

Applying Quantitative and Data Analysis using Structural Equation Modeling for Accessing Factors Influencing Employee Loyalty

Nguyen Thanh Tam^{1,*}, Ngan Mai Thi Truc², Ha Le Thi Thanh³

¹Faculty of Business Administration, Saigon University (SGU), Ho Chi Minh City, Vietnam

²Faculty of Economics and Business, Hong Bang International University (HIU), Ho Chi Minh City, Vietnam

³ Faculty of Finance and Accounting, Ho Chi Minh City University of Economics and Finance (UEF), Ho Chi Minh City, Vietnam

(Received: November 28, 2023; Revised: December 18, 2023; Accepted: January 14, 2024; Available online: January 29, 2024)

Abstract

This study aims to measure the impact of factors on the loyalty of employees at small and medium enterprises (SMEs) in Ho Chi Minh City through interviews with 640 surveys with a non-probability sampling method, a convenient approach. Quantitative analysis techniques used in the study include reliability analysis of the scale through Cronbach's Alpha index, exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation modeling (SEM). From the results of SEM analysis of the whole model, it is shown that the fit of the tested model is relatively high, satisfying the conditions with $p\text{-value} = 0.000 < 0.05$. Besides, the SEM analysis results also show that independent factors (1) Opportunities for training and resource development; (2) Direct employee involvement; (3) Support from superiors and colleagues; (4) Environment and working conditions; (5) Salary, allowances, and benefits; (6) Fair rewards; (7) Alignment with organizational goals; (8) Level of empowerment; have a positive impact on employee job satisfaction at 1% significance level. At the same time, the job satisfaction factor in the employee's work positively impacts employees' loyalty to the organization at the 1% significance level. Accordingly, independent factors explain 72.10% of the change in job satisfaction in the employee's work; the remaining 37.90% of the change is explained by other factors. In addition, job satisfaction in employees' work explained 63.1% of the shift in employee loyalty to the organization, and 36.9% of the change was explained by factors other than the model. From the research results, the authors proposed managerial implications to increase the loyalty of employees in SMEs. Finally, the study contributions help enterprise managers improve qualitatively, and obstacles to implementing the above 8 factors have been assessed.

Keywords: Loyalty, Employee, Organization, Job, Satisfaction, SMEs and HCMC

1. Introduction

Small and medium enterprises (SMEs) are the predominant and principal category of businesses in the economy, thereby significantly influencing the country's economic progress. Based on statistics from the General Statistics Office of Vietnam in 2023, small and medium firms make up 97% of all businesses. Among them, a considerable share consists of micro-enterprises. Presently, these enterprises employ half of the labor force in the economy, making an annual contribution of approximately 45% to the GDP and 31% to the total budget revenue. Moreover, they attract over 5 million workers, crucial in job creation and poverty reduction.

Additionally, these enterprises help mitigate risks to the economy and contribute to achieving stable and sustainable development. The above data shows that SMEs in Vietnam play an essential role in economic development with dynamic, flexible characteristics and quick adaptation to market changes. While traditional tangible resources are becoming increasingly outdated and easily copied, making it difficult to create differentiation and competitive advantage, modern organizations aim to develop and use intellectual resources effectively. In particular, human resources are the core factor; if you know how to exploit them effectively, they bring enormous benefits. Research and administrators have determined that employee loyalty is critical to success.

Currently, businesses and employees have many opportunities and new challenges when participating in economic organizations and associations in the context of the government's economic opening policy. Accordingly, the

*Corresponding author: Nguyen Thanh Tam (nttam@sgu.edu.vn)

DOI: <https://doi.org/10.47738/jads.v5i1.151>

This is an open access article under the CC-BY license (<https://creativecommons.org/licenses/by/4.0/>).

© Authors retain all copyrights

movement of human resources between businesses is increasing, with capable and qualified employees often moving to places with better conditions in terms of salary, benefits, and working environment. It has become a common problem and a challenge for most businesses, especially for SMEs [1]-[2], [8].

Employee loyalty is only a catch-all word for a collection of feelings that make workers cling to their present jobs and less inclined to look for better opportunities elsewhere; it is a critical factor for employees, and business organizations maintain that the optimal manifestation of loyalty occurs when both enterprises and workers derive advantages. If people believe the company genuinely cares about them, they will be more committed to staying around and less likely to hunt for work elsewhere. Loyal workers can do wonders for the future of the brand since they are the ones who work tirelessly to promote the business's effectiveness.

The success of a business is directly related to the level of loyalty its employees exhibit. Lifetime employment was formerly the norm, when workers were promised permanent positions in return for their undying devotion to their bosses. Shareholders put much pressure on businesses nowadays, so job stability isn't always guaranteed [3]. It's hardly shocking that some businesses are shedding around a third of their workforce annually [5]-[7], [11]. Employee loyalty may seem obsolete when faced with figures such as these.

There is a lot of concern among company executives over high employee turnover rates, particularly among younger workers. The younger generation's lack of allegiance is seen by them as the reason behind this. Today's youth have grown up with information flowing in all directions; with social media platforms like Facebook and Twitter at their fingertips, they are continually updated on employment openings [6], [19]. Millennials will be an essential part of every company's workforce in the future, so when that time comes, companies should do all in their power to earn their allegiance.

In addition, this research's main problem is the disadvantage of hiring a replacement; replacing that employee costs about 20% of the average employee's salary. There's nothing worse than hiring someone new, training them to be excellent at what they do, and having them leave and use their good skills for a competing business. If this happens too often, your company could become a training ground for your competitors, meaning they don't have to go through the training process, leaving you at a disadvantage and significant benefit.

