

**THE RELATIONSHIP BETWEEN PAY SATISFACTION, LEADERSHIP
STYLES, AND INTENTION TO LEAVE AMONG LOCAL EMPLOYEES AT
YAMAHA ELECTRONICS MANUFACTURING (M) SDN. BHD.**

By

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Othman Yeop Abdullah
Graduate School of Business

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ABSTRACT

Employee turnover is an inevitable scenario faced by many organizations irrespective of its economic sectors. Uncontrollable turnover is extremely costly for the employer because it involves efforts, times and costs of rehiring, training, and low productivity effects. Intention to leave is found as the strongest predictor for actual turnover in previous studies. Due to high turnover ratio among manufacturing workers in Malaysia, it demands great concern and some insights on intention to leave subject. This research explored the causes that triggering workers' intention to leave towards their current company. In this regard, this study attempts to determine the significance relationships of pay satisfaction and leadership styles on intention to leave among local employees in electrical and electronics manufacturing company. Data were gathered using questionnaires collected from 272 local employees in Yamaha Electronics Manufacturing (M) Sdn. Bhd. The findings resulted in acceptance of the study hypotheses formulated. Pay satisfaction, transactional leadership style (i.e. contingent rewards, action management-by-exception), and transformational leadership style (intellectual stimulation, idealize influence, individual consideration, inspiration motivation, idealize belief, and ethical decision making) were significantly correlated and contributed to the intention to leave. Based on findings of the study, theoretical and possibility of implications are discussed. Limitation and recommendations for future research are also underlined. Hence, with limited literatures on the topic of pay satisfaction, transactional leadership style, transformational leadership style, and intention to leave in the context of electrical and electronics manufacturing sector in Malaysia, the findings have, to some extent, contributed to the understanding of the intention to leave aspects and enrich the knowledge of these subjects especially in Malaysian employment landscape.

Keywords: Employee Turnover, Pay Satisfaction, Transactional Leadership Style, Transformational Leadership Style, Intention to Leave.

ABSTRAK

Pusing ganti pekerja adalah senario yang tidak dapat dielakkan yang dihadapi oleh kebanyakan organisasi tanpa mengira sektor ekonominya. Pusing ganti pekerja yang tidak terkawal adalah amat mahal bagi majikan kerana ia melibatkan usaha, masa dan kos menggaji semula, memberi latihan, dan juga kesan produktiviti yang rendah. Niat untuk meninggalkan didapati sebagai peramal yang kuat untuk pusing ganti pekerja sebenar dalam kajian sebelum ini. Oleh kerana nisbah pusing ganti pekerja yang tinggi di kalangan pekerja perkilangan tempatan di Malaysia, ia menuntut perhatian besar dan beberapa pemahaman mengenai perihal niat untuk meninggalkan. Kajian ini meneroka sebab-sebab yang mencetus niat pekerja untuk meninggalkan syarikat semasa mereka. Dalam hal ini, kajian ini mencuba untuk menentukan hubungan yang signifikasi kepuasan gaji dan gaya kepimpinan ke atas niat untuk meninggalkan di kalangan pekerja dalam sektor pembuatan elektrik dan elektronik. Data dikumpul dengan menggunakan borang soal selidik yang diperolehi daripada 272 pekerja tempatan di Yamaha Electronics Manufacturing (M) Sdn. Bhd. Hasil kajian ini merumuskan bahawa hipotesis-hipotesis yang diutarakan adalah boleh diterima. Kepuasan gaji, gaya kepimpinan transaksi (iaitu ganjaran luar jangka, tindakan pengurusan-dengan-pengecualian), dan kepimpinan transformasi (rangsangan intelektual, pengaruh idealisme, pertimbangan individu, motivasi inspirasi, kepercayaan yang ideal, dan membuat keputusan beretika) memang mempunyai hubungan yang signifikan dan menyumbang kepada hasrat untuk meninggalkan organisasi. Berdasarkan hasil kajian, teori dan implikasi yang mungkin akan berlaku telah dibincangkan. Had dan cadangan kajian akan datang juga digariskan. Oleh itu, dengan ulasan karya yang terhad perihal topik kepuasan gaji, gaya kepimpinan transaksi, gaya kepimpinan transformasi, dan niat untuk meninggalkan dalam sektor pembuatan elektrik dan elektronik di Malaysia, hasil penemuan, sedikit sebanyak telah menyumbang kepada pemahaman mengenai niat untuk meninggalkan dan memperkayakan pengetahuan tentang perkara ini khususnya dalam landskap pekerjaan Malaysia.

Kata kunci: Pusing Ganti Pekerja, Kepuasan Gaji, Gaya Kepimpinan Transaksional, Gaya Kepimpinan Transformasional, Niat Untuk Meninggalkan.

