

THE INFLUENCE OF COMMUNICATION SATISFACTION AND ORGANIZATIONAL COMMITMENT ON TURNOVER INTENTION

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter begins with an overview and a background of the research on employee turnover in Malaysia. An employee turnover is the rate which an employer gains and loses his or her employees. Given the growth in importance of the impact of employee turnover, it is essential to investigate and understand the contributing factors to this research topic.

1.1 Background and issue of the Research

The Malaysian economy is growing by five to six percent in 2011; this growth is driven by investment flows from government and private sectors into major activities such as transport, technology, oil and gas, energy, infrastructure, engineering and construction. The growth in economy indicates that skilled employees are needed (Randstad World of Work Report, 2011). Even though a lot of skilled and knowledgeable employees are needed, there is always the issue of unsatisfied employees in many organizations.

In 2011, Randstad World of Work Report showed low satisfaction levels of employees in Malaysia. The Report indicated that there are only 42 percent of employees who are happy with their roles. Sad to say, less than half of them are satisfied with their jobs and 20 percent of Human Resources (HR) personnel and Managers are willing to stay in their current jobs for another one year. These managers prefer to consider other jobs which could offer them better work life balance. Besides, 74 percent of the employees planned to resign or leave their jobs in the next 12 months and subsequently there were a very high percentage of employers (97 percent) who indicated that filling vacancies is a key challenge for the next 12 months.

Over the past two decades, workforce mobility has increased tremendously and imposed high costs on many organizations. It is always expensive to lose valuable talents especially those who are professional, highly productive and socially well connected employees. The direct costs of recruiting and training an employee are estimated to range from 25 percent to 500 percent of the employee's salary. Estimation from General Mills stated that if one experienced marketing manager were to leave, it would cost millions of dollars due to loss of client knowledge, the network relationship which was built and also the marketing skills that were developed (Ballinger et al., 2011).

A survey by Tower Watson which was reported in the Borneo Post Online (2011) has shown that the turnover rate doubled in 2011 with an increase of 16 percent compared to the year before it which was 12.2 percent. The results showed that Malaysia's staff turnover rate is high. Thus, high turnover rate in

Malaysia is becoming an issue for employers to take serious consideration on ways to overcome it. This issue also became a major concern for Human Resource Development (HRD) practitioners whose goals are to retain and develop the best and valuable human forces.

Pertaining to this issue, Benson and Tony (2002) discussed the cost of losing employees and the impacts of turnover in an organization. Employee turnover has become a major corporate problem due to the high cost of replacing employees who left with new ones. This will also affect customers especially in turnover of sales representatives. Moreover, the cost of service disruption can be very serious such as losing customers together with the sales representatives. Turnover statistics vary from one industry to another but the impact of the turnover is serious enough to cause big losses.

While the issue of turnover has become a hot topic, there are a lot of solutions being proposed. Some of the solutions suggested to hinder turnover are high employees' commitment and attitudes towards the organizations. Organizational commitment plays an important role in the study of organizational behaviour. A number of studies have identified the relationship between organization commitment and attitude and behaviour in the workplace (Angle & Perry, 1981; Koch & Steers, 1978; Porter et al., 1976). Based on these literatures, it can be noted that employees who are committed to the organizations they work for tend to remain loyal and stay in the organizations (Yurchisin, Park, and O'Brien. 2010). Organizational commitment is placed as a core agenda in Human Resource (HR)

management as an attempt to “win the heart and minds of the workforce.” This is because the ways that people are managed have major consequences and influence on workers’ commitment and also organizational performance. The direct benefit of gaining employees’ commitment is low employee turnover and better employees’ quality and flexibility which lead to organization’s competitive advantage (Ranya, 2009).

Good communication and feedback between the management and employees are essential to build employees’ commitment in an organization. Communication was proven to have positive effect on employees’ commitment and it is important for the management to ensure that two way communications are allowed in the organization (Ranya, 2009).

This argument indicates that communication plays an important role to the practice of management in an organization and it has become a significant part of managerial profile. Studies have shown that managers spent 75 percent or more of their work time to be involved in any form of communication (Klemmer & Snyder, 1972; Mintzberg, 1973). The reason behind this is because effective organization communication has an impact on the growth and success of organizations. Communication regardless of internal or external communication is critical to retain employees, foster trust and respect, and increase productivity (Lockwood, 2007).

Many organizations have invested enormous amount of financial and human resources just to develop effective and efficient communication systems to

facilitate communication to employees at all levels of the organization (Carriere & Bourque, 2008). In addition, the importance of communication can have significant impact on every level of organizations and in any business conduct; it has become a common knowledge among HR professionals, managers and employees within firms. It is commonly known that highly effective internal communication can affect every single outcome of the HR effort within an organization.

Furthermore, good communication can also have positive impact on organization's financial performance (Yates, 2006) and it is very important for an organization to retain and increase employees' commitment and thus increase employees' communication satisfaction. Communication satisfaction has been proven to improve employees' commitment in organizations (Downs, 1991; Gregson, 1990; Mathieu & Zajac, 1990; Potvin, 1991; Putti, Aryee & Phua, 1990). Accordingly, employees' commitment has been affirmed to have significant effect on employees' turnover intention. There are researchers who clarified that employees with high degrees of organizational commitment are more likely to remain with their organizations (Chen & Francesco, 2003; Cheng & Stockdale, 2003; Cooper-Hakim & Viswesvaran, 2005; Jaros, 1997; Meyer et al., 1993, 2002; Millard, 2003; Somers, 1995; Zhou, Long & Wang, 2009).

