

**JOB SATISFACTION AND ORGANIZATIONAL LOYALTY AMONG BANK
EMPLOYEES**

NOOR HAFIZA BINTI ZAKARIYA

UNIVERSITI UTARA MALAYSIA

2010

**JOB SATISFACTION AND ORGANIZATIONAL LOYALTY AMONG BANK
EMPLOYEES**

**A project paper submitted to the College of Business in partial fulfilment of the
requirements for the degree of Master of Human Resource Management**

Universiti Utara Malaysia

BY:

NOOR HAFIZA BINTI ZAKARIYA

© Noor Hafiza Binti Zakariya, 2010. All right reserved

PERMISSION TO USE

In presenting this project paper in partial fulfilment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Assistant Vice Chancellor of the College of Business where I did my project paper. It is understood that any copying or publication or use of this project paper or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the Universiti Utara Malaysia (UUM) in any scholarly use which may be made of any material in my project paper.

Request for permission to copy or to make other use of materials in this project paper in whole or in part should be addressed to:

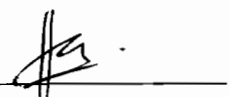
Dean
Research and Innovation
College of Business
Universiti Utara Malaysia (UUM)
06010 Sintok
Kedah Darul Aman

DISCLAIMER

The author is responsible for the accuracy of all opinion, technical comment, factual report, data, figures, illustrations and photographs in this dissertation. The author bears full responsibility for the checking whether material submitted is subject to copyright or ownership right. Universiti Utara Malaysia (UUM) does not accept any liability for the accuracy of such comment, report and other technical and factual information and the copyright or ownership rights claims

The author declares that this dissertation is original and his own except those literatures, quotations, explanations and summarizations which are duly identified and recognized. The author hereby granted the copyright of this dissertation to College of Business, Universiti Utara Malaysia (UUM) for publishing if necessary.

Date: 18/10/2010

Student Signature: 

ABSTRACT

The purpose of this study is to examine the relationship of job satisfaction towards organizational loyalty among employees in local bank industry. This study was done among 103 employees of bank industry located at Changlun and Jitra, Kedah. The respondents were asked to rate the following questionnaires using Likert scale. After all the data gathered from the respondents, by using statistical analysis, the correlation between job satisfaction and organizational loyalty had been done. From the Pearson correlation analysis, it shows that job satisfaction is positively significant with organizational loyalty. The implications of this study indicate that the organizational loyalty has significant relationships with job satisfaction and it was discussed in this study.

ACKNOWLEDGEMENT

First of all, I would like to thank to GOD because give me a strength to finish this dissertation by the required time given. Many people deserve acknowledgement and my sincere thanks for their role in contributing to my professional and personal education during my years as Master student.

To my thesis's supervisor, Dr. Norazuwa Bt. Mat, thank you so much because she was provided valuable advice and support at many points during the thesis process. She taught me to sharpen my thinking and writing of this thesis.

Dr. Harlida, Dr. Norasiah, Dr. Halim, Dr. Faridahwati and others senior lectures were also influential in helping me shape my professional goals and helping me during my years as a Master student in Human Resource Management (HRM).

This greatest appreciation also dedicated to my spouse, Mohamad Raffis Rahim who is always support and encouraged me to finish this study in Master HRM. Behind that, not forgotten my parents who are always conveyed their support of my desire to pursue my study in HRM.

Last but not least, this acknowledgement also to all my beloved friends as well as my course mate who are always willing to listen and encourage me when I needed encouragement. I would like to thank each one of these people for their understanding and support of me over these years.

Thank you.

Noor Hafiza Binti Zakariya
College of Business
Universiti Utara Malaysia

TABLE OF CONTENTS

Permission to Use	i
Disclaimer	ii
Abstract	iii
Acknowledgement	iv
Table of Contents	v
List of Tables	ix
List of Figures	ix
Chapter 1	INTRODUCTION
1.0 Introduction.....	1
1.1 Research Problem.....	5
1.2 Research Question.....	7
1.3 Research Objectives.....	7
1.4 Significance of the Study.....	8
1.5 Key Terms.....	8
1.5.1 Organizational Loyalty.....	8
1.5.2 Employee Loyalty.....	8
1.5.3 Job Satisfaction.....	9
1.6 Organization of the Chapter.....	9

Chapter 2

LITERATURE REVIEW

2.0	Introduction.....	11
2.1	Organizational Loyalty.....	11
2.1.1	Social Exchange Theory.....	13
2.2	Drivers of Organizational Loyalty.....	14
2.3	The Importance of Employee Loyalty.....	15
2.4	Job Satisfaction.....	17
2.4.1	Drivers of Job Satisfaction.....	18
2.4.2	Foundations of Job Satisfaction.....	19
2.4.3	Herzberg Theory.....	20
2.4.4	The Importance of Job Satisfaction.....	21
2.5	Job Satisfaction and Organizational Loyalty.....	23
2.5.1	Hypothesis Development.....	24
2.6	The Theoretical Framework.....	25
2.6.1	Independent Variables.....	25
2.6.2	Dependent Variables.....	25
2.6.3	Control Variables.....	25
2.6.4	The Model of Theoretical Framework.....	26
2.7	Conclusion.....	26

