

Vahid Zeynvand LORESTANI

IhrigKároly Doctoral School, University of Debrecen, Hungary

Domicián MÁTÉ

Faculty of Engineering, University of Debrecen, Hungary

THE RELATIONSHIP BETWEEN JOB SATISFACTION AND EMPLOYEES' LOYALTY: AN IRANIAN CASE STUDY

Case
Study

Keywords

Job Satisfaction;
Commitment;
Behavioural Loyalty;
Attitudinal Loyalty

JEL Classification

J21, J28, M51

Abstract

The aim of this study is to investigate the relationship between job satisfaction and employees' attitudinal and behavioral loyalty from a microeconomic perspective. The paper reviews the literature in the field since the 1970s; this study is based on the hypothesis that the employees who show a conscious tendency to build a better relationship with their employer, are most likely loyal employees. The study also states that the employer's approval is the result of loyalty. Concurrently, it shows that there is a direct relationship between job satisfaction and personal loyalty. Hence, companies need to make workers satisfied and they will be more and more loyal to the company. Moreover, this study tries to propose a model based on a classification of organizational positions in the case of a pharmaceutical company in IRAN.

INTRODUCTION

Employees differ in the extent to which they are intrinsically willing to build a relationship with their employer (de Wulf et al., 1936). According to the literature in the field, there are differences among three types of attitudinal loyalty: calculative (continuance) commitment (CC), normative commitment (NC) and affective commitment (AC) (Allen and Meyer, 1990). The differences between these types of attitudinal loyalty shape the employee's profile in an organization. CC refers to the costs of staff leaving a company while NC is the personnel's sense of responsibility to continue their cooperation with a firm and AC is related to the emotional involvement of employees in an organization.

The paper considers literature on consumer behaviour, which defines different types of customer loyalty behaviour (Zeithaml et al., 1996); these perceptions are used to show the intangible wholeness of behavioural loyalty and its different indicators related to one of the following: intention to stay (ITS), benefit insensitivity (BI), positive word-of-mouth (WOM) and complaining (COM).

Scholars also claim that a more wide-ranging consideration of the relation between attitudinal and behavioural loyalty will be attained when all these kinds of commitment are measured at the same time (Meyer and Meyer, 2017; De Jongh et al., 2016).

The aim of this study is based on the assumption that the personnel who consciously tend to forge a better relationship with their employer are most likely to be loyal employees.

BRIEF LITERATURE REVIEW

The idea that satisfied employees are more productive dates back to the 1970s. However, it was problematic to obtain support for the view that job satisfaction has a significant effect on employees' performance.

Job satisfaction describes the approaches and emotional states which employees have in their job. Herzberg et al. (1959) were one of the pioneers who identified the determinants of employees' motivation to work such as: company policies, supervision, interpersonal relations, work conditions, salary, job status and security. Armstrong distinguishes between employees' favourable opinions (motivators) concerning job satisfaction and unfavourable opinions of dissatisfaction (i.e. achievement, recognition, work itself, responsibility, advancement and their growth) (2006).

The existent literature on goal setting was reviewed and integrated by Tosi et al. (1991) into a goal setting

theory with special emphasis on its practical implications for the motivation of employees in organizational settings. They claimed that success in work provides achievement and success in performing tasks.

Nevertheless, employees have approached different aspects of their work i.e. types of jobs they have, and colleagues, executive managers or subordinates and payment (George and Jones, 2008).

Christen et al. (2006) also propose a specific job satisfaction model and try to clarify ambiguities in the existing literature about the relationships among effort, job performance and job satisfaction, which is important for both agency and organizational psychology theories. The results highlight a negative direct effect of effort and a positive direct effect of job performance on job satisfaction.

Consequently, job satisfaction is one of the most compound business areas that faces managers and might have direct effects on the motivation of workers and mediate labour productivity and the performance of firms (Zulfiqar et al., 2019).

