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A light gray world map is centered in the background of the page, showing the outlines of continents and major islands.

**Employee Loyalty at the Workplace:
The Impact of Japanese Style of Human Resource Management**

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Introduction

In this era of globalization and liberalization, employees are becoming the competitive advantage for business. A business may manage with mediocre employees but competent employees can propel an average business to greater heights. Likewise, bad employees can cause flourishing business empires to collapse. In a tight labor market, keeping good employees and developing employee loyalty becomes increasingly important and a continuing challenge.

With the tight labor market, employers therefore need a strategy to retain their key experts and crucial skilled workers. As prospective employers continuously bid for top performers, management strategies must therefore give due consideration and sufficient resource allocation to keep employees motivated and satisfied. The idea is that the satisfied employee is less likely to pursue greener pastures. Thus, implementing desirable human resource management policies will have a positive effect on employee loyalty.

Japan obviously relies extensively on its human capital to fulfill its national economic objectives. The "Look East Policy" was developed to emulate Japanese style of management, especially human resource management. Japanese human resource management places great emphasis on the internal labor market to fill promotion opportunities, long-term development programs and job security, among others. All these are contributory factors for employee loyalty. For Malaysia to sustain economic growth, appropriate human resource management policies that promote employee loyalty are essential.

Continuous and systematic approach to training and development, recruitment policies that reduce job-hopping and ensure long-term employment, internal promotion practices with a little recognition given to seniority and the implementation of the productivity-linked wage system would create a more committed employee towards the company. As most of these elements are representative of Japanese style of human resource management which enhance employee loyalty and encourages long-term employment, the hypothesis for this study is employee loyalty would be higher in companies where elements of Japanese style of human resource management are present.

The main purpose of this study is to define and model the approach of developing employee loyalty through human resource management policies by identifying human resource management policies that augments employee loyalty and analyzing if Japanese style of human resource management does have a role in enhancing employee loyalty. For this research, the extent of Japanese style of human resource management introduced and adopted by the small and medium size manufacturing companies in Malaysia is first analyzed so as to segment the participating companies into three groups, depending on the extent of Japanese style of human resource management introduced in their management practices.

Rationale and Theoretical Framework

For the purpose of this study, the research background and the statement of hypothesis for this paper will first be outlined. Then, a review of related literature on this topic will be detailed with reference to books, academic papers, journals and the Internet. Three areas will be discussed: the definition of employee loyalty, employee loyalty at the workplace and the correlation between human resource management policies and employee loyalty. Next, the research methodology for this research will outline the sample for the survey and the method used in the collection of data. The collected data will then be analyzed to prove the validity of the hypothesis. Lastly, conclusions for the entire research project will be discussed.

Literature Review

(a) Defining Employee Loyalty

In general, employee loyalty can be defined as a psychological attachment or commitment to the organization and develops as a result of increase satisfaction. Satisfaction results from a process of internal evaluation, and if an employee's expectation level is met or exceeded, then satisfaction grows. Employee loyalty then develops into a generalized emotional attitude towards the organization. In other words, the more satisfied an employee is regarding his or her working environment, the more likely that he or she will develop a sense of commitment towards the organization in general.

Employee attitudes towards the organization then give rise to the behavioral component of loyalty. An employee who has developed an affection to the organization is more likely to demonstrate loyal behaviors and work towards the overall goals of the organization, such as improved productivity, greater efficiency, and a high-quality service orientation to customers.

Both the attitudinal and behavioral components of employee loyalty can be measured by aggregating four indicators into a single metric that can be monitored over time using the Satmetrix Systems' Employee Loyalty Index. These indicators include overall satisfaction with manager, deserves my loyalty, likelihood to continue working at organization and likelihood to provide referrals for organization. The first two indicators measure the attitudinal component of employee loyalty and others measure the behavioral component of employee loyalty

Using the ELI, not only can levels of overall employee loyalty be measured and tracked over time as leading performance indicators, driver analyses can also be conducted to determine which specific attributes of the working environment most impact employee loyalty. Indeed, empirical evidence has shown that companies who maintain high employee loyalty scores also enjoy high levels of customer loyalty and corporate profitability (Reichheld, 1996). For example, in a landmark study conducted by the retail giant Sears, Roebuck & Co., researchers showed that a 5 point improvement in employee loyalty can drive a 1.3 point improvement in customer loyalty, which in turn drives a 0.5% improvement in revenue growth (Rucci, Kirn and Quinn, 1998).

