

**THE EFFECTS OF JOB SATISFACTION,
ORGANIZATIONAL JUSTICE AND CAREER
DEVELOPMENT TOWARDS EMPLOYEE'S TURNOVER
INTENTION: AN ANALYSIS AMONG INDUSTRIAL AND
MANUFACTURING WORKERS IN KOTA KINABALU,
SABAH.**

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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpt, equations, summaries, and references, which have been duly acknowledge.



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ABSTRACT

This study has been carried out to understand the relationship between job satisfaction, perceived organizational justice, career development and perceived organizational commitment towards turnover intention of the employees in manufacturing sectors located in Kota Kinabalu areas. This study seeks to contribute to the development of a conceptual framework that integrates the variables. This study was conducted based on non-probability sampling in Sabah, Malaysia with focus point in the area of Kota Kinabalu. The research sample was selected from a range of employees who working in selected in private sector based on convenience sampling.

The method of data collection is self-administered questionnaire. Quantitative data obtained and the data gathered were being treated by using the statistical program namely Statistical Package for Social Science (SPSS) version 22.0 and SMARTPLS for analysis and summarization purpose. Prior to the study, a comprehensive literature review was performed. The literature review informed the theoretical which guide the study. Additional literature, where needed was introduced through data collection and analysis processes. The study uncovered that job satisfaction, perceived organizational justice, career development and perceived organizational commitment towards turnover intention among the respondents.

ABSTRAK

Kajian ini telah dijalankan untuk memahami perhubungan antara kepuasan bekerja, kesaksamaan di dalam organisasi, perkembangan karier dan komitmen organisasi terhadap niat untuk berhenti kerja bagi pekerja dalam sektor pembuatan dan industri di Kota Kinabalu. Kajian ini akan menyumbang kepada pembangunan rangka kerja yang akan mengintegrasikan kesemua pemboleh ubah yang telah dinyatakan. Kajian ini dijalankan berasaskan persampelan tak berskala di Malaysia dengan Kota Kinabalu menjadi tumpuan utama. Responden dipilih daripada sekumpulan pekerja yang bekerja di sektor swasta yang terpilih berdasarkan 'convenience sampling'.

Kaedah pengumpulan data berasaskan soal selidik yang dikendalikan sendiri. "Statistical Package for Social Science (SPSS)" versi 22.0 dan SMARTPLS digunakan untuk tujuan analisis dan memperoleh kesimpulan hasil daripada data kuantitatif yang diperolehi. Kajian literatur telah dijalankan pra-kajian ini. Kajian literatur merupakan penunjuk arah pada kajian ini. Literatur lanjut yang diperlukan telah diperkenalkan melalui pengumpulan data dan proses analisis. Kajian ini telah mengemukakan bahawa terdapat hubungan dalam kepuasan bekerja, kesaksamaan di dalam organisasi, perkembangan karier dan komitmen organisasi terhadap niat untuk berhenti kerja bagi pekerja.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION

1.0	Background of Study	1
1.1	Problem Statement	2-4
1.2	Research Questions	4
1.3	Research Objectives	5
1.4	Significant of the Study	5
1.5	Definition of Variables	6
1.5.1	Job satisfaction	6
1.5.2	Organizational Justice	6
1.5.3	Career Development	6
1.5.4	Organizational Commitment	
1.5.5	Turnover Intention	6
1.6	Summary of Chapter	7-8

CHAPTER 2: LITERATURE REVIEW

2.0	Introduction	9
2.1	Employee turnover	9
2.1.1	Definition of employee turnover and turnover Intention	9-11
2.1.2	Rationality of research for employee turnover intention	11-12
2.2	Factors Influencing Employee Turnover	12-13
2.2.3	Job Satisfaction	13



2.2.4	Organizational Justice	14
2.2.5	Career Development and Training	14-15
2.2.6	Organizational Commitment	15-17
 CHAPTER 3: RESEARCH FRAMEWORK AND METHODOLOGY		
3.0	Introduction	18
3.1	Data Collection Method	18
3.2	Theoretical framework	18-19
3.3	Proposed Conceptual Framework	20
3.3	Research Hypothesis	21
3.4	Research Design	21
3.5	Unit of Analysis	22
3.6	Sampling Design	22
3.6.1	Location of Study and Population	22-23
3.6.2	Sampling Technique and Sampling Size	23-24
3.7	Research Instrument	24-29
3.8	Data Collection Method	29
3.9	Data Analysis Method	30
4.0	Conclusion	30