DEDICATION

To my beloved parents

Abdul Ghani bin Ibrahim

Selmiah binti Ismail

To my lovely wife

Roziah binti Din @ Mior Ibrahim

To my precious children

Nurul Khairunnisa binti Muhashamsani

Nurul Farahin binti Muhashamsani

Muhammad Danial bin Muhashamsani

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LIST OF ABBREVIATIONS

AV	Audio Video
DV	Dependent Variable
E&E	Electrical and Electronics
GDP	Gross Domestic Product
HR	Human Resources
H1	Hypothesis number one
H2	Hypothesis number two
HRM	Human Resources Management
IV	Independent Variable(s)
LMX	Leader-Member Exchange
MIDA	Malaysian Industrial Development Authority
MLQ	Multifactor Leadership Questionnaire
N	Symbol for population
QA	Quality Assurance
YCJ	Yamaha Corporation Japan
YEM	Yamaha Electronics Manufacturing (M) Sdn. Bhd.

CHAPTER 1

INTRODUCTION

1.1 Introduction

In line with the status of new industrialized country, the manufacturing industry in Malaysia plays a vital role in the economic development. According to annual report of gross domestic product (GDP) released on May 2014, manufacturing industry stands as the second largest contributor to the GDP after the service industry (Department of Statistics, 2014). In 2005 it contributes RM149.7 billion or 27.5 percent of GDP. Since then, the manufacturing industry remains as the second largest contributor to GDP, which in 2013 it recorded RM193.2 billion or 24.5 percent (Department of Statistics, 2014). The electrical and electronics (E&E) industry continues as one of the major sub-sector to the manufacturing industry whereby it generates 24.5 percent of stake for manufacturing value (Department of Statistics, 2014).

Generally, manufacturing is a process that incorporates the use of machinery, equipment, and workforce to transform raw materials into products and ready for sale. Among these elements, workforce is paramount to the manufacturing industry. For the sake of being more productive and competitive it is important for all manufacturing companies to retain talented employees and reduce turnover problem (Nor, 2012). In addition, Zaleha et al. (2011) indicated that by increasing the domestic labor, foreign labor, and material it will yield positive influence on the labor productivity of the manufacturing industries. Manufacturing industry has provided huge employment opportunities for Malaysians. In fact, manufacturing

industry offers various types of jobs encompassing the lowest level position of unskilled workers such as production operators up to professional and management positions such as engineers and managers. In labor-intensive production, job as production operators, skilled-workers, and technicians are so important and become the majority of total workforce. Thus, workforce availability is significant to ensure the manufacturing process is successful.

Data provided by Treasury of Malaysia (www.treasury.gov.my) in 2012 shows 3.6 million or 28.9 percent of the total workforces in Malaysia are working in the manufacturing sector. In addition, the manufacturing sector provides the enormous job opportunities to the people. In fact, out of 1,619,473 job vacancies reported to the Labor Department in year 2012, 598,890 job opportunities or 37 percent was from manufacturing sector. While placements reported to the Labor Department in year 2012 is only 11,122 and 39.1 percent of these placements came from manufacturing sector (Ministry of Human Resources, 2012). This shows that the demand for manufacturing workers is enormous, unfortunately, the supply was inadequate, hence, it creates a scenario so called 'tight labor market.' In a tight labor market employers are competing to acquire talents because there are more job opportunities available than job seekers or the company has a vacancy which requires skills and expertise that are not common in the labor market, thus, talented or high performers or star workers will always be in short supply (Maimunah, 2011). Tight labor market also creates a scenario whereby employees have many options or opportunities to seek for higher pay, more attractive benefits, better working environment, better career advancement, or more work-life jobs balancing. Eventually, turnover becomes inevitable phenomena and increasing among manufacturing companies.

1.2 Background of Study

Yamaha Electronics Manufacturing (M) Sdn. Bhd. (YEM), a subsidiary of Yamaha Corporation Japan (YCJ) was established in 1991. YEM business activities are categorized under electrical and electronics manufacturing sector and located in Ipoh, Perak. Later YEM has grown and becomes a core manufacturing plant in producing audio video products for Yamaha Group such as amplifiers, receivers, DVD players, hi-fi systems, digital sound projector, blue-ray players, as well as home theatre systems. Besides, YEM also becomes a global service part center for AV products and provides technical expertise to other subsidiaries under AV division of YCJ. From 2003 until 2013 YEM has recorded a stable revenue around RM500 million each year. Total workforce at the end of October 2014 was 1,218. Staff in YEM include Malaysians, expatriates from Japan, foreign workers from Indonesia, Nepal as well as from Vietnam.

Currently there are more than 1130 manufacturing companies in Perak comprising of various major industries such as electrical and electronics, textile, non-metallic mineral, fast moving consumer goods (FMCG), automotive, machineries, pharmaceutical products, and rubber-based products (source: MIDA Perak, 2013). With the presence of many manufacturing companies including multinational companies that offer many employment opportunities it creates a tight labor market in Perak. In the midst of difficulties to hire skilled, competent, or even un-skilled workers most companies begin to raise pay and offer more attractive benefits with the intention to pinch experienced staffs of other companies. At the same time this unhealthy practice has increased turnover among manufacturing companies.