However, organizations are often confronted with the fact that today's definition of employee loyalty is inherently complex. No longer is the traditional notion of

employee loyalty – once defined as a lifetime relationship with a particular employer – appropriate in the current marketplace of layoffs, mergers and talent wars. In other words, a longer tenured employee does not necessarily and sufficiently indicate high loyalty towards an organization.¹ The following section will analyze employee loyalty at the work place.

(b) Employee Loyalty At The Workplace

Recent data collected by The Empower Group for The Manpower International Employee Loyalty Survey, 2002, suggests that employee loyalty continues to rise around the world. Human resource managers in eight countries (United States, France, Germany, Italy, Japan, Mexico, the Netherlands, and the United Kingdom) not only say that employee loyalty has increased in the past three years but also are optimistic about employee loyalty over the next three years as well. 42% expect their employees' loyalty to grow over the next three years while only 10% feel it will be on the decline.

Close to three quarters of employees (72%) interviewed in the UK and US state that they currently feel loyal towards their companies. Loyalty may not be as strong as it used to be in the post-war job for life era, but it is still strong. The survey findings reveal that, amongst UK/US employees over twice as many individuals (25%) expect their loyalty towards their companies to grow over the next three years as compared with those who expect it to decrease (only 11%). Over half (57%) expect their loyalty levels to remain at their current level.

The study found that loyalty, as measured by retention rates, were the highest in Mexico, the Netherlands and the United States. The lowest levels were recorded in Japan and Italy. Employees with three- to five-years tenure with employers were the most susceptible to turnover. Loyalty levels among women were 76 percent, compared with 68 percent for men.²

On the contrary, research by Next Generation Consulting shows that today's young talent rotates jobs every 18-36 months. As both college degrees and employers don't guarantee job anymore, job changes in a career is becoming the norm. There are fewer promotional opportunities and by the time they're 32, today's young talent have had an average of nine jobs and have thought about or gone back to school or started their own business.³

A recent survey by the Gallup Organization and International Survey Research (ISR) found only four percent of workers in Singapore to be "engaged", defined as loyal and productive.⁴ Most were described as "productive but not committed to the organization, and would leave" if an opportunity came. The ISR survey also showed that poor corporate leadership was a prime factor in workers' lack of commitment.

One insight from Gallup's findings was that the percentage of this group had grown from last year's study, and that this has corresponded with a period of deepening employment uncertainty. The ISR survey from 1999 to last year, covering 60,000 employees in 60 companies, saw widespread retrenchment and "multitasking" getting more pronounced for those who kept their jobs.

According to 2001 National Employee Benchmark Study on the United States, the incidence of True Loyalty (employees committed to the organization and planning to stay for at least two years) remains at just 24% nationally, the same as in 1999. 34% of the U.S. employees are AT Risk (employees neither committed nor planning to stay) compared to 33% in 1999. Fewer employees in 2001 are considered Trapped

(not committed to employer but still plan to stay for at least two years) than in 1999 (37% Trapped in 2001 compared to 39% in 1999).

Some employees stay out of necessity, or from a sense of obligation. The survey shows that 34% felt obliged to stay, 41% said that it would be difficult to leave, 46% said that it would be hard to leave and 27% said that there would be hardly any jobs for him if he leaves. Nearly 78% said that they would be worried about leaving without another job lined up.

The survey also shows that 64% are proud to work with their organization, 51% feel like part of the family, 45% have a strong attachment to the organization and 43% feels the company deserves his loyalty. 75% of the U.S. workers say that they would do things at work above and beyond their normal job and the same number (74%) are motivated to do good work. 62% say they will likely still be in their organization in two years and 53% are willing to recommend their firm to others looking for a job.⁵

The 1999 Walker Employee Relations Benchmark report states that uncommitted employees who are expected to leave in the next two years makes up 33%. In another survey, Organization Dynamics, a consulting firm, identified the top five reasons why employees leave. They are lack of meaning, lack of efficacy, lack of values, lack of personal growth and lack of community.⁶

As management treatment of employees has an effect on employees' sense of commitment and loyalty, the correlation between human resource management policies and employee loyalty will be analyzed in the next section. Here the drivers of employees' commitment and loyalty to an organization will be discussed.

(c) Correlation Between Human Resource Management Policies And Employee Loyalty

In the long-term, finding and retaining employees will be a critical issue to the success of an organization. The Sloan Study⁷ found that there are clear-cut links between employee loyalty and organizational performance. The way in which human resources are deployed and managed is the key factor in achieving competitive performance. As the change in generation has brought about a change of work ethics, the way human resources are managed should reflect new patterns of behavior from the boardroom to the shop floor.

