

A Study on Employee Loyalty of Small and Medium-Sized Enterprises in China Under the Influence of the COVID-19

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Abstract

COVID-19 has a huge impact on the small and medium-sized enterprises in the whole country, and it also tests the emergency response ability of the small and medium-sized enterprises in the face of public health emergencies. This paper explores the influence of entrepreneurship and policy support on the loyalty of employees in small and medium-sized enterprises and its intermediate mechanism. Through the online questionnaire survey of 248 employees in small and medium-sized enterprises, we use SPSS20.0 software to conduct empirical research on the effective questionnaire data. The results show that entrepreneurship and policy support have a positive impact on employee loyalty in small and medium-sized enterprises, and employee satisfaction plays an intermediary role in Entrepreneurship and employee loyalty, policy support and employee loyalty. This paper puts forward policy countermeasures and suggestions, which are bound to have important theoretical value and practical guidance for improving the loyalty of employees in small and medium-sized enterprises and reducing the turnover rate during the epidemic from the perspective of entrepreneurship and policy support.

Key words: Small and medium-sized enterprises; Employee loyalty; Policy measures; COVID-19

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INTRODUCTION

Under the influence of the COVID-19, the production of most small and medium-sized enterprises has been restricted, facing problems such as insufficient raw materials and fewer customers. According to the resource preservation theory (Ito & Brotheridge, 2003), employees' work behavior is closely related to corporate resources. Once employees realize that the company's resources are insufficient and cannot meet their own job and salary requirements, they may leave. At the same time, in the critical period of China's economic slowdown and industrial structure upgrading and adjustment, the growth rate of small and medium-sized enterprises has slowed down. However, some small and medium-sized enterprises have a small size and weak ability to resist risks. Superimposed on the impact of the epidemic, corporate benefits and prospects have been severely affected. Employees may pursue smaller risks and better remuneration, so they choose to resign (Feng & Dai, 2005), which is even more aggravated. In the face of operational risks, some enterprises will reduce expenses through layoffs, and when enterprises return to the production and operation status before the epidemic, they need to recruit employees again, which is faced with the double difficulties of increasing staff training costs and reshaping enterprise cohesion. When responding to the COVID-19, small and medium-sized enterprises should not consider layoffs, but how to retain employees who are the basis of their production. Therefore, we carried out in this study on the loyalty of small and medium-sized enterprises under the influence of the epidemic and other emergencies have strong theoretical value and practical significance.

Based on the COVID-19 situation, this study takes small and medium-sized enterprises employees as the research object, and puts forward seven hypotheses for employee loyalty. Data collected through questionnaires are used to explore the relationship between entrepreneurship, policy support and employee loyalty,

and the mediating role of employee satisfaction by using SPSS20.0 software. It aims to provide theoretical support for small and medium-sized enterprises to improve employee loyalty and enterprise cohesion in the face of major emergencies.

1. LITERATURE REVIEW AND RESEARCH HYPOTHESES

1.1 Entrepreneurship and Employee Loyalty

Entrepreneurship was first formally proposed by Frant Knight (2005), which means the talent and talent of entrepreneurs. With the continuous development of social economy, the definition of the concept of entrepreneurship is constantly deepening. After analysis and research, many scholars further predicted the future trend of entrepreneurship, and believed that the ultimate goal of entrepreneurship is to maximize the value of entrepreneurs, enterprises and society as the main goal (Jiang & Xu, 2015). Employee loyalty is embodied in the decision of employees who agree with the core values of the company and are willing to stay in the company to work hard (Meyer & Allen, 1991). Among the new generation of employees, whether employees are willing to stay in the company is closely related to the degree of participation in company management (Chen & Zhou, 2018). In the context of China's reality, the more moral responsibilities a company assumes, the higher the employee loyalty (Lin & Wu, 2009). It can be found that entrepreneurship is an important factor affecting employee loyalty. Therefore, we hypothesize as follows:

H1. Entrepreneurship has a positive relationship with employee loyalty.