Tan (1995) refers turnover to the number of employees who left organization for certain reasons. He elaborated that turnover may be due to retirements, deaths, voluntary resign from organization, or dismissals. He adds the consequence of turnover is shortage of workforce due to replacement usually will take time. Flippo (1984) in his book *Personnel Management* enlightened turnover is where the workforce joined and left the organization. He adds the movement indicates the manpower stability and explains an extreme turnover is harmful and pricey to the organization. Moreover, Mobley (1982) describes employee turnover as “the termination of relationship with organization by an individual whom being paid from the organization.”

Turnover is actual behavior taken by an employee to leave an organization. Igbaria and Greenhaus (1992) posit that every action must be preceded by an intention. Intention to leave is whereby employee has made the decision to leave his or her current job and is not usually made lightly but it is a carefully thought process. Emberland and Rundmo (2010); Mishra and Bhatnagar (2010) elaborated intention to leave as a thoughtful and mindful concern to leave an organization whereas actual turnover refers to actual resignation behavior of a person with an organization. In addition, Tett and Meyer (1993) defined intention to leave as conscious willfulness to seek other alternative job opportunities in other organizations. Reviews on the antecedents of intention to leave have highlighted intent to leave rather than actual turnover as the outcome variable. Similarly, Cheng and Liou (2010) defined intention to leave as individuals’ insights towards leaving the organization than their actual leaving behavior.

Sager and Johnston (1989) have conducted an acceptable study regarding intention to leave among salespeople, and the findings established the differences between employees who left the organization and the employees who do not left the organization. Intention to leave and actual turnover are frequently much correlated and researchers often use intent to leave as a proxy for turnover (Liew and Kaur, 2008), similarly, there is a relationship between intention to leave and actual quitting (Emberland and Rundmo, 2010). Thus, practically intention to leave and intention to quit have the similar meaning and the word intention to leave can be used to replace the word intention to quit.

In fact, intention is a predictor of action. Moreover, employees decide in advance whether to leave the organization or not before their eventual exit (Uncho et al., 2012). This is consistent with attitude-behavior theory which posit that one's intention to engage in a specific behavior is the close predictor of that behavior (Fishbein and Ajzen, 1975). Thus, by knowing the predictor in early stage is more helpful rather than only find out after the employees have left the company, as once the employees have left the company, it is more challenging to identify causes that make them left (Masroor and Fakir, 2010). Moreover, intention to leave provides a better description of turnover because it covers the individual perception and decision (Mobley, 1979).

Since many of the researchers have agreed that intention to leave is the strongest predictor for employee's turnover and many of us are aware that employee turnover is an unavoidable circumstances that must be encountered by any business organization (Weisberg, 1994), therefore, it is worthwhile for the researchers to prior recognize the employee's intention to leave so that they are able to provide

recommendation or suggestion to employers to mitigate the turnover problems at their organizations.

What makes some staff leave and stay are a complex and interrelated questions. It is also dependent upon individual needs and preferences. The reason of some staff stay can be the cause of others leaving. Therefore, it is important to understand the staff's needs in a way which is feasible and practical (Ponnu and Chuah, 2010). According to (George and Jones, 1999), turnover is the permanent withdrawal of a worker from the employing organization. Unlike absenteeism which is a temporary form of withdrawal from organization, turnover is permanent and has a major impact on a worker's life. Many research have been carried out locally and globally to explore the association between various variable(s) with staff intention to leave, and some of them are leadership style and pay satisfaction.

Leadership is a vital character for business organization. Leadership involves defining the course of a team and interact it to down line people, encouraging, inspiring and empowering them to contribute to achieving organizational vision, mission and objectives. Robbins and Judge (2013) defined leadership as the capability to influence people or a group of people to meet target and goals. Similarly, Lussier & Achua (2010) in their book Leadership, had defined leadership as influencing process of leaders and followers to achieve organizational objectives through change. They added, leadership styles is the combination of traits, skills, and behaviors leaders use as they interact with followers.

There are various types of leadership styles exist in business organization. Each leadership styles has its own advantages and disadvantages. Normally, the organization's culture and goals will determines which leadership style fit for them.

Some organizations implement several leadership styles within the organization depend upon the necessary tasks to accomplish. Five different types of leadership styles that is common being discussed by scholars are laissez-faire, autocratic, participative, transactional, as well as transformational. However, recently transactional leadership and transformational leadership have been extensively studied and discussed by many researchers particularly related to employee intention to leave (Zopiatis and Constanti, 2010; Wells and Peachey, 2011; Rasa, 2012; Nor, 2012; Choi et al., 2012; Zhiqiang et al., 2013).

Lussier and Achua (2010) cited that Burns (1978) conceptualized