2023

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