2. Literature Review

2.1. Employee loyalty (LOTT)

There exist several perspectives on workplace loyalty. Loyalty is defined as a strong sense of devotion to the organization, as stated in reference [7], [20]; the importance of employer loyalty is demonstrated by the manager's adherence to instructions since his study focuses on the connection between the organization and its employees. Essentially, loyalty falls within the realm of emotions. Loyalty is steadfastly being committed to an organization, even under challenging circumstances. Loyalty fosters trust among individuals and is essential to establishing life's principles. The study posited that employees' utmost dedication to the organization is best represented by employee loyalty. Business organizations maintain that the optimal manifestation of loyalty occurs when both enterprises and workers derive advantages. Employer loyalty refers to the employer's steadfast dedication and allegiance to the organization [8], [21]. Loyalty may be defined as an active demonstration of pride and commitment towards the organization. In addition, psychological factors mirror the individual's connection with the organization. Loyalty is the connection between an individual and an organization, characterized by a deep conviction in the organization's objectives and ideals. It entails a willingness to exert maximum effort in serving the organization and a strong desire to remain employed. Alternatively, loyalty may be perceived as a manifestation of the employee's dedication and allegiance to the business, necessitating the employee to exhibit more extraordinary thoughtfulness towards their superiors or the corporation [9]. Loyalty to an organization is a commitment to the consistent performance of an employer's future work. This leads to repetitive work performance despite the influence of enticement activities to change jobs from other companies. From the above concepts, it can be seen that loyalty to an employer's organization is constituted by attachment to the organization and commitment to the employer's organization. However, the composition of loyalty from these two concepts shows that the impact of these components on loyalty will also be different, and determining the effects of each element on loyalty is an important task.

2.2. Satisfaction (SUHL)

The topic of contentment has been extensively examined by several writers. Nevertheless, contemporary management theories have yet to reach a unanimous consensus. Job satisfaction is manifested when employees have a sense of fulfillment and possess comprehensive knowledge of all facets of their job. Satisfaction is the positive emotional orientation of employees towards the business [10], [22]. On the other hand, many studies stated that job satisfaction includes individual workers' feelings when their needs are met. Those needs are about the working environment. The more the working environment meets the values and spirit of the employee, the higher job satisfaction it will bring. Job satisfaction is an individual's emotional response to a specific job, that is, the feeling of liking and always looking forward to one's work. Job satisfaction is an important part, directly promoting overall pride and longer-lasting engagement of employees with the business [11], [23]. Some activities or tasks of human resources can directly or indirectly affect the level of employee satisfaction. Therefore, companies must genuinely and fully understand employee job satisfaction and build effective solutions to improve it.

2.3. Opportunities training and resource development (DATTT)

Opportunities training and resource development are currently considered the most straightforward, fastest, and most practical way for businesses to succeed in implementing internal growth and business expansion activities. This activity comprises the core element, that is, people. Therefore, companies must prioritize implementing training and resource development processes to take advantage of each individual's unique characteristics to orient development following business reality. However, today, the reality is that many businesses still maintain stagnant employees and are stuck with a stable monthly income without fluctuations and breakthroughs. This phenomenon occurs because organizations perceive that their current operational methods are secure and will remain effective in the long term [12]. The study assessed work satisfaction in Vietnamese settings using the job description index (JDI) developed by Smith and colleagues. In the Vietnamese context, two additional elements, namely "Welfare" and "Working conditions," were incorporated. However, in addition to the five factors proposed in JDI, the author added two more factors to suit the Vietnamese situation: company welfare and working conditions. Research results show that 3 components of commitment to the organization are loyalty, pride, and effort, which are affected by 7 factors: (1) Nature of work; (2) Training and advancement opportunities; (2) Leadership style; (4) Colleague relations; (5) Salary; (6) Benefits and (7) Conditions work. After testing, 4 remaining factors satisfy employees with work, including salary, colleagues, leadership, and promotion opportunities; the research applied a highly appreciated scale in terms of foreign practice and theory in Vietnam's situation. Besides, the research results also show promising results, ensuring reliability. Thus, the authors gave hypothesis H1.

H1: Opportunities for training and resource development positively affect satisfaction.

2.4. Direct employee involvement (SUTG)

No one result adequately captures the significance of employee engagement. Much research indicates that engaged workers outperform their non-involved counterparts in performance, productivity, and health. The two extremes of participating and non-participating workers are not mutually exclusive. Employee engagement is a process that requires time and effort [13]. It could be helpful to view employee engagement as a progression from complete disengagement to a more passive state of not caring about the firm. Besides, the study believes that leadership style and organizational culture affect employee loyalty.

Meanwhile, administrative culture does not affect the loyalty of employees in domestic enterprises but does affect the loyalty of employees in enterprises with foreign investment. The limitation of the study is that it has not analyzed the evaluation criteria of employer loyalty to clarify the current situation of the research problem. Besides, the study only shows the impact of factors on employee loyalty through testing using multiple linear regression, so the effect of factors in the model has not been seen in a linear structure [15]. Loyalty from employees develops gradually, but one of the simplest ways to earn their trust is via consistent training. Companies' use of this technique demonstrates their dedication to employee development, a critical factor in generating and sustaining engagement. Thus, the authors gave hypothesis H2.

H2: Direct employee involvement positively affects the satisfaction.

2.5. Support from superiors and colleagues (SUHT)

In the office environment, building relationships with colleagues is not just an abstract concept but a solid foundation for the success and sustainable development of the organization. Positive coworker relationships create a shared, supportive, and united workspace, helping employees become strong warriors in the shared journey. Building positive relationships with colleagues benefits the individual and is the foundation for the organization's sustainable development [16]. When everyone works towards a common goal and supports each other, there will be a positive working environment, and success will come to everyone in the organization. Besides, many studies assessed the direct impact of factors on employee loyalty in the company through a survey of 234 employees. Employee loyalty can be measured by looking at career development opportunities, work motivation, connections, safety on the job, leadership style, and engagement [17], [21]-[22]. These factors are identified through multiple regression analysis and combined company production and business situation analyses. Increasing the assessment results of the aforementioned independent elements will boost employee loyalty because all the relationships mentioned above are good. Thus, the authors gave hypothesis H3.

H3: Support from superiors and colleagues positively affects satisfaction.

2.6. Environment and working conditions (MOTDK)

Workers' efficiency and job satisfaction are substantially impacted by their working conditions. Workers will be energized, motivated, and inspired to give their all in the ideal workplace. Workers' well-being and motivation are improved when they have a sense of belonging to their company. In contrast, a bad work environment may quickly lead to employee depression, which lowers productivity and morale and, in extreme cases, even leads to employees losing faith in management and ultimately quitting the organization [18], [22]-[23]. Besides, many studies using qualitative and quantitative research methods discovered 5 factors that affect employees' long-term commitment to a business: promotion opportunities, reward and welfare policies, relationships with leaders, working conditions, and compatibility with career goals. Among them, promotion opportunities are the factors that have the most substantial impact on young employees' decision to continue working at the company, followed by reward and welfare policies, relationships with leaders, working conditions, and finally, the level of compatibility with career goals. Thus, the authors gave hypothesis H4.