In the first place, what drives employees to be committed to their work and remain loyal to the company they work for? A review of past researches reveals various factors that enhance work commitment and employee loyalty. According to a survey of 1,800 employees by Aon Consulting⁸ the five top drivers of workforce commitment and loyalty are management recognizes the importance of personal and family life; the organization provides opportunities for personal growth; the business is satisfying customer or societal needs; management communicates information about employee benefits and coworkers' skills keep pace with the skill demands of the job.

The results show that companies that help workers manage the dual demands of work and home will emerge winners. 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.⁹

Researchers at the University of Delaware¹⁰ established that employees are more committed and are more willing and likely to work harder if they perceive that their on-the-job contributions are valued and that the company cares for them. Research

indicates that by taking affirmative steps to create a work environment whereby an employee is valued can enhance loyalty. Fairness, quality of supervision and support for employee life style are essential elements in employee loyalty. According to the research the following are the main drivers of employee loyalty are participation in goal setting; performance feedback; supportive communications with immediate supervisors and upper management; justice in performance appraisals; objective measures of performance; sufficiency of pay, benefits and rewards; quality of supervisory; favorable developmental opportunities and clearly stated guidelines defining appropriate work behavior and job demands.

According to Organization Dynamics, building loyalty and retaining employees is not a very expensive affair. In the research conducted, money was not listed as one of the reasons why employees quit. By spending some time and attention on issues important to employees, loyalty to an organization can improve. The main drivers of employee loyalty identified by the Walker report are fairness; care and concern for employees; satisfaction with day to day activities; trust in employees; reputation of the organization and work and job resources.

According to a research by Boston-based WFD, Inc.,¹¹ a national leader in the work-life industry, there are at least seven major drivers more important than compensation that enhances employee loyalty. These drivers are communication; diversity and inclusion; job satisfaction; flexibility; manager effectiveness; work-life support and career advancement.

The Manpower International Employee Loyalty Survey 2002¹² which consisted of 2,627 telephone surveys of human resource managers in France, Germany, Italy, Japan, Mexico, the Netherlands, the United Kingdom and the United States as well as more than 1,400 interviews of employees in the U.S and U.K. declared the following as the main drivers of employee loyalty. The main drivers of employee identified are open and honest communication (92%); strong teamwork (93%); giving employees recognition (93%); rewarding the right people (88%); having visible values lived (87%); job interest/variety (86%); development of employees (88%); the talent of colleagues (86%); strong leadership (94%) and a strong employer brand in recruitment market (67%).

The main drivers of employee loyalty as identified by the 2001 National Employee Benchmark Study on U.S. workers from business, non-profit, and government organizations are also similar to the findings of most of the other researchers. These drivers that enhance employee loyalty in the U.S are fairness at work (including fair pay); care and concern for employees; satisfaction with day-to-day activities; overall reputation of the organization; trust in employees; work/job resources available; having a well-defined job and creating feelings of accomplishment.

But according to the research, loyalty levels vary across the world geographies as well as the demographic groups that comprise each organization's workforce. For example, in the United States, formidable company leadership is viewed as a much more important loyalty driver than in any other country. In addition, low loyalty levels are more likely to lead to employee exit in small companies than in companies with more than 150 employees.

In the survey, 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.

As most of the drivers are directly under management's control, once management understands what drives employee loyalty, appropriate steps can be taken to boost loyalty and retain employees. So, what steps could be taken to improve and strengthen employee loyalty? Findings by various researchers show that the following may enhance employee loyalty.

- Create a dialogue with employees / open communication
- Competitive pay
- Understand the broader context of employees' lives
- Approach employees with a feeling of discovery
- Good working conditions
- Give employees constructive feedback (both formally and informally) on a regular basis
- Listen to employees — even if you can't always do what they want
- Be honest with employees
- Emancipate action / empowerment / freedom to succeed
- Advocate for employees
- Career plan for employees / Discuss professional development opportunities with employees
- Engage all employees in understanding the organization's mission and goals
- Help the uncommitted employees leave
- Provide learning environment
- Create partnerships

However, because of demographic differences, senior managers and HR professionals should see that a standard employee loyalty enhancement and retention strategy would be relatively ineffective. A targeted and customized employee loyalty enhancement strategy is necessary in order to succeed in increasing retention rates among key employee groups.