Employee Motivation is a psychological factor that considers an individual's behaviour in a firm, an individual's level of intention to forge a relationship with the employer and an individual's level of engagement to remain in a company.

Abraham Maslow developed a theory of human motivation that outlined the factors which revealed physical or multifaceted emotional and spiritual incentives. Maslow (1943) also defined a hierarchy of needs with five distinct levels: physiological, most obviously food, water and shelter; safety, both physical and emotional; Love and belongingness, being part of a group (friends, lovers, families and communities); Esteem or being respected and valued; Self-actualization or creativity and spiritual growth.

The principles of these motivation factors in an organization can appeal to employees at any of these levels. However, employees cannot be motivated at subsequent superior levels unless the first (basic) levels are achieved and satisfied. If employees fear to lose their jobs and do not feel they belong to that firm or are not valued, they will not use their full potential to day-to-day tasks. However, if firms can find ways to keep them motivated at this level once they have been motivated at the other levels, employees are likely to stay loyal to the company and perform well over time.

Later, Maroney and Buckley (1992) identified an existent gap between theory and business practice and criticised the preceding literature for neglecting the use of psychometric tools in performance appraisal. According to this study employees seem to have a different response to the same motivators, i.e. satisfaction, appreciation, recognition, inspiration and also compensation determine employee motivation. In this sense, there

are two kinds of motivators: intangible and tangible motivators.

Intangible motivators are used by firms when:

- creating a 'sense of belonging' among employees,
- letting employees know the customer's feedback,
- making a positive work environment which leads to a better result.

Tangible motivators are used by firms when:

- implementing training courses for employees to help them enhance their performance,
- using incentives (attractive salary and bonuses, lunch coupons, etc.),
- granting rewards (to employees) based on customer feedback,
- offering flexible working hours and duties.

Allen and Meyer (1990) made a distinction between three different types of *attitudinal loyalty*:

- calculative (continuance) commitment (CC),
- normative commitment (NC) and
- effective commitment (AC).

Each of these types has a different influence on employees' loyalty behaviours. The continuance or calculative commitment can be defined as the degree to which an employee wants to stay connected with a specific client, given the perceived switching costs associated with leaving (Geyskens, 1998). The normative commitment refers to the responsibility of an employee to remain in a connection with a specific client. Finally, the affective commitment can be defined as an employee's wish to have a continuous relationship with a client due to their pleasant and successful relationship. Therefore, (AC) refers to the emotional attachment to an organization, while calculative commitment (CC) refers to the costs that employees associate with leaving the organization and NC refers to the employees' feelings of an obligation to remain with the organization.

Furthermore, Oláh et al. (2017) confirm that the trust and loyalty that executive managers generate around them are important performance factors which even consumers perceive and that they have major significance in terms of the degree of flexibility of employees.

The literature on consumer behaviour, which identified different types of customer loyalty behaviour (Zeithaml et al., 1996) states that perceptions related to an employee circumstance should be considered when presenting the intangible wholeness of behavioural loyalty and its different indicators: intention to stay (ITS), benefit insensitivity (BI), positive word-of-mouth (WOM) and complaining (COM).

According to the literature in the field ITS, BI, and WOM are positively related to the loyalty behaviour from an employee's perspective. ITS describes an employee's tendency to stay in the company, which means that employees are not interested in leaving the company and indicate

working in the company as their first preference. BI shows an employee's encouragement to be indifferent to any rewards (bonus and rewards etc.) offered by alternative personnel. Positive WOM relies on employees' personal statements about the client and the company. Therefore WOM enhances the employee's willingness to recommend the firm to customers. Thus, COM may express an employee's disapproval of the company itself and not of an external company or their intention to leave the company without additional notification.