1.2 Policy Support and Employee Loyalty

Policy support is an integral part of the institutional environment. The system is not only the background for enterprises to carry out business activities, but also has the function of allocating resources. The institutional environment faced by enterprises and other organizations includes regulation, norms, etc., which are the rules that organizations must follow to reduce social costs (Meyer & Allen, 1991). Zhu & Wang (2015) and others pointed out that companies that are strongly affected by the institutional environment are more inclined to actively build labor unions, and their employee benefits will also be affected. Policy support has improved employees' treatment to a certain extent, and the improvement of material treatment is conducive to the improvement of employee loyalty. In addition, in the context of policy support, employees can feel that the government and other relevant departments attach importance to the company, and are more confident in the development prospects of the company, so they are more willing to stay in the company and have a higher degree of loyalty

to the company. On the basis of the above discussion, we develop our second hypothesis as follows:

H2. Policy support has a positive relationship with employee loyalty.

1.3 The Mediating Role of Employee Satisfaction

Employee satisfaction is an external behavior of employees, that is, employees trust the current enterprise very much, and are willing to make internal commitments in order to achieve the goals of the enterprise (Coughlan & Schmidt, 1985). Hunt and Vitell (1986) proved the positive relationship between entrepreneurship and employee satisfaction based on empirical research. Huang (2019) concluded that the impact of entrepreneurship on employees is mainly reflected in the attitudes and behavior changes of employees. Entrepreneurship will have a positive impact on employees' willingness to innovate, organizational commitment and job satisfaction. Existing research has explored the relationship between entrepreneurship and employee satisfaction. Therefore, we hypothesize as follows:

H3. Entrepreneurship has a positive relationship with employee satisfaction.

Generally speaking, policy support can increase the satisfaction of employees. The reason is that the external institutional environment such as policy support will have a positive impact on corporate social responsibility. Employees are the stakeholders of the company, and the company's social responsibility will strengthen the connection with the employees, which will have an impact on the satisfaction of the employees. At the same time, policy support is conducive to the growth of the company's strength, so that it is more capable of making promises to employees. The empirical research of Farrell and Rusbult (2003) shows that there is a significant positive correlation between employee satisfaction and policy support. Therefore, we hypothesize as follows:

H4. Policy support has a positive relationship with employee satisfaction.

Satisfaction is a necessary condition for loyalty (Bowen & Shoemaker, 2003). Liou and JenJui (2001) describes the employee's job satisfaction as the employee's personal job security, and shows that job security will negatively affect the employee's willingness to leave. Existing empirical studies have shown that employee satisfaction has a significant impact on employee loyalty, and improving employee satisfaction is the key to enhancing employee loyalty (Xiao, 2004). Therefore, we hypothesize as follows:

H5. Employee satisfaction has a positive relationship with employee loyalty.

Entrepreneurship includes innovation, adventure, cooperation, etc. These spirits not only affect the employees of the company, but also enhance the employees' satisfaction with the company by fulfilling social responsibilities and fulfilling organizational commitments.

Bai et al. (2011) verified the relationship between job satisfaction and turnover intention. Employee satisfaction is a prerequisite for employee loyalty. The improvement of employee satisfaction will enable employees to achieve corporate goals with a higher level of ability, thereby showing a higher level of employee loyalty. Therefore, we choose employee satisfaction as an intermediary variable, and proposes the following hypotheses:

H6. Employee satisfaction has a mediating effect on the relationship between entrepreneurship and employee loyalty.

Policy support is an important part of the external environment faced by enterprises. Supported by policies, such as tax reductions and exemptions, loan concessions, etc., enterprises will promote further innovation in research products and meet market demands, so enterprises will show good performance and development potential. The company has good development prospects and can give employees better welfare support and a stable source of income, which is manifested in higher employee satisfaction, and the degree of employee satisfaction with the company is ultimately manifested in employee loyalty. Therefore, we hypothesize as follows:

H7. Employee satisfaction has a mediating effect on the relationship between policy support and employee loyalty.

In summary, this article will deeply study the relationship between entrepreneurship, policy support and SME employee loyalty under the influence of the COVID-19, and focus on the mediating role of employee satisfaction, and build a theoretical model that forms the research of this article (As shown in Figure 1). So as to provide policy countermeasures and suggestions for the full realization of the resumption of work and production and the steady increase of the economic benefits of small and medium-sized enterprises.

