Influence of Human Resource Management Policy on Customer Loyalty

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Abstract. The business would not be able to achieve the set goals without qualified specialists. Therefore human resource management is one of the most important processes to an organisation. HRM policy aspects – employee motivation and job satisfaction – directly contribute to customer satisfaction and loyalty. The problem is that in today's business environment, where there is a big rivalry, maintaining customer loyalty becomes a huge task for the business. The aim of this article is to evaluate the impact of human resource management policy on customer loyalty. The article analyses concept of human resource management, evaluates the development of loyal customer behaviour, distinguishes traditional and innovative concepts of human resource management. Also, the article notices a relationship between employee satisfaction and customer satisfaction. Analysis of empirical research level shows the impact of human resource management policy on customer loyalty and provides a research model.

Keywords: *human resources, human resource management policy, customer satisfaction, customer loyalty, theoretical modelling.*

Introduction

Human resource management is one of the most important processes in an organisation. The organisation would have difficulty achieving its goals without qualified professionals. Human resource skills and knowledge are elements of competition that are often considered as an important priority for a company. Employee motivation and job satisfaction contribute to customer satisfaction and loyalty. The problem is that today business environment faces harsh competition, therefore, it is hard to maintain customer loyalty.

Level of problem investigation.

The concept of human resource management is examined by Nankervis et al. (2005), Oke (2015), Andrei, Panait, and Voica (2018). Considerable attention is paid to the elements of human resource management: human resource planning is evaluated by Išoraitė (2011), Armstrong (2006); recruitment and selection are analysed by Allan (2006), Oke (2015); the socialization of human resources is examined by Armstrong (2006); employees' motivation, training and development are evaluated by Ullah, & Yasmin (2013), Efstathiades et al. (2016). Innovative human resource solutions are analysed by Hanaysha, & Tahir (2016), Martinez, Fernandez, & Romero (2017), Lopez, Romero, & Aust (2018). The concept of customer loyalty is examined by Yaqub, Halim, & Shehzad (2019), Komskienė, & Urbonavičiūtė (2014), Abdelsalam, Shawky, & El-Nah (2013). The actions of loyal customer are defined by Ivanauskaitė, & Auruškevičienė (2008), Uyar (2018).

It should be noted that the level of research on the influence of human resource management policy on customer loyalty is insufficient and unsystematic. The scientific literature lacks a deeper approach to an organization's human resource management associated with customer loyalty. Researchers evaluate only a few aspects of human resource management, such as employee loyalty, employee motivation, service quality. Therefore, in order to assess which aspects of human resource management policy contribute most to customer loyalty, it is important to conduct a more detailed analysis of this issue.

Scientific problem – how does an organisation's human resource management policy affect customer loyalty?

Object of the article – the influence of human resource management policy on customer loyalty.

Aim of the article – to substantiate the influence of human resource management policy on customer loyalty.

Objectives of the article:

1. Evaluate the concept of human resource management policy and its significance for the organisation.
2. Perform an analysis of the theoretical aspects of customer loyalty.
3. Identify the connection between human resource management policy and customer loyalty.
4. Evaluate the empirical level of research.

Methods of the article: a comparative synthesis, analysis, systematisation, induction and deduction of scientific literature.

1. Literature review
1.1. The concept of human resource management policy

An organisation cannot exist without the human resources that are necessary to implement the strategy. Employees have their own responsibilities, so their participation in the activities of the organisation is essential. Human resources are considered to be an important asset of a company.

The organisation pays a lot of attention to employees' management, proper training and motivation. According to Išoraitė (2011), a satisfied employee can create high production quality, low production costs and a quickly implemented organisational strategy. The success of a company depends on the potential of human resources.

Human resource management is a mechanism that can help improve employee skills and enhance their motivation and dedication (Chieng, Arokiasamy, & Kassim, 2019). There are two approaches to human resource management: in part, it is ensuring the well-being of employees, and on the other hand, it is achieving the goals of the organisation. Nankervis et al. (2005), Oke (2015) describing the concept of human resources emphasise the development of employees' skills, ensuring their physical well-being, and the impact of the organisation on their behaviour. Andrei, Panait, &Voica (2018), Išoraitė (2011) associate human resources with the competitiveness of an organisation, which is achieved through employees' performance. So human resource management can be understood as a creation of employees' well-being or an ensurance of the organisation's strategy.