Chapter 3

METHODOLOGY

3.0 Introduction..... 27

3.1 Research Design..... 27

 3.1.1 Research Scale and Measurement Items 27

3.2 Data Analysis Techniques 29

 3.2.1 Objectives of Data Analysis 30

 3.2.2 Reliability Test 30

 3.2.3 Frequency Distribution..... 31

 3.2.4 Descriptive Statistics..... 31

 3.2.5 Pearson Correlation Coefficient..... 31

3.4 Conclusion 32

Chapter 4

FINDINGS

4.0 Introduction 33

4.1 Overview of the Data Collected 33

4.2 Respondents Backgrounds 34

 4.2.1 Respondent’s Profile 34

4.3 Reliability Analysis 35

4.4 Descriptive Statistics..... 36

4.5 Pearson Correlation 38

4.6 Conclusion 40

Chapter 5

DISCUSSION, RECOMMENDATION AND CONCLUSION

5.0 Introduction 41

5.1 Discussion 41

5.2 Implications of the Study..... 43

5.3 Limitation of the Study 43

5.3 Recommendations 45

5.4 Conclusions 46

References 47

Appendixes 50

LIST OF TABLES

Tables	Name of Table	Page
Table 3.1	Scale and Measurement Items.....	28
Table 4.1	Response Rate	34
Table 4.2	Respondent's Profile	34
Table 4.3	Reliability Statistics.....	36
Table 4.4	Summarization of Descriptive Statistics of Variables.....	37
Table 4.5	Correlation Analysis of Each Items of Job Satisfaction on Organizational Loyalty.....	38
Table 4.6	Summarization of Correlations among Job Satisfaction and Organizational Loyalty	39

LIST OF FIGURES

Figure	Name of Figure	Page
Figure 2.1	Theoretical Framework.....	26

CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

The interaction of people and organizations has been a subject of writing and study for about 100 years. In the early twentieth century, the relationship was openly acknowledged to be utilitarian. It means that the company's goal was to secure maximum work efficiency and profits. Meanwhile the worker's goal was to receive maximum financial reimbursement. (Marrie & Stephen, 1995).

During the second half of the century, however, the role of the organization was redefined. Buoyed by an expansionist economy and encouraged by a growing attention to the psychology of employees, firms increasingly took on human characteristics. Because of that, a great variety of benefits offered by U.S. corporations including medical, dental, life, and retirement insurance to encourage employees to view their firm as the '*Great Provider*' (Marrie & Stephen, 1995).

Employees began to assume that, at least in part, the role of an organization was to take care of those it employed. In return, employees were to be trustworthy and reliable workers, placing corporate interests above personal ones when necessary. Encouraged by popular writers, and aided by peoples' natural needs and desires, the view of company as family, community, or benefactor continued largely unabated through the 1970s and 1980s.

Corporate cultures built on the notion of a reciprocal personal relationship were designed to elicit emotional attachment to the firm. According to Marrie & Stephen (1995), as one personnel manager stated, "*My job is to marry them to the company*". Companies portrayed themselves with strong values and desirous of mutual caring, dependency, and

The contents of
the thesis is for
internal user
only

REFERENCES

- Aselage, J., & Eisenberger, R. (2003). Perceived organizational support and psychological contracts: A theoretical integration. *Journal of Organizational Behaviour* , 24, 491-509.
- Bloemer, J., & Oderkerken-Schroder, G. (2006). The role of employee relationship proneness in creating employee loyalty. *International Journal of Bank Marketing* , 24 (4), 252-264.
- Carl P. Maertz, J., & A.Campion, M. (1998). 25 Years of Voluntary Turnover Research: A Review and Critique. In I. Robertson, & C. Cooper, *Personnel Psychology and HRM: A Reader for Students and Practicioners* (pp. 343-375). Chichester: John Wiley & Sons, Ltd.
- Cavana, R. Y., Delahaye, B. L., & Sekaran, U. (2001). *Applied Business Research: Qualitative and Quantitative Methods*. Australia: John Wiley & Sons, Ltd.
- Chen, Z. X., Tsui, A. S., & Farh, J.-L. (2002). Loyalty to supervisor vs. organizational commitment: Relationship to employee performance in China. *Journal of Occupational and Organizational Psychology* , 75, 339-356.
- Colfer, K. (2010). Crisis Lifts Loyalty. *Training and Development In Australia* . Australia.
- Coughlan, R. (2005). Employee loyalty as adherence to shared moral values. *Journal of Management Issues* .
- Finnie, W., & Randall, R. M. (2002). Loyalty as a philosophy and strategy: An interview with Frederick F. Reichheld. *Strategy and Leadership* , 30 (2), 25-31.
- G.W, L. (1998). Employee satisfaction, customer loyalty, and financial performance: An empirical examination of the service profit chain in retail banking . *Journal of Service Research* , 1 (1), 18-31.
- Gomez, B. G., Arranz, A. G., & Cillan, J. G. (2006). The role of loyalty programs in behavioral and affective loyalty. *Consumer Marketing Journal* , 387-396.
- Haines, V. Y., Jalette, P., & Larose, K. (2010). The Influence of human resource management practices on employee voluntary turnover rates in the Canadian non governmental sector. *Industrial and Labor Relations Review* , 63 (2), 228-246.

