

A CASE STUDY ON EMPLOYEE LOYALTY AND CORPORATE CULTURE RELATED FACTORS IN SMALL AND MEDIUM SIZED ENTERPRISES IN SQ CITY

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Abstract: With the rapid development of economic globalization and information technology in the 21st century, the business environment has become increasingly complex and changeable. In this context, corporate culture, as an important part of the core competitiveness of enterprises, has been paid more and more attention to its impact on employee loyalty. Corporate culture not only shapes the values and codes of conduct of employees, but also has a profound impact on the loyalty of employees through its spiritual, institutional, behavioral, and material aspects. This study takes small and medium-sized enterprises in SQ City of China as the research object, adopts quantitative and qualitative research methods, and adopts questionnaire survey, statistical analysis and face-to-face interview. This paper probes into the influence of corporate culture on employee loyalty and puts forward corresponding theoretical support and practical suggestions.

It is found that there is a significant positive correlation between the four levels of corporate culture and employee loyalty, among which the material level is particularly significant. The findings highlight the important role of corporate culture in promoting employee loyalty and suggest that companies should fully consider the needs and expectations of employees when setting compensation policies and improving working conditions. In addition, the research also puts forward the strategies for the construction and optimization of corporate culture, including the balance of material incentives and non-material incentives, the culture construction mode of full participation, and the continuous cultural evaluation and feedback mechanism.

Keywords: Corporate Culture, Employee Loyalty, Small And Medium-Sized Enterprises, Concentric Circle Theory

Introduction

Since the 21st century, with the rapid development of economic globalization and information technology, especially the increasingly mature form of network economy, the business environment of enterprises has become complex and unstable, the homogenization of enterprises has accelerated, and

the professional talents needed by different types of enterprises have overlapped. It leads to fierce competition for talents between enterprises. In today's Informationization, the conditions for employees to obtain more employment status have become simpler, and the autonomy of employees to choose jobs has increased. From the perspective of enterprises, it is necessary to actively retain outstanding talents, and timely reserve sufficient high-quality talents, focusing on enhancing employee loyalty. Through the analysis and investigation of the current development status of domestic enterprises, there are generally low loyalty of grass-roots employees and high turnover of employees. This not only directly affects the economic benefits of enterprises, but also seriously affects the survival and development of enterprises to a certain extent.

Since the reform and opening of free trade, China's economic growth rate has been at a higher level than that of other countries, and it has become the second largest economy in the world. However, the enterprise management level and corporate culture construction required by the development of most enterprises have not been improved along with the economic growth rate. As a result, the enthusiasm and motivation of employees are affected. According to the Employee Engagement and Working Environment Research Report released by Gallup in 2013, the average loyalty of employees in the world is 13%, while in China it is only 6%, which is at a low level in the world.

If the enterprise itself wants to develop and progress in the fierce competition environment and fulfill its social responsibility, it is necessary to tilt the focus of enterprise development to the construction of corporate culture. To guide and improve the core competitiveness of enterprises in the new development pattern of mutual promotion of domestic and international double cycles with modern corporate culture. Some scholars believe that "core competitiveness is determined by distinctive corporate culture and many unpredictable factors". Therefore, by studying the relationship between corporate culture factors and employee loyalty, an enterprise culture that matches enterprise development and can maintain employee loyalty to the greatest extent can be established. Appropriate and effective measures should be taken from different angles to deepen employees' recognition of corporate culture, stimulate employees' enthusiasm and maintain their loyalty. It is particularly important in the development and progress of enterprises.

Research Objectives

Aiming at some small and medium-sized enterprises in SQ City of China, this paper uses scientific research methods and is based on previous studies on corporate culture and employee loyalty. Explore the influence of corporate culture on employee loyalty. Test the practicability of relevant theories and provide theoretical support for small and medium-sized enterprises to improve employee loyalty from different levels of enterprise culture.

According to this goal, the following goals are clearly subdivided: First, the four-level theory of corporate culture concentric circles is adopted to design a corresponding questionnaire, and

employees of some small and medium-sized enterprises in SQ City are selected as samples to conduct a questionnaire survey on the influence of corporate culture factors on employee loyalty. Second, SPSS26 was used as a questionnaire data processing tool to find out the influence weights of different corporate culture factors on employee loyalty by various testing methods. Third, combined with the processing results, the improvement countermeasures and suggestions are put forward at the level of small and medium-sized enterprises, and the feedback is given to the corresponding enterprises.