Human resource management has a significant impact on the organisational environment and involves many processes. First of all, this process helps to regulate the employment (Šalčius, & Šarkiūnaitė, 2011),to assign positions and to ensure career opportunities. Employee management policy is also responsible for a motivation system (Mahmood and Hussin, 2018), that increases the value of employees (Andrei, Panait, & Voica, 2018).

In order to manage human resources properly, it is useful to rely on certain elements that help to ensure the coordination of relations with employees. It can be pointed that employment and motivation systems are pursued through elements of human resource management. Traditional employee management includes:

- *Planning* (Išoraitė, 2011; Armstrong, 2006)
- *Recruitment and selection* (Allan, 2006; Oke, 2015)
- *Socialisation/integration* (Armstrong, 2006)
- *Motivation* (Oke, 2015; Feng, Wang, & Prajogo, 2014)
- *Evaluation* (Išoraitė, 2011; Ullah, & Yasmin, 2013)
- *Training and development* (Efstathiades et al., 2016)

Lopez, Romero, &Aust (2018) note that today it is not enough to adhere to the usual elements of human resource management. It is important to pay attention to the development of social responsibility and take into account:

- *Empowerment* (Hanaysha, & Tahir, 2016)
- *Health and safety* (Martinez, Fernandez, & Romero, 2017; Lopez, Romero, & Aust, 2018)
- *Equality and diversity policy* (Bombiak, & Kluska-Marciniuk, 2019)
- *Networking* (Porter, Woo, & Campion, 2016; Husain, Dayan, & Benedetto, 2016)

All elements of human resource management can help maintain a good employee-organisation relationship, create good working conditions. A satisfied and loyal employee helps the company to create added value, increase business results and improve customer relationships.

The fourth industrial revolution, which began a few years ago, has a major impact not only on production processes but also on business. Globalisation process, demographic and cultural changes, technological inventions encourage organisations to make innovative decisions in management. Human resource management policy also needs changes. According to Martinez, Fernandez, & Romero (2017), more and more organisations try to integrate socially responsible elements of employee management, promote their technological and social development. Modern organisations, along with traditional human resource management policies, are increasingly using innovative management solutions that manage not only employee's financial well-being but alsothe social and emotional environment. The choice of different elements (both traditional and innovative) helps to create a human resource management policy that is close to an organisation's values.

1.2. The significance of customer loyalty

A customer is a person or organisation that purchases the products of a particular business for personalor commercial purposes (Uyar, 2018). According to Kaur, & Soch (2012), customer loyalty is one of the most powerful means of maintaining competition, giving an advantage to business success and survival. This is especially important for companies that provide similar goods or services.

The concept of customer loyalty can be defined in two ways. Many scientists emphasise both the consumer side and the organisational side. First of all, loyalty is perceived as the customer's emotional connection (Uyar, 2018), a sense of commitment (Yaqub, Halim, & Shehzad, 2019) and devotion to a company or product (Komskiene, & Urbonavičiūtė, 2014). On the other side, loyalty is the behaviour of a user that is beneficial to the organisation. Abdelsalam, Shawky, and El-Nah (2013) emphasise that loyaltyis not only the constant purchase of products but also the dissemination of recommendations to others. Thus, customer loyalty is understood as a person's desire to communicate with a particular company that, according to Lee, & Jung (2018) is based on behaviour or attitude.

Behavioural loyalty is a constant desire to buy a particular company's products and maintain a long-term relationship, reflected in the frequency of purchases, the number of visits, and the amount of spending. According to Ivanauskaitė and Auruškevičienė (2008), behavioural loyalty is formed when the customer is satisfied after consuming. However Lee, & Jung (2018) state that without approach loyalty, customers can easily switch company. *Attitudinal loyalty* is an emotional customer's attachment, advocacy for the organisation, the dissemination of positive feedback and recommendations. Accordingto Uyar (2018), a positive attitude towards the company encourages the purchase of a product and strengthens loyalty.

