

# On the Influencing Factors and Enhancement Strategies of Employee Loyalty in Small and Medium-sized Enterprises

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**Abstract:** In the fast-moving business environment of today, small and medium-sized enterprises (SMEs) are faced with a number of challenges, one of which is how to maintain and increase the loyalty of their employees. Employees loyalty is not only related to the enterprise's productivity and service quality, but also affects the enterprise's brand image and market competitiveness directly. Therefore, it should be analyzed from different perspectives to clarify the factors which affect the loyalty of employees, and formulate perfect solutions to meet the needs of the future sustainable development of enterprises. In this paper, through in-depth analysis of the connotation of employee loyalty, influencing factors and enhancement strategies, we will provide valuable references and suggestions for SMEs which will help enterprises to improve employees' loyalty and promote the long-term development of enterprises. In conclusion, enhancing employees loyalty is one of the important tasks for the development of SMEs.

**Keywords:** Small and Medium-Sized Enterprises (SMEs); Employees Loyalty; Enhancement Strategies.

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## 1. A Brief Explanation of Employees Loyalty

### 1.1. Definitions of Employees Loyalty

Employee loyalty refers to the degree of identification and commitment of employees to the enterprise, which is expressed in the behavior and attitude of employees to the enterprises. Employee loyalty is the embodiment of employees' sense of belonging and identification with the enterprises, which involves many aspects including employees' work attitude, work performance, work commitment and so on. This loyalty is the organic unity of employees' behavioral loyalty and attitudinal loyalty. Improve the sense of belonging of the employees is the inner core, only when the employees have a deep affection for the enterprises, will show a high degree of loyalty to the enterprise. This loyalty is not only expressed in the employees' verbal, but also reflected through the employees' behavior. Therefore, enterprises need to improve the loyalty of employees through a variety of ways, and gradually improve the subjective initiative of them, so as to improve their work enthusiasm and satisfaction.

### 1.2. Meaning of Employees Loyalty

Employees loyalty has very important significance for the enterprises. First of all, employee loyalty can enhance the competitiveness of the enterprises. In the environment of fierce market competition, employee loyalty is one of the key factors for the stable development of enterprises. Loyal employees are more willing to pay for the enterprises, and more willing to provide high-quality services, so as to enhance the market competitiveness of enterprises. Secondly, employee loyalty can reduce the human resource cost of the enterprises, and can also reduce all kinds of losses due to employee turnover. Finally, employee loyalty can also improve the performance and efficiency of the enterprises. Loyal employees are more willing to contribute to the enterprises, more willing to take the initiative to learn and

improve their skills, so as to create greater value for the enterprises. At the same time, loyal employees are also more concerned about the interests and development of the enterprises, and are more willing to contribute to the development of the enterprises. To summarize, employee loyalty is of great significance to the development of the enterprises. Enterprises should pay attention to the cultivation and management of employee loyalty, and improve the loyalty and job satisfaction of employees through a variety of ways, so as to promote the stable development of the enterprises.

## 2. Influences on Employees Loyalty in SMEs

### 2.1. Organizational Commitments

Organizational commitments refer to the employees' sense of identity and belonging to the enterprise, which is a kind of psychological commitment of the employees to the enterprises. When employees have a strong sense of identification and belonging to the enterprises, they will be more willing to contribute to the development of the enterprises and pay more attention to the long-term development of the enterprises. On the contrary, if employees' organizational commitments to the enterprises are low, they may be more inclined to look for other job opportunities or show negative attitudes at work. To this end, measures such as establishing a good corporate culture, providing competitive salary packages and benefits, establishing clear promotion paths and career development plans, strengthening internal communication and feedback mechanisms, and paying attention to the work-life balance of employees can be used to effectively increase employees' organizational commitments which in turn will enhance their loyalty.

### 2.2. Remuneration Package

When employees consider whether to continue to stay in the enterprise, in addition to factors such as the working

environment and development prospects, they will more directly consider their own remuneration and benefits. The level of remuneration is one of the important criteria for measuring the value of employees. If an enterprise's compensation level is lower than the market average or fails to reflect the actual contribution of employees, it may lead to a decline in employee satisfaction, thus affecting their loyalty. Good welfare benefits, for example, health insurance, regular staff activities, holiday benefits, etc., can make employees feel cared for by the enterprise and thus increase their loyalty to the enterprise. To this end, employees are provided with a reasonable level of remuneration according to market conditions and their contributions to ensure that their value is duly recognized. In addition to five insurance and housing fund, enterprises can also consider providing health insurance, holiday benefits, etc., so that employees can feel the care of the enterprise.