1.2 Research Problem

Organizations invest a lot in providing training, developing and retaining employees in organizations. The cost of turnover is significantly high for the organizations which have high turnovers. Large amount of money have been spent to retain employees in past decades. However these monetary incentives are said to be unsustainable in long term retention, especially with rapid increase of hot market in Asia that causes high employee turnover in all firms (Ongori, 2007). Communication plays an important role to increase commitment of employees. Although there are many researches investigating the relationship between 'communications and commitment' and 'commitment and turnover', there is a lack of research on communication and turnover mediated by commitment. This may be due to the fact that communication does not directly affect employee turnover. Therefore, this research project aims to gain better understanding and provide further insights into the relationship between communication and employee turnover mediated by organizational commitment in Malaysia.

1.3 Research Questions

As discussed earlier, theoretical and empirical studies have shown the effect of communication satisfaction on organizational commitment, and organization commitment on turnover intention. In addition, the mediating effect of organizational commitment has also been identified. However, the issue of how these factors influence turnover intention has not been thoroughly explained and tested. Hence the main aim of this study is to explore the influence of organizational commitment on communication

satisfaction and employee turnover by answering the research questions below:

1. How does communication satisfaction influence employee turnover?
2. How does organizational commitment mediate the relationship between communication satisfaction and employee turnover?

1.4 Research Objectives

Since turnover is very important as it impacts business success in this rapid business environment, it is vital for the Management of any organizations to focus more on this issue. Organizations should spend more money and time focusing on employee turnover to fully reap its benefits and to overcome employee turnover intention in organizations in Malaysia.

The objectives of this research are:

1. To investigate the influence of communication satisfaction and organization commitment on turnover intention.
2. To examine the relationship between communication satisfaction and organization commitment on turnover intention.
3. To identify the mediating effect of organizational commitment on the relationship between communication satisfaction and turnover intention.

1.5 Operational definitions of potential factors

With reference to past studies, the potential factors of this research are given below:

- **Communication Satisfaction:** The total of an individual's satisfaction with the relationship variables and also information flow. It can also be defined as a "socio emotional outcome resulting from communication interactions." (Ali & Drew, 2004; Downs & Hazen, 1977; Hecht, 1978).
- **Communication Climate:** An international environment within an organization which the information flows and information exchange among people through formal and informal network. The level of satisfaction in communication in the organizations which motivates and stimulates workers to meet organizational goals and make employees feel they are being identified.
- **Supervisor relationship:** Satisfaction on communication between supervisors to the extent that when employees feel free to voice opinions, employees provide suggestion to superiors without distortion and they are being paid attention with guidance for solving job-related problems.
- **Organization Integration:** The levels of satisfaction through information received by employees about their work environment such as the departmental plans, the objective of the organization and accountabilities of their jobs and also news about organization and personnel.

- **Horizontal information:** This can be defined as the informal information flow between co-workers and the information is accurate and free flowing, and the extent to which grapevine is active.
- **Personal feedback:** The satisfaction of the information flow in an organization in the extent that employees received about their performance and how they being judged by upper management.

1.6 The significance of this research

Although there are a lot of studies on Communication satisfaction and organizational commitment, Organizational commitment and employee turnover intention, there are not many studies discussing the direct effect of communication satisfaction on employee turnover intention.

Theoretically, this research will provide a significant contribution to the body of knowledge in this area. This study is unique as it explores the mediating effect of organizational commitment between communication satisfaction and turnover intention in the Malaysian context. There is huge amount of literatures by experts and academicians on the relationship between communication satisfaction and organizational commitment and relationship between organizational commitment and employee's turnover intention. However, there is a lack of study conducted similar to this research and also in the context of Malaysia.

Practically, results from this study may aid management of organizations in Malaysia especially Human Resource in enhancing communication practices to reduce employee turnover intention. This study identifies the importance of communication satisfaction towards employee turnover intention mediated by organizational commitment. Managers or supervisors will have better understanding about what are the communication satisfaction factors that can enhance employees' commitment to organization and thus reducing employee turnover.

1.7 Organization of the study

This research project contains the following five chapters:

Chapter One: INTRODUCTION

Provides an overview of the study, background and issue of the Research, Research Problem, Research Questions and Research Objectives followed by the operational definitions of potential factors, and also includes the significance of the study.

Chapter Two: LITERATURE REVIEW

This section includes an overview of the topics, definition of turnover, voluntarily turnover, turnover intent, effect of turnover, followed by the three forms of organizational commitment, communication satisfaction and extensive literature review on the relationship between communication satisfaction and turnover intention mediated by organizational commitment.

Chapter Three: METHODOLOGY

This section provides an understanding on how the research was conducted and organized in order to obtain information which are helpful in achieving the research aims and objectives. It covers the procedure and justification of the study, research framework which has been built followed by research hypothesis, and research design. It also contains the survey criteria and questionnaire developed for primary data collection, data collection procedure and validity and reliability tests to identify the significance of the variables selected.

Chapter Four: DATA ANALYSIS AND FINDINGS

This section uses the Statistical Package for Social Sciences (SPSS) version 18.0 to analyze the data gathered. It identifies the determinant factors and relationship between the independent and dependent variables. A total of 200 questionnaires are distributed to individuals working in Malaysia. Out of 183 returned questionnaire, only 181 questionnaires are completed and can be used for data analysis.

Chapter Five: DISCUSSION AND CONCLUSION

This section provides discussion about the determinant factors and relationship between the independent and dependent variables. The implications of the study and suggestions are given. This chapter also provides some limitations and recommendations.