In a nutshell, an employee's commitment in an organization is very much dependent on the degree of management commitment. As long as organizations increase their commitment levels and dedication to employees, they will remain committed. It is important to understand that high achieving employees will be high achievers if their employers take their needs into consideration, forgive an honest mistake and care about their opinion, or, in other words—can be trusted to do the right thing.

Fred Smith, founder of Federal Express, insisted that no company in the service industry could be successful in the long run without trying to create a good working environment for its own employees. Treat your employees like your best customers and you will see a dramatic effect on loyalty — from employees and customers alike.

Research Methodology

The main method used for this research is primary data survey based on responses to questionnaires distributed. The questionnaire is divided into two parts and it involves the attitudinal, awareness, and behavior estimations of different loyalty building aspects in the manufacturing sector. A sample population will be chosen to answer the structured undisguised questionnaire, which includes a dichotomous, multiple choice and scaling type questions. The questionnaire is structured from general to specific. The population of the survey will not be concentrated in one area

to ensure that the data collected represents the small and medium size manufacturing companies in Malaysia. The results of the survey will be collected, coded, edited, tabulated, and charted for making visual representation of the data.

Before finalizing the survey questionnaires, a pilot survey will be conducted to expose the difficulties the survey might face, thus narrowing down any inaccuracies during survey proper. The negative or positive feedback from the pilot survey will be used to rephrase the questionnaire so as to remove any ambiguity that may arise. Questions that respondents have difficulty in interpreting will be rephrased or omitted from the questionnaire.

As the objective of the research is to study the effects of human resource management policies on employee loyalty and if Japanese style of human resource management have a hand in enhancing employee loyalty, the preliminary part of the survey questionnaire is dedicated to the analysis of human resource management policies used by the companies' management and the extent of adaptability of manufacturing companies in Malaysia to Japanese style of human resource management. The results of this survey will facilitate the segmentation of the small and medium size manufacturing companies for the main survey of this research.

The questionnaire for the main part will use the survey methodology approach and it is intended to prove whether the hypothesis is correct or otherwise. The survey will gauge respondents' attitudes towards employee loyalty. The data from the analysis of the effect of human resource management policies on employee loyalty among Malaysia employees will be provided to the management of small and medium size manufacturing companies should they want to embark to improve employee loyalty at the workplace. Various questions on human resource management practices were included in the questionnaire to understand their effects on employee loyalty at the Malaysian workplace.

Survey Findings

It has been hypothesized that employee loyalty in the small and medium size manufacturing companies in Malaysia would be higher if some basic elements of Japanese style of human resource management are present. To test the validity of this hypothesis, a total of 12 questions related to this were included in the questionnaire. The findings for this part of the research are discussed by categorizing the companies into LOW, MEDIUM and HIGH based on the extent of Japanese human resource management elements present in their organization. The rationale for this is to study if more elements of Japanese style of human resource management in companies' management policies would enhance employee loyalty.

The categorizing of the companies is based on the total points accumulated in the first analysis. The maximum score for the elements discussed to determine the extent of Japanese style of human resource management in the respondent companies totaled 24 points. Three categories have been identified, namely, those with minimal elements of Japanese style of human resource management (0 – 7 points), those with some basic elements of JHRM (8 – 16 points) and those with a high level of JHRM (17 – 24 points) in its management practices. These categories of companies are given the fictitious names of LOW, MEDIUM and HIGH based on the extent of Japanese human resource management elements present in their organization.

Method of Assessment

To measure the degree of loyalty of the respondents to the organization that they work for, a system of assessment has been devised. Points are allocated to each of the twelve questions included in the questionnaire to test this hypothesis. Of these, 3 questions on service were asked, 5 on satisfaction, 2 on opportunities for growth and 2 on their commitment to the organization. A maximum of 5 points is given to each of the questions except for two questions. For the sake of simplicity, ten points are allocated for these two questions where respondents have to answer the next part of the question if they select 'YES' as their answer. Based on this, the maximum total score attainable by the respondents is 70 points. The higher the score attainable, the higher is the level of loyalty of the respondent to the company. The method of scoring for each of the twelve questions to test this hypothesis is outlined below.

First and foremost is the question on the *length of service* with the organization. The longer their service is to the organization, the higher is their level of loyalty. The score for this is calculated based on the number of years the respondents worked with the organization as compared to their total working years. A percentage on this is obtained for each respondent by comparing the length of service with the organization and the total number of working years of each respondent. A score of 1 to 5 is given as shown in the table below. The higher the percentage is, the higher is the level of loyalty and therefore a higher score is given.