All in all, attitudinal loyalty is reflected through a certain emotional expression to the organisation, while behavioural loyalty manifests itself through physical customer actions. Customer loyalty is the keyto customer retention, company success, and long-term competitiveness (Kaur, & Soch, 2012). However, it is very important to be a satisfied customer before becoming loyal. Satisfaction becomes trust, which leads the consumer towards a commitment to a brand or a product. According to Komskienė, & Urbonavičiūtė (2014), trust encourages the client to maintain a long-term relationship. As a result, the customer feels commitment. After going through the stages of satisfaction, trust, and commitment, the customer gains loyalty: a desire to maintain a long-term relationship with the organisation.

Therefore, it is important to understand that loyalty develops only over a period of time. First of all, customer must feel satisfied with the products, trust them and finally commit, want to purchase constantly. The loyalty does not appear immediately but the mentioned factors may determine its faster formation.

1.3. The link between human resource management policy and customer loyalty

Customers value an organisation's products or services based on how they are treated and communicated by employees. According to Nankervis et al. (2005), one of the main reasons why consumers may choose a product from other competitors is the organisation's lack of attention to them.

Mittal, Gupta, and Mottiani(2016) say that employees are internal customers of an organisation, helping it to develop. That is why they contribute significantly to customer loyalty.

Nankervis et al. (2005) emphasise that loyal employees listen more to customer needs, solve problems and feel secure in their workplace. Employee loyalty has a significant impact on consumer loyalty as employees tend to treat customers the way they are treated in their workplace (Papšienė, & Vilkaitė, 2009). The safer employees feel, the more likely they are to provide excellent services.

Human resource management helps to create the right work environment, motivates an employee to provide the best services possible. Pleasant service creates a good employee-buyer relationship. The customer's trust grows, as well as the commitment to the company. Over time, the commitment turns into loyalty that benefits both the consumer and the organisation.

It is important to pay attention to the management of human resources in order to achieve a high quality ofservices. Organisations must improve the work environment, motivate employees, provide them with opportunities for growth and development. According to Išoraitė (2011), motivated and satisfied employees view their work more responsibly, increase their productivity and ensure high quality of service. A positive relationship with the customer ensures customer loyalty and attachment.

In conclusion, human resource management policy brings many benefits to every organisation. The right combination of employee management elements ensures employee motivation. The result of job satisfaction is good communication with the customer and the highest level of services. Satisfaction with services becomes loyalty, which manifests itself through repurchases, dissemination of recommendations, etc. Therefore, customer loyalty results from employee satisfaction, which results from good human resource management practices.

2. Empirical level of the research

2.1. Empirical evidence

Theoretical analysis has shown that human resource management policies and customer loyalty are closely related. Researchers emphasise that customer loyalty increase due to proper service, pleasant communication etc. A motivated employee strives to achieve the best possible results, does the job properly, which increases customer satisfaction. The main aspects that scientists use in their research to assess the relationship between human resource management policies and customer loyalty are:

- *Human resource management policy* that helps to evaluate the organisation's approach to the employee and examines the essential elements of personnel management. Some authors examine the traditional approach, others – innovative employee management.
- *Quality of service* that measures employee-customer relationship, whether the employee serves the customer properly and helpfully.
- *Customer satisfaction* – a positive customer's emotion after communicating with employees, purchasing a product, or receiving a service.
- *Customer loyalty* – long-term customer satisfaction. The organisation meets all the requirements of the user, provides high-quality services.

The majority of researchers focus on the quality of service and customer satisfaction. However, Chand (2010), Wikhamn (2019), Al-Refaie (2014) note that without proper human resource management policies, the highest quality service will not be ensured and that the analysis should begin with employee management. Thus, in their research, authors analyse the links between HRM policy, service quality and customer satisfaction. Ogunyomi , & Bruning (2016), Al-Omari, Alomari, and Aljawarneh (2020) distinguish customer satisfaction as one of the main results of the organization's human resource management policy. In research, these authors evaluate the impact of personnel management on customer satisfaction. Minh, & Huan (2016), Agus (2019) examine service quality as the main criteria that affect customer satisfaction and loyalty. Researchers do not evaluate human resource management policy but emphasise that good service quality emerges from employee motivation.

