

Impacting Job Satisfaction on Employee Loyalty: A Case Study at Direct Investment Enterprises in Vietnam

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Abstract

Vietnam is currently a developing country; human resource is one of the critical factors for economic growth and one of the fundamental indicators of development ability. With dynamic investment attraction policies and a favorable investment environment, Vietnam has continuously become one of the leading countries in attracting foreign investment. The economic integration process, which leads to fiercer competition in the labor market, makes it more difficult for FDI enterprises to maintain and manage human resources. Thus, the article aims to consider and evaluate the key factors affecting job satisfaction and its impact on employee motivation. The paper applied structural equation modeling and data surveying from 700 employees working for FDI enterprises. Based on the study results, six factors affect employees' job satisfaction, and satisfaction also affects loyalty at the statistical significance level of 1%, from which the authors propose governance implications for attracting and retaining employees effectively.

Keywords: *Employee Loyalty, Job Satisfaction, FDI Enterprises, Human Resources, Organizational Culture.*

1. INTRODUCTION

In the trend of market economy development, globalization, and expansion of international exchanges, human resources increasingly play a decisive role, especially high-quality human resources. According to statistics, the number of direct and indirect jobs has increased significantly. Employees in FDI enterprises increased from 330 thousand in 1995 to 6.9 million in 2022. The labor growth rate of this sector is 7.92% per year on average over the period 2012-2022, much higher than the labor growth of the whole economy and other economic sectors.

FDI enterprises are crucial in directly contributing to Vietnam's labor productivity growth. At the National Conference on Labor Productivity Improvement in 2022, the General Statistics Office said that the labor productivity of state-owned enterprises reached 758.1 million VND/employee. However, the high labor productivity of state-owned enterprises still relies on the advantage of resource allocation, especially natural resources; non-state enterprises reached 228.4 million VND/employee, FDI enterprises went 430.8 million VND/employee, 3.5 times higher than the national average labor productivity.

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In terms of quality, the level of labor in the FDI sector is improving. However, human resources in FDI enterprises in Vietnam still have the following limitations: (1) the proportion of workers with vocational training and skills in the total workforce is still low; (2) the brain workforce is lacking in quantity and weak in quality; (3) working style and discipline are still low; the force of fresh graduates is the primary source of qualified human resources for society and businesses, who have not been trained (Abdullah et al., 2021).

The lack of aspiration and frequent jumping of the workers. This is the consequence of not having a long-term vision, thinking only of making a living today, not accepting the current modest job, easily discouraged. The human resources of enterprises are currently facing the problem that employees are willing to jump employment just because of their hobbies and having difficulties in work, which makes the employees themselves have no opportunity for promotion. In the future, similarly, enterprises in general and FDI enterprises are very afraid and do not dare to invest in training in human resources in Vietnam.

In the context of the explosion of the fourth industrial revolution, the competition to attract foreign direct investment (FDI) is increasingly fierce. Many shreds of evidence show that competitive advantage has begun to shift high-quality human resources, which is considered an essential factor in attracting FDI enterprises to invest in Vietnam. Therefore, how to exploit and develop high-quality and long-term human resources at FDI enterprises in Vietnam is a problem that needs to be solved.

Over the years, job satisfaction has been a topic that has attracted the attention of many scholars and researchers in both Vietnam and the world. Job satisfaction is an essential factor affecting individual job performance, turnover rate, loyalty, commitment, business performance, and business success. Therefore, it is necessary to study and understand the factors affecting employees' job satisfaction and their impact on loyalty. Especially in the recent period of the world economic crisis, many businesses have revealed many weaknesses and fallen into challenging situations; the main reason is still the lack or deficiency of planning resources in the world, companies where human resources are the most important to maintain and improve employees' job satisfaction.