Percentage	0 – 20	21 - 40	41 - 60	61 -80	81 - 100
Score	1	2	3	4	5

As Malaysian employees tend to change jobs in their career, the question on the *maximum number of years working with one organization* before joining the present company was asked. It is believed that if the length of service in the previous organization is short, they are less loyal employees and that they would not hesitate to leave. To measure this, the maximum number of years working with one organization before joining the present company of each respondent is compared with their working years. A higher percentage would indicate longer service with an organization and hence a higher level of loyalty to the organization they worked for. Scores ranging from one to five is awarded to each respondent based on the percentages obtained as shown in the table below.

Percentage	0 – 20	21 - 40	41 - 60	61 -80	81 - 100
Score	1	2	3	4	5

The question on the *number of organizations* that respondents worked with in their working career was posed to study the intensity of job hopping among respondents. Working with many organizations throughout their career would mean that employees do not remain loyal to the organization that they worked for. Scores ranging from one to five is awarded depending on the number of organizations that they worked with since the start of their career. The scoring system for this is as given below.

No of Companies	1	2	3	4	5	> 5
Score	5	4	3	2	1	0

Another criterion taken to measure the level of loyalty of the respondents is their satisfaction with their present organizations. Questions on satisfaction with the remuneration package, promotion policies and human resource management policies in general were included in the questionnaire. As company's rewards for outstanding performance is one of the determinants of job satisfaction, the question on whether their companies reward them for outstanding performance was included in this part of the analysis.

Analyzing the question on *satisfaction with the present remuneration package*, responses are given a score of one to five depending on each respondent's level of satisfaction. A score of one is given for very dissatisfied and five for very satisfied. The questions for respondents' level of satisfaction with the promotion policies of the organizations and the human resource management system in general were similarly scored. As to whether they are satisfied with the present human resource management policies, a 'YES' response is awarded five points while 'NO' respondents are not given any points.

One point is awarded for each *element present in the remuneration package*. As there are 20 elements listed in the question, the total score received by each respondent is multiplied by 0.25 so as to standardize the weightage for each question at 5 in this analysis as far as possible. For the question on company's rewards for outstanding performance, a 'YES' response is given five points and no score is awarded to 'NO' responses. As mentioned earlier, for simplicity the same weightage is given to each question wherever possible.

As for *opportunities for growth* in the organization, five points are awarded if respondents perceive that there is a chance for them to grow in the organization. No score is given to those who responded negatively. The extent to which the organizations are providing their *training and development* needs is given a score of one to five is given depending on the response. A score of five is for responses that state that the extent of organization fulfilling their training and development needs is very high. In contrast, a score of one is given for those respondents who chose very low.

Respondents were also asked to rate their *level of loyalty* to their companies and if they have *plans of leaving* the organization. A score of one is given if they rate their level of loyalty at very low and five if they rate it at very high. A score of five is awarded to respondents who have no plans of leaving the organization and no score is given if they have plans of leaving. Reasons for leaving are divided into positive and negative reasons. A score of five is given to each positive reason, such as to attend a full time course, difficulties commuting to and from work, poor health and because of family needs/pregnancy. Negative reasons such as to take up a new position in another organization, dissatisfaction with salary, dissatisfaction with type of work, dissatisfaction with working conditions and dissatisfaction with management policies are not given any points. The scoring system is as summarized in the table below.

Table 1

Questions	0	1	2	3	4	5
Years of working with present company: 0 - 20% 21 - 40% 41 - 60% 61 - 80% 81 - 100%		√	√	√	√	√
Maximum number of years with one company: 0 - 20% 21 - 40% 41 - 60% 61 - 80% 81 - 100%		√	√	√	√	√
Number of organizations worked with: 1 2 3 4 5 > 5	√	√	√	√	√	√
Satisfaction with remuneration package: Very dissatisfied Dissatisfied Neutral Satisfied Very satisfied		√	√	√	√	√
Elements in remuneration package: Total number of elements x 0.25 (maximum number of elements = 20) 4 8 12 16 20		√	√	√	√	√
Level of satisfaction with promotion policies: Very dissatisfied Dissatisfied Neutral Satisfied Very satisfied		√	√	√	√	√
Satisfaction with present human resource management system: YES NO Level of satisfaction with present HRM: Very low Low Neutral High Very high	√	√	√	√	√	√
Rewards for outstanding performance: YES NO	√					√
Opportunity for growth: YES NO	√					√
Fulfillment of training and development: Very low Low Neutral High Very high		√	√	√	√	√