- Hart, D. W., & Thompson, J. A. (2007). Untangling employee loyalty: A psychological contract perspective. *Business Ethics Quarterly* , 17 (2), 297-323.
- Landry, G., Panaccio, A., & Vandenberghe, C. (2010). Dimensionality and consequences of employee commitment to supervisors: A two-study examination. *The Journal of Psychology* , 144 (3), 285-312.
- Lawler, E. E. (1995). Satisfaction and Behavior. In B. M. Staw, *Psychological Dimensions of Organizational Behavior* (2nd ed., pp. 79-97). Prentice Hall.
- Marrie, A. M., & Stephen, T. M. (1995). People and their organizations: Rethinking the assumptions. *Business Horizon* , 38 (6), 21.
- Meyer, J. P. (1997). Organizational commitment. In I. Robertson, & C. Cooper, *Personnel Psychology and HRM; A Reader for Students and Practitioners* (pp. 289-342). Chichester: John Wiley & Sons, Ltd.
- Meyer, J. P., & Allen, N. J. (1991). A three component conceptualization of organizational commitment. *Human Resource Management Review* , 1, 61-89.
- Michlitsch, J. F. (2000). High-performing, loyal employees: The real ways to implement strategy . *Strategy and Leadership* , 28 (6), 28-33.
- Middlemist, R. D., & A.Hitt, M. (1988). *Organizational Behavior: Managerial Strategies for Performance*. St. Paul: West Publishing Company.
- Mobley, W. H. (1977). Intermediate linkages in the relationship between job satisfaction and employee turnover. *Journal of Applied Psychology* , 237-240.
- Moore, R. (2010, September 28). *Pay and benefits not the only drivers of employee loyalty*.
- P.Meyer, J. (2001). Organizational commitment. In I. Robertson, & C. Cooper, *Personnel Psychology & HRM: A Reader for Students and Practitioners* (pp. 289-342). Chichester: John Wiley & Sons, Ltd.
- P.Robbins, S., Millet, B., & Ron Cociappe, T. W.-M. (2001). *Organizational Behaviour: Leading and Managing in Australia and New Zealand* (3rd ed.). Australia: Prentice Hall.
- Robertson, I., & Cooper, C. (2001). *Personnel Psychology and HRM: A reader for Students and Practitioners*. Chichester: John Wiley & Sons.Ltd.

- Sacco, A. (2006, March 02). *Tech workers's loyalty on the rise: Study*. Retrieved July 18, 2010, from ComputerWorld Canada
- Silvestro, R. (2002). Dispelling the modern myth: Employee satisfaction and loyalty drive service profitability. *Internattional Journal of Operations & Production Management* , 22 (1), 30-49.
- Simonis, J. (2010, May 3). *Sample of Employee Satisfaction Survey*.
- Spector, P. E. (1997). *Job Satisfaction: Application, Assessment, Causes, and Consequences*. Thousand Oaks: Sage Publications Inc.
- Spector, P. E. (1985). Measurement of human service staff satisfaction: Development of the job satisfcation survey . *American Journal of Community Psychology* , 13, 693-713.
- Spencer, D. G. (1986). Employee voive and employee retention. *Academy of Management Journal* , 29 (3), 488-502.
- Staw, B. M. (1991). *Psychological Dimensions of Organizational Behavior*. New York: Mac Millan Publishing.
- Staw, B. M. (1995). *Psychological Dimensions of Organizational Behavior* (2nd ed.). New Jersey: Prentice Hall.
- Stride, C., Wall, T. D., & Catley, N. (2007). *Measures of Job Satisfaction, Organizational Commitment, Mental Health and Job-related Well-being; A Benchmarking Manual* (2nd ed.). Chichester: John Wiley & Sons, Ltd.
- Sullivan, J. J. (1986). Human nature, organization and management theory. *Academy of Management Review* , 11 (3), 534-549.
- Syptak, J. M. (2010, July 2). *Job satisfaction: Putting theory into practice*.
- Yee, R. W., Yeung, A. C., & Cheng, T. E. (2010). An empirical study of employee loyalty, service quality and firm performance. *Int. J. Production Economics* , 124, 109-120