### 2.3. Work Environment

A good working environment can enhance employees' satisfaction and sense of belonging, which in turn increases their loyalty. Comfortable, safe and hygienic office facilities are the foundation of employees' work. Employees may feel uncomfortable if office facilities are outdated and uncomfortable, which may affect their productivity and motivation. Cordial coworker and superior-subordinate relationships create a positive working atmosphere. Employees are more likely to feel a sense of belonging and fulfillment in such a work environment which increases their loyalty. To this end, office facilities should be ensured to be comfortable, safe and hygienic in order to provide a good working environment for employees. Enhancing communication and cooperation among coworkers, establishing good superior-subordinate relationships, and creating a positive work atmosphere. Leaders should provide employees with meaningful and challenging work content to stimulate their enthusiasm and potential, and improve the

work environment gradually and effectively, thereby increasing employee loyalty.

## 3. Strategies for Improving Employee Loyalty in SMEs

### 3.1. Designing a Rational Remuneration System

It is crucial for SMEs to design a proper compensation system in order to enhance employee loyalty (detailed ways are shown in Figure 1). In order to ensure that the salary level of enterprises keeps pace with market competitiveness, SMEs should conduct market salary surveys on a regular basis. They should understand the salary levels of enterprises in the same industry, in the same region and of a similar size, so as to provide reference for enterprises to set reasonable salary standards. The salary structure should be clear and unambiguous, while merit pay fluctuates according to the employee's performance to incentivize employees to be more active in their work. To establish a fair and transparent performance appraisal system to closely integrate the employee's salary with performance. Through clear performance appraisal standards, employees are given a clear understanding of their work objectives and expected benefits, thus enhancing their sense of belonging and loyalty. In addition to basic salary, SMEs can also increase employee satisfaction and loyalty by providing rich welfare benefits. For example, providing health insurance, endowment insurance, holiday benefits, paid leave, etc. to meet the different needs of employees. In order to allow employees to participate more deeply in the development of the enterprise, SMEs can consider designing long-term incentive programs, such as employee stock ownership plans and stock options. By allowing employees to share the fruits of the enterprise's growth, employees' sense of responsibility and loyalty to the enterprise will be enhanced.

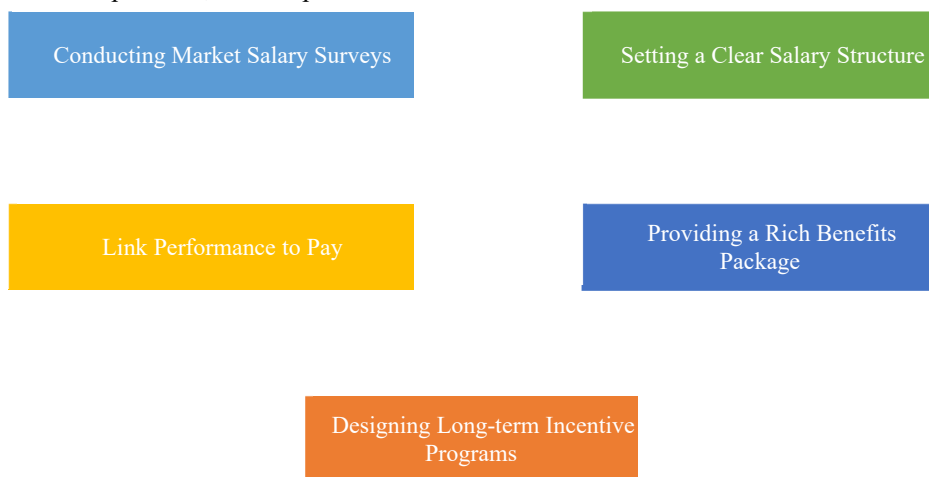


Figure 1. Development Process of Remuneration System

### 3.2. Creating a Good Working Environment

Creating a good working environment is an important way to improve employee loyalty. Internal managers and related staff should analyze from different perspectives to create a good working atmosphere to improve the subjective motivation of employees. First of all, enterprises should encourage communication and cooperation among employees and establish an open and inclusive working atmosphere.