CHAPTER 4: ANALYSIS OF FINDINGS

4.0	Introduction	31
4.1	Respondent Profile	31-34
4.2	Statistical Analysis	34
4.3	Measurement Model	34-40
4.3.1	Convergent Validity	35-36
4.3.2	Discriminant Validity	36-37
4.3.3	Loading and Cross Loadings	37-38
4.3.4	Construct Validity	38
4.3.5	Reliability Test	39-40
4.4	Structural Model	40-44
4.4.1	Path Coefficients Path Coefficients (Mean, STDEV, T-Values)	40-41
4.4.2	Hypothesis Testing	42-43
4.4.3	Mediating Testing	44

CHAPTER 5: DISCUSSION AND CONCLUSION

5.1	Introduction	45-56
5.2	Recapitulation of the Study	45-46
5.3	Discussion and Implication	46-44
5.3.1	Relationship between job satisfaction and turnover intention	47

5.3.2	Relationship between organizational justice and turnover intention	47-48
5.3.3	Relationship between the career development and turnover intention	48
5.3.4	The relationship between perception of job satisfaction and turnover intentions with organizational commitment as mediator	49
5.3.5	The relationship between perception of organizational justice and turnover intentions with organizational commitment as mediator	49
5.3.6	The relationship between perceptions of career development and turnover intentions with organizational commitment as mediator	49-50
5.3.7	Direct relationship between the mediating factors of organizational commitment and turnover intention	50
5.3.8	Conclusion for Data Analysis	51
5.4	Contribution of Research	51-53
5.5	Implication	53-54
5.6	Limitation of the Study	54
5.7	Suggestion for Future Research	54-55
5.8	Conclusion	55-56
REFERENCES		57-63
APPENDICES		64-83
	Appendix 1: Demographics	64
	Appendix 2: Data Overview	65-69

Appendix 3: Index Values	70-74
Appendix 4: Path Analysis	75-76
Appendix 5: Mediation Testing	77
Appendix 6: Questionnaires	78-85

CHAPTER 1

INTRODUCTION

1.0 Background of the Study

In order to generate revenue and prosper, organization need to attain and retain valuable employees. Turnover crises gives challenges and great impacts among the private industries. Previous studies shows that there are several factors that affecting employee's turnover, however further investigation is needed to identify the relationship of the affecting causes in two different level, which involved the individual and organizational level.

In today's economic world, Human Resource (HR) departments are looking at the turnover problems as their main consideration for organization's to achieve their overall objective and to retain their business performances. Furthermore, HR practitioners need to be aware of the real reasons, and not simply judging the turnover problems based on their perception, because sometimes benefits and salaries cannot promise employees to stay in the organization, there are specific reasons for specific occurrence of turnover problems in certain companies, Dr. Vimala Sanjeevkumar (2012). Thus, a broader perspective of the turnover causes should be explored to gain more understanding about this matter. Organizations should know what factors influence their employees to stay so they would know the best approach to keep them. Generally, by reducing the turnover problems, it would make an industry become healthier, helping organizations to achieve their organizational objectives and to sustain their business.

Previous researchers have investigated on the cost for employee's turnover, and their research varies from the scope of the causes and consequences of the turnover. The purpose of this study is to give an overview of the effect of three different variables, which is job satisfaction, organizational justice and career development with the mediating effects of organizational commitment towards employee's turnover among industrial and manufacturing employees in Kota Kinabalu. The issue of whether these variables can affect the intention to



leave the organization will be analysed, and perhaps it can explain the potential turnover intention of the employees.