H4: Environment and working conditions positively affect satisfaction.

2.7. Salary, allowances and benefits (LUPC)

Although wages are a critical factor for businesses to attract workers, retaining them will require more than that, such as remuneration policies, working environment, and development opportunities. From this, we see that, between benefits and salary, no single investment is reasonable for the business. To attract and retain talent and create a reputation for firms in the labor market, managers need to know how to flexibly invest in both salaries and benefits. In addition, a study of 250 workers revealed that elements including development opportunities, awards, recognition, delegation, group activities, and working conditions contributed to higher satisfaction levels [19]. Concurrently, contentment has a significant bearing on loyalty among workers. After looking over the data, the authors came to the conclusion that these elements will have an indirect effect on employee loyalty. Thus, the authors gave hypothesis H5.

H5: Salary, allowances and benefits positively affect satisfaction.

2.8. Fair rewards (KETCB)

Leaders should have appropriate mechanisms and policies in corporate culture and human resource management. Timely encouragement is a crucial way to gain trust and love from the employees in the business. Companies' praise, reward, and punishment are critical [20]. Once a business falls into an egalitarian state, people with poor-quality work will also enjoy the same results as people with better-quality work. This is very dangerous, causing competent individuals to become discouraged and lose the will to progress. Therefore, the reward system in an enterprise is an essential element in the company culture in particular and the development of the enterprise in general. Timely rewards for excellent individuals will be a great source of encouragement for them to complete their tasks. In addition, a large body of research has relied on quantitative methodologies, drawing on a survey of 310 current workers at high-end hotels, defined as those that achieve 4 or 5 stars, to identify the elements impacting their loyalty [21]. The findings

revealed that five factors influence employee loyalty to the company: rapport with supervisors, access to training, camaraderie among coworkers, welfare policy, and trademark. One crucial aspect that affects employee loyalty is the connection with supervisors. Thus, the authors gave hypothesis H6.

H6: Fair rewards positively affecting the satisfaction

2.9. Alignment with organizational goals (PHMTI)

Alignment with organizational goals is the final essential element for practical teamwork. This coordinates planning, effort, and reward with the organization's highest goals. When there is this compatibility, everyone in the organization will understand the overall goals of the company and the goals of each department and department, from which they will work in the right direction. The reward mechanism is the driving force that encourages people to work effectively [22]. Besides, many studies used quantitative methods based on a sample of 197 recovered from 200 employees working in Vietnam Machinery Installation Corporation member companies. Men to identify factors that influence their loyalty. The results showed that six components affected employee loyalty: Compensation, coordination, empowerment, corporate culture, organizational support, and organizational brand. In particular, remuneration and corporate culture are key factors influencing employee loyalty. The compatibility between group goals and organizational goals will help everyone move in the same direction, and it is the correct direction. Thus, the authors gave hypothesis H7.

H7: Alignment with organizational goals positively affecting the satisfaction

2.10. Level of empowerment (MUDTQ)

Managers often have to bear many responsibilities in the company's operations, which sometimes causes their work to be overloaded. At this time, they look to core employees to empower them. This is an opportunity for managers to reduce workload and increase trust in employees when giving them new responsibilities. This is how CEOs have time to focus on long-term planning and strategy for the business [23]. At the same time, it also helps employees gain more experience and accumulate new skills. Connecting employee autonomy and responsibility to the company: An essential factor when empowering employees is associating their duties with the common goals of the business. This is also how businesses build career development roadmaps for employees. However, their autonomy must also be under control to avoid unnecessary risks for the organization. Balancing innovation and following the process: Helping employees proactively work effectively is a problem for most businesses. That's when companies need to find a balance between creative freedom and the core regulations that make up corporate culture. The 4.0 technology revolution has created many advantages for employees' working processes. However, it also causes disturbances during this transition. Therefore, businesses must find the most suitable plan to minimize these risks. Empowering employees is one of the ways to help employees maximize their abilities and allow companies to grow. Thus, the authors gave hypothesis H8.

H8: Level of empowerment positively affecting the satisfaction

2.11. The satisfaction affecting employee loyalty

Regarding small and medium businesses (SMEs), human resources decide whether the company succeeds or fails. Paying close attention to employees and maintaining consistently appealing human resource practices are essential for businesses that wish to thrive and grow sustainably in today's market economy [23]. Conversely, managers should institute programs to boost morale, encourage employees to think outside the box, and foster positive relationships with coworkers, the company culture, and the work itself because employees' enthusiasm and imagination for their jobs are finite. Among loyalty factors, employee satisfaction is vital to maintaining a business's workforce. According to some studies in Vietnam and countries with Eastern cultures, many people stay in companies because they have emotional attachments rather than other attachments through job satisfaction. That is an effective lever to increase labor productivity and maintain sustainable business development. Thus, the authors gave hypothesis H9.

H9: The satisfaction positively affecting employee loyalty

3. Method

The qualitative research method aims to build a research model and preliminary scales to measure research concepts. Qualitative research uses focus group discussion techniques to confirm the proposed research model and prior measurement scale. The primary scale will be adjusted and supplemented from the discussion results into an official scale [14].

Quantitative research is conducted through two stages: preliminary quantitative research and official quantitative research. Primary quantitative research evaluated the scale's reliability to limit junk data and save time and costs when conducting an official survey. Official quantitative research through a study of 640 employees working at SMEs in Ho Chi Minh City to achieve the third goal of the study, which is to measure the impact of factors on the loyalty of employees at SMEs in HCM City.

Qualitative research techniques are utilized to construct study content and models, investigate components, and construct a preliminary scale through expert interviews and group discussions. These methods are used to correct and augment scales and questionnaires that are utilized for interviews to do research. The official questionnaire utilized for the study was used to determine preliminary research results from 640 employees working for SMEs in HCMC. These results will generalize the official rating and include the following components: (1) Opportunities for training and resource development (DATTT); (2) Direct employee involvement (SUTG); (3) Support from superiors and colleagues (SUHT); (4) Environment and working conditions (MOTDK); (5) Salary, allowances and benefits (LUPC); (6) Fair rewards (KETCB); (7) Alignment with organizational goals (PHMTI) and (8) Level of empowerment (MUDTQ).