THE RELATIONSHIP BETWEEN EMPLOYEES' LOYALTY AND JOB SATISFACTION

All companies are interested in workers who are not only working hard but are also willing to remain in the company based on their loyalty. Essentially, there are several methods to investigate employee loyalty as a part of commitment to the company. Loyalty, as a wide-ranging notion, indicates a person's intention or interest in certain aspects such as other employees, responsibility, or a reason. Loyalty is a combination of belief and action and depends on the employee's attachment to these items.

According to Mathieu and Zajac (1990) loyalty is illustrated by strong relationships between employees and their employers and a feeling of belonging combined with employees' intention to stay with the company. Similarly, loyalty is perceived as a psychological situation including good relationships between employees and employers, where workers decide to stay with the company (Allen and Grisaffe, 2001). Indeed, loyalty is not only workers' strong intention and desire to stay and work with the employer but also a skill which will make profits for the company (Oláh et al., 2019).

According to Jarvis et al. (2007) there are four attachments (the 4E's), i.e. evaluation, experiential, emotional and engagement of commitments (See Figure 1.). Fundamentally, loyalty is defined as a person's commitment or sentiment of attachment to a particular object, be it a person, duty or cause. Various types of research on HRM demonstrate that worker's satisfaction completely depend on workers' loyalty to the firm. In addition, loyalty is an employee's intention or decision to stay in the company (Mowday et al., 1979).

Research has shown that there is a positive relationship between staff loyalty and satisfaction. According to Chen et al. (2009) loyalty stems from the definition of job satisfaction. Also, parallel research proves that satisfied workers display more loyalty to the firm, as they do not regret their work (Guimaraes, 1997). These studies conclude that

employees' approval of the firm is the best expression of employee loyalty. Concurrently, it shows that there is a direct relationship between job satisfaction and personal loyalty. Hence, companies need to consider and invest in workers' satisfaction as workers will be more and more loyal to the company.

CONCLUDING REMARKS

Employee loyalty and job satisfaction are the two most important factors facing today's directors in managing their personnel. While a lot of studies have focused on these factors, in the case of Iran there are novel topics in management fields, especially in the pharmaceutical sector. Hundreds of studies demonstrated the considerable influence of job satisfaction on employees' enthusiasm which has a direct influence on the performance of companies. There is also a connection between the workers' insights into their jobs and the degree of work satisfaction. Rewards have a considerable influence on the employees' loyalty, as well.

RECOMMENDATIONS IN THE CASE OF IRAN

Based on the above-mentioned studies, it can be concluded that there is a direct relationship between employee's satisfaction and loyalty. In this regard, the case of Iran offers a unique model when it comes to enhancing the level of job satisfaction and loyalty among employees.

In this perspective, the study identified the 'organizational positions' in a pharmaceutical company in Iran, described and evaluated each position separately. For the purpose of increasing the level of job satisfaction and employees' loyalty, five per cent of 'Annual Net Profit' was allotted to all employees who worked in this company every year according to the formula below.

In the following table (Table 1), the 'Net profit of this company in 2017' rose to 4 million USD. Also, 5% of the annual net profit of this company was allotted to all employees according to the above mentioned weights and method.

The total score in this company is 570. For example for the position 'head of foreign purchasing dept.' the score is '7', therefore, its contribution will be the following:

All employees contribution =
 $4000000 \text{ USD} * 0.05 = 200000 \text{ USD}$
Head of foreign purchasing dept.'s contribution =
 $200000 \text{ USD} * 7 / 570 = 2456 \text{ USD (in 2017)}$.

Acknowledgement

The publication is supported by the EFOP-3.6.1-16-2016-00022 project. The project is co-financed by the European Union and the European Social Fund.

