

CHAPTER 3: DEVELOPMENT OF HYPOTHESES AND RESEARCH METHODOLOGY

3.1 Introduction

This chapter will illustrate how the research was designed and implemented. This chapter also discusses the sampling design, survey questionnaires, data gathering and data analysis used for the study. It will start with the development of the four hypotheses based on the previous literature. Subsequently, it followed with the development of the research framework. The research model is constructed based on the research framework which explained the determinants of employee retention.

This research model was developed to show a relationship between the independent variables (IVs) and the dependent variable (DV). One DV and four IVs are used in the analysis. The DV is employee retention. Whereby, the IVs are benefits and payment, strategies, organizational culture and personal satisfaction of the SBU employees. The following sub-chapter will discuss on hypothesis development and the research model in more detail.

The study uses descriptive statistics, relationship analysis, and quantitative design using questionnaires. This study employs the use of survey method to obtain data to be used to answer. The study also gathers secondary data from the human resource personnel in the strategic business unit to study and understand their organizational structure.

3.2 Development of Hypotheses

Quantitative research involves testing a hypothesis and arriving at the conclusion to either reject or not reject the null hypothesis (Rubin & Babbie, 2005). Creswell (2002) described hypotheses as “predictions the researcher holds about the relationship among variables” (p. 108). Creswell claimed that testing the hypotheses requires statistical procedures such as correlation analysis and multiple regression analysis that enable the investigator to “draw inferences about the population from the study sample” (p. 108).

The hypotheses in the current study provided the necessary framework to investigate any relationship between benefits and payment, strategies, organizational culture, personal satisfaction and employee retention. The hypotheses for the study were as follows.

Attractive remuneration packages are one of the very important factors of retention because it fulfills the financial and material desires as well as provide the means of being social by employee’s status and position of power in the organization; as reviewed in Chapter 2. Pfeffer (1998) and Woodruffe (1999) share in the journal many researchers demonstrate that there is a great deal of inter-individual difference in understanding the significance of financial rewards for employee retention. It is very important that the rewards have a lasting impression on the employee and it will continue to substantiate the employee’s perception that they are valued (Silbert, 2005). An

organization's reward system can affect the performance of the employee and their desire to remain employed (e.g., Bamberger & Meshoulam, 2000, MacDuffie, 1995). Rewards are very important for job satisfaction because it fulfills the basic needs as well as helps to attain the higher level of goals. Earnings is the way by which worker get to know that how much they are gaining by dedicating their time, effort and skills in a job (Bokemeier & Lacy, 1986).

As reviewed in Chapter 2, this element has been proved in empirical studies such as in Moncarz et al. (2008) and also from Shoaib et al. (2009) with finding that benefits and payment has positive relationship with employee retention. An empirical study by Shoaib et al. (2008) reveals the positive relationship of career development opportunities, supervisor support, working environment, rewards and work-life policies with employee retention, in which also related to H1, H2, H3 and H4. Therefore, the first hypothesis can be determined as:

H1: Benefits and payment offered by the SBU are positively related to employee retention.

The forms of strategies as discussed further in Chapter 2 has reviewed that the strategy can be in form of monetary, recognition, organization culture or/and satisfaction. In organizations where employees receive the proper training needed to assume greater responsibilities, turnover rates are generally lower. Several studies show that training activities are correlated

with productivity and retention (Delery and Doty, 1996; Huselid, 1995; Kallenberg and Moody, 1994; MacDuffie, 1995; Shaw et al., 1998; Terpstra and Rozell, 1993; US Department of Labor, 1993, Walsh and Taylor, 2007; Youndt et al., 1996). In a US Department of Labor (1993) study of high-performance work practices it was found that the use of formal training programs was associated with significantly higher productivity growth. Becker and Huselid (1999) arguments on the economic returns of extensive training are more likely to be captured by the firm if employees are motivated to stay and contribute to the firm's success fostered in part by selective hiring, competitive pay packages and team-orientated work environments.

Youndt et al. (1996) theorize that human resource practices designed to develop talented and team-oriented workers improve employee productivity and customer satisfaction. These findings parallel anecdotal evidence from companies such as Southwest Airlines that have used selective staffing and comprehensive training in their quest to improve performance (Pfeffer, 1994).