For exploratory factor analysis (EFA) research, the minimum sample size should be 50, preferably 100, and the observed/measured variable ratio should be 5:1 [14]. "For a regression analysis topic, the empirical formula will be the total research sample $N \geq 8 \cdot m + 50$ " with m being the number of independent research variables. If based on this formula, $N \geq 90$. According to [9], the number of observations will be $64 \cdot 5 = 320$. Because the research subjects are employees working in small and medium enterprises, their response rate to the research problem is relatively low, so social research often uses the number of changes in the total population of 50% to ensure safety in determining research sample size, practical studies often choose $p = 50\%$. Usually, the ratio p (estimated percentage of the population;) and $q=1-p$ (allowable error) is estimated to be 50%/50%, which is the most significant possible occurrence of the population. The response rate reached 50%, meaning that if 2 survey questionnaires were distributed, only 1 would be returned. So, the number of surveys sent is $320 \cdot (100+100) \% = 640$.

The authors inherited organizational loyalty factors from results [1-2, 15]; the author proposed 8 factors that affect employee loyalty through the factor of job satisfaction, including (1) Training and career development opportunities [3]; (2) Direct employee participation [15]-[17]; (3) Mentoring by superiors and colleagues [2]; (4) Environment and working conditions [2]; (5) Salaries, allowances, benefits [19]-[21]; (6) fair rewards [12]; (7) Conformity with organizational goals [22]; (8) Level of empowerment [16]. These factors are all expected to have a positive (+) impact on employees' job satisfaction, and the employees' job satisfaction factor positively impacts employees' loyalty to the organization below.

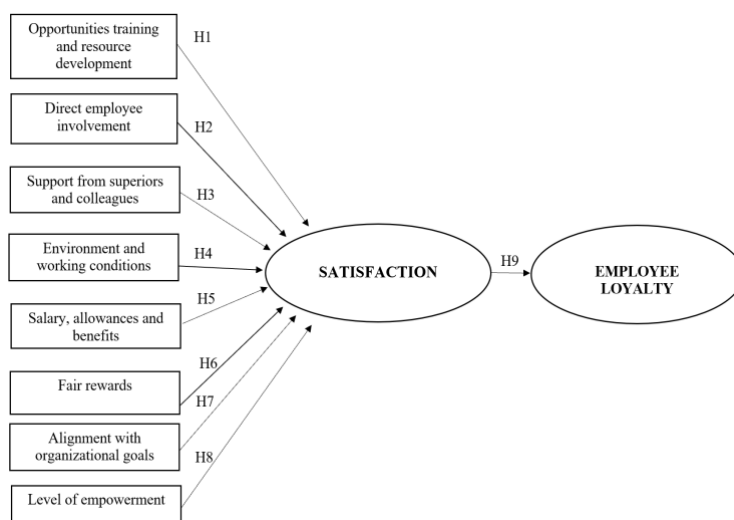


Figure 1. A research model for the satisfaction affecting employee loyalty

The elements that significantly impact employee loyalty satisfaction are illustrated in Figure 1. The results revealed the presence of 08 elements mentioned above, which were novel additions to the research model. Ensuring employee satisfaction is a primary objective for all human resources professionals. An employee who is content is devoted to the firm and serves as an ambassador for the brand, both internally and outside. An employee who experiences happiness is more inclined to exhibit loyalty towards the firm, have more determination in pursuing shared objectives, and experience a sense of pride in their job, team, and accomplishments.

4. Result and Discussion

4.1. Assess scale reliability through Cronbach's Alpha

Employee satisfaction must be considered from both a short-term and long-term perspective. Short-term happiness closely correlates with employee turnover and the degree of alignment between the person and the company. Employees must experience a positive atmosphere in the organization from the outset; otherwise, adapting will require significant time. Persisting in employment despite dissatisfaction might have much more detrimental effects in the long run. Employees' dissatisfaction with the company tends to intensify when they receive an unfavorable evaluation of a fundamental issue [14]. However, the employee likely maintains a negative perception of the criticism and exhibits a bias toward persons and corporations who fail to recognize their value.

A disgruntled employee can convey their unfavorable viewpoint of the organization to the public. This instills greater hesitancy among prospective candidates seeking to join the firm, decreasing the organization's reputation. Hence, the human resources department must ascertain the discontented employees, devise strategies to address their issues, and facilitate a shift from pessimistic to optimistic mindsets. Job satisfaction is a crucial aspect of the employee lifecycle and contributes to a sense of pride and long-term commitment to the firm. Specific actions or duties carried out by the human resource department might have a direct or indirect impact on the level of employee satisfaction. Hence, human resource personnel must consider how the company's operations, policies, senior leadership, and corporate culture impact employee satisfaction, ultimately leading to financial gains, cultural enrichment, and enhanced brand value. Additional significant aspects are the level of respect shown to employees.

Table 1. Cronbach's Alpha for factors affecting the satisfaction affecting employee loyalty

Code	Cronbach's Alpha	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Results
Salary, allowances and benefits				
LPCL1	0.920	0.713	0.911	Good
LPCL2		0.720	0.911	Good
LPCL3		0.666	0.915	Good
LPCL4		0.634	0.917	Good
LPCL5		0.686	0.913	Good
LPCL6		0.663	0.915	Good
LPCL7		0.736	0.910	Good
LPCL8		0.839	0.904	Good
LPCL9		0.817	0.904	Good
Direct employee involvement				
STG2	0.911	0.740	0.898	Good
STG3		0.755	0.897	Good
STG4		0.735	0.898	Good
STG5		0.683	0.902	Good
STG6		0.826	0.891	Good
STG7		0.648	0.905	Good
STG8		0.616	0.907	Good
STG9		0.559	0.911	Good
STG2		0.694	0.901	Good
Support from superiors and colleagues				
SHT1	0.909	0.644	0.903	Good
SHT2		0.745	0.893	Good
SHT3		0.701	0.897	Good
SHT4		0.646	0.902	Good
SHT5		0.746	0.894	Good
SHT6		0.708	0.897	Good
SHT7		0.764	0.892	Good
SHT8		0.699	0.898	Good
Environment and working conditions				
MTDK1	0.896	0.692	0.884	Good
MTDK2		0.765	0.868	Good
MTDK3		0.705	0.881	Good
MTDK4		0.738	0.874	Good
MTDK5		0.816	0.856	Good
Alignment with organizational goals				
PHMT1	0.936	0.727	0.940	Good
PHMT2		0.833	0.920	Good
PHMT3		0.853	0.917	Good
PHMT4		0.833	0.921	Good
PHMT5		0.901	0.908	Good
Fair rewards				
KTCB1	0.951	0.837	0.945	Good
KTCB2		0.855	0.940	Good
KTCB3		0.868	0.938	Good
KTCB4		0.856	0.941	Good
KTCB5		0.908	0.931	Good
Level of empowerment				
MDTQ1	0.936	0.765	0.932	Good
MDTQ2		0.843	0.918	Good
MDTQ3		0.872	0.913	Good
MDTQ4		0.819	0.923	Good
MDTQ5		0.846	0.918	Good
Opportunities for training and resource development				
DTT1	0.887	0.755	0.861	Good
DTT2		0.564	0.884	Good
DTT3		0.708	0.867	Good
DTT4		0.589	0.883	Good
DTT5		0.720	0.865	Good
DTT6		0.721	0.865	Good
DTT7		0.704	0.867	Good

Source: Data by processing SPSS 20.0, Amos.

