THE RELATIONSHIP BETWEEN COMPENSATION AND BENEFIT, WORK ENVIRONMENT AND ORGANIZATIONAL SUPPORT ON EMPLOYEE LOYALTY IN LEGAL FIRMS IN KLANG VALLEY

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Article history
Received date : 15-2-2022
Revised date : 1-3-2022
Accepted date : 15-3-2022
Published date : 31-3-2022

To cite this document:

Abstract: Employee loyalty plays an important role in the success of the business of legal firms. The success of the business of the legal firms depends largely on customer satisfaction. Therefore, investigating the relationship between compensation and benefit, work environment and organizational support on employee loyalty in legal firms will ensure the growth of the business. However, there has yet to be any research done to investigate this relationship in legal firms in Malaysia. Therefore, the objective of this research is to investigate the relationship between compensation and benefit, work environment and organizational support on employee loyalty. The research seeks to find the relationship between the dependent variable (employee loyalty) and the independent variable (compensation and benefit, work environment and organizational support). The research methodology is a cross-sectional study in the form of a survey where questionnaires in google form will be distributed to the employees of legal firms in Malaysia. This study expects that there is a positive relationship between compensation and benefits, work environment and organizational support on employee loyalty in legal firms in Malaysia.

Keyword: Employee loyalty, Compensation and Benefit, Work Environment, Organizational Support
Introduction

Legal firms are a type of professional service (Palihawadana & Barnes, 2004). The business of legal firms depends largely on customer satisfaction as a satisfied customer will re-hire the legal firms as their lawyers (Palihawadana & Barnes, 2004). In order to ensure customer loyalty, the services provided to the client must be of high-quality service in terms of professional and technical skill, the quality of advice, client-solicitor relationships, speed response and results obtained (Palihawadana & Barnes, 2004). Thus, in order to ensure that the services provided to the clients are of high quality, the legal firms should ensure employee loyalty.

An employee that is loyal will provide a high-quality service to the customers (Esmaeilpour & Ranjbar, 2018). Loyal employees are more experienced and skilled in dealings with clients. They have formed relationships with the clients and know the way to communicate with the clients (Palihawadana & Barnes, 2004). When a relationship has been formed with the clients, this will make the clients re-hire the legal firms as their lawyers. A loyal employee also can explain the process and procedure accurately to the clients and estimate the time to complete the files as they already know the process of the files (Palihawadana & Barnes, 2004). They can complete any files given to them accurately and expeditiously as they have gained experienced and skilled throughout their employment at the legal firms. Since they have worked for so long at the legal firms, the process and procedure to complete the files is at their fingertips. The files that can be completed within reasonable times will make the client happy and satisfied and thus re-hire the legal firms as their lawyer and thus, ensure the firm’s business growth (Palihawadana & Barnes, 2004).

A loyal employee is an important asset to the business as it ensures the success of the business (Esmaeilpour & Ranjbar, 2018). If the legal firms do not make sure the employees are loyal to them, they will need to hire and train new employees with the process and procedures of the files. This will take the employer’s time and effort to teach and supervise the new employee’s files. This will make the time to complete the files longer as the new employee is not familiar with the process and procedures and need to wait for instruction from the employer. The new employee also cannot explain any questions asked to them by the clients as they are not familiar with the process and procedures (Palihawadana & Barnes, 2004). This will make the clients not satisfied with the services provided by the legal firms. This shows that retaining a skilled and experienced employee by ensuring employee loyalty is important as it contributes to the success of the legal firms (Antonicic & Antonicic, 2011; Hassan et al., 2017; Pandu & R., 2019). However, there has yet to be any research done to determine the factors influencing employee loyalty in legal firms.

The first factor that will be investigated in this study is compensation and benefits. The legal firms should give compensation and benefits to the employer that is adequate and sufficient with the workload given to them (Huang, 2017; Tam & Nguyet, 2021). When the employer receives adequate compensation and benefits, they will feel that their work is appreciated and valued by the employer and thus will make them loyal to the legal firms. When the compensation and benefits given to the employee is not in accordance with the workload, the employee will feel unappreciated and started to think to change their jobs (Huang, 2017; Tam & Nguyet, 2021). The employer also should be transparent to the employee in terms of the way they calculated the compensation (Esmaeilpour & Ranjbar, 2018; Kemelgor & Meek, 2008; Tam & Nguyet, 2021). A fair evaluation of the compensation and benefits process should be done to avoid feelings of dissatisfaction by the employees (Dewi Sumaryathi & Manuati Dewi, 2020; Sutawijaya & Pertiwi, 2017). When the employees are satisfied with the process, this will
make them more committed and dedicated to their work and thus ensures employee loyalty towards the legal firms (Dewi Sumaryathi & Manuati Dewi, 2020; Esmaeilpour & Ranjbar, 2018; Kemelgor & Meek, 2008; Sutawijaya & Pertiwi, 2017; Tam & Nguyet, 2021).