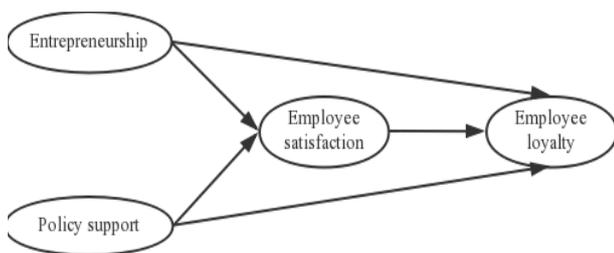


Figure 1
Theoretical model

2. RESEARCH METHODOLOGIES

2.1 Measuring Tools

In order to ensure the validity and rationality of the measurement tools, the questionnaire items in this study are formed by corresponding adjustments based on relatively mature scales at home and abroad. All the questions use the Likert-5 point scale method, and all the questions are

closely integrated with the background of the COVID-19. Among them, the “entrepreneurship” item refers to the research of Wang (2019), using a scale of 3 items. The “policy support” item refers to the scale developed by Wan (2013), using a scale of 3 items. The topic of “employee satisfaction” refers to the research of Fu (2017) and forms 3 items. “Employee loyalty” refers to the maturity scale developed by Meyer (1991), including 5 items.

2.2 Data Collection

Due to the impact of the new crown pneumonia epidemic, offline survey methods are restricted. According to the development of the epidemic situation, we only interviewed several enterprises. Most of the data is collected from online questionnaire surveys and video conferences conducted on small and medium-sized enterprises employees. From the 252 questionnaires recovered, some invalid questionnaires that were incompletely filled or answered randomly were screened and eliminated, leaving 248 valid questionnaires, with an effective rate of 98.4%. Among them, males accounted for 50.8% and females accounted for 49.2%. In terms of age, 19-35 years old accounted for 50.8%, 36-50 years old accounted for 31.8%, and 50 years old or older accounted for 17.4%. In terms of education level, high school and below accounted for 14.3%, college accounted for 24.6%, undergraduate accounted for 46.8%, and master’s degree and above accounted for 14.3%. In terms of positions, ordinary employees accounted for 53.2%, and managers accounted for 46.8%. In terms of working hours, 19.1% are for less than 1 year, 32.5% for 1 to 3 years, 17.4% for 3 to 5 years, 16.7% for 5 to 10 years, and 14.3% for more than 10 years.

3. RESULTS AND DISCUSSION

3.1 Analysis of Scale Reliability

We use SPSS20.0 to analyze the data and use Cronbach’s α coefficient to measure the reliability of each factor. In Table 1, the Cronbach’s α coefficients of all variables are greater than 0.8, exceeding the critical value of 0.7, which shows that the four variables of the questionnaire have high internal consistency and good reliability.

Table 1
Reliability analysis results

Variable	Mean	Cronbach’s α	N
Entrepreneurship	3.637	0.868	3
Policy support	3.620	0.890	3
Employee satisfaction	3.516	0.899	3
Employee loyalty	3.561	0.935	5

3.2 Scale Validity Analysis

We carry out the analysis of the scale expression to the accuracy of the measurement index, and used the KMO value to test the validity of the scale. Through calculations,

the KMO values of entrepreneurship, policy support, and employee satisfaction and employee loyalty were 0.736, 0.747, 0.751 and 0.907. The KMO values in this study are all above 0.7, and the Bartlett sphericity test values all show good validity and are suitable for factor analysis.

3.3 Correlation Analysis

In the case of considering the control variables, the partial correlation analysis of the key variables in the scale, the Pearson partial correlation coefficient of the variables. In Table 2, there is a correlation between the key variables. Among them, entrepreneurship and employee loyalty are significantly positively correlated ($r=0.849, p<0.01$). Policy support is significantly positively correlated with employee loyalty ($r=0.789, p<0.01$). Entrepreneurship and employee satisfaction are significantly positively correlated ($r=0.796, p<0.01$). Policy support is significantly positively correlated with employee co-satisfaction ($r=0.725, p<0.01$). There is a significant positive correlation between employee satisfaction and employee loyalty ($r=0.841, p<0.01$). Therefore, the hypotheses H1, H2, H3, H4, and H5 are verified, which provides necessary data support for subsequent hypothesis testing.

Table 2
Analysis results of correlation coefficients of variables

Variable	1	2	3	4
Entrepreneurship	1			
Policy support	0.808**	1		
Employee satisfaction	0.796**	0.725**	1	
Employee loyalty	0.849**	0.789**	0.841**	1

*Statistical significance at the 10% level. **Statistical significance at the 5% level. ***Statistical significance at the 1% level.

3.4 Regression Analysis

We use the multiple linear regression equation to test the hypothesis H6 and H7. In Table 3, after adding employee satisfaction, entrepreneurship and employee loyalty are significant ($\beta=9.858, p<0.01$), and the positive correlation between employee satisfaction and employee loyalty is significant ($\beta=9.474, p<0.01$), indicating that employee satisfaction plays a part of the intermediary role. Hypothesis H6 is established.