1.1 Problem Statement

Employee's turnover and voluntary leaving has become a problem for many organizations in today's private industries, regardless of the type of job. Major impact of this occurrence can be seen such as affecting the morale of the loyal employees and human production loss for the organizations, Rekha and Kamalanabhan (2012). Besides, employee turnover will take away business experiences, company secrets and technical skills to other firms. This will be a huge loss for the home company for losing their workers especially for the key positioners such as senior managers and technical, Cave, Chung and Choi (2013). They will bring away their expertise, experience and skills together and allow competitors to obtain capable workers without extensive investment of time and money.

Over the years, employee turnover rate are increasing not just in developed countries but also involving developing countries. The problem has been an issue to both academicians and practitioners. There are evidence supporting the concerns, which is the reported statistics on turnover rate in several countries. For example, a statistical report by Bureau of Labour Statistic (2012), the country employee turnover can be seen as national crisis. Employee's voluntary turnover was recorded as high as 2.1 million in April 2012, increasing from 1.8 million from the end of the recession period in June 2009. Meanwhile, in year 2004, Malaysian annual employee turnover rate was reported as high as 16%, Malaysian Employers Federation (2004). In a more recent statistics report, a survey conducted by Hewitt Total Compensation Management stated that Malaysian turnover rate has been recorded as 18% in year 2007, Hewitt Associates (2007).

Skilled employee possessed a major role in achieving organizational objective due to knowledge acquired through years working for the company. As for the original company, employee turnover make them suffering in term of the time spent, money invested and the development of the employees. Moreover, employee turnover gives advantages to the competitor and loss for the original company. Today, many companies believes that

employees development are one of the most important part of investment that need to be managed carefully, Lazarova & Caligiuri, (2000). This is because when their employee quit their job, the employer will lose money for retraining, knowledge and also experience of the quitting employees.

The variables are chosen by referring to the previous study which identified that there are relationship between the variables and employee's turnover intention. There were several researches has been done to determine and study the level of satisfaction of employees towards their jobs. A discussion about a positive relationship between employees' happiness and productivity has been done by Marks, (2006) and he predicted that the happier an employee with their job, the more committed they are. Thus, we can say that if an employee is unsatisfied with their job, they might leave their organization and find another job.

Beside job satisfaction, organizational justice may be the reason why employees are thinking to quit their job. Several researches has proved that injustice in the workplace may create many undesirable organizational outcomes by contributing in lower job satisfaction, employees retaliation, turnover rate, workplace deviant, low productivity, and lower work commitment, McFarlin and Sweeney (1992).

Apart from that, career advancement, in other word the job flexibility together with clearer career paths and life options, has become one of the critical incentive for all employees, Eyster, et al. (2008). Organizations have to provide and show the clear paths of career advancement to their employees to retain them. However, in order to achieve their main organizational objectives, only certain people will be provided with such ease, which is the potential employees. However, this practices might cause some of their employees to leave the company and seek for outside opportunities. The challenges is, organizations need to find ways on how to provide career advancement opportunities without losing their current employees, O'Herron and Simonsen (1995).

There are some studies which concluded that committed employees' will remain in longer time with the organization compared to the ones who are less committed. Steers (1977)

suggest that the desire for leaving current employers are lesser on the committed employees. They have higher intention to stay with the company, more motivated and having more desire to get into work, having positive attitude and a more loyal to their employers. In this study, organizational commitment has been added as the mediator to see its impact towards the variables relationship.

This study will be focusing on employee turnover intention from individual and organizational level. The research gap is to find the real problems of the turnover intention among the variables selected. Besides, this study also are conducted by using the second generation statistical method, which is the partial least square method, which have never been done before in the targeted area. The study will be involving the private companies in the industrial and manufacturing around Kota Kinabalu Sabah. According to the Sabah Government, (2013), Kota Kinabalu is the major economic centre for the Sabah State. Moreover, most of the economic activities in Kota Kinabalu is generated mostly by private investment. Industrial and manufacturing sectors development are expanding rapidly either in the town area or within the suburbs. For example, the development of the industrial districts of Likas, Kolombong and Inanam are part of it. Besides, a high proportion from the total population are working in industrial, trading and manufacturing sectors. This shows that private and manufacturing industries are very important in contributing in the Kota Kinabalu economic development.