2. LITERATURE REVIEW

2.1. Concept of Job Satisfaction (SAT)

Mahalingam & Suresh (2018) were the first to mention job satisfaction. He suggested that job satisfaction combines psychological, physiological, and environmental circumstances that make a person satisfied with their job. Meanwhile, Pulungan & Andika (2022) referred to job satisfaction and thought it is an individual's feelings towards their job. They stated that job satisfaction reflects the extent to which employees like or dislike their job. In addition, besides having feelings towards the job in general, job satisfaction is also reflected in different aspects of the job, such as the type of work they do, their co-workers, superiors, or employees. Subordinates and salary. Riyanto et al. (2023) also assessed job satisfaction through the extent to which employees are satisfied with what they receive from their work. Workers experience job satisfaction when the job matches their needs and preferences, when working conditions and rewards, such as salary, are satisfactory, and they like their co-workers.

2.1.1. Working Environment (WE)

Employees are always concerned about the working environment because it is related to personal convenience, but at the same time, it is also a factor that helps employees complete tasks well. Workers dislike working in dangerous, unfavorable, and inconvenient places. Temperature, light, noise, and other environmental factors must be appropriate (Zhang et al., 2022; Al-Edenat & Alhawamdeh, 2018; Sell & Cleal, 2011). Moreover, many workers prefer to work close to home, work morale, working hours

together with clean, modern working facilities and suitable equipment, working hours are not flexible. In this study, Rafiq et al. (2012) showed that the working environment factors to consider include: good workplace facilities, safe working space, and fully equipped workers.

The working environment is measured by 4 observed variables, including: do I have enough material conditions to do the job (vehicles, machines..); I believe business owners can always protect their interests; I boldly fight with employers to protect legitimate and legitimate rights and interests although the employer is the one who pays my salary. Thus, the authors proposed H1: The working environment positively impacts loyalty through employees' job satisfaction in FDI enterprises.

2.1.2. Income (IN)

The employee's income includes salary and other revenues besides salary, such as travel support, lunch, seniority allowance, welfare, and bonuses. Employees receive periodical and non-recurring earnings. Income is the remuneration an employee earns from his or her work at the FDI enterprises (Al-Jabari & Ghazzawi, 2019; Munir & Rahman, 2016). Aristana et al. (2022) pointed out that income is understood as the income that employees receive from salaries, allowances, bonuses, and welfare are measured by 4 observed variables, including The income I receive is commensurate with the work results; enterprise income distribution is fair; bonuses have the effect of encouraging me; in addition to my monthly salary, I also receive overtime pay, allowances, benefits or accommodation from the business; Is my compensation paid commensurate with my work, I can spend all kinds of insurance as prescribed; Thus, the authors proposed hypothesis H2: Income positively affects loyalty through employees' job satisfaction in FDI enterprises.

2.1.3. Training and Developing Opportunities (TD)

Dhir et al. (2020) studied that training and promotion opportunities are opportunities to progress in professionalism, rank, and position in the profession of each individual worker. The equality of promotion opportunities is understood as the opportunity to be appointed to the same places for employees with similar abilities, appointment based on merit. Aboobaker et al. (2020) believe that the factor of training and promotion opportunities at work is understood as development. It is a factor creating satisfaction with the organization. Training is learning the skills needed for a particular job (Frempong et al., 2018; Valaei & Rezaei, 2016). Training and developing opportunities are measured by 4 observed variables: Enterprises are very interested in training, creating opportunities for me to advance to positions; I have many options and conditions to strive for promotion; I always receive the trust and support of business owners; I always receive the trust and support of union members and employees at work. Thus, the authors proposed hypothesis H3: Training and advancement opportunities positively affect loyalty through employees' job satisfaction in FDI enterprises.

2.1.4. Evaluation of Work Results (EW)

Fairness in performance appraisal shows that people need to be treated or receive compensation equally in the distribution of benefits derived from work results. Employees tend to evaluate what they receive from work (salary, bonus, recognition) commensurate with what they put in (effort, experience, etc.) experience, knowledge, suitability) and then compare the ratio of outputs to inputs with others (Valaei & Rezaei, 2016; Book et al., 2019; Murali et al., 2017). Job evaluation is measured by 4 observed variables: if you do a good job, you will get an increase in salary and allowance; if you do a good job, you will be well rewarded; the quality and efficiency of your work have been satisfactorily assessed by the business owner; authorities, employers, continually support and create conditions for you to do your job well. Thus, the authors proposed hypothesis

H4: Evaluation of work results positively affects loyalty through employees' job satisfaction in FDI enterprises.