The second factor that will be investigated in this study is the work environment. A positive work environment is where the employees feel safe and healthy to work in it (Kemelgor & Meek, 2008). They also feel comfortable working in that environment (Seyed et al., 2011). When an employee feels safe and comfortable working in that environment, they will become more committed and dedicated to their jobs and duties (Salman, 2016; Seyed et al., 2011). This in turn will make them loyal to the legal firms. A positive work environment also occurs when the employee has great relations with their colleagues as they can work harmoniously with them to complete the work assigned to them (Samat et al., 2020; Talwar et al., 2017). This will make the employees form strong emotional bonds with each other and increase employee loyalty. If the employee feels that the work environment is not safe, uncomfortable and inharmonious to work in, this will cause discomfort toward the employer to work in that kind of environment and affect the employee performance. The employee cannot focus on their work and this will make them want to leave the legal firms as they feel that they cannot work in that kind of environment (Samat et al., 2020).

The third factor that will be investigated in this study is organizational support. The support given can be in the form of training and development provided, equal advancement and growth opportunities, feedback from the employer in regard to their performance and employer’s expectation and flexibility and freedom to the employee’s work (Chen et al., 2016; Esmaeilpour & Ranjbar, 2018; Hassan et al., 2017; Hidayat & Graha, 2021; Kullab & Kassim, 2017; Kusuma Putra et al., 2015; Samat et al., 2020; Talwar et al., 2017; Tam & Nguyet, 2021; Tariq, 2017). The support given will make the employees feel that they are appreciated and valued (Chen et al., 2016; Esmaeilpour & Ranjbar, 2018; Hassan et al., 2017; Hidayat & Graha, 2021; Kullab & Kassim, 2017; Kusuma Putra et al., 2015; Samat et al., 2020; Talwar et al., 2017; Tam & Nguyet, 2021; Tariq, 2017). This will make the employee more dedicated and committed to their work as they feel that they form an integral part of that legal firm (Sears, 2019). This will make them loyal to the legal firms as they feel that the legal firms share the same visions with them in terms of career growth (Sears, 2019). When the employees feel that the legal firms did not provide great support to them, this will make them want to leave the legal firms as they feel unappreciated and they cannot see their career will grow if they stay in that legal firm (Hidayat & Graha, 2021).

Based on the discussion above, this study will investigate the relationship between compensation and benefit, work environment and organizational support on employee loyalty in legal firms.

**Problem Statement**

This research aims to investigate the relationship between compensation and benefit, work environment and organizational support on employee loyalty in legal firms.

Previous studies have shown that there is a relationship between compensation and benefit and employee loyalty (Akhigbe & Ifeyinwa, 2017; Chen et al., 2016; Dewi Sumaryathi & Manuati Dewi, 2020; Hassan et al., 2017; Kullab & Kassim, 2017; Kusuma Putra et al., 2015; Samat et al., 2020; Sutawijaya & Pertiwi, 2017; Talwar et al., 2017; Tam & Nguyet, 2021). However, in W et al. (2017) it was found that direct compensation is insignificant to employee loyalty as it
is commonly given and an obligation to the organization to pay. Therefore, there is no conclusive evidence about the relationship between compensation and benefit and employee loyalty. Thus, this study takes the initiative to further investigate this relationship from the legal firm perspective.

Previous researches have shown that the relationship between work environment and employee loyalty is significant (Chen et al., 2016; Hassan et al., 2017; Kullab & Kassim, 2017; Ramadhanthy et al., 2020; Talwar et al., 2017; Tam & Nguyet, 2021). However, a study done by Samat et al. (2020) found that the work environment is insignificant to employee loyalty. Therefore, there is no solid evidence about the relationship between work environment and employee loyalty. Thus, this study takes the initiative to further investigate this relationship from the legal firm perspective as well.

Previous literature showed that the relationship between organizational support and employee loyalty is significant (Chen et al., 2016; Esmaeipour & Ranjar, 2018; Hassan et al., 2017; Hidayat & Graha, 2021; Kullab & Kassim, 2017; Kusuma Putra et al., 2015; Samat et al., 2020; Talwar et al., 2017; Tam & Nguyet, 2021; Tariq, 2017) but some other studies showed that the relationship between organizational support and employee loyalty is insignificant (Nayir, 2012 & Currie & Dollery, 2006). Therefore, there are no definitive findings of this relationship and thus, this study takes the initiative to further investigate this relationship from the legal firm perspective as well.

With reference to the above inconclusive evidence on the relationship between compensation and benefit, work environment and organizational support on employee loyalty, therefore current study takes further initiative to investigate the relationship in legal firm perspective in Klang Valley.

Literature Review

Employee Loyalty
According to Ramadhanthy et al. (2020), employee loyalty is a form of loyalty when the employee defends and give their best to the organization and company. Employee loyalty was defined by Chen et al. (2016) as a service employee’s feeling of attachment to their organization. Tam & Nguyet (2021) refer to Gautam & Dalal (2006) where employee loyalty was defined as a sense of job satisfaction, loyalty and trust with the organization by the employee. In W et al. (2017), employee loyalty is employee willingness to defend and stay in that organization. In Dewi Sumaryathi & Manuati Dewi (2020), an employee that is loyal is an employee that has a high commitment towards the organization. In Tariq (2017), employee loyalty is defined as the employee dedication and attachment both physically and mentally towards the organization. Based on the definition from the previous literature, it can be concluded that employee loyalty is a sense of commitment, dedication and attachment by the employee towards achieving the organizations’ goals and objectives.