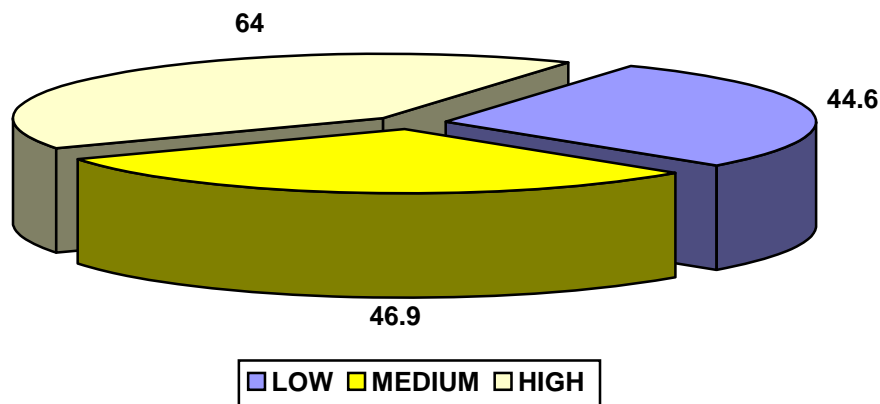
Level of loyalty to the organization: Very low Low Neutral High Very high		√	√	√	√	√
Plans of leaving the present organization: YES NO	√					√
Reasons for leaving: To take up a new position To attend full time course Difficulties commuting to and from work Poor health Home / family needs / pregnancy Dissatisfaction with salary and increment Dissatisfaction with type of work Dissatisfaction with working conditions Dissatisfaction with management policies	√ √ √ √ √ √ √ √ √ √					√ √ √ √ √ √ √ √ √ √

Analysis of Data

Based on the above assessment method, the level of loyalty of the respondents is analyzed. For a clearer and more simplified analysis, calculation is done by grouping the 12 questions into four categories. The first category comprises of questions related to service, the second on satisfaction of respondents with their organizations, the third on career development of respondents and lastly, respondents' commitment to their organizations.

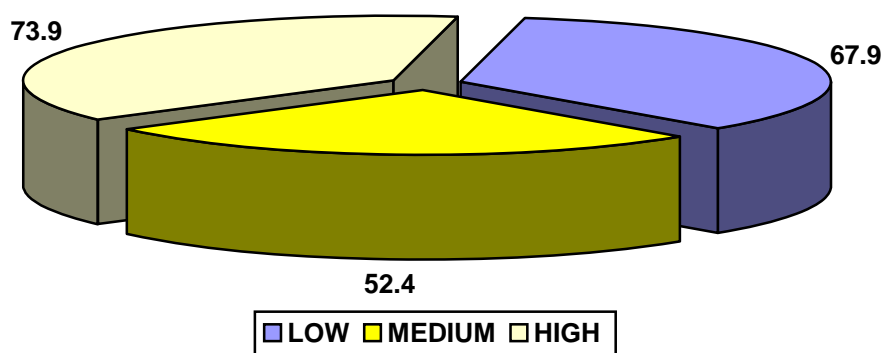
The level of loyalty is first measured in terms of *service*. Three questions were asked – questions on the length of service, the maximum number of years of working with one organization before joining the present company and the number of organizations worked with since they started working. If the length of service and the maximum number of years working with one organization before joining the present company is high and the number of organizations worked with since they started working is low, then their level of loyalty in terms of service to an organization is high. From the analysis of these three questions, the level of loyalty of HIGH's respondents in terms of service is comparatively higher at 64%. The level of loyalty of MEDIUM is 46.9% and that of LOW is 44.6%. These values are calculated by taking the average score of all the respondents in HIGH, MEDIUM and LOW companies respectively for the three questions and comparing this average with the maximum score for this category of questions. As mentioned earlier, companies in HIGH have more elements of Japanese style of human resource management as compared to companies in MEDIUM and LOW. As far as service is concerned, the analysis shows that employees remain more loyal to companies with more elements of Japanese human resource management practices.