Employee recognition and rewards and compensation perhaps the most notable among organizational retention. Numerous studies have addressed the positive and significant impact of employee compensation, rewards and recognition on turnover and retention (Becker and Huselid, 1999; Cho et al., 2006; Guthrie, 2001; Huselid, 1995; Milman, 2003; Milman and Ricci, 2004; Shaw et al., 1998; US Department of Labor, 1993; Walsh and Taylor, 2007; Youndt et al., 1996).

Several other research studies have indicated that compensation in the form of base or variable pay may not be sufficient to attract or retain employees. Milman (2003) and Milman and Ricci (2004) concluded that the most significant retention predictors included intrinsic fulfillment and working conditions rather than monetary rewards. Similarly, the study by Walsh and Taylor (2007) revealed that although compensation and work-life balance are important, it is the absence of opportunity for professional growth and development that affects management retention and turnover (Walsh and Taylor, 2007).

As reviewed, prior empirical work has consistently found that use of effective human resource management initiatives enhances employee retention and productivity. Specifically, selective recruitment and training procedures, working environment, labor-management participation programs, and performance appraisal, promotion, and incentive compensation systems that recognize and reward employee merit have all been linked with valued firm-level outcomes (Huselid, 1995; US Department of Labor, 1993). Hence, the hypothesis developed to support the review is:

H2: Strategies identified and implemented by the SBU are positively related to employee retention.

In review of organizational culture, Zeytinoglu et al. (2005) in his study finds that work environment is one of the factors that affect employee's decision to stay with the organization. For this study, aspects related to organizational

culture is focused on the culture and work environment of organizations. Depending on the kind of business and kind of job, interactions will be more or less frequent and more or less intense. The interaction between employees and consumer/client hence demands a move of focus from the physical to the Psycho social dimension of work environment. Psycho social work environment includes support, work load, demands, decision latitude, stressors etc. It's very important to recognize the emerging needs of individuals to keep them committed and provide the work environment as necessitate (Ramlall, 2003).

Milory (2004) reported that people enjoy working, and strive to work in those organizations that provide positive work environment where they feel they are making difference and where most people in the organization are proficient and pulling together to move the organization forward.

According to Miller, Erickson & Yust (2001), employees get benefited by work environment that provide sense of belonging. Firms with generous personalization policies may have better chance to satisfy and retain employees by providing appropriate level of privacy and sound control on workspace which enhances the motivation levels to commit with the organization for the long term (Wells & Thelen, 2002). The focus of organizations must be on how to provide better jobs with great work environment to retain employees (Levi, 2002). With the discussion and review in Chapter 2, the third hypothesis is as below:

H3: Organizational culture in the SBU is positively related to employee retention.

In the literature review, it is found that the study of the relationship between job satisfaction and job performance has a controversial history. The Hawthorne studies, conducted in the 1930s, are often credited with making researchers aware of the effects of employee attitudes on performance. Shortly after the Hawthorne studies, researchers began taking a critical look at the notion that a “happy worker is a productive worker.” Most of the earlier reviews of the literature suggested a weak and somewhat inconsistent relationship between job satisfaction and performance. A review of the literature in 1985 suggested that the statistical correlation between job satisfaction and performance was about .17 (Iaffaldano & Muchinsky, 1985). In which, these authors concluded that the presumed relationship between job satisfaction and performance was a “management fad” and “illusory.”

However, further research does not agree with this conclusion. Organ (1988) suggests that the failure to find a strong relationship between job satisfaction and performance is due to the narrow means often used to define job performance. Organ argued that when performance is defined to include important behaviors not generally reflected in performance appraisals, such as organizational citizenship behaviors, its relationship with job satisfaction improves. Research tends to support Organ’s proposition in that job satisfaction correlates with organizational citizenship behaviors (Organ & Ryan, 1995).

Numerous studies have shown that dissatisfied employees are more likely to quit their jobs or be absent than satisfied employees. (e.g., Hackett & Guion, 1985; Hulin, Roznowski, & Hachiya, 1985; Kohler & Mathieu, 1993). Job satisfaction shows correlations with turnover and absenteeism in the $-.25$ range. Job dissatisfaction also appears to be related to other withdrawal behaviors, including lateness, unionization, grievances, drug abuse and decision to retire.