Table 3
Analysis of the mediation effect of hypothetical H6

Variable	Employee satisfaction Step1	Employee loyalty Step2	
Independent variable	Entrepreneurship	20.337**	24.500** 9.858**
Mediating variable	Employee satisfaction		9.474**
	Gender	0.426	0.592 0.432
	Age	1.512	2.713** 2.240**
Control variable	Education	-0.953	-1.809 -1.532
	Position	0.253	0.124 -0.009
	Working years	-0.020	0.884 1.046
R ²	0.636	0.719	0.795

*Statistical significance at the 10% level. **Statistical significance at the 5% level. ***Statistical significance at the 1% level.

In Table 4, after adding employee satisfaction, policy support and employee loyalty are significant ($\beta=8.284, p<0.01$), and the positive correlation between employee satisfaction and employee loyalty is significant ($\beta=12.889, p<0.01$), indicating that employee satisfaction plays a part of the intermediary role. Hypothesis H7 is established.

Table 3
Analysis of the mediation effect of hypothetical H7

Variable	Employee satisfaction Step1	Employee loyalty Step2	
Independent variable	Policy support	16.218**	19.600** 8.284**
Mediating variable	Employee satisfaction		12.889**
	Gender	-0.259	-0.256 -0.118
Control variable	Age	0.260	1.055 1.153
	Education	0.690	0.234 -0.269
	Position	0.322	0.199 -0.009
	Working years	0.030	0.804 1.019
R ²	0.527	0.622	0.777

3.5 Result Analysis

We use the COVID-19 as the background to empirically test the influence mechanism of entrepreneurship of small and medium-sized enterprises, policy support, and employee satisfaction on employee loyalty. The research draws the following conclusions:

Entrepreneurship and policy support have a positive impact on employee loyalty. The research conclusion is basically in line with the research results of existing scholars. Based on the COVID-19, a public health emergency, and using small and medium-sized enterprises employees as the research object, we have enriched the application scenarios of entrepreneurship and policy support on employee loyalty.

(2) Employee satisfaction of small and medium-sized enterprises is positively promoting the improvement of employee loyalty, and has a mediating effect on the relationship between entrepreneurship and employee loyalty, policy support and employee loyalty. We further proved that entrepreneurship and policy support can increase the employee loyalty of small and medium-sized enterprises. Employee satisfaction is an important factor affecting the loyalty of employees. Employees can increase their sense of identity and belonging to the company through perception of the characteristics of leaders and government policy support, which is an important way to enhance employee loyalty.

4. CONCLUSION AND IMPLICATIONS

Affected by the COVID-19, China's economic development is facing great challenges. As a major force to promote China's economic development, the development of small and medium-sized enterprises has also been greatly impacted. With the improvement

of the quality of employees, it is difficult to adapt to the development and requirements of the new era only by relying on traditional methods such as layoffs to reduce operating costs to help small and medium-sized enterprises tide over the crisis. On the contrary, small and medium-sized enterprises should look for opportunities in crisis, obtain the support of employees, and tide over the difficulties with joint efforts. Therefore, in this epidemic, in order to maintain the loyalty of SME employees, subjectively, it is necessary to exert entrepreneurial spirit, and objectively, it needs precise support from policies.

(1) Develop entrepreneurship, identify needs and find new business opportunities. In the short term, the identification of accurate needs of small and medium-sized enterprises is closely related to their own development. In this epidemic, the needs of the people are the needs of life safety and health protection. In the future, the health, service and health problems of the catering industry have received great attention. Compared with large enterprises, small and medium-sized enterprises in the catering industry face more challenges in terms of healthy production, safe production and services, such as inspection technology, production service links, etc. Therefore, small and medium-sized enterprises need to put food safety and health services in the first place. For example, enterprises can use online live broadcast to record the production process of products, and scan the product QR code to trace the source, so as to reduce customers' concerns about product safety. At the same time, through effective measures such as killing, health services will be carried out to form a new management mode and path for small and medium-sized enterprises in the catering industry under the epidemic situation. Taobao provides a free live broadcast platform for catering companies. Small and medium-sized catering companies can effectively use this platform to turn the kitchen into a live broadcast room, attract customers through dishes, and develop online customers into offline customers who come to the store for consumption. Attract offline customers to place orders online. Small and medium-sized enterprises in other industries can also use the Internet to create new business models, use live broadcasts, do a good job in marketing, and change the way their products are sold. In addition, the mental and psychological needs of the people in this epidemic cannot be ignored. Small and medium-sized enterprises should vigorously display their entrepreneurial spirit. Pay equal attention to corporate profitability and corporate social responsibility, effectively identify relevant opportunities in the challenge, use innovative thinking, explore more business modules related to the company's main business, and seize opportunities. And do a good job in core business assistance, use online and offline methods to provide relief supplies, psychological assistance and other personalized and meet the social responsibility behavior of the people in the epidemic area, adopt market development strategies,