The study locations was decided after important factors such as the significant of the study, budget, transportation, time and monetary constraints was put into consideration. Perhaps that it will be able to filling the gaps identified from the literature, this paper seeks to measure the influence of intervening variables towards the turnover intentions. Statistical analyses such as convergent, discriminant, loadings, correlations, reliability test, and mediated regression analyses. Also path analysis and hypothesis testing will be used through the investigating process.

1.2 Research Questions

1.2.1 Does job satisfaction affects employee's turnover intention?

- 1.2.2 Does perceived organizational justice affects employee's turnover intention?
- 1.2.3 Does career development affects employee's turnover intention?
- 1.2.4 Does organizational commitment mediate the relationship between job satisfaction and employee's turnover intention?
- 1.2.5 Does organizational commitment mediate perceived organizational justice affects employee's turnover intention?
- 1.2.6 Does organizational commitment mediate the relationship between career development and employee's turnover intention?

1.3 Objectives

- 1.3.1 To identify the relationship between job satisfaction and employee's turnover intention.
- 1.3.2 To determine the effects of perceived organizational justice towards turnover intention among the employees.
- 1.3.3 To study the relationship between career development and employees turnover intention.
- 1.3.4 To discover the mediating effects of organizational commitment between the relationship of job satisfaction and employee's turnover intention.
- 1.3.5 To analyse the mediating effects of organizational commitment between the relationship of perceived organizational justice and employee's turnover intention.
- 1.3.6 To investigate the mediating effects of organizational commitment between the relationship of career development and employee's turnover intention.

1.4 Significance of the Study

This study will be conducted to investigate and to get better understanding in the relationship of effective Human Resource practices towards the employee's turnover intention among the industrial and manufacturing workers in Kota Kinabalu areas. This research will gather more

useful information on the relationship between employee turnover intention and job satisfaction, perceived organizational justice, and career development opportunity with the mediating effect of organizational commitment.

The general purpose of this study is to help readers to get better understanding regarding the relationship of effective human resource practices on employee turnover intention and can be used as a guide or information for managers in the industrial and manufacturing companies. It will also provide several ideas of problem solutions toward turnover intention in the industries. Hence, it will help many private companies to identify what are the important factors that need to be considered to retain their employees through better knowledge and understanding of the motivational aspects and career satisfaction among their employees.

1.5 Definition of Terms

1.5.1 Job satisfaction - Job satisfaction can be described as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences", Locke (1976).

1.5.2 Organizational Justice – Organizational Justice can be defined as an area of psychological inquiry that focuses on perceptions of fairness in the workplace, Byrne and Cropanzano (2001).

1.5.3 Career Development – Career development is the process in which employees develop themselves during their career (Hall, 1976).

1.5.4 Organizational Commitment - Organizational commitment can be defined as "multidimensional in nature, involving an employee's loyalty to the organization, willingness to exert effort on behalf of the organization, degree of goal and value

congruency with the organization, and desire to maintain membership”, Bateman, T. & Strasser, S. (1984).

1.5.5 Turnover Intention - turnover intention can be defined as an individual’s perceived probability of staying or leaving an employing organization, Hom and Griffeth (1995).

1.6 Summary of Chapter

Chapter One

Introduces the readers to the research overview, which includes background of the study, the problem identification, problem statement, research question, research objectives, significant of the study and the key variable definition to provide more understanding towards the study.

Chapter Two

Devoted to conceptualize all the variables in this study, especially the dependant variable that is the turnover intention of employees. This chapter also conceptualizes the independent variables (job satisfaction, organizational justice, and career development opportunities) and the moderating variables (organizational commitment). Thus, the relationship among the variables also had been discussed critically in this chapter.

Chapter Three

Explains in detail how the study had been conducted. This chapter discuss about the methodological of the research embodies proposed sampling process, questionnaire design, and the data collection methods. The statistical analysis applied in this study is also been discussed in this chapter.

Chapter Four

In detail discusses the analysis of findings and the result of this research study which includes the partial least squares method. The first part is measurement model, including convergent, discriminant, loading and reliability test. The second part is structural model, including path analysis, hypothesis testing and mediating analysis.