2.1.5. Leadership Style (LS)

The style of direct leadership is considered consistent, objective, accurate, unbiased, showing respect and friendly treatment of the leader towards employees through management decisions, the division of work, and the distribution of other benefits within the entity (Farrukh et al., 2019; Albtosh et al., 2022). In this study, leadership is understood as the immediate superiors of employees; leaders bring satisfaction of employees and trust to employees through the assignment of tasks, communication with each other, care, and attention to their subordinates (Darmawan et al., 2020; Warrick, 2017). In addition, Fadhila & Sulistiyani (2022) also agreed that leadership protects employees when necessary, demonstrating leadership capacity, expertise, and freedom to perform work for subordinates. Leadership style is measured by 4 observed variables: the superiors always treat workers respectfully and fairness; the business owner always listens and understands my reflections. The business always values my contribution. Thus, the authors proposed hypothesis H5: Leadership style positively affects loyalty through employees' job satisfaction in FDI enterprises.

2.1.6. Organizational Culture (OC)

Human resources are an invaluable asset, an essential factor contributing to the existence and development of the organization. Therefore, it is necessary to maintain a positive corporate culture to create job satisfaction for employees to bring into full play the abilities of the employees themselves, thereby seeing the cohesion and dedication to the organization they have chosen is essential (Pandey & Khare, 2012; Raziq & Maulabakhsh, 2015). Protecting workers' interests is measured by 4 observed variables, including Enterprises becoming increasingly influential in protecting workers. Thus, the authors proposed hypothesis H6: Organizational culture positively affects loyalty through employees' job satisfaction in FDI enterprises.

2.2. Loyalty (LOY)

Sharma, M. (2019) showed that employee loyalty is essential in management theory and practice. Studies approaching in different directions give different points of view. A review of previous studies indicates two research directions on employee loyalty; researchers focus on that: (1) employee engagement with the organization and (2) employee engagement connects workers with work. This study focuses on employee engagement with work, so the review will focus on studies related to this direction. Besides, as we know, the organization is managed and built by people. Therefore, without people, organizations do not exist (Shin & Kwon, 2023; Turkyilmaz et al., 2011). The factors positively affect employee loyalty through job satisfaction in FDI enterprises. Six factors include leadership style, working environment, income, training and development opportunities, evaluation of work results, and organizational culture.



Figure 1: A research model for key factors affecting loyalty through job satisfaction

Source: The authors proposed

3. RESEARCH METHOD

3.1. Qualitative Research

This method allows us to uncover essential topics researchers may not have covered before. In qualitative research, some research questions and data collection methods are prepared in advance, but they can be adapted as new information emerges during the collection process (Zhang, 2022). In qualitative research, the author uses many research questions and information collection methods that are prepared and adjusted accordingly when new information appears in the data collection process. In addition, the author also uses external sources of information from economic organizations, government agencies, researched information from books, foreign journals, domestic magazines, and the internet.

In this study, the authors conducted group discussions with 15 human resource managers and the human resources department deputy head at 15 FDI enterprises. Based on the group discussion results, the authors have determined exactly what information needs to be collected from the managers' comments and then formed the questionnaire. The goal is to highlight new aspects of the range of prepared questions. The detailed steps are as follows: Collecting and synthesizing theories related to the research topic; preliminary question design; directly interviewing employees and experts; adjusting the questions and building a formal survey for the research topic.

3.2. Quantitative Methods

The authors conducted preliminary quantitative research using the questionnaire built at the end of the qualitative method and sent to each employee. The sample size to collect is $n = 100$ employees working in FDI enterprises.

The authors preliminarily evaluated the scale by Cronbach's alpha reliability coefficient and analyzed EFA on the database collected above. The adjusted scale was assessed through a quantitative with a sample size of $n = 650$ employees. These scales are changed through the main techniques: (1) Cronbach's alpha reliability coefficient method and (2) exploratory factor analysis (EFA) method (Hair et al., 2021).