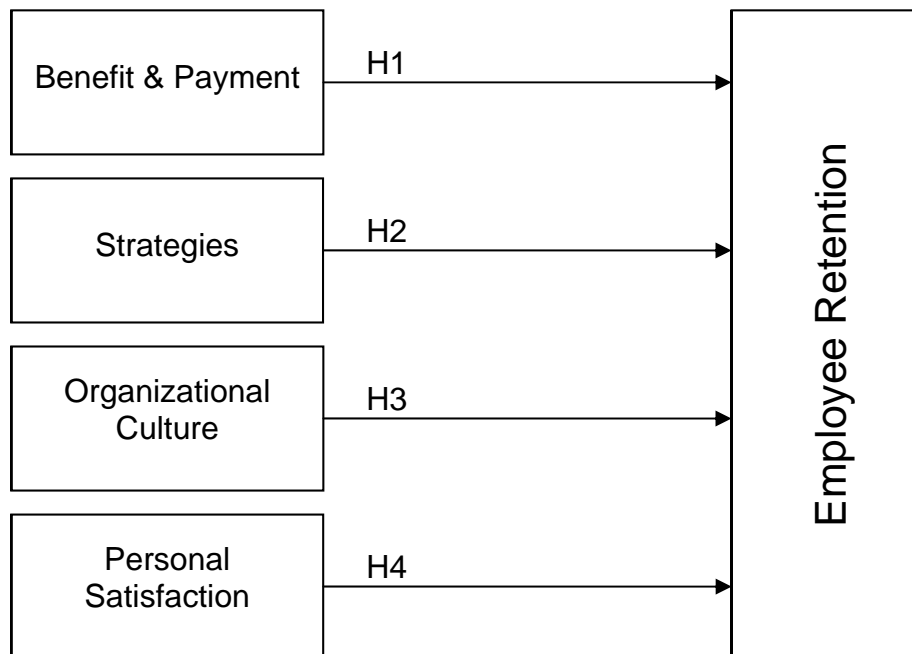
As reviewed in Chapter 2, a more recent and comprehensive review of 301 studies, Judge, Thoresen, Bono, and Patton (2001) found that when the correlations are appropriately corrected (for sampling and measurement errors); the average correlation between job satisfaction and job performance is higher. In addition, the relationship between job satisfaction and performance was found to be even higher for complex (e.g., professional) jobs than for less complex jobs. Thus, contrary to earlier reviews, it does appear that job satisfaction is, in fact, predictive of performance, and the relationship is even stronger for professional jobs.

Therefore, as explained in Chapter 2, job satisfaction and life satisfaction is pre-defined as personal satisfaction as both of the elements (job and life) connected to a person. As discussed, it has impact in the employee retention. With the discussion on the elements of personal satisfaction above, the fourth hypothesis is:

H4: *Personal satisfaction of the SBU employees are positively related to employee retention.*

The variables that are being considered are described in the theoretical framework as below:

Figure 3.1: Theoretical framework



3.3 Selections of Measures

To examine the response rate from all the participants, measures are based on Report of the Employee Retention Workgroup (New York State, 2002)

which was sponsored by NYS Department of Civil Service, NYS Governor's Office of Employee Relations and the Governor himself, George E. Pataki.

To ensure the reliability of the proposed measures to fit the strategic business unit, the draft instrument was tested for face and content validity by a group of selected leasing and vendor in the SBU.

The questionnaire consisted of 7 parts. **Part A** (Benefits and Payment) focuses on benefits and payment that feels of importance to employees. **Part B** (Strategies) emphasis on the strategies that been done by the strategic business unit and how the strategies deem important to the employees. **Part C** (Organizational Culture) on the organizational culture in the strategic business unit. **Part D** (Personal Satisfaction) highlights on the employees' personal satisfaction towards the strategic business unit. **Part E** (Career Plans) marks the employees' career plan in the strategic business unit; (i.e., how long would they retain in the strategic business unit?); which can be identified as the employee retention variable. **Part F** (Demographics) asked respondents to provide standard profile and demographic information, for example such as gender, age, and ethnic group and working experience.

