

EMPLOYEE LOYALTY AS A FUNCTION OF CORPORATE CULTURE INFLUENCE

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Abstract

Research is conducted to examine the role of features of corporate culture at the employee loyalty level. It has been found that in the organizations with initiative organizational culture, the loyalty of employees is in mid-range, in case, that organic corporate culture contributes high-level development of loyalty.

Key words: corporate culture, initiative, organic, team organizational culture, loyalty, identification, adaptation.

Organizational culture plays significant role in different levels of organizational operations – economic, social and psychological. Organizational culture is being built in every organization, even if the organization doesn't make any steps to achieve it. Modern leaders look at organizational culture as a strong strategical instrument that greatly affects the effectiveness of an organization's operations, economic and socio-psychological indicators [1]. Corporation culture is multicomponent and multilevel phenomenon, strategical instrument which gives an opportunity to define the reciprocity between employees and organization [2].

Corporate culture contributes employee adaptation, influence motivation characteristics of employees and shapes the content and quantitative characteristics of their loyalty [3]. There are many works in the literature about organizational culture and staff loyalty, but there are very few structural and functional features of corporate culture and researches regarding loyalty and the existing ones do not clarify the whole essence of the problem.

Taking into consideration the abovementioned, the purpose of the research is to investigate the connection between the structural and functional features of organization with the development level of employees' loyalty.

The following tasks were set to achieve our goals.

To investigate the features of corporate culture of a number of organizations operating in Republic of Armenia

To research employee loyalty as an indicator of their adaptation

To implement mathematical analysis of the received data.

Two insurance companies “X” and “Y” with more than 10 years of experience were chosen for conducting the research

60 employees of abovementioned companies participated to this research. The age of employees varied from 22-37 with an experience from a few months to 11 years. 60 % of them were feminine and 40% masculine.

The survey used methods are - inquiry, testing, content analysis, comparative and correlation analysis.

The following methodologies were used as part of the testing method.

“Organization’s corporate culture type determining” test.

Employee loyalty assessment survey.

“Organization’s corporate culture type determining” test gives an opportunity

To assess the ideology of organization and management of socio-economic system functioning in the company, which significantly influence an employee attitude to a company and vice versa as well? Organizational culture provides an opportunity to coordinate individual styles of employee performance with whole

company's cumulative purposes, values thus forming a common cultural space. The main and important function of corporate culture is to create a sense of identity among employees, the image of collective "We", and ensures individual and organizational harmony as well [4].

The questionnaire consists of 12 questions based on 4 types of organizational culture:

- Organic corporate culture.
- Initiative corporate culture.
- Bureaucratic corporate culture.
- Team corporate culture.

"Employee loyalty assessment survey" consists 36 questions based on which high, mid and low levels of loyalty are being extracted [5].

The results were subjected to comparative, correlative analysis using SPSS-2 statistical package.

Results of the research – The analysis of our questionnaire results revealed significant differences according to the existent characteristics of the corporate culture. In particular, the company "X" has various nominations, which are held at the end of each year and the results of which are on the rise of professional level (categories) and salary. At the same time the existence of standards developed for nominations reduces the role of subjective attitude. It is noteworthy, that the overwhelming majority of respondents from both companies reported, that this approach increases the motivation level of employees.

The second significant difference, observed while studying both companies, is the attitude toward domestic marriages. In one of the companies it is encouraged by the amount of a month salary. In the other one, on the contrary, one of the couples should leave the job.

Finally, the third important difference identified in the survey is the encouragement and support for participation in seminars, trainings, conferences.

Thus, the result of the written survey was clarified, that the existing nomination traditions of the “X” company, domestic marriages encouragement, as well as the support of professional development boosted employee motivation. At the same time in the “Y” company the method of encouragement is used, at a high frequency which, according to workers, increases the degree of identification between a company and individuals.

By the results of corporate culture type diagnosis test it was found, that “initiative corporate culture” type dominated for 67 % of “X” company employees, features of which are stubborn individual based management, the organizational strategy oriented to professional realization (development). At the same time in the “Y” company the organic and team corporate culture types were dominated, where employee satisfaction, communication, social needs, as well as team spirit, a common approach for common or private issues is important.

Based on the above it can be said, that corporate culture components of the insurance companies we studied, significantly differ from each other. In one case the organization’s corporate culture strategy is aimed to improve the professional realization and improvement of individuals with different professional abilities and skills. In other case the strategy of the company is dominated by faithfulness and unity for adopted values and norms.

According to “Employee loyalty assessment survey” results comparative analysis, it’s been found that the level of loyalty in the “Y” company is significantly higher compared to the “X” company.

The loyalty index of the “X” company employees is in mid-range, while the loyalty level of the “Y” company is in high-level range. The results show, that the high-level of loyalty among the respondents of 2-nd group is manifested in their levels of beliefs and identification. Such employees identify their own goals with the goals of the company. In one side such employees are highly valued by organizations, in other side too much devotion is fraught with frustration and abandonment. At the same time the mid-range loyalty of the first company indicates their devotion and

their initiative in difficult situations. It is characteristic for such employees to follow the rules and internal laws of the company, as well demonstrating skills and abilities appropriate to the purpose and objectives of the organization. An analysis of the loyalty specifications and level diagnostic survey (Employee loyalty assessment survey) also revealed that the organization characterized by team and organic corporate culture is dominated by emotional and normative loyalty, that is, mutual responsibilities and organizational norms are held between staff and management. At the same time, in “X” company, where the initiative corporate culture is dominated, staff is exposed to normative loyalty, that is to follow to accepted norms and rules as well as coercive loyalty due to the fear of losing their jobs.

We did Pearson’s correlation analysis of the properties under study (researched characteristics), results of which are presented below.

Table 1. Correlation links indicators of corporate culture and employee loyalty

| № | Features | Loyalty |
|---|-----------------|----------------|
| 1 | Organic CC | 0,423** |
| 2 | Initiative CC | 0,211 |
| 3 | Team CC | 0,565** |
| 4 | Bureaucratic CC | 0,154 |

Notification- **-p<0.01

As the table above shows organic and team types of corporate culture are in reliable direct relation with employee loyalty. The results of correlation and comparative analysis show, that the perception features of corporate culture by employees have a significant impact on their level of loyalty, functional features and overall adaptation process, as well as its performance indicators.

Conclusions

Functional elements of corporate culture of organizations have been identified: that is initiative, organic, bureaucratic and team types which significantly influence on the adaptation of individuals

It has been found that the level of employee loyalty, as an effective indicator of adaptation, largely depends on organizational culture features.

It is shown, that organic and team organizational cultures contributes to the formation of normative and emotional loyalty among employees, while in case of initiative organizational culture dominance , employees have a coercive loyalty and fear of losing their jobs.

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