Literature Review

Corporate culture

Pettigrew (1979) put forward the concept of corporate culture. First, after understanding the "secret" behind the different management modes of Japanese and American enterprises, Americans explored the rise and development of corporate culture from a theoretical level. Later, scholars with different views on corporate culture gradually developed. Terry And Kennedy (1982) clearly pointed out that corporate culture is the external influence of an enterprise's employees' values and behaviors, which are shown to the outside world. According to Sheridan and Sturn, corporate culture can be defined as the values and behavior concepts shared by all employees of an enterprise. Some scholars have calculated that since the concept of corporate culture was put forward, there have been more than 300 definitions of corporate culture.

Summarizing the views of different scholars on corporate culture, the author believes that the so-called corporate culture refers to the concept, mission, spirit, values, and rules with collective characteristics that are gradually formed in the process of production practice development of enterprises and are influenced and recognized by batches of employees. Including in the process of enterprise development, gradually produce a perfect employee promotion system, salary, and welfare, including the sum of all aspects of the material security system.

Chinese scholar Chen (2007) proposed the concentric circles theory, which suggests that corporate culture comprises a spiritual level, an institutional level, a behavioral level, and a material level from the innermost to the outermost. To measure the impact of corporate culture more effectively on employee loyalty, the author has chosen to categorize the concept of corporate culture into four distinct aspects using the concentric circles' four-level theory. The spiritual level pertains to the cultural ideology influenced by internal and external thoughts during production practices. This is manifested in the enterprise's core values, mission, business philosophy, and so forth. The institutional level represents a set of regulations that govern both the enterprise itself and its employees—a normative culture encompassing corporate responsibility systems, daily behavioral norms, and employee promotion structures. The behavioral level denotes cultural expressions generated by employees during enterprise development—encompassing enterprise publicity efforts, interpersonal communication dynamics within activities organized within enterprises—and reflects how an organization's culture

manifests through daily behaviors. Lastly, the material level embodies tangible manifestations of culture; unlike other levels it can be perceived directly including corporate logos, advertisements as well as employee welfare.

Employee loyalty

In the 1960s, American researchers defined the definition, enterprise employee loyalty is a combination of attitude and behavior loyalty, the basic premise is behavior loyalty, the deepening of this loyalty is attitudinal loyalty. In general, people feel that loyalty is one-sided. Hirschman, who first explored the employee Loyalty of enterprises, wrote *Exit, Voice, and Loyalty* in the 1970s, which mainly analyzed the employee turnover of enterprises. The author believes that if employees do not leave the company, it is employee loyalty. Meanwhile, the author also believes that the improvement of employee loyalty can prevent employees from leaving the company. When foreign researchers discuss employee loyalty, their research behavior is cross-cutting, mainly through the study of attitude loyalty, behavioral loyalty to conduct in-depth exploration.

Voyles (1999) agrees with the argument that behavioral loyalty is higher and believes that if employees behave loyally in their daily work, they will be more loyal. The researchers of the argument of identity attitude loyalty believe that employees agree with the values and culture of the company, indicating that the employees are more loyal.

Mowday (1982) further defined employee loyalty in terms of attitudinal loyalty. Starting from the direction of recognized organizations, he pointed out that attitudinal loyalty should be explained from three aspects: cultural value of recognized organizations, positive attitude towards work, and no intention to change jobs. To sum up, the current discussion on employee loyalty has not been clearly unified. Some researchers focus on attitudinal loyalty, while others mainly explore behavioral loyalty. Researchers who comprehensively explore behavioral loyalty and attitudinal loyalty think that employee loyalty is restricted by both attitudinal and behavioral factors of employees.

Therefore, the author will deeply analyze the loyalty problem from the two directions of attitude loyalty and behavior loyalty. The judgment of employee loyalty should comprehensively examine whether their thoughts belong, and actions are positive. It is the unity of attitude loyalty and behavior loyalty. It is a series of behaviors that employees show to the company they work for and the contributions they make to the company from attitude and behavior. The behavior at work is generally manifested as a high recognition of the cultural values of the enterprise, pride in working in the enterprise, active work and willingness to continue to serve the enterprise.

Methodology

Quantitative and qualitative research methods were adopted, literature research was used to study the corporate culture of small and medium-sized enterprises in SQ City and the correlation between corporate culture and employee loyalty. Questionnaire survey and statistical analysis were

adopted, and multiple linear regression was adopted to study the influencing factors of employee loyalty from four aspects of corporate culture. Finally, some employees were interviewed on special issues.