The variables that are being considered are described in the theoretical framework. Employee retention is the dependent variable, which is going to be tested for relationship with the independent variables that are benefits and payment, strategies, organizational culture and personal satisfaction. Selections of measures are explained as below:

Benefits and payment: The measure focuses on the on benefits and payment that feels of importance to employees. The items that asked in the questionnaire were using response format included a 5-point scale (1=not at all important, 2=not very important, 3=neutral, 4=somewhat important, 5=very important) for the measure. The items were self-explained terms that is easy to be understood. The items asked are on salary/compensation, leave benefits (including sick, vacation, personal, paid holidays), retirement plan, health and related benefits (health insurance, vision, dental, prescription), long-term care insurance, tuition reimbursement, deferred compensation, employee assistance program (EAP), lifeworks (resource and referral) and others, that the employee deems importance. From this items, the research would investigate whether this element have the relationship with employee retention. The name of the variable that explained the measure is “Benefits and Payment”.

Strategies: This measure emphasis on the strategies that been done by the strategic business unit and how the strategies deem important to the employees by using 5-point scale, 1=not at all important, 2=not very important, 3=neutral, 4=somewhat important, 5=very important. The strategies that been asked are telecommuting/work at home, wellness programs, mentoring/coaching, job rotation and new assignments, help with career planning, on-site day care, rewards and recognition (e.g., service awards, employee of the year, education opportunities, training opportunities – job related, training opportunities – other (e.g., Franklin Covey, personal

development, etc.), annual performance appraisal and others, which is specified by employee, if any. The variable that explained the measure is name "Strategies".

Organizational Culture: Organizational culture uses 5-likert point to analyze the measure of the organizational culture in the SBU. The 5-likert point is represented by 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree and 5=strongly disagree to analyze the impact of the element to employee retention. Question asked are regarding the relationship between employees and their supervisor, opportunities or career development availability to the employees, environment of the organizational culture in the SBU and also employees' behavioral. The variable that explained the measure is called "Organizational Culture".

Personal Satisfaction: This measure highlights on the employees' personal satisfaction towards the strategic business unit by asking a set of questions that revolve in their satisfaction level to investigate the relationship between this elements with employee retention. The 5-likert points used for the questionnaire are 1=very dissatisfied, 2=somewhat dissatisfied, 3=neither dissatisfied nor satisfied, 4=somewhat satisfied and 5=very satisfied. Questions asked are about their satisfaction towards employees' opportunities for personal growth and development in their job, the feelings of employees' accomplishment from the job, job security and challenges in job, payment and fringe, existence of established career ladder and also, relationship with

people around the employees. The variable that explained the measure is called “Personal Satisfaction”.

Employee retention: This element focuses on the employees’ career plan in the strategic business unit, whereby the question asked their intention to leave the strategic business unit. The question is identified as the employee retention variable asked the employee whether they retire or leave the strategic business unit in less than 1 year, retire or leave the strategic business unit within 1 to 2 years, retire or leave the strategic business unit within 3 to 5 years, retire or leave the strategic business unit within 6 to 10 years or no plans to retire or leave the strategic business unit in the foreseeable future. This question is considered to obtain data on intention to stay of the employee in the strategic business unit. Through the data obtained, the researcher can evaluate the employee retention. The dependent variable is named “Intention to Stay”.

The questionnaire is using 5-point Likert scale to be used in the data analysis.

The questionnaire is represented in **Appendix A**.

3.4 Sampling Design

Creswell (2002) noted, “A sample is a subgroup of the target population that the researcher plans to study for generalizing about the target population” (p.

146). The size of a sample provides enough power to test the null hypothesis for statistically significant relationships.

The population of this study is the current employees in a strategic business unit in Telekom Malaysia Berhad; GEMS SBU. Samples were selected from the list of 150 employees that is currently servicing in the strategic business unit; which was provided by the human resource personnel of the strategic business unit.

3.5 Data Collection Procedure

The current quantitative, correlative survey study included a simple survey design and the collection of data involved survey based on existing, validated survey instruments to obtain the perceptions of respondents. 150 questionnaires were sent to the strategic business unit through their Human Resource Management. A total of one hundred and eleven responses were returned back, representing a response rate of 74%. All 111 cases are fully completed questionnaires and were used for data analysis.