REFERENCES

- [1] Allen, N.J. and Grisaffe, D.B. (2001). "Employee commitment to the organization and customer reactions: mapping the linkages", *Human Resource Management Review*, Vol. 11 No. 3, pp. 209–236.
- [2] Allen, N.J. and Meyer, J.P. (1990). "The measurement and antecedents of affective, continuance and normative commitment to the organization", *Journal of Occupational Psychology*, John Wiley & Sons, Ltd (10.1111), Vol. 63 No. 1, pp. 1–18.
- [3] Armstrong, M. (2006). *A Handbook of Human Resource Management Practice*, Kogan Page.
- [4] Chen, Y.-C., Shen, Y.-C. and Liao, S. (2009). "An integrated model of customer loyalty: an empirical examination in retailing practice", *The Service Industries Journal*, Routledge, Vol. 29 No. 3, pp. 267–280.
- [5] Christen, M., Iyer, G. and Soberman, D. (2006). "Job Satisfaction, Job Performance, and Effort: A Reexamination Using Agency Theory", *Journal of Marketing*, Vol. 70 No. 1, pp. 137–150.
- [6] George, J.M. and Jones, G.R. (2008). *Understanding and Managing Organizational Behavior / Jennifer M. George, Gareth R. Jones. - Version Details - Trove*, 5th ed., Pearson Prentice Hall.
- [7] Geyskens, I. (1998). *Trust, Satisfaction, and Equity in Marketing Channel Relationships*, Catholic University Leuven.
- [8] Guimaraes, T. (1997). "Assessing employee turnover intentions before/after TQM", *International Journal of Quality & Reliability Management*, Vol. 14 No. 1, pp. 49–63.
- [9] Herzberg, F., Mausner, B. and Snyderman, B.B. (1959). *The Motivation to Work*, 2nd ed., Wiley, New York, available at: <https://www.worldcat.org/title/motivation-to-work/oclc/803681223> (accessed 7 July 2019).
- [10] Jarvis, W., Rungie, C. and Lockshin, L. (2007). "The polarisation method for merging data files and analysing loyalty to product attributes, prices and brands in revealed preference", *International Journal of Market Research*, SAGE Publications Sage UK: London, England, Vol. 49 No. 4, pp. 489–513.
- [11] De Jongh, J., Meyer, N. and Meyer, D.F. (2016). "Perceptions of local businesses on the Employment Tax Incentive Act: the case of the Vaal Triangle region", *Journal of Contemporary Management*, Vol. 13 No. 1,

- pp. 409–432.
- [12] Maroney, B.P. and Buckely, M.R. (1992). “Does Research in Performance Appraisal Influence the Practice of Performance Appraisal? Regretfully Not!”, *Public Personnel Management*, SAGE Publications, Sage CA: Los Angeles, CA, Vol. 21 No. 2, pp. 185–196.
- [13] Maslow, A.H. (1943). “A theory of human motivation.”, *Psychological Review*, Vol. 50 No. 4, pp. 370–396.
- [14] Mathieu, J.E. and Zajac, D.M. (1990). “A review and meta-analysis of the antecedents, correlates, and consequences of organizational commitment.”, *Psychological Bulletin*, Vol. 108 No. 2, pp. 171–194.
- [15] Meyer, N. and Meyer, D. (2017). “An Econometric Analysis of Entrepreneurial Activity, Economic Growth and Employment: The Case of the BRICS countries”, *International Journal of Economic Perspectives*, Vol. 11 No. 2, pp. 429–441.
- [16] Mowday, R.T., Steers, R.M. and Porter, L.W. (1979). “The measurement of organizational commitment”, *Journal of Vocational Behavior*, Vol. 14 No. 2, pp. 224–247.
- [17] Oláh, J., Bai, A., Karmazin, G., Balogh, P. and Popp, J. (2017). “The role played by trust and its effect on the competitiveness of logistics service Providers in Hungary”, *Sustainability (Switzerland)*, Multidisciplinary Digital Publishing Institute, Vol. 9 No. 12, p. 2303.
- [18] Oláh, J., Kovács, S., Virglerova, Z., Lakner, Z., Kovacova, M., Popp, J., Oláh, J., et al. (2019). “Analysis and Comparison of Economic and Financial Risk Sources in SMEs of the Visegrad Group and Serbia”, *Sustainability*, Multidisciplinary Digital Publishing Institute, Vol. 11 No. 7, p. 1853.
- [19] Tosi, H.L., Locke, E.A. and Latham, G.P. (1991). “A Theory of Goal Setting and Task Performance”, *The Academy of Management Review*, Academy of Management, Vol. 16 No. 2, p. 480.
- [20] de Wulf, K., Odekerken-Schröder, G.J. and Iacobucci, D. (1996). “How and Why Retailers Should Invest in Consumer Relationships: A Cross-Country and Cross-Industry Exploration”, *Journal of Marketing*, American Marketing Association, Vol. 65 No. 4, pp. 33–50.
- [21] Zeithaml, V.A., Berry, L.L. and Parasuraman, A. (1996). “The behavioral consequences of service quality”, *Journal of Marketing*, American Marketing Association, Vol. 60 No. 2, pp. 31–46.
- [22] Zulfiqar, S., Sadaf, R., Popp, J., Vveinhardt, J., Máté, D., Zulfiqar, S., Sadaf, R., et al. (2019). “An Examination of Corporate Social Responsibility and Employee Behavior: The Case of Pakistan”, *Sustainability*, Multidisciplinary Digital Publishing Institute, Vol. 11 No. 13, p. 3515.