Table 1: Personal information and its value

Personal information	Value
Gender	Male=1; female=2
Age	<25=1; 25-40=2; >40=3
Education	Junior college =1; Bachelor’s degree =2; Master’s degree =3
Work experience	Less than 3 years =1; Three to ten years =2; Over ten years =3
Marital status	Single =1; Married =2

As mentioned above, the author chooses to divide corporate culture factors into four levels, namely, spiritual level, institutional level, behavioral level and material level, and quantitatively studies the influence of the four levels of corporate culture on employee loyalty. Refer to the correlation research to quantify the assignment of independent variables and set the following questions.

Based on the sorting and summary of relevant studies on employee loyalty, I choose Likert five-point scoring method for the measurement of employee loyalty. The options are sorted according to "1, 2, 3, 4, 5", which indicates Strongly Disagree. Disagree; Uncertain; Neutral; Agree; Strongly Agree that this is used to measure the basic attitudes of survey respondents towards various issues, and 8 questions related to it are set.

Results

Based on the selected dependent variables and independent variables, the following hypotheses are proposed:

- H1: The spiritual level of corporate culture has a significant impact on employee loyalty.
- H2: The institutional level of corporate culture has a significant impact on employee loyalty.
- H3: The behavioral level of corporate culture has a significant impact on employee loyalty.
- H4: The material level of corporate culture has a significant impact on employee loyalty.

The reliability index of questionnaire survey results was selected to detect α coefficient. In the questionnaire survey results, the coefficient of 16-question detection of corporate culture factor is 0.891, and the detection result of 8-question detection of employee loyalty is 0.854. It shows that these two parts of the questionnaire have high internal consistency and good reliability.

First, the enterprise culture factor plate and employee loyalty plate in the questionnaire are tested, and the results are shown in (Table 2) It can be seen from the table that the sampling appropriateness measures KMO of corporate culture factors and employee loyalty are both greater than 0.8, and the significance level of Bartlett test is less than 0.01.

Table 2: KMO and Bartlett tests

KMO and Bartlett tests			
KMO		corporate culture	employee's loyalty
			.866
Bartlett sphericity test	Approximate chi-square	610.827	25.485
	Sig.	.000	.000

Descriptive statistics

There were 143 valid subjects in the questionnaire. It is classified according to gender, age, education level, marital status, work experience. Gender: There were 66 males, accounting for 46.2%; There were 77 women, accounting for 53.8%. Age: 51 people under 25 years old, accounting for 35.7%; 45 people were between 25 and 40 years old, accounting for 31.5%; There were 47 people over 40 years old, accounting for 32.9%. Education level: 54 college students, accounting for 37.8%; There are 48 undergraduate students, accounting for 33.6%; There are 41 masters, accounting for 28.7%. Marital status: 38 were single, accounting for 26.6%; There were 105 married people, accounting for 73.4%. Work experience: 64 people with less than 3 years, accounting for 44.8%; There were 51 people from 3 years to 10 years, accounting for 35.7%; Over 10 years, there were 28 people, accounting for 19.6% (Table 3).

Table 3: Descriptive statistics of control variables

Variable	Category	Number	Ratio
Gender	Male	66	46.2
	Female	77	53.8
Age	<25	51	35.7
	25-40	45	31.5
	>40	47	32.9
Education	Junior college	54	37.8
	Bachelor's degree	48	33.6
	Master's degree	41	28.7
Marital status	Single	38	26.6
	Married	105	73.4
Work experience	Less than 3 years	64	44.8
	Three to ten years	51	35.7
	Over ten years	28	19.6

Descriptive statistics of dependent variables

The basic situation of employee loyalty is simply understood through descriptive analysis. The average and standard deviation of each question are used to understand the situation of employee loyalty in different questions (Table 4). The higher the total mean, the higher the loyalty of employees. From the analysis of the interval of the five-point Likert questionnaire, we can see that the loyalty of employees is at a general level.

Table 4: Descriptive statistics of employee loyalty

Question	Grand mean	Mean value	SD
Q1	3.47	3.25	1.335
Q3		3.45	1.287
Q4		3.62	1.283
Q5		3.43	1.345
Q6		3.52	1.337
Q7		3.50	1.310
Q8		3.52	1.305

Descriptive statistics of independent variables

Descriptive statistics method is adopted to analyze the basic situation of the measurement of corporate culture factors, and the average and standard deviation of each topic are still analyzed to simply understand the recognition degree of employees at different levels of corporate culture from the whole (Table 5). It can be seen from the table that the lowest recognition degree of employees at the material level is 3.325. This was followed by a mental level of 3.725, followed by a behavioral level with an average of 4.077. The highest degree of recognition is 4.37 at the institutional level. The average value of the four levels is 3.874. From the five-point questionnaire interval, employees' recognition of corporate culture is slightly higher than the general level.