Based on preliminary test results: The authors continue to collect data: In this step, the authors conduct formal research at FDI enterprises. The subject of the survey and data collection is employees. The authors surveyed expected 650 employees. The information collection method is a prepared questionnaire sent to each employee; the sample size is n

= 650 employees. Probabilistic charge sampling method, random sampling technique for evaluation. After the data is collected, it is put into coding, data entry, cleaning, and data analysis with SPSS version 20.0 software; AMOS software.

Next, the authors used Cronbach's alpha based on collected data to evaluate the scale's reliability. In this step, the authors test the scales' reliability by evaluating Cronbach's alpha coefficient based on the data collected in the official research. The authors assessed the value of the scale using the results. Integrating EFA and CFA analyses in structural equation modeling (SEM).

Finally, based on model testing results, the authors proposed governance implications for enhancing loyalty through employees' job satisfaction in FDI enterprises.

4. RESULTS

4.1. Some Limitations in Labor and Employment Issues of FDI Enterprises

First of all, labor and employment issues must mention that recruiting massively and after a period of mass layoffs is also a matter of concern. In significant labor relations, 90% entered into contracts with a term of 1-3 years and contracts of indefinite period. However, the situation of labor fluctuations is enormous; although the annual increase in labor in FDI enterprises is about 10%, the labor fluctuation amplitude in these enterprises is up to 50 - 60% (recruiting 30-35%/year; leaving enterprises 20-25%/year), even up to 70% in some areas. Over two-thirds of employees have changed their workplace at least once, 53% have changed their workplace 2-3 times, and nearly 10% have worked in 4 or more enterprises. Employees must work in a hazardous environment with high labor intensity and are not entitled to social insurance contributions. It is not easy to find a new job when leaving a job voluntarily or involuntarily.

Secondly, the issue of regimes for employees at FDI enterprises. According to data published annually by the Vietnam General Confederation of Labor, only 21% of FDI enterprises participate in paying social insurance and health insurance for employees and deducting trade union fees with many 517,000 people. This is a tiny percentage compared to employees working in FDI enterprises in our country today. This situation has caused certain disadvantages to employees in FDI enterprises. In addition to compulsory social insurance, there is also a form of voluntary social insurance for employees. Still, inadequacies in some regulations of the condition of voluntary social insurance have reduced employees' health attraction and interest in this form of insurance.

Thirdly, FDI enterprises have many shortcomings in salary policy. Many FDI enterprises have not well implemented the wage policy, such as delays in raising the minimum wage, not raising the annual salary for workers, implementing the policy of penalizing employees' wages, overtime, and not paying or paying debts. Social insurance premiums, etc. Therefore, there is a fact that these units are always in a state of labor shortage, labor strikes, quits, etc., affecting the operation of enterprises and social security and order. Most of the workers in these enterprises have low wages, averaging less than 2 times the basic salary, which is why many enterprises find it difficult to recruit workers, and many strikes occur in the region.

Although the Labor Law has provisions for strikes, the procedures are too cumbersome, and the role of trade unions is unclear, so there has not been a strike following the requirements of the law. Instead, strikes are viewed as spontaneous, and many violate existing regulations. These spontaneous strikes tend to increase, although there is a significant variation in the number. In fact, FDI enterprises still struggle to recruit high-quality and high-productivity workers. In 2021, up to 62% of FDI enterprises feel it is "easy" or straightforward to recruit low-skilled unskilled labor, a segment often in abundant supply in the market; this number will drop to just 49% in 2022. Many workers

have left industrial zones and returned to their hometowns due to the inability to cope with the effects of the pandemic and the increasingly expensive cost of living in the big cities. Footwear and apparel are industries facing the most severe shortage of unskilled labor. The depletion of human resources to meet local needs leads to increased demand for labor training by FDI enterprises. The Vietnam 2021 report once recorded the phenomenon of FDI enterprises increasing the cost of labor training. In 2020, labor training costs accounted for 4.77% of the total operating expenses of FDI enterprises. This number increased to 5.69% in 2021 and 5.85% in 2022.