Table 2. Cronbach's Alpha for the satisfaction affecting employee loyalty

Code	Cronbach's Alpha	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Results
Satisfaction				
SHL1	0.906	0.778	0.882	Good
SHL2		0.796	0.878	Good
SHL3		0.718	0.895	Good
SHL4		0.768	0.884	Good
SHL5		0.760	0.886	Good
Employee loyalty				
LTT1	0.869	0.791	0.825	Good
LTT2		0.671	0.846	Good
LTT3		0.657	0.848	Good
LTT4		0.683	0.843	Good
LTT5		0.611	0.857	Good
LTT6		0.597	0.858	Good

Source: Data by processing SPSS 20.0, Amos.

Table 1 and 2 display the utilization of two techniques in the article: EFA analysis and regression analysis. The sample size of 640 is sufficient to accommodate both the EFA analysis ($5 \times 64 = 320$) and the regression analysis ($8 \times 8 + 50 = 114$). Once gathered, the data undergoes processing using SPSS 20.0 and Amos software. The data analysis methods employed include scale reliability analysis with Cronbach's Alpha > 0.6 , exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation model (SEM) to assess the model and research hypotheses. Additionally, a Bootstrap test is conducted to evaluate the appropriateness of the SEM model.

Furthermore, ensuring employee job happiness is fundamental for all human resources professionals. An employee who is content is dedicated to the organization and serves as an ambassador for the brand, both internally and outside. An employee who experiences happiness is more likely to exhibit loyalty towards the firm, have more determination in pursuing shared objectives, and experience a sense of pride in their job, team, and accomplishments. Many businesses consider job happiness contingent upon income and recreational activities. However, despite employees being impressed by these factors, human resources still cannot establish a strong connection between the organization and its personnel. Ultimately, the study revealed that employee connection programs are short-term measures for managing stress and providing comfort. However, the study also highlighted the importance of addressing the underlying issue of employee satisfaction. It emphasized the need for human resource departments to comprehend employee needs and align them with the company's objectives.

Table 3. KMO and Bartlett's Testing for factors affecting satisfaction and employee loyalty

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.928
Approx. Chi-Square		25542.049
Bartlett's Test of Sphericity	df	2016
	Sig.	0.000

Source: Data by processing SPSS 20.0, Amos

Table 3 shows that the KMO value reached $0.928 > 0.6$, so factor analysis is appropriate for the research data. Besides, the Bartlett test has a Sig = $0.000 < 0.05$, so the observed variables are linearly correlated with the representative factor. There are 10 factors extracted at Eigenvalues = 1.088, so it can be confirmed that the number of factors extracted is appropriate. The total variance explained is $68.444 > 50\%$. This means that 68.444% of the changes in the factors in the model are described by observed variables. The factor loading coefficients of the observed variables all reached a value of > 0.5 , so it can be concluded that the number of extracted factors is appropriate; no new factors were discovered. Thus, the scale of factors in the model from 10 components (64 observed variables) after EFA analysis is still extracted into 10 components with 64 observed variables; the extracted factors are all reliable.

4.2. Testing factors affecting the satisfaction and employee loyalty

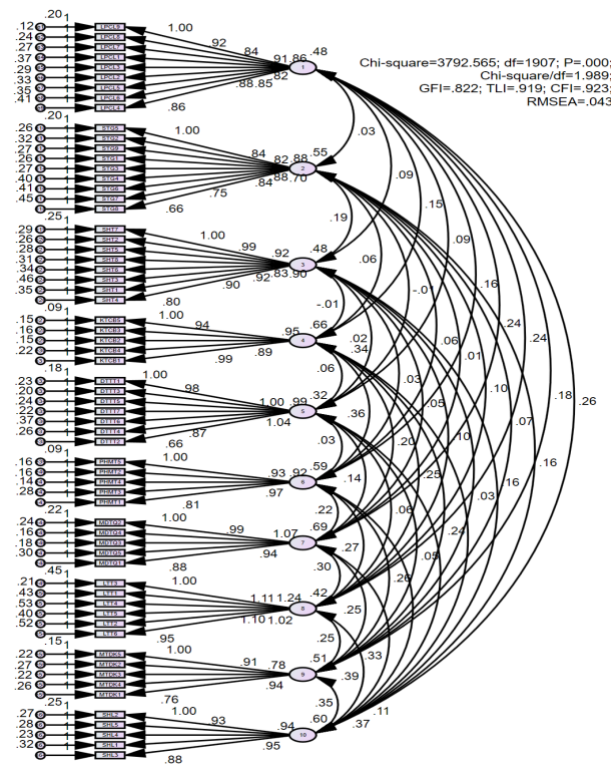


Figure 2. Testing factors affecting satisfaction and employee loyalty

Source: Data by processing SPSS 20.0, Amos

Figure 2 illustrates the variables that impact satisfaction and employee loyalty in the testing process, with a significance level of sig. < 0.01. The indicators in the model satisfy the requirements and serve as the scientific foundation for the writers to analyze the structural model equation further. The results of the CFA reveal that the chi-square/df test value is 1.989, which is less than 3 (Qualified), with a p-value of 0.000. The indices suggest that the model fits the data well, with a CFI of 0.925, GFI of 0.822, AGFI of 0.806, RMSEA of 0.043, and Pclose of 0.100. Hence, all the scales in the model possess discriminant values [14].