Empirical research has shown that human resource management policy determines employee motivation and satisfaction. Employee provides good services, thus the customer remains satisfied, and constant satisfaction becomes loyalty. Researchers who analysed traditional human resource

managementhave found that **motivation** (Chand, 2010; Tat-Keh et al., 2013), **adaptation** process (Feng, Wang, and Prajogo, 2014), **training and development** (Al-Refaie, 2014) have the greatest impact on customer loyalty. Evaluation of innovative human resource management showed that **empowerment** (Al-Omari, Alomari, & Aljawarneh, 2020; Ogunyomi, & Bruning, 2016) contributes to customer satisfaction the most.

Although not all researchers examine human resource management policy, they state that creating a good work environment encourages employees to provide the highest level of service. Therefore, employee motivation contributes to service quality and customer satisfaction. Agus (2019) confirmed, that after some time customer satisfaction turns into loyalty. The analysis revealed that traditional employee management solutions are still examined the most, while innovative elements are valued much less frequently. So it would be reasonable to focus more on innovative elements of human resource management.

2.2. Study implications

The development of digital relationships is driving organisations to change their approach to employeemanagement. It is clear that more attention needs to be paid not only to traditional human resource management but also to innovative solutions. Theoretical and empirical research allows making assumptions for conclusions. It has been observed that researchers focus on traditional human resource management, so it is reasonable to analyse innovative opportunities. The model below demonstrates the relationship between innovative human resource management policy and customer loyalty.
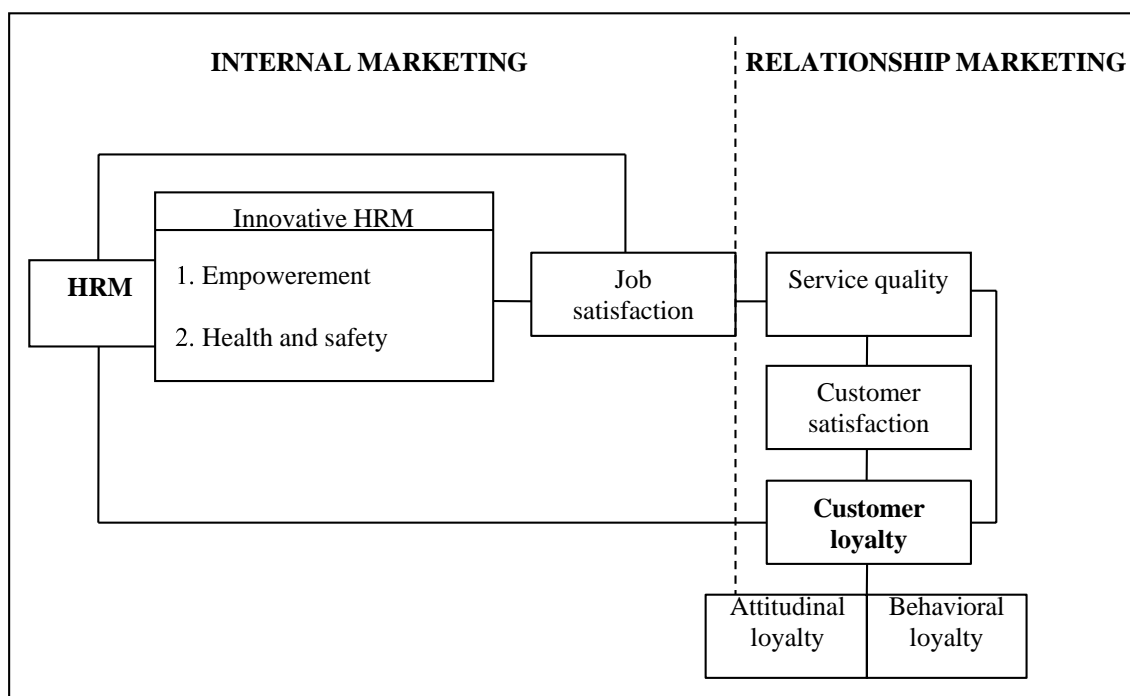
Source: created by the author.

