

# **PSYCHOLOGICAL AND SOCIOLOGICAL FACTORS THAT MUST BE CONSIDERD FOR A SUCCESSFUL INTRODUCTION OF EMPLOYEE LOYALTY**

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## **Abstract**

This paper's focus is on looking at complex mechanisms lying behind employee loyalty from various angles and on different ways to increase employee loyalty in order to retain the existing staff and keep them highly motivated. By mainly following the fundamental works in this area of studies this paper outlines the main concepts behind a sufficient incentive, a nurturing work-climate and the relationship towards norms, values and the corresponding satisfaction. Then the paper focuses on the benefits of congruence of the employee and the organisation about values and norms as well as the influence on the work behaviour of the employees resulting from individual differences and various personality traits and beliefs. The findings of this paper present several possibilities to look at work satisfaction and outline different approaches to improve the relationship between organizations and their members and various theories, how motivation can be created and functions. Furthermore, practice related approaches of various researchers to increase the motivation and satisfaction level in practise are demonstrated.

**Key words:** Employee loyalty, loyalty programs, staff retention.

**JEL Code:** J44, J63, M51

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## **Introduction**

The importance of staff retention is increasingly agreed to be a major aspect of the human resource departments and international corporations in the competition for the best abstract employees. This paper examines the psychological aspects such as motivation, forms of communication, corporate culture and their impact on the employee loyalty programs. Additionally, sociological factors are outlined not only to reach out to other countries and attribute new perspectives for a better implementation of employee loyalty programs but also to increase the adaptation of employees during their organisational socialisation in the new

corporation We mainly follow the structure of the book “the psychology of behaviour at work” from Adrian Furnham and provide additional sources for further information, concepts and related aspects (Rynes and Cable 2006; Brockner 1988). We begin by focusing on the criteria, which are used for the hiring process and the selection process in terms of attitudes. We continue with the socialisation process of newly hired employees and then we will derive the main psychological and sociological factors, which indicate the best suited individuals for the offered jobs and in accordance to their personal interests, abilities, expectations. Then we will outline the impact of attitudes and different characteristics of individuals and their possible impact on work behaviour. Further we consider the topic of predicting the behaviour of workers based on their pre-established beliefs, values and attitudes. In the next part, we consider and present different motivation strategies and theories, which shall provide a theoretical foundation for instruments to increase work satisfaction.

At last we analyse the impact of culture in an organisation on the work climate and their general influence on the members of an organisation.

## **1 Recruitment, organizational selection and socialisation**

The importance of recruiting, the organisational selection and the later socialisation in the corporation are core matters for the success of an organisation. We introduce the relatively new studies about recruitment procedures and processes (Rynes and Cable 2006). The authors separate their research into four parts. At first, the “context”, then the “recruitment activities and practices”, then the “process” and finally the “outcome”. The context accounts for all externalities related to the environment. It includes economical aspects, location, size, reputation, the importance of the industrial sector of the company, but also the employee’s familiarity with the organisation and their culture and image. The second part “recruitment activities and practices” discusses the impact of the way of recruiting and their influence on the perception of the recruited. They argue that administrative procedures signal professionalism and efficiency in which the applicant will integrate faster. But in case the methods are not in place, also the opposite can occur. Another important factor in recruitment is advertised payment, which sets a certain expectation for the employee by its size. The process of recruitment can be very different in terms of their screening methods, hiring and decision making. For applicants those aspects can have certain impacts, even if they had certain beliefs about the company before, which influence their performance. The recruiter’s

interest and behaviour are powerful factors, which determine in consequence the interviewee's perception.