Table 3. Testing SEM model for factors affecting satisfaction and employee loyalty

	Relationships		Standardized estimate	S.E	C.R	P	Results
SUHL	<---	SUTG	0.122	0.031	3.966	***	H2 has been accepted
SUHL	<---	LUPC	0.137	0.035	3.903	***	H5 has been accepted
SUHL	<---	SUHT	0.183	0.034	5.406	***	H3 has been accepted
SUHL	<---	DATTT	0.116	0.039	2.951	0.003	H1 has been accepted
SUHL	<---	KETCB	0.138	0.032	4.277	***	H6 has been accepted
SUHL	<---	MUDTQ	0.158	0.031	5.183	***	H8 has been accepted
SUHL	<---	PHMTI	0.255	0.036	7.006	***	H7 has been accepted
SUHL	<---	MOTDK	0.298	0.038	7.785	***	H4 has been accepted
LOTT	<---	SUHL	0.713	0.049	14.635	***	H9 has been accepted

*** Significant at 1 percent level.

Table 3 shows the factors direct employee work participation (SUTG), opportunities for promotion, training and personal development (DATTT), level of empowerment (MUDTQ), support in work from superiors and colleagues (SUHT), working environment (MOTDK), remuneration (LUPC), Fairness in rewards (KTHCB), Conformity of personal goals with organizational goals (PHMTI) all impact in the same direction on employee's job satisfaction at the 1% significance level. Besides, job satisfaction positively affects employee loyalty to the organization at the 1%

significance level. Similarly, the results of SEM analysis of the entire model show that the fit of the test model is relatively high, satisfying the conditions that are $CMIN = 1,975 < 3$; $RMSEA = 0.043 < 0.05$; $CFI = 0.924 > 0.9$; $GFI = 0.823 > 0.8$, $Pclose = 1.00 > 0.05$; and $Pvalue = 0.000 < 0.05$.

Finally, the estimate column - Estimate Table 3 shows the total independent factors that explain the percentage (%) of the dependent factor in the research hypothesis. Accordingly, direct work participation of employees (SUTG), Opportunities for advancement, training and personal development (DATTT), level of empowerment (MUDTQ), Support at work from superiors and colleagues (SUHT), working environment (MOTDK), remuneration (LUPC), Fairness in rewards (KTHCB), Matching personal goals with organizational goals (PHMTI) explained obtained 72.10% of the variation in satisfaction in employee work at the 1% significance level, the remaining 37.90% of the variation is explained by other factors. In addition, employees' work experience explains 63.1% of the variation in employee loyalty to the organization, while 36.9% is explained by factors other than model image.

Table 4. Testing Bootstrap for factors affecting satisfaction and employee loyalty

Parameter			Bias	SE-Bias	CR	Results
SUHL	<---	SUTG	-0.001	0.001	1.00	Good
SUHL	<---	LUPC	-0.001	0.001	1.00	Good
SUHL	<---	SUHT	0.002	0.001	2.00	Good
SUHL	<---	DATTT	0.000	0.001	0.00	Good
SUHL	<---	KETCB	0.001	0.001	1.00	Good
SUHL	<---	MUDTQ	0.001	0.001	1.00	Good
SUHL	<---	PHMTI	0.000	0.001	0.00	Good
SUHL	<---	MOTDK	-0.001	0.001	1.00	Good
LOTT	<---	SUHL	0.000	0.001	0.00	Good

Source: Data by processing SPSS 20.0, Amos

Table 4 showed that testing Bootstrap with 10000 samples for factors affecting satisfaction and employee loyalty, with a significance level of 0.01. The results of calculating the C.R value show that these C.R values are all < more than the value 2 (because 2 is the value of the normal distribution at 0.9750, meaning 2.5% on one side, 2 sides will be 5 %); besides, the P value values of the factors are all > 5% and the model achieves high reliability.

4.3. Research result discussion

The research results have partly clarified the impact of employee satisfaction on employee loyalty in small and medium-sized enterprises in Ho Chi Minh City in particular and Vietnamese businesses in general. From there, business managers in the current context can better understand employees and connect them with the company, contributing to increasing work performance and loyalty to improve the quality of human resources [2]-[4]. The results explaining the direct impact between employee satisfaction and loyalty are similar to those of other domestic and foreign studies. In addition, factors such as working environment, training and development, salary, benefits, and other factors also mediate employee loyalty through the variable employee satisfaction. The study proposes management implications to improve satisfaction and enhance the loyalty of employees working in small and medium enterprises.

First of all, opportunities for training and resource development positively affect sig. < 0.003 and accepted hypotheses H1 (Table 3). Enterprises need to organize regular personnel training. Employees who do not have enough skills or know how to access resources for personal development will reduce work motivation, affecting employee engagement. Therefore, businesses must organize internal training sessions, including up-to-date skills knowledge, and work with experienced experts [3]-[5], [15]. Through training, employees have the opportunity to connect and promote engagement. Furthermore, training will help employees improve their skills and productivity. Regarding the policy aspect of training, promotion, and fostering an environment for people to enhance their skills and abilities, training encompasses the development of professional work knowledge and cultivating management skills, effective communication, negotiating abilities, problem-solving aptitude, and time management proficiency.

Secondly, direct employee involvement positively affects the satisfaction with sig. < 0.001 and accepted hypotheses H2 (Table 3). For the factor of employee work participation, Managers should often engage workers in problem-solving discussions and provide them with relevant business information to establish a clear link between their work and the organization's outcomes [5]-[7], [18]. In addition, superiors need to foster a collaborative work environment. This is because individuals desire recognition and a sense of significance in their contributions to the project. Teamwork serves the same objective and is crucial in fostering subordinate morale. By cultivating such teamwork, you will enhance your connections with your subordinates and bolster their allegiance to the organization. Subordinates should consistently actively listen and share information with their superiors while demonstrating high respect for them. In addition, the most important thing is to complete the assigned tasks well. If you encounter difficulties, you should discuss them directly with your superiors to find a solution; don't let the problem get to the point where it can no longer be solved.

Thirdly, support from superiors and colleagues positively affects the satisfaction with sig. < 0.001 and accepted hypotheses H3 (Table 3). Regarding the relationship factor at work: Besides leaders needing to pay more attention to the lives and support of employees, leaders also need to treat their subordinates fairly and praise them promptly for their contributions to the business development. Besides, Businesses need to build better relationships between superiors and employees [8]-[10], [19]. Superiors should care about subordinates: Superiors should be more open with subordinates by working with them in an open space, being able to see subordinates, and they can also see you. Thus, the interaction between superiors and subordinates will increase significantly, and they will feel closer. If conditions do not allow and your superiors have to work in separate rooms, try to be regularly present at the employee's place or have lunch with them.