4.2. Testing Structural Equation Modeling (SEM)

4.2.1. Testing Cronbach's alpha for Factors Affecting Employees' Job Satisfaction

Table 1. Testing Cronbach's alpha for factors affecting employees' job satisfaction

Code	Mean	Std. Deviation	Cronbach's Alpha	Cronbach's Alpha if Item Deleted
WE1	3.0694	0.99203	0.967	0.947
WE2	3.0694	0.99838		0.964
WE3	3.0883	0.97606		0.965
WE4	3.0631	1.00353		0.951
IN1	3.3817	0.88843	0.864	0.813
IN2	3.5032	0.97561		0.823
IN3	3.3233	0.98545		0.856
IN4	3.3549	0.90562		0.815
TD1	3.0331	0.99311	0.955	0.937
TD2	3.0678	0.99134		0.944
TD3	3.0868	0.95245		0.943
TD4	3.0789	0.97525		0.938
EW1	3.0868	0.98185	0.963	0.949
EW2	3.0868	0.99939		0.959
EW3	3.1183	0.96390		0.954
EW4	3.1167	0.97793		0.940
LS1	3.0678	0.98173	0.962	0.939
LS2	3.0552	1.00321		0.955
LS3	3.0773	0.97295		0.961
LS4	3.0394	1.01179		0.943
OC1	2.3438	0.66395	0.971	0.844
OC2	2.4322	0.67403		0.803
OC3	2.3927	0.65937		0.863
OC4	2.4543	0.72549		0.829
SAT1	3.4211	0.94940	0.933	0.920
SAT2	3.3360	0.96661		0.869
SAT3	3.2839	0.98560		0.919
LOY1	2.3249	0.66159	0.870	0.856
LOY2	2.4164	0.68390		0.801
LOY3	2.3754	0.65871		0.857
LOY4	2.4243	0.71859		0.819

Source: Authors collected and processed from SPSS 20.0

Table 1 shows that organizational culture (OC) has Cronbach's Alpha of 0.971, and income (IN) has Cronbach's Alpha of 0.843. Besides, all of Cronbach's Alpha coefficients were greater than 0.7 acceptable, the correlation coefficients of the total variables were all greater than 0.4 as well as the coefficients of Cronbach's Alpha were all less than 0.7 and satisfied the requirements, so all observed variables were accepted and used in testing confirmatory factor analysis (CFA) for factors affecting employees' job satisfaction.

4.2.2. Testing Confirmatory Factor Analysis (CFA) and SEM

This loyalty is a process by which members of an organization express their interest in the success of the organization.