Table 5: Descriptive statistics of employee loyalty

Question	Grand mean	Mean value	Standard deviation
Q1	3.47	3.25	1.335
Q3		3.45	1.287
Q4		3.62	1.283
Q5		3.43	1.345
Q6		3.52	1.337
Q7		3.50	1.310
Q8		3.52	1.305

Correlation analysis between corporate culture and employee loyalty

As can be seen from (Table 6), all four levels of corporate culture have significant positive correlation with employee loyalty. According to PEARSON coefficient, the influence degree from low to high is spiritual level, behavioral level, institutional level, and material level respectively. Hypotheses 1 to 4 above are supported.

Table 6: Correlation analysis between corporate culture and employee loyalty

Average employee loyalty	Spiritual Level	Institutional Level	Behavioral Level	Material Level
Pearson	0.203	0.566	0.372	0.786
Sig.	0.00	0.00	0.00	0.00
N	143			

Regression analysis

According to the multiple linear regression analysis, the correlation coefficient of the model is $R=0.768$, and the determination coefficient R^2 is 0.594 , indicating that each level of the independent variable corporate culture in the multiple linear regression equation can explain 59.4% of the change of the dependent variable employee engagement degree. This shows that corporate culture factors have a high impact on employee engagement.

It can be seen from (Table 7) that the regression coefficient of the spiritual level of corporate culture is 0.074 , $P<0.05$, indicating that the spiritual level of corporate culture has a significant positive impact on employee loyalty, verifying hypothesis 1: the spiritual level of corporate culture has a significant impact on employee loyalty. The regression coefficient of the institutional layer of corporate culture is 0.228 ($P<0.05$), indicating that it has a significant positive impact on employee loyalty, which verifies hypothesis 2: the institutional level of corporate culture has a significant impact on employee loyalty. The regression coefficient of corporate culture behavior level is 0.153 ($P<0.01$), indicating that it has a significant positive impact on employee loyalty, which verifies hypothesis 3: the behavioral level of corporate culture has a significant impact on employee loyalty.

The regression coefficient of the material layer of corporate culture is 0.502 , $P<0.01$, indicating that the material layer of corporate culture has a significant positive impact on employee loyalty, which verifies hypothesis 1: the material layer of corporate culture has a significant impact on employee loyalty. According to the linear relationship between the above four levels of corporate culture and employee loyalty, it is expressed as:

Employee loyalty = $1.757 + 0.074 \times$ spiritual level of corporate culture + $0.228 \times$ institutional level of corporate culture + $0.153 \times$ behavioral level of corporate culture + $0.502 \times$ material level of corporate culture.

Table 7: Employee loyalty returns to all levels of corporate culture

	α			Collinear analysis	
	B	Standard deviation	Sig.	Tolerance	VIF
Constant	1.757	.344	.000		
Spiritual Level	.074	.063	.004	.900	1.111
Institutional Level	.228	.072	.002	.906	1.104
Behavioral Level	.153	.083	.000	.412	2.428
Material Level	.502	.080	.000	.423	2.364

Discussion

This study reveals the significant impact of corporate culture on employee loyalty through empirical analysis. The four levels of corporate culture-spiritual, institutional, behavioral and material-are positively correlated with employee loyalty. In particular, the material level has the most significant impact on employee loyalty, which suggests that enterprises should fully consider the needs and

expectations of employees when formulating compensation policies and improving working conditions. The standardization and justice of the system level, the richness and activity of the behavior level, and the depth and breadth of the spirit level are all important factors affecting employee loyalty.

Conclusions

The conclusion of this study underlines the crucial role of corporate culture in fostering employee loyalty. The four facets of corporate culture exert significant impacts on employee loyalty, with the material aspect being the most prominent. However, consequently, employees' recognition of corporate culture is insufficiently high, which also impacts the loyalty of employees. It should be noted that material income and the working environment of employees constitute the most direct perceptions for them at work, and they should enhance their recognition of corporate culture from these two aspects and augment their loyalty.

At the onset of the improvement plan, we should consider the two-factor theory, uphold the notion of fairness and justice, with more work earning more pay, and establish a just salary distribution mechanism and post promotion mechanism. Reduce the income disparity among the same jobs. In the concrete implementation, the proportions of performance and seniority allowances should be increased while maintaining a reasonable basic salary level, and the roles of educational background and the job market in promotion should be taken into consideration. Although this study conducts an empirical analysis of the relationship between corporate culture and employee loyalty, there are still limitations, such as sample selection bias and universality verification issues. Future studies can broaden the sample scope to explore the characteristics of corporate culture in different industries and enterprises.

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