In psychology, we find a very classical direct link between job satisfaction and productivity. The fit of the individual's characteristics and the job's demands are the key in this approach to a beneficial symbiosis. The primary task of the selector is consequentially to find the matching candidates. The connection between a person and his environment is modelled by the P-O fit concepts. It is defined as the compatibility of an individual and the associated organisation. Compatibility can be complementary or supplementary (Kristof 1996). The approaches differ by searching for a person who is similar to the organisation or adds a not given aspect or characteristic for the missing part to the group. But not only the hard facts in terms of qualification matter, also aspects like a certain congruence of the employee and the organisation about values and norms are important. If the individual's needs are satisfied as much as possible by environmental attributes, the performance is expected to be at the maximum. Unmet expectations lead to the opposite – disappointment and possibly poor productivity. In the next step, we introduce the aspects of personal traits and focuses in this issue on two different character types, the introverted and the extroverted, combined with two different office plans: open-plan offices and closed-plan offices (Furnham 2006). The characteristics of the individual have certain demands towards their work atmosphere. If we assume that extroverts have higher demands for stimulation and arousal, they benefit from the excitation of noise, the variety and movement of an open-plan office. The contrary is true for introverts, who benefit from a rather quiet working atmosphere and the lower arousal and calmer environment given by the closed-plan office. For the evaluation of benefits, it is important that employee and employer value the same things or otherwise expectations are not fulfilled, which ends up in disappointment and poor production results. The relationship between expectations and satisfaction is discussed later. In the next part, we examine the aspect from a perspective of socialisation, as each hired individual faces a socialisation process in his new company. We present eight propositions, which determine socialisation aspects (Chatman 1989). The first examines the behaviour of an individual that has a different value system from the employing organisation but is open to influence from the corporation with very strong norms. It is very likely that we can observe a change in the individual and it will start to behave in accordance to the set of norms from the organisation. Second, in the same set as before, but with the difference that the person is not open to influence, this person will probably leave the organization. The third proposition regards a newly entering strong-

willed person with a lot of self-control and strong values, which are different from the organisation. If he or she is able to influence others, it is possible that the organisations' values change over the years. The same will happen if a group of new applicants enters with similar values but different from the organization. Fourth, if an organisation has not a very strong value system but one that is rather weak, the employees will most likely stay with their old norms and values. Fifth, those new applicants, who spend more time with the company by taking interviews or by doing a variety of organisational activities will have more similar profiles/values to the company than before. Sixth, if the individual and the organization fit well in terms of values, the employee will behave in accordance with the norms of the company. Any change in the person's values will affect this relationship negatively. Proposition seven states that many socialization processes, such as social events, training and mentor programmes, take place and result in a closer person-organization fit. Lastly, in the first year of an employee's membership in the company the person-organization fit is rather characterized by selection experiences. After that time, the fit of values is determined by the number and type of socialization experiences. The expectations and satisfaction of needs of both parties can be called a psychological contract of the person-organization relationship. According to Furnham, the future employees have the expectation, that the organization provides job security, comfortable and safe working conditions, satisfying tasks and career progression. On the other hand, the organization will expect the employee to accept the values of corporate culture and act in order to reach organizational goals even if they differ from personal goals. Furthermore, the organisation wants the employee to perform tasks as efficient and effective as possible and to accept authority and to assume responsibilities. These expectations are not made public and explicit, so there may be differences that do not come to light. It is important to note that the contract may still change in some aspects during the socialisation process, which in consequence may lead to less commitment from the employee to the company. When analysing how commitment can be expressed, there are three different kinds of commitment (Allen und Meyer 1990). Affective commitment means that the workers are emotionally connected to the organization. Continuance commitment is the risks and costs a person faces who would leave the organization. Normative commitment is the moral on which the person acts and his perceived responsibility to make an effort for the organization. Furthermore, people commitment can also address their region, their work team or their department. Commitment is made, when a person freely chooses to perform certain committing acts, such as acting in public in the context of the organisation and in ways where

it is difficult to withdraw. Another approach states that intrinsic factors, e.g. challenge or autonomy, promote commitment more than extrinsic factors, which could be salary or working conditions. This especially applies to affective commitment, but less to continuing commitment, which seems to be more influenced by the experience with previous employers. A recent study investigated empirically the effects of Performance Management on affective commitment and job satisfaction (Decramer et al. 2015), the findings indicated a negative link between job satisfaction and Performance Management, but also differs in effects on other aspects of the workers well-being.