Fourthly, environment and working conditions positively affect the satisfaction with sig. < 0.001 and accepted hypotheses H4 (Table 3). Encourage building a healthy and cohesive working environment. A good working environment needs a comfortable, open space and facilities that meet the needs of the job. To motivate workers, it is necessary to promote the spirit of solidarity, encouragement, and sharing of difficulties [11]-[13], [20]. At the same time, create conditions and environments for employees to maximize their abilities to successfully complete assigned work. Business leaders need to avoid favoritism towards employees so as not to lead to internal conflicts and disunity. It is necessary to ensure that employees have enough time for family and personal life to restore physical and mental energy in addition to the assigned workload during work. In addition, businesses must improve working conditions and the environment, helping workers ensure their physical and mental health. Business organizations must pay attention to implementation to build a safe, friendly work environment, minimizing the risk of occupational accidents.

Fifthly, salary, allowances, and benefits positively affect the satisfaction with sig. < 0.001 and accepted hypotheses H5 (Table 3). Compensation and welfare policies are important factors that promote employee productivity and work efficiency [15]-[17], [23]. Companies should have a salary scale to evaluate and review to ensure employees are paid fairly and transparently and follow their jobs. The salary increase policy needs to be built flexibly so that the company can customize it for each case, including shortening the salary increase time for talented employees and increasing rewards for employee achievements and dedication.

Sixthly, fair rewards positively affect satisfaction with sig. < 0.001 and accepted hypotheses H6 (Table 3). Regarding the element of fair reward and remuneration policy, it is necessary to regularly evaluate the reward policy and adjust it to suit the actual situation to ensure that rewards are fair, reasonable, and appropriate. Encourage employees to work actively [19]-[21]. When evaluating and rewarding businesses, the following points should be considered: Accuracy: This helps employees feel Fairness in the working environment. Thanks to that, they have peace of mind and wholeheartedly devote themselves to the company's development. Timeliness: There are three times to pay attention to: before, during, and after completing work. When the work is completed, employees will feel appreciated for the merits they have brought to the company. Determine the correct reward goals: This note is the basis for businesses to offer appropriate benefit levels that support and create employee competition. When employees have clear goals and evaluation criteria, it will be easier to work hard and stick to the standards to achieve rewards.

Seventhly, alignment with organizational goals positively affects the satisfaction with sig. < 0.001 and accepted hypotheses H7 (Table 3). Factors that match the organization's goals: The coordination between plans, efforts, and rewards with the organization's highest goals. When there is this compatibility, everyone in the organization will

understand the overall goals of the company and the goals of each department and department, from which they will work in the right direction. Training and advancement opportunities: Agencies should train senior resources to become leaders. The agency should have regulations and targets for officials and civil servants to know and implement. For example, if a promotion policy for three years always achieves targets and good achievements, employees will be sent for training in an official position in the agency. The agency can clearly communicate its workers' expectations through these layers.

Eighthly, the level of empowerment positively affects satisfaction with $\text{sig.} < 0.001$ and accepted hypotheses H8 (Table 3). For the level of empowerment factor, you should provide adequate tools, resources, and basic instructions to help your employees not be confused with new jobs, such as the basic job instruction process newly authorized. Reality has proven that when employees are empowered, they will feel trusted by their bosses and be more proactive in their work [22]-[23]. Empowering employees will encourage them to work more responsibly and effectively and be more attached to the business. Directors or senior leaders often have a lot of work to handle and fall into overload. Therefore, empowering employees will help them relieve some of the basic work to focus on strategic goals and, more importantly, long-term plans. Give opportunities to junior employees: Empowering people via leadership provides them with the chance to both challenge and showcase their own capabilities. This also presents an occasion for individuals to acquire fresh information and skills relevant to their employment.

Finally, satisfaction positively affects employee loyalty with a standardized estimate of 0.713 and $\text{sig.} < 0.001$ (Table 3). Job satisfaction plays an essential role in creating work efficiency. Employees with high job satisfaction will contribute to improving work efficiency, and increased employee job satisfaction also contributes to promoting the effectiveness of human resource management in a business's career and improving employee loyalty. Our country is in a solid economic and social development period, which creates much work for small and medium enterprises. The corporate management board is primarily responsible for human resource management. Therefore, to complete a large volume of work with good results requires workers to be devoted to their work. Employees must have job satisfaction if management wants to achieve such good work results. Therefore, improving workers' job satisfaction, a key metric used to assess the effectiveness and accomplishment of several enterprises, is necessary for employee happiness. Enhanced employee satisfaction leads to increased work efficiency and heightened organizational commitment. Moreover, enhancing employee happiness in enterprises contributed to the stable maintenance of human resources, reducing operating expenses and improving corporate performance.

5. Conclusion

The study combines qualitative and quantitative research methods to measure the impact of factors on employee loyalty in small and medium enterprises in HCMC. The research was carried out in 3 phases. Stage 1 - Summary of theory; Phase 2 - Qualitative research is conducted using the group discussion method with a qualitative research sample size of $n = 14$. Phase 3 - Formal research with a sample size of 640 collected using a non-probability sampling method. The research results will help managers at small and medium enterprises in HCMC understand what factors affect employees' loyalty to the organization. From there, the authors provided management implications to increase employee loyalty in small and medium enterprises. The study surveyed only 640 people, so the sample's representativeness is low. The management implications are still qualitative, and the obstacles to implementing the above impacts have not been assessed. The research sample used a non-probability sampling method, so the representativeness of the overall study is not high.

In addition to caring for and valuing employees, enterprise managers should enhance team spirit by creating bonds between employees through weekend picnics and organizing events. The research results help employees feel comfortable and attached to their colleagues, which is very useful in their daily work, such as being willing to help each other at work or together. Work better together. And it's not just human resources workers who need to be equipped with the necessary knowledge and management skills; people in general management and department heads still need to be equipped with the required knowledge and management skills to do human resource work within their scope of management to promote and motivate lower-level employees to achieve common goals.

6. Declarations

6.1. Author Contributions

Conceptualization: T.N.T. and N.M.T.T.; Methodology: N.M.T.T.; Software: T.N.T.; Validation: T.N.T. and N.M.T.T.; Formal Analysis: T.N.T. and N.M.T.T.; Investigation: H.L.T.T.; Resources: H.L.T.T.; Data Curation: H.L.T.T.; Writing Original Draft Preparation: H.L.T.T. and T.N.T.; Writing Review and Editing: H.L.T.T. and T.N.T.; Visualization: T.N.T.; All authors have read and agreed to the published version of the manuscript.