Fig. 1. A theoretical model of the influence of human resource management policy on customer loyalty

Figure 1 shows, that the evaluation should be started with the human resource management policy. The goal of human resource management policy in an organisation is to ensure work efficiency, promote employee loyalty and growing performance. Internal marketing, which is developed through employee management policies, contributes to this. Taking into account the external environment, the organisation'shuman resource management policy and its management elements are formed. Each organisation selects and evaluates which elements to include in its management. Proper human resource management (otherwise internal marketing) motivates the employee, gives confidence in the

workplace, causes job satisfaction. The result of motivation and satisfaction is good service, proper communication with customers.

Employee satisfaction is directly related to customer satisfaction. The quality of service and relationship with the customer determines the success of relationship marketing. Customer satisfaction increases if the provision of services, the sale of goods, and the communication of the employee meet the customer's expectations. If satisfaction continues for a long time, the customer feels attached and loyal to the organisation. Then it can be evaluated, which of the forms of loyalty (behavioural or attitudinal) manifests itself more often to the customer.

The essence of this model is to reveal the relationship between:

- Innovative HRM policy and job satisfaction.
- Job satisfaction and service quality.
- Quality of service and customer satisfaction.
- Quality of service and customer loyalty.
- Customer satisfaction and customer loyalty.
- Innovative HRM policy and customer loyalty.

To conclude, the model reflects the link between human resource management policies and job satisfaction, thus it is important to assess which innovative elements (empowerment, health and safety, equal opportunities policy, networking) of employee management contribute to their satisfaction the most. Internal marketing transitions into relationship marketing, where job satisfaction transforms into service quality. As discussed earlier, services directly contribute to customer satisfaction, which over timebecomes loyalty. Finally, it is important to assess the extent to which innovative human resource management policy determine customer loyalty.

The advantage of this model is that it takes into account the organisation's relationships with both employees and customers. Most researchers analyse the impact of human resource management policies on service quality or assess the impact of service quality on customer loyalty. However, only a few indicate internal and external relations at the same time. That is why it is very important to assess whether there is a relationship between employee satisfaction and customer satisfaction.

Summarising the analysis of the relationship between human resource management policy and customer loyalty, it can be seen that employee management policy in an organisation is necessary to maintain efficiency and effectiveness. The organisation is dependent on elements of empowerment, health and safety, equality and diversity policy and networking. Proper human resource management gives the organisation a competitive advantage, ensures employee motivation to achieve the best results. Employee's desire to succeed directs to customer relationships, so it is likely that a satisfied employee will also promote customer satisfaction. And long-term satisfaction usually becomes loyalty, which can be considered as one of the most important competitive advantages to an organisation.

Conclusions

1. Human resource management policy is an activity focused on increasing efficiency through employee relations. Employee management is carried out using certain traditional (planning, recruitment and selection, socialisation, motivation, evaluation, training and development) and innovative (empowerment, health and safety, equality and diversity policy, networking) elements that motivate the employee to achieve organisational success.
2. Customer loyalty is the act of choosing one company over other similar competitors after a positive experience. Long-term customer satisfaction transforms into loyalty, which appears in a certain behaviour or attitude. Loyal customer brings long-term benefits and consistency to the organisation. Therefore, the level of loyalty is largely determined by the organisation itself. Therefore, the organisation needs to make as much effort as possible to meet the customer's expectations.

3. An organisation's internal marketing (human resource management) influences relationship marketing. The way an employee treats a customer directly responds to their satisfaction, which over time grows into loyalty. Employee satisfaction and willingness to serve the customer properly depends on his motivation. Therefore, the organisation can ensure long-term commitment and motivation through its human resource management.

4. The results of the empirical research showed that researchers are most focused on traditional human resource management: motivation, socialisation, training. Little attention is paid to innovative human resource management solutions. That is why it is reasonable to evaluate sociallyresponsible human resource management policy and the influence it has on customer loyalty.

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