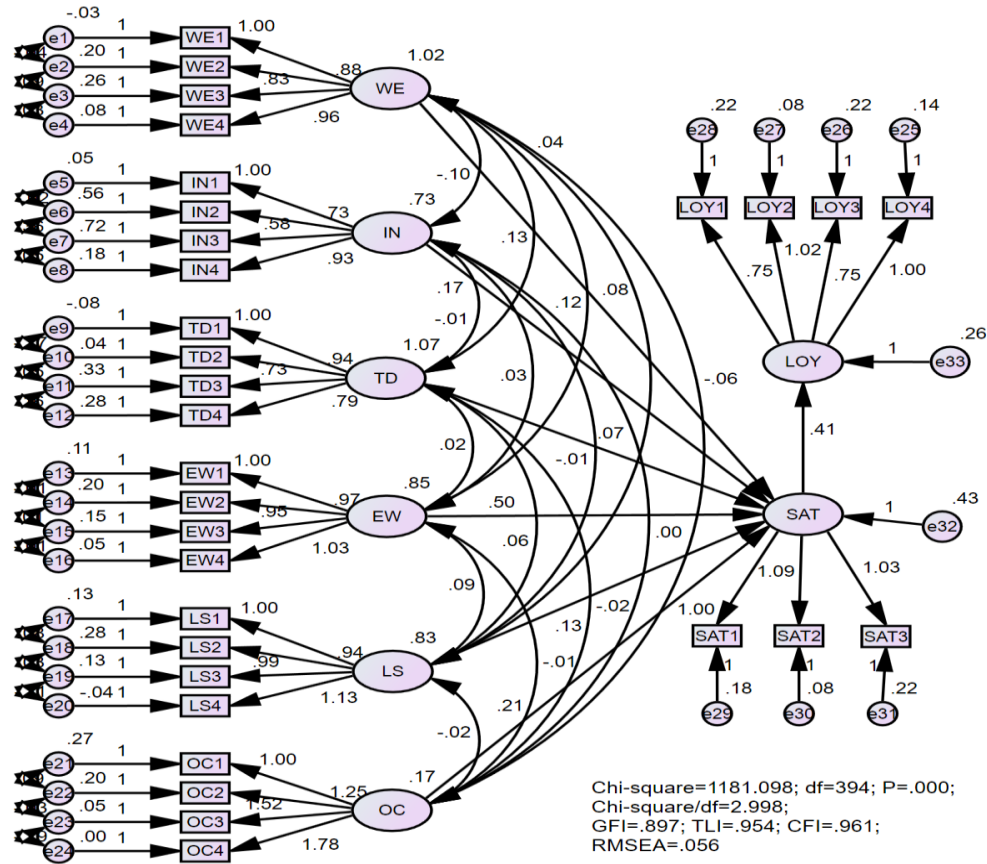


Figure 2: Testing research model for factors affecting employees' job satisfaction

Source: Authors collected and processed from SPSS 20.0, Amos

Figure 2 shows six key factors affecting employees' job satisfaction with a significance level sig. < 0.01. Model index: CMIN/DF = 2.998 (<5.0), GFI = 0.897 (>0.800), TLI = 0.954 (>0.900), CFI = 0.961 (> 0.900) and RMSEA = 0.056 (<0.08).

Table 2: Testing standardized estimate for factors affecting employees' job satisfaction

Relationships		Standardized estimate	S.E	C.R	P	SE-Bias	Results
SAT	<--- OC	0.103	0.062	3.488	***	0.007	Accepted
SAT	<--- LS	0.142	0.029	4.484	***	0.005	Accepted
SAT	<--- EW	0.545	0.033	15.301	***	0.002	Accepted
SAT	<--- TD	0.086	0.027	2.596	0.009	0.003	Accepted
SAT	<--- IN	0.173	0.035	4.828	***	0.003	Accepted
SAT	<--- WE	0.098	0.028	2.974	0.003	0.001	Accepted
LOY	<--- SAT	0.562	0.029	13.899	***	0.002	Accepted

Source: Authors processed from SPSS 20.0; *** Significant at 1 percent level.

Table 2 shows the SEM analysis to determine the influence level of each factor in the model, with the dependent variable being loyalty; these influence levels are determined

through the regression coefficient, in thereby, the assessment of work results has the most decisive influence on employee loyalty with a coefficient of 0.545.

4.3. Research Result Discussion

The study investigated 650 employees in FDI enterprises, of which 634 votes were satisfactory and used for analysis. The article's research results show that, out of 634 employees interviewed, the percentage of female employees accounted for 60.3%; men accounted for 39.7%. The low age of labor is 19 years old; The oldest is 55 years old. The average age of this worker is 30.90 years old. Besides, the education level of workers at the upper secondary level accounted for the majority, with 55.3%; the lower secondary level accounts for 17.9%. Professional qualifications of laborers are mainly trained at enterprises, accounting for 35.6%; intermediate level accounts for 18.5%; colleges accounted for 18.3%; FDI enterprises and graduates accounted for 27.7%.

The proportion of employees doing management work accounted for 12.4%; Office workers accounted for 36.3%, and direct production workers accounted for 49.2%. Up to 70.3% of the surveyed employees work under indefinite contracts; 18.7% of laborers work with warranties of 1 to 3 years. The percentage of laborers participating in party organizations accounted for 1.3%; union membership accounted for 95%, and youth union membership accounted for 12.5%.