6.2. Data Availability Statement

The data presented in this study are available on request from the corresponding author.

6.3. Funding

The authors received no financial support for the research, authorship, and/or publication of this article.

6.4. Institutional Review Board Statement

Not applicable.

6.5. Informed Consent Statement

Not applicable.

6.6. Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

References

- [1] A. Turkyilmaz, G. Akman, C. Ozkan, and Z. Pastuszak, "Empirical study of public sector employee loyalty and satisfaction", *Industrial Management & Data Systems*, vol. 111, no. 5, pp. 675-696, 2011.
- [2] A. I. Al-Maani, "Factors affecting the organizational loyalty of workers in the Jordanian commercial banks", *Institute of Interdisciplinary Business Research*, vol. 4, no. 12, pp. 878-896, 2013.
- [3] C. C. Chang, C. M. Chiu, and C. A. Chen, "The effect of TQM practices on employee satisfaction and loyalty in government", *Journal Total Quality Management & Business Excellence*, vol. 14, no. 1, pp. 1299-1314, 2010.
- [4] K. Matzler, and B. Renzl, "The Relationship between interpersonal trust, employee satisfaction, and employee loyalty", *Total Quality Management*, vol. 17, no. 10, pp. 1261-1271, 2017.
- [5] S. Mehta, S. Bhakar, "Employee loyalty towards organization - A Study of Academician", *International Journal of Business Management and Economic Research*, vol. 1, no. 1, pp. 98-108, 2010.
- [6] A. Turyilmaz, G. C. Akman, and Z. Pastuszak, "Empirical study of public sector employee loyalty and satisfaction", *Industrial Management & Data Systems*, vol. 111, no. 5, pp. 675-696, 2011.
- [7] N. Aboobaker, M. Edward, and K. A. Zakkariya, "Workplace spirituality and employee loyalty: An empirical investigation among millennials in India", *Journal of Asia Business Studies*, vol. 14, no. 2, pp. 211-31, 2020.
- [8] Q. Albtoosh, A. Ngah, and Y. M. Yusof, "Training satisfaction relative to turnover intention: The mediating role of employee loyalty", *Industrial and Commercial Training*, vol. 54, no. 4, pp. 545-565, 2022.
- [9] M. Al-Edenat, and N. Alhawamdeh, "The mediating effect of employee's loyalty in the relationship between empowerment and employees' performance: A case from Jordanian SMEs", *International Journal of Academic Research in Accounting, Finance and Management Sciences*, vol. 8, no. 4, pp. 90-100, 2018.
- [10] I. N. Aristana, I. W. E. Arsawan, and N. W. Rustiarini, "Employee loyalty during slowdown of Covid-19: Do satisfaction and trust matter?", *International Journal of Tourism Cities*, vol. 8, no. 1, pp. 223-243, 2022.
- [11] S. Dhir, T. Dutta, and P. Ghosh, "Linking employee loyalty with job satisfaction using PLS-SEM modelling", *Personnel Review*, vol. 49, no. 8, pp. 1695-1711, 2020.

-
- [12] N. Fadhila, and E. Sulistiyani, "The influence of motivation, working environment and career development toward employees' loyalty", *AFEBI Management and Business Review*, vol. 6, no. 2, pp. 140-148, 2022.
- [13] M. Farrukh, R. Kalimuthuan, and S. Farrukh, "Impact of job satisfaction and mutual trust on employee loyalty in Saudi hospitality industry: A mediating analysis of leader support", *International Journal of Business and Psychology*, vol. 1, no. 2, pp. 30-52, 2019.
- [14] J. Hair, R. Anderson, R. Tatham, and W. Black, "*Multivariate data analysis*", US: Prentice-Hall: Upper Saddle River, NJ, USA, 2018.
- [15] L. N. Frempong, W. Agbenyo, and P. A. Darko, "The impact of job satisfaction on employees' loyalty and commitment: A comparative study among some selected sectors in Ghana", *European Journal of Business and Management*, vol. 10, no. 12, pp. 95-105, 2018.
- [16] J. Jin, B. Zhou, and J. R. Nadal, "An assessment of the factors influencing loyalty among active sport event tourists: The case of Mallorca 312 in Spain", *International Journal of Tourism Research*, vol. 24, no. 5, pp. 677-688, 2022.
- [17] S. Mahalingam, and M. Suresh, "The impact of organizational commitment on employee loyalty in IT industry with reference to Coimbatore City", *International Journal of Research in Engineering, Science and Management*, vol. 1, no. 5, pp. 55-59, 2018.
- [18] J. J. Maulidiani, and R. Bhinekawati, "Factors affecting employee loyalty: Lessons from millennials working in E-Commerce companies in Jakarta", *Jurnal Administrasi dan Kesekretarian*, vol. 5, no. 2, pp. 128-143, 2020.
- [19] C. Pandey, and R. Khare, "Impact of job satisfaction and organizational commitment on employee loyalty", *International Journal of Social Science & Interdisciplinary Research*, vol. 1, no. 8, pp. 26-41, 2012.
- [20] S. Pawirosumarto, P. K. Sarjana, and R. Gunawan, "The effect of work environment, leadership style, and organizational culture towards job satisfaction and its implication towards employee performance in paradior hotels and resorts, Indonesia", *International Journal of Law and Management*, vol. 59, no. 6, pp. 1337-1358, 2017.
- [21] K. Rahimpour, H. Shirouyehzad, M. Asadpour, and M. Karbasian, "A PCA-DEA method for organizational performance evaluation based on intellectual capital and employee loyalty a case study", *Journal of Modelling in Management*, vol. 15, no. 4, pp. 1479-1513, 2020.
- [22] A. Turkyilmaz, G. Akman, C. Ozkan, and Z. Pastuszak, "Empirical study of public sector employee loyalty and satisfaction", *Industrial Management & Data Systems*, vol. 111, no. 5, pp. 675-696, 2011.
- [23] M. Mousa, W. Chaouali, M. Aboramadan, R. Ayoubi, and H. Abdelgaffar, "Effects of rectors' narcissism on academics' silence and commitment in the context of public universities", *International Journal of Organizational Analysis*, vol. 29, no. 4, pp. 974-988, 2021.