TABLES & FIGURES

Table No. 1
Organizational positions classifications in the case of a pharmaceutical company in IRAN

Grade	Job Title	No. of employees	Grade Weight
10	Managing Director	1	10
9	Financial & administrative Director-Technical & production director-Commercial director	3	27
8	Production manager- Laboratory manager- Responsible pharmacist- Sales & planning manager- HR manager- Financial manager- Marketing manager-R&D manager-	8	64
7	Head of industrial accounting dept.- Head of foreign purchasing dept.- Head of export dept.- Head of Q.C.- Head of warehouses- Head of solid line production- Head of semi-solid line production- Head of liquid line production- Head of Public relation dept.- Head of HSE dept.	10	70
6	Microbiology expert 2- Chemical lab expert 2- Q.C expert 2	8	48
5	Planning expert- Sales & marketing expert- Regulatory expert- Commercial expert- Microbiology expert 1- Chemical lab expert 1- Q.C expert 1	24	120
4	Raw material warehouse supervisor- packaging warehouse supervisor- packaging line supervisor- Technical supervisor- HSE supervisor- Procurement expert	19	76
3	Accountant- HR clerk- Procurement clerk- Training clerk- Secretary	14	42
2	Packaging operator 2- Production operator 2- Warehouse clerk- Security 2	34	68
1	Packaging operator 1- Production operator 1- Security 1	45	45
Total		166	570

Note. Author's own compilation.

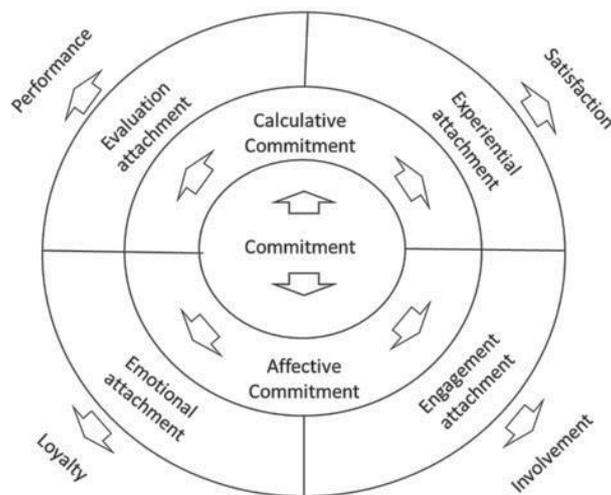


Figure No. 1
The (4E) theoretical conceptualization of the commitment contract model
Source: Jarvis et al. (2007)