Compensation and Benefit
Compensation is defined as any form of financial return and benefits that are received through working in an organization (Odunlade, 2012). It can be classified into two that are cash compensation and fringe compensation whereby cash compensation is the salary paid to the employees when they perform their job while fringe compensation is the rewards and benefits given based on the employees’ performances and bonuses (Odunlade, 2012). In W et al. (2017),
compensation is divided into direct compensation in the form of salaries, incentives and payment insured and indirect compensation in terms of allowances, health insurance, loan, sports facilities, home offices and gatherings. According to Samat et al. (2020), compensation is the payment received by the employees for their work contributions. In Kusuma Putra et al. (2015), compensation is the number of packages that a company offers to the employee in return for labour usage. Based on the definition from the previous literature, it can be concluded that compensation is usually in monetary form for example the salary and allowance given by the employer while the benefits are in non-monetary form likes medical and insurance benefits.

Work Environment
According to Ramadhanty et al. (2020), the work environment is the environment that exists around the workers both physically such as lightning, facilities, room temperature and layout and non-physically such as co-operative relationships, professional colleagues and bosses that are easily found. This is also the view of Zainie et al. (2015) where workplace environment is defined as the surroundings of the employee’s workplace. According to Ajala (2012) work environment is an environment where an employee performs their jobs. Based on the definition, it can be concluded that the work environment is anything that exists around the employee in the workplace.

Organizational Support
Organizational support is defined as the level to which employees perceive that the organization values their contributions and cares about their wellbeing (Sinha, 2012). According to Probo et al. (2008), organizational support is defined as employees’ general views about the degree to which the organization values their contributions and give attentions to their well-being. Based on the definition, it can be concluded that organizational support is the support given by the organizations to the employee for the betterment of their performances.

Research Objectives
Based on the above problem statement the following are the research objectives of the current study:
1. To determine the relationship between compensation and benefit and employee loyalty in legal firms in Klang Valley.
2. To determine the relationship between work environment and employee loyalty in legal firms in Klang Valley.
3. To determine the relationship between organizational support and employee loyalty in legal firms in Klang Valley.
4. To determine which independent variable is the highest predictor of employee loyalty in legal firms in Klang Valley.

Research Questions
The study research questions are as follows:
1. What is the relationship between compensation and benefit and employee loyalty in legal firms in Klang Valley.
2. What is the relationship between work environment and employee loyalty in legal firms in Klang Valley.
3. What is the relationship between organizational support and employee loyalty in legal firms in Klang Valley.
4. Which independent variable is the highest predictor of employee loyalty in the legal firms in Klang Valley.
Framework Developments

Figure 1 shows the theoretical framework that has been adapted from Hayrol Azril et al. (2010) to determine the relationship between compensation and benefit, work environment and organizational support on employee loyalty in legal firms in Klang Valley.

![Diagram of the theoretical framework]

This research seeks to investigate the relationship between the dependent variable (employee loyalty) and the independent variable (compensation and benefit, work environment and organizational support).

**Significance**

The research is done in order to investigate the relationship between compensation and benefit, work environment and organizational support on employee loyalty in legal firms as employee loyalty plays a significant role in the success of the business of legal firms. This study will help the legal firms in Selangor in retaining their employees to ensure business continuity and success. Retaining a valuable, skilled and experienced employee will ensure the success of the business (Pandu & R., 2019) in terms of their existence in the market and business growth (Hassan et al., 2017). It was found in Antoncic & Antoncic (2011) that there is a positive relationship between employee loyalty and the firm’s growth. Retaining a loyal employee will ensure that a high-quality service will be provided to the customer and lead to customer satisfaction (Esmaeilpour & Ranjbar, 2018). The success of the business of the legal firms depends on customer satisfaction. If the customers are not satisfied with the services provided, they will not return to re-hire the legal firms as their lawyers. According to Esmaeilpour & Ranjbar (2018), when employees are loyal and more committed towards their organization, they become more responsible towards their duties and responsibilities, thus, they will provide high-quality services to customers which will make the customer satisfied with the services provided. Thus, by ensuring employee loyalty, the services provided to the customers will be of high-quality service and this will ensure the customers continued support towards the legal firms.
Conclusion
This study expects that there is a positive relationship between compensation and benefits, work environment and organizational support on employee loyalty in legal firms in Malaysia. This study helps the legal firms in Klang Valley in retaining their employees to ensure business continuity and success. Retaining a loyal employee that is skilled, experienced and committed will ensure that a high-quality service will be provided to the customer and lead to customer satisfaction. This will ensure the success of the business of legal firms as the customer will return to re-hire the legal firms as their lawyer. As this study only has been conducted towards the employees of legal firms in Klang Valley, future research can be done in other states to determine factors influencing employee loyalty in legal firms. By doing so, it will give a clearer picture of the factors influencing employee loyalty in the legal firms in Malaysia.

References