Chart 1: Level of Loyalty in Terms of Service



As for the analysis on the level of *satisfaction* of the respondents, five questions were asked – satisfaction with the remuneration package and the elements in it, satisfaction with the promotion policies, satisfaction with the present human resource management system and company rewards for outstanding performance. For this category, the level of loyalty of the respondents is high if they are satisfied with companies’ policies, have more elements in the remuneration package and company rewards them for outstanding performance. As far as satisfaction with their companies is concerned, the level of loyalty is again comparatively higher in HIGH at 73.9%. In MEDIUM, it is 52.4% and in LOW it is 67.9%. There is not much correlation here between the extent of Japanese management practices present and the level of loyalty based on satisfaction with the company. While it correlates for HIGH, it is not the case in MEDIUM and LOW. Thus, it cannot be generalized that satisfaction, and thus the level of loyalty is higher if there are more elements of Japanese style of human resource management in its management practices.

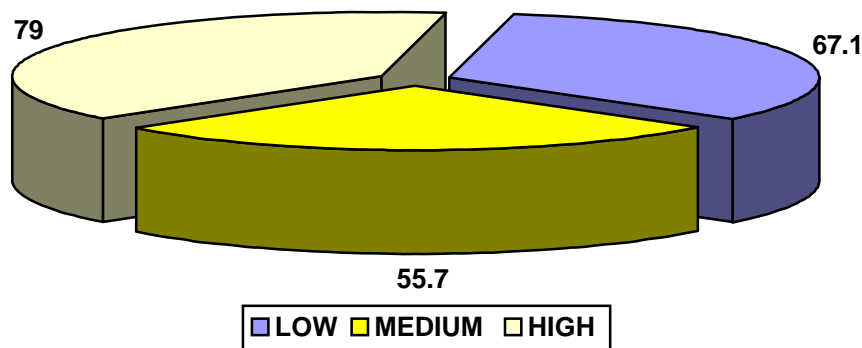
Chart 2: Level of Loyalty in Terms of Satisfaction



It is believed that *career development* in terms of opportunities for growth in an organization and companies’ provision of training and development for employees

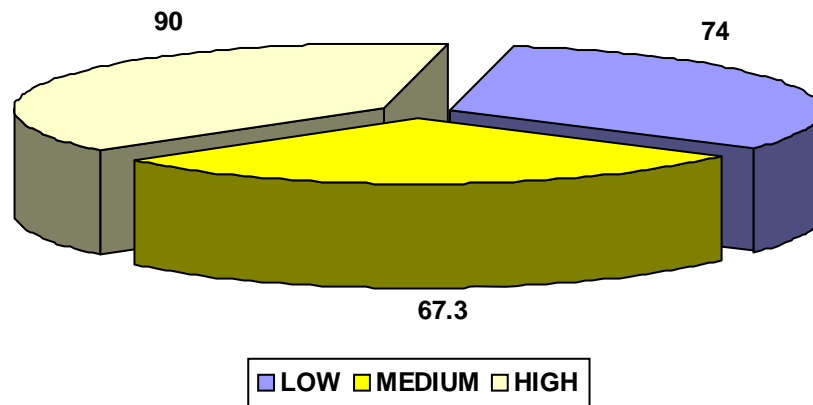
would enhance employee loyalty. Employee loyalty would be high if there are opportunities for growth and sufficient training and development. For this category of questions, the level of loyalty is high for respondents in HIGH at 79%. For MEDIUM, the level of loyalty is at 55.7% whilst at LOW it is 67.1%. Loyalty for companies in LOW is higher as compared to MEDIUM even though LOW has less elements of Japanese style of human resource management. The survey findings show that companies that do not practice much Japanese style of human resource management also have opportunities for growth and provide training and development for their employees. Hence, the higher level of loyalty in LOW as compared to MEDIUM.