Chapter Five

Detail explanation and discussion of the interpretation of the results. In whole this chapter wraps up the whole study by discussing the various findings, followed by managerial implication, limitation of the study, suggestion for further research and conclusion remarks.

CHAPTER 2 LITERATURE REVIEW

1.0 Introduction

This chapter focuses on published literature connected to the research problem and this chapter discusses variables pertinent to the study that has been discussed by previous researchers. The literature review on several components of the study: the dependent and independent variables, which is employee's turnover intention, job satisfaction, organizational justice and career advancement. Besides, the moderating effects of job organizational commitment are also been included. The purpose of this chapter relating the research hypothesis with literature review to support, relate and explain the key components of this thesis, which is the employee turnover intention. The shared goal of this review were to demonstrate a familiarity with the knowledge in this related areas to establish their credibility; to show the path from previous researches and how this study can be linked with each other, to integrate and lastly to summarize what is known in this area of research.

2.0 Employee Turnover

2.1.1 The Definition of Employee Turnover and Turnover Intention

The reviews clearly defined the definition of employee's turnover and turnover intention in several aspects, especially towards the objective of this study. This ensures that the differences and similarities in this two terms are defined and differentiate properly by referring to previous study and common understandings. Based on this purpose, the discussion will be narrowed down and focuses on the definition of employee turnover and employee's turnover intention.

There are several issues that need to be put into consideration when defining the real meaning of employee turnover, which is the involuntary turnover, voluntary turnover, withdrawal caused by organizational behaviours, trend or social phenomenon of turnover, employee's internal intention to leave and the limitation on the scope of study related to



employee's turnover. McBey & Karakowsky (2000), says that in a common situation, employee turnover can be classified into two major categories, which is voluntary turnover (which are under control of the employee) or involuntary turnover (which are beyond the control of employee).

In general, involuntary turnover usually occurs when organizations are facing losses or unexpected expenses, and in a process to cut costs, downsizing their organization and struggling to maintain their business, Allen (2000). This statement is supported by Mowday, Porter, and Stone (1978) which mentioned that involuntary turnover may be caused by several circumstances, such as declining in current performances, difficult economic situation, individual circumstances, such as unexpected disability or death. On the other hand, voluntary turnover usually happen when an individual chose to quit from the organization based on their own preference. The main difference between these two types of turnover is the initiated action taken by the organization and the employees themselves. McEvoy & Cascio, (1987) stated that in comparison, voluntary turnover are self-driven while involuntary turnover are organization driven, which the employees have no right to say upon the termination and the circumstances are beyond of their control.

In real business, organizations usually correlate voluntary employee turnover as avoidable cost. Morrell, Clarke, and Wilkinson (2004) says that voluntary turnover can be avoided by efficient human resource management, meeting the employee's needs such as career development opportunities, sufficient trainings, extensive rewards and justice practices in the organization. Theoretically, it is a normal reaction for the employees to distance themselves from unsafe and unpleasant working environment, mentally and physically, Hemingway and Smith (1999). Besides, a study by Hughes and Bozionelos's (2007) mentioned that there are several indicator for the withdrawal responses such as excessive sick leave, absenteeism, coming late for work, disruption in work-life balance, frequent annual leave and many more similar negative attitudes. All of the variables could be the indicator of the employee's intention to withdraw for the company, showing that the declining in term of working motivation, interest and their responsibility towards the organization.

Cohen and Golan (2007) in their research signify the general conceptualization of employee turnover usually are related to their internal feelings to withdraw as a measurement to predict the actual turnover. Previous researches have proved that the strongest predictors to estimating the potential of employees turnover is the negative behavioural patterns, Firth, Mellor, Moore & Loguet, (2004). In conclusion, the intention to quit can be measured by looking at the behaviour as a whole, not only focusing on the intention itself.