and effectively expand the consumer group. Excavate the core competitiveness of the enterprise, improve customer loyalty, and then increase the loyalty of employees, so as to realize the decision-making ability and level of the enterprise under special circumstances, and realize the sustainable development of the enterprise.

(2) Emphasize corporate care and enhance employee cohesion and sense of identity. Traditional economic enterprises regard employees as "assets" and think that they are just outsiders who are hired. Employees of small and medium-sized enterprises have natural disadvantages in terms of working environment, salary and remuneration. In order to make up for this disadvantage, small and medium-sized enterprises must strengthen the cohesion and sense of identity within the enterprise. Especially under the influence of the COVID-19, small and medium-sized enterprises are facing more risks than large enterprises, such as difficulty in capital turnover and wage arrears. Employees are most likely to have a better job prospects and reduce current risks. Deterministic risk and choose to leave. In the special circumstances facing the impact of the epidemic, although small and medium-sized enterprises can reduce corporate costs within a certain period of time through layoffs and other means, and thereby ensure the operation of the enterprise, small and medium-sized enterprises must be cautious in layoffs in the face of special environmental changes. Use other methods to save expenses as much as possible, and try not to lay off employees, so as not to affect the cohesion within the enterprise. Cohesion is a kind of soft power for a small and medium-sized enterprise. It is more difficult to establish and maintain. Under special circumstances, we should pay special attention to this aspect. At the same time, companies should maintain a high degree of consistency with employees, regard employees as an important source of corporate development, and adopt a variety of methods to appropriately and appropriately inform employees of the situation they are facing, so that employees have the perception of participating in management and the sense of ownership. In this way, the support and recognition of employees can be obtained, so that the company and employees can work together and fight together. During the new crown pneumonia epidemic, small and medium-sized enterprises should attach great importance to corporate care and demonstrate corporate culture and business philosophy. At the same time, middle and high-level management personnel of the company can express concern for the physical and mental health of employees through telephone or online voice, and regularly carry out psychological salons. Various effective incentive methods and methods have created a multiplier effect. The cohesion and sense of identity formed during the epidemic will continue to affect the enterprise and help form the long-term cohesion and identity of the enterprise.

(3) The government implements precise policies and implements different policies for different enterprises. At present, the spread of the domestic epidemic in China has been basically blocked, the resumption of work and production has accelerated, and the steady growth of key industries and products related to the stable growth of the national economy are inseparable from government policies. According to a survey conducted by Tsinghua University on approximately 700 small and medium-sized enterprises during the epidemic, short-term liquidity is the most severely affected by the epidemic? Therefore, many local governments across the country have introduced relevant support policies involving taxation, rent reduction and social security. In terms of reduction and exemption, this is also in line with the policies expected by employees of small and medium-sized enterprises. The rent reduction and exemption have greatly helped small and medium-sized enterprises and solved the first-class problems faced by small and medium-sized enterprises in the epidemic. The first round of support policies provided preliminary and effective support for small and medium-sized enterprises to deal with the new crown pneumonia epidemic. However, to help small and medium-sized enterprises get rid of the crisis, more precise and efficient policies for catering, tourism, and transportation are needed to ensure that they can tide over the difficulties.

Although we explained the relationship between entrepreneurship, policy support, employee satisfaction, and employee loyalty during the epidemic, this article also has certain limitations due to limited research conditions and capabilities. First of all, due to the epidemic, this article only uses online questionnaires to collect data, and respondents may conceal their true thoughts. In the future, a combination of online and offline methods or panel data can be considered to further explore the relationship between variables. Secondly, this article explores the mediating role of employee satisfaction. Future research can consider whether other variables such as participatory management play a mediating or moderating role in entrepreneurship, policy support, and employee loyalty.

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