Chart 3: Level of Loyalty in Terms of Career Development



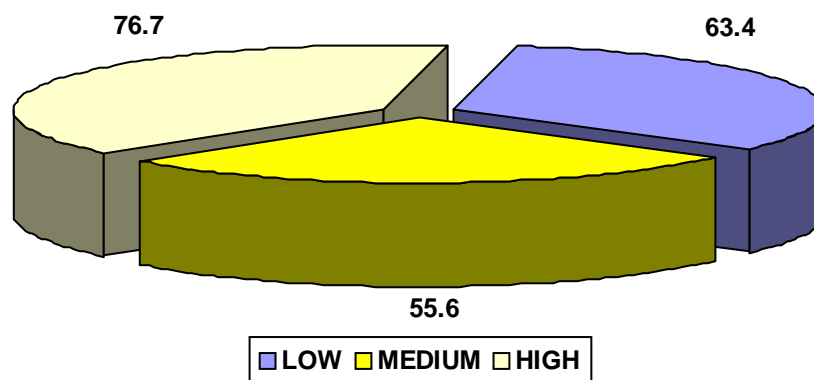
For the last category of questions to study the level of employee loyalty in the small and medium size manufacturing companies in Malaysia, questions on respondents' *commitment* to the organizations were asked. Respondents were asked to rank their level of loyalty to the company and if they have plans of leaving the organization as well as reasons for leaving. If their perceived level of loyalty to the organization is high, then the chances of them leaving the organization is low. If they have plans of leaving the organization, then the level of loyalty is low. However, reasons for leaving may be positive or negative. If reasons for leaving are negative, such as to take up a new position in another organization, dissatisfaction with salary and salary increments, dissatisfaction with type of work, dissatisfaction with working conditions or dissatisfaction with management policies, then employee loyalty is low. On the contrary, employee loyalty is higher comparatively if their reasons for leaving are positive, such as to attend a full time course, difficulties commuting to and from work, poor health and home/family needs or pregnancy. The survey findings show that employee loyalty at HIGH is high at 90%. Employee loyalty at MEDIUM is 67.3%, which is again lower than LOW. In LOW, employee loyalty is relatively high at 74%. Comparing the three categories of companies, employee loyalty is highest in companies that have adopted more elements of Japanese style of human resource management. Employee loyalty is lowest in companies that have introduced some elements of Japanese style of human resource management. Companies that have the least elements of Japanese style of human resource management enjoy a higher level of employee loyalty compared to those companies that have adopted some Japanese management practices. Thus, there is no correlation between the intensity of Japanese style of human resource management present and employee loyalty in this aspect.

Chart 4: Level of Loyalty in Terms of Commitment



Analyzing the four categories of questions, the main factor that determines employee loyalty in the respondent companies is the employees' own perception of their loyalty and commitment to the organization. If they have no plans of leaving the organization and they think that they are loyal to the company, then their level of loyalty is high. The average for HIGH, MEDIUM and LOW in this is 77.1%. The next determinant factor is career development in terms of growth opportunities and the provision of training needs. This ranks higher than satisfaction of employees with their organizations though the difference is not obvious. The averages for the three groups of companies are 67.7% for career development and 64.7% for satisfaction. Thus, career development is carried out moderately in the respondent companies. Similarly, the respondent companies could only generate satisfaction among employees to a modest extent. In this analysis, service is not that an important factor in determining employee loyalty as the length of service of most of the respondents is relatively short and there is a tendency to job-hop. The average for this is 51.8%.

Chart 5: Level of Loyalty in the 3 Categories



Summarizing the above findings, taking the average for all four categories of questions, employee loyalty is highest at HIGH with an employee loyalty level of 76.7%. LOW's level of employee loyalty is 63.4% whilst MEDIUM has the lowest level of employee loyalty among the three groups at 55.6%. From the analysis, employee loyalty is highest in organizations that have adopted more elements of Japanese style of human resource management. It is moderately high in organizations with very few elements of Japanese style of human resource management but lowest in organizations that practices some elements of Japanese style of human resource management. In a nutshell, there is no correlation between employee loyalty and the intensity of Japanese style of human resource management in companies' management system.

Conclusion

Analyzing the results of the data collected, there is no correlation between employee loyalty and the extent of Japanese style of human resource management present in the management system. Employee loyalty seems to be highest in companies with more elements of Japanese style of human resource management, followed by companies with very few elements of Japanese style of human resource management. Companies that have introduced some elements of Japanese style of human resource management have the least loyal employees. Management executives could perhaps use the results of the analysis to redesign their management policies so as to shift from brain drain to brain gain. It is much cheaper to retain than to recruit someone new. In conclusion, the survey achieves its objective in testing the hypothesis of this research.

Endnotes

- 1 Measuring Employee Loyalty: A Satmetrix Systems White Paper, June 2002
- 2 MANPOWER International Employee Loyalty Survey 2002
- 3 Next Generation Consulting, Inc., 2002:Employee Loyalty is Dead
- 4 New Straits Times – Business Times 14 September 2002
- 5 <http://www.askemployees.com>
- 6 <http://www.loyaltypath.com>
- 7 <http://www.expressitpeople.com>
- 8 <http://www.ansci.cornell.edu>
- 9 <http://www.readingeagle.com>
- 10 <http://www.expressitpeople.com>
- 11 Dartnell's Successful Supervisor, 12/8/99
- 12 <http://www.manpowerprofessional.com>

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