Previous researches agree that investigations on voluntary and involuntary turnover has several limitations. Part of the previous studies misinterpret in the scope of which turnover decision was voluntary. For example, several interviewers, may not pushing too hard through their questionnaires when collecting exit interview data towards the leaving employees and this issues might be quite sensitive for certain people and organizations. In comparison, the employees may have their own personal reason for leaving the companies, for example family matters, mobility, and any other personal reasons, compared to other employees that may leave the company caused by the professional relationship and working reasons. Furthermore, they have concerns about the extent to be honest in answering the questions could harm their chances to continue working outside of the organization by getting bad reference. These factors may affected the previous studies results.

In the discussions earlier, several number of key issues have been highlighted which need to be considered when conducting a study about employee turnover. However, most of the explanation which related to employees turnover is utilized in the recent researches are referring to Mobley (1982) and Price (1977). Turnover in general can be defined as intrinsically as the permanent leaving from the organization. Going back to this research objective, it is important to gather more understanding in term of practical and theoretical altogether towards this issue. Guided by this objective, the next discussion will getting more through the rationale of conducting a turnover research.

2.1.2 Rationality of Research for Employee Turnover Intention

A study by Pfeffer (1994), stated that in today modern business, people has become the most important factor towards the success of a business. Organizations now believe that people

should be treated fairly with proper approaches because they are responsible in order to obtain the competitive advantages compared to their business competitor. In order to achieve that, organizations need to establish the need to manage proper resourcing.

In addition, Jackson and Schuler (1987) also stated that the HRM world has recognized the ability to control, empowering and maintain people in an organization as the key component in managing human resources. Voluntarily leaves by the employees would cause negative effect not only for the organizations, but also to the employees and their working team, Clarke (2001). Employee's turnover actually can be either positive or negative. A more depth study and understanding about employee's turnover can increase the awareness, improving the managerial style and adaption to organizations and employees about this matter. Moreover, it could help the managers to contain the turnover issues in their organization, Booth & Hamer (2007).

2.2 Factors that Might Influencing Employee Turnover

There are so much studies related to the employee turnover phenomenon. Researchers has started to get into more understanding about this issues as early in the mid-1900s. Several multivariate models that involving number of factors contributing to employee's turnover has been constructed by previous researches over the years. Empirical tested models have been constructed to predict the factor for individuals to leave their organization. Despite bunch of information about this issues can be gathered, there are so much studies that are only based on a small number of variables which usually can explain only parts of variability in turnover caused by their narrow focus. Furthermore, another critics on turnover intention studies is they are not properly measure the complex psychological processes that are involved in individual turnover and their intention to withdraw from the organization.

There are studies that indicate different type of jobs have different unique reasons for leaving their organization, as what has been done by Brooke (2003). In addition, a study conducted by Boxall, Macky, and Rasmussen (2003) they found out that the view that the intention to change job are multivariable affected and there is no a single factor that really can explain that.

However, numerous studies for many years has predicted that there are a few number of factors that significantly indicated and very consistent related to employees turnover. A study conducted by Mobley, Griffeth, Hand, and Meglino (1979) found out several factors such as working tenure, job satisfaction, age, job content and organizational commitment were all having negative relationship towards employee turnover. Supported by a meta-analysis conducted by Griffeth, Hom, and Gaertner (2000) had produce a concrete results on the factors that significantly contributing in influencing employee's intention to turnover. The next part will be discussing about these significant factors including a number of other factors which are still not very clear about their influence towards employee's turnover.

2.2.3 Job Satisfaction

For over more than two decades, numerous studies related to the turnover issue have justified the linkage between job satisfaction and employees turnover consistently. For example, a research that was conducted by Mobley et al. (1979) found that job satisfaction has very few explanation of the variability towards employee turnover but the relationship on its own with turnover is usually negatively linked.

However, a study conducted by Griffeth et al. (2000) justifies that job satisfaction predicted turnover in a reasonable manner. In a more recent study, Boxall et al. (2003) found that interesting workplace elsewhere are the main reason of why people withdraw from their organization. The study was conducted in an extended period of time and has proven that job satisfaction has a significant effects to employee's turnover. However, Lum, Kervin, Clark, Reid & Sirola (1998) suggest that job satisfaction on its own singular variable cannot put much influence on employee turnover, it has to come with other economic and psychological variables along to get a more accurate estimation and more explainable results towards the employees turnover.

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