## **2 Individual differences and personalites**

In this chapter, we examine the impacts of individual differences and various personality traits and beliefs, which can influence the work behaviour of the employees. As the main perspective, we search for the how, which and what to analyse in terms of the influencing factors. Furnham argues that many studies are based on the psychological concept of the Big Five, which is able to explain up to 40% of the variance to explain behaviour at work. Additionally, we have to add other traits such as ability and organisational constraints as explanatory variables, which affect performance. The Big Five model defines five factors, which are used for self-evaluation but also to evaluate the behaviour of others. The five factors are called: openness to experience, conscientiousness, extraversion, agreeableness and neuroticism – short OCEAN. Each of these factors is analysed in terms of weak or strong shape. There are many approaches that examine the effect of personality traits on work behaviour. Two perspectives shall be highlighted in the following. It can be simpler to search in the personal bibliography than on specific character traits. The psychological argument is that experiences are strongly shaping and powerful learning phenomena. Consequentially, the literature on this topic mainly examines indicators like visited school types, military experience, gender, age but also first marriage and place of origin. Although both approaches seem to be quite intuitive, the discriminatory aspects cannot be ignored and raised a lot of criticism. An alternative approach focused on the impact of self-esteem. Brockner argued that the level of self-esteem of the workers correlates with their feelings, actions and thinking during work. Each person needs certain things for themselves to feel good, believe that he matters and to enhance something. Thus, he restores and preserves his self-esteem. The difference between workers of high and low level of self-esteem are their way to work harder(high) or less hard(low) if they receive negative feedback, further is that high self-

esteem workers are less likely to change their behaviour because of supportiveness or imitate their supervisors in terms of managerial style. At last, they are more productive, if they work in quality circles and then are less affected by stress. People with less self-esteem are more likely to behave related to the uncertainty concerning correctness and social comparison. Also, they need more social approval and depend a lot on positive feedback. Furnham presents studies about the better performance of people, if they can follow success rather than failure. This applies, for those with low levels of self-esteem. At the following is a list of reasons for this relationship provided (Brockner 1988). At first, expectancies coming from failure and success of the former work can motivate differently. Second, if something failed the person is more likely to focus on himself and his failure by doubting instead of focussing on the task, which could increase the performance. Third, workers with a previous success could “psychologically free up”, feel more comfortable during work and set their goals higher and set strategies to become more efficient. When on the other side, the workers are more insecure and busy with their self-focused attention, it is likely that the performance decreases in quality. At last, if pessimistic attribution appears due to a failure, it is likely that the performance of the workers will decrease. Furnham concludes that low self-esteem workers are more likely to be affected by organisation stimuli such as peer group interactions, evaluation feedback, socialisation practices and leadership behaviours. The situation is getting rather problematic as soon as limitless self-esteem or concomitant hubris appears. Following the opinion of Furnham, extreme narcissists are an uprising problem at the manager’s level in the industry. narcissism can serve them well, because they get additional self-esteem from their biased sense of self and appear very confident. Their appearance and confidence also support others around them and help them to feel confident too. The self-esteem industry made a product of this effect and argues that all failure comes from low self-esteem and indeed, people with low self-esteem rarely rise to positions of power. The most common characteristics are capriciousness and inconsistent, unpredictable behaviour. The strength of narcissism can also be their weakness. If a manager is known for his people skills, it can turn around fast and he is called too soft or too tolerant towards inefficiency. Furnham concludes, that it is a special coincidence that the attribute to climb up the ladder is also responsible for the downfall later. But this is just caused, if the management and selection methods are not well applied in the organisation.

### **3 Work-related values and attitudes**

When we want to predict the behaviour of managers and employees, their pre-established beliefs, values and attitudes can give useful information. But conclusions should be drawn with caution, as the stated attitudes do not always reflect the behaviour in real life. Also, the behaviour is subject to modification by the workplace and a change in behaviour cannot be provoked by a change in attitudes. The belief systems and their effect on a person's behaviour have been studied by many researchers. The system commonly includes attitudes concerning success, obedience, control, justice and the importance of work. They influence all aspects of work: the selection of an employer, behaviour at the interview, socialization and settlement into the organization, job satisfaction, and the reason and time of leaving the company. Other researchers have found a stronger link between values and behaviour and have received recognition of managers for that. Values can differ for people from different countries. Culture and religion influence people's values and behaviour significantly. In Islamic cultures for example, the laws of the religion apply also to business life. In Western business life, organizations concentrate on objective performance and impersonality. An Islamic organization sees the employee as a person and an evaluation in an interview will always examine the performance and the person's values with the background of whether he or she is a "good" and proper Muslim. Some personal criteria such as experience and loyalty might then be put above performance. While the Western tradition is based on objectivity, labour division and specialization, the Islamic culture bases its business on trust in relationships and a sense of community.