Respect employees' opinions and ideas, encourage them to put forward innovative suggestions, and let them feel their value and importance in the enterprises. Secondly, provide comfortable and spacious office space to ensure that employees have enough private space and rest time. At the same time, provide good office facilities, such as computers, printers, networks, etc., to meet the work needs of employees. Furthermore, enterprises should also help them maintain a good physical and mental state, so as to improve work

efficiency and loyalty. In addition, establish a fair and just incentive mechanism, so that employees feel that their efforts are duly rewarded. Through a clear system of rewards and punishments, employees are motivated to work actively while avoiding unfairness. Finally, provide training and development opportunities for employees to help them improve their skills and knowledge. This not only improves employees' ability to do their jobs, but also enhances loyalty.

### 3.3. Shaping a Good Corporate Culture

In order to enhance the loyalty of employees, shaping a good corporate culture can be used as an entry point, and the specific process is shown in Figure 2.

1) Establishing a clear corporate vision: Defining the vision and mission of the enterprise gives employees a clear idea of the enterprise's goals and direction. This helps employees to better understand the values and philosophy of the enterprise, which will enhance their sense of belonging and loyalty.

2) Advocating positive values: Establish positive corporate culture values such as integrity, innovation, cooperation and responsibility. These values should be recognized and observed by employees and become their code of conduct.

3) Creating a favorable working atmosphere: Creating a positive, open and tolerant working atmosphere and encouraging communication and cooperation among employees. Enhance employees' team cohesion and sense of belonging by organizing team building activities and celebrations.

4) Providing good training opportunities: providing employees with systematic training and development programs to help them improve their skills and knowledge. This not only helps employees' personal growth, but also makes them feel that the enterprise values them, thus enhancing loyalty.

5) Establishment of fair incentive mechanism: Through the establishment of a fair and just incentive mechanism, make employees feel that their efforts have been duly rewarded. Through a clear system of rewards and punishments, employees are motivated to work actively, while avoiding the occurrence of unfair phenomena. Through the above measures, shaping the corporate culture in line with its own characteristics, so as to improve the loyalty of employees and job satisfaction.



Figure 2. The Way of Shaping Corporate Culture

### 3.4. Focus on Employee Development Prospects

SMEs to enhance employee loyalty and focus on the development prospects of employees is an important task. In concrete terms, providing employees with learning resources and time to support their self-improvement and career development. Ensuring that there are clear career advancement paths so that employees can see their potential for long-term development within the company. Providing regular performance appraisals and feedback so that employees can understand the progress of their career development. Giving employees more responsibility and decision-making power at work so they can feel important for the company and will help boost employees' self-esteem and sense of belonging. To promote an atmosphere of teamwork, mutual support and respect so that employees are willing to develop in the enterprise in the long term. To ensure that the salary and benefits offered by the enterprise are comparable to the market level in order to attract and retain good employees. In addition, providing additional benefits such as

health insurance and regular employee activities to enhance employee satisfaction and loyalty. All of the above related ways help to enhance the sense of belonging and satisfaction of the employees, which in turn increase their loyalty to the enterprise.

## 4. Conclusion

To summarize, the enhancement of employee loyalty has an important impact on the competitiveness, cohesion and sustainable development of enterprises in a competitive market environment. By analyzing the influencing factors of employee loyalty, we can adopt corresponding enhancement strategies to strengthen the competitiveness of enterprises. At the same time, SMEs also need to adapt to market changes continuously and changes in employee needs, and adjust the strategy to enhance employee loyalty timely. Only by paying attention to the needs and development of employees continuously can we truly realize the enhancement of employee loyalty and promote the sustainable development of enterprises. In conclusion, to enhance employee loyalty is

one of the important tasks for the development of SMEs. Analyzing and formulating perfect measures from different perspectives can improve employee satisfaction and sense of belonging effectively, and enhance the cohesion and competitiveness of enterprises.

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