To answer research question one, “What is the employee retention rate in the strategic business unit?” secondary data is to be used with the assistance of human resource management personnel of the strategic business unit.

3.6 Data Analysis Techniques

The data was analyzed using the Statistical Package for Social Sciences (SPSS) version 13.0 program. All Likert Scale points for all questions under a particular measure were summed to produce a new variable. For example, the Likert Scale points of the nine questions on benefits and payment were summed up to produce a new variable called Benefits and Payment. This new variable represented the respondents' view on what they perceived as important for their benefits and payment. The higher the sum, the higher is their perception of the importance on the benefits and payment.

The following derived measures were from the sum of the Likert Scale points of the respective questions:

- Benefits and Payment
- Strategy
- Organizational Structure
- Personal Satisfaction
- Intention to Stay

The data analysis consisted of the following parts, which is explained in the sub-section:

- Summaries of the general characteristics of all respondents in terms of demographic variables. Frequency count was used as the statistical tool.

- Test of normality for each variable. Descriptive numerical method of skewness and kurtosis statistic were used.
- A test of scale reliability, using Cronbach's coefficient alpha.
- Determination of the relationship between each element with the employee retention, using Pearson's correlation coefficient analysis.
- Multiple regression

The appropriate means of analysis was to use Pearson's correlation coefficient. Researchers use Pearson's correlation coefficient to determine if a positive or negative relationship exists between two variables that are continuous in nature. The coefficient ranges from -1 to +1, with a score near -1 indicating a strong negative relationship between the variables and a score near +1 indicating a strong positive relationship between the variables (D. S. Moore & McCabe, 2006).

As explained above, the collected primary data has been analyzed using the statistical package for social sciences (SPSS) version 13. There are 4 techniques of analysis in this test.

3.6.1 Descriptive Statistics

Descriptive statistics involved transformation of raw data into a form that would provide information to describe a set of factors in a situation. Descriptive statistics were used to provide analysis for data transcription errors and distribution patterns, to provide description of the basic

demographic characteristics of the sample obtain from the survey. Descriptive statistics are provided by frequencies, measures of central tendency and dispersion. Frequencies simply refer to the number of times various subcategories occurred, in which the percentage of the occurrence can be easily calculated. For example, analyses on how many respondents are female or male, etc.

3.6.2 Correlation Analysis

This test would like to see the nature, direction and significance of the bivariate relationships of the variables used in the study (the relationship between any two variables among the variables tapped in the study). A Pearson correlation (r) matrix will provide this information, that is, it will indicate the direction, strength and significance of the bivariate relationships of all the interval or ration variables in the study. The (r) between 1.0 which indicate positive relationship and (r) -1 indicate negative correlation.

3.6.3 Reliability Analysis

Establish by testing for both consistency and stability. Consistency indicates how well the items measuring a concept hang together as a set. Cronbach's Alpha determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability (Cronbach, 1951). Therefore, Cronbach's Alpha (α) was use tested how well the items in a set are positively

correlated to one another. Cronbach Alpha coefficient accepted in this test is 0.5 and above. (Sekaran, et.al. 2001).

3.6.4 Regression analysis

Regression analysis is used to trace the sequential antecedents that cause the dependent variable through what is known as Path analysis. Regression analysis examines the situation where a dependent variable is simultaneously influenced by a number of dependant variables. R square value close to one indicates that the model fits the data very well, however above 0.5 has been considered significant. Beta is an attempt to make the regression coefficient more comparable. The analysis of variance (ANOVA) table provides details of the variation explained by the regression model compared with the unexplained variation.

3.7 Summary of the Chapter

Overall, this chapter discussed the development of the hypothesis in detail and describes the research design and model specification for the study. Mainly under this chapter, the discussion was on the research model and configuration of the relationship between the dependent variable and the independent variables and also, details on the research model are explained. This chapter also gives an overview on quantitative approach used in this study. Besides, secondary data has been collected with the human resource management personnel from the strategic business unit to get more

information on their employee retention rate. This chapter also provides background on how sample selection and survey administration are undertaken. Finally, this chapter describes and defines variables and measurement used in the study. The next chapter will provide a discussion of the research results.