The scale is evaluated through the following methods: reliability assessment and exploratory factor analysis. The scale is tested using the Cronbach Alpha reliability coefficient to test the correlation between the items (observed variables). If the observed variable correlates with the total sea less than 0.3, it will be eliminated, and the reliability coefficient greater than 0.6. In the results of testing the reliability of the observed variables, it was found that most of the scales were evaluated well and quite well, the variables with Cronbach's Alpha coefficient > 0.6 met the requirements, and there were no variables in the model.

From the research results, out of 6 factors of the regression model, 6 factors have a statistically significant influence on employees' job satisfaction in FDI enterprises. In which job evaluation is the most influential factor. Training and development opportunities have minimal impact. Therefore, to improve the satisfaction of FDI enterprises, the labor union organization cooperates with the leaders of interested enterprises to solve the following issues. (1) Firstly, it is necessary to ensure that the evaluation of work results is consistent with employees' contributions in each enterprise. This is the most critical factor affecting employees. Next, the employee's salary is paid by the enterprise where they work, so the wage paid to the employee must be commensurate with the labor contribution (or pay the correct value of labor power) depending on the labor productivity action of each individual. This is a matter of principle, the highest standard of the enterprise's salary policy. (2) create a good working environment for employees to feel secure. According to the analysis results, this factor positively affects employees' satisfaction at enterprises, so businesses need solutions to improve the environmental factors and working conditions for employees. The working environment of employees has many pressures, especially foreign-invested enterprises. Therefore, it is necessary to invest in propaganda, advocacy, and dialogue to listen to and understand the thoughts and opinions of employees in their enterprises and do better to improve conditions and the environment. Improving the working environment in enterprises is a factor in increasing labor productivity, increasing working capacity, and ensuring employees' health and safety.

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

Over the years, Vietnam has achieved many results in attracting FDI, especially the FDI sector has played an important role in the country's socioeconomic development. Attracting, employing, and retaining talent is a top concern for all FDI enterprises and entrepreneurs. More than ever, the competitive strength of enterprises comes from having good human resources loyal to the organization, especially in the context of an integrated, globally competitive economy. Especially during the economic crisis and the Covid-19 pandemic in the world recently, many businesses have revealed many weaknesses and fallen into difficult situations, but the main reason is still lack or deficiency. The scope of planning resources in the enterprise where the most important is human resources. So, let's start from the human resource strategy, start from the people, and start from the inside of each business with solutions and actions to attract, train and engage long-term employees with the company. Research results show that 6 factors affect job satisfaction and their influence on loyalty. This is a solid scientific basis for the authors to propose managerial implications.

5.2. Recommendations

The issue of developing and maintaining human resources at FDI enterprises in the context of the 4th industrial revolution is spreading vigorously, and the process of opening and deepening the integration of Vietnam is an urgent requirement in the future. To improve job satisfaction and loyalty to facilitate the development of human resource quality to meet the new requirements of today's businesses, businesses need to have synchronous management implications as follows: (1) FDI enterprises need to evaluate work results fairly and objectively. In essence, this is an opportunity for employees to self-assess, and then the boss objectively evaluates the employee's performance in many different aspects and constructively builds. (2) it is necessary to develop a strategy for human resource development, boldly recruit workers, and prioritize investment in human resource training in high technology, spearhead technology, and value-added industries. (3) having a good vision, predicting changes in the labor market, state policies on the labor sector, objective and subjective changes in the industries that enterprises are in production - business, trends. (4) have a plan and a clear and specific training and human resource development budget. There should be an appropriate investment for this work, especially the preparation of resources and adjacent personnel, especially management personnel. (5) To promulgate policies, rules, and regulations closely associated with production and business activities, with specific characteristics of enterprises, in line with trends and the labor market. Having a good plan and implementation of enterprise building management systems and processes. (6) Focus on building the corporate culture environment, consider it as the enterprise's identity, the core of attracting talent, and substantial training for the development of the business; Corporate culture must be deeply instilled in everyone that leaders and managers must be the pioneer.

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