While carrying out his research about cheating at work, Mars (1984) divided work environments into four different groups: "hawks", "wolves", "vultures", and "donkeys". They differ in their degree of "grid" or autonomy and strong or weak group structures. "Hawks" are characterized by high autonomy (weak grid) and are relatively free from group control. These are groups like entrepreneurs, business men or taxi drivers who work on their own. The second group, the "wolves", are the opposite, they act in a "wolf pack", have a well-defined hierarchy and thoroughly depend on each other (strong grid and strong group effect). The team follows orders from a leader. An example would be airline crews. "Vultures" do their business solely and autonomy is often needed to exert their influence and ability on the client. But they also depend on a group to fulfil their tasks. This appears in job groups as waitresses or salesmen. Lastly, the "donkeys" face strong rules in terms of the performance of their task (strong grid) and do not work in teams. Examples for these kinds of jobs are truck drivers, cashiers or guards of machines. They may feel powerless in their position, but when breaking

the rules or disobeying and kicking off disturbances they actually are quite powerful. Mars concluded that if the person's values do not match the job to a sufficient degree, possible reactions are resignation, some kind of nervous breakdown, or alienation which leads to sabotage, employee turnover and fiddling.

#### **4 Motivation and Satisfaction**

The issue of motivation and satisfaction in a company is subject to various theories. These theories discuss the issue from various different angles such as the famous Maslow Pyramid, the three-needs theory (McClelland 2010), the two factor/motivation-hygiene theory of Herzberg, the goal-setting theory, (Furnham 2006) the reinforcement theory (Corr 2008) or the Self-Determination Theory (Broeck et al. 2010).

These theories give a certain foundation of the way motivation works, but it is not easy to extract directly approaches from them to face empirical evidence. Therefore, several empirical approaches were applied such as investigations of the link between Motivation/Happiness and Loyalty (Aksoy et al. 2015) Another approach evaluates intrinsic motivation and reciprocity in the job (Devloo et al. 2014), where the findings indicate a higher level of innovative work behaviour. A study focusing on well-being of the labour force finds a strong relationship with job safety, job climate and satisfaction (van Aerden et al. 2015). Furnham presents studies, which observe the effects of high expectations, by their way of being communicated towards the employees and the resulting performance. If we start the motivation programs with trainees, certain details should be given attention. (Patrick 2000) highlights that the learning process needs various strategies for motivation. All of them include providing training material, which appears new and interesting. The presentation of curiosities causes attention and attracts. The relevance of the material to the given jobs and organisational needs keeps the attention up. If it is possible to provide early success with the newly learned content, the worker's confidence increases and creates an expectation of on-going success. Furthermore, it is essential that the outcome of a training is at least a positive memory. Following the interpretation and argumentation of Furnham on the expectancy theory we can provide further perspectives concerning the increase in performance of the workforce. The expectation of the managers towards their inferiors and the particular relation of the treatment to the expectation is a very influential aspect of the performance. If managers are able to create an expectation of high performance with their workforce, the motivation is increasing accordingly. Lower skilled managers fail to create high-performance expectations in the mind of their inferior,

which causes less productivity. In the end it is necessary to be aware that the employees mainly follow the expected performance of their managers in terms of work behaviour. But this does not imply that it is best to increase the performance expectations, regardless of the capabilities of the workforce. Otherwise the exceeding expectations will cause higher stress levels for the employees.

## Conclusion

The findings of this paper present several possibilities to look at work satisfaction and outline different approaches to improve the relationship between organizations and their members. The first chapter outlines therefore the necessary congruence between employees and the organization about values, characteristics and norms. This organization-employee relationship can finally be at its best if the employee has pride in his work and a sense of accomplishment. This inevitably leads to consideration of different personality types and individual differences to find psychological factors, which influence the employees to increase their performance in relation to their individual personalities. Self-esteem is a fundamental variable to the confidence and work behaviour of the individual in the organization but beyond all measures can lead to major problems in group dynamics. The motivation and satisfaction research are the most central topics to staff retention, due to the fact that highly motivated and satisfied people are not leaving the company. The effects of expectations towards employees in an organisation can influence satisfaction and motivation levels of employees significantly, which is an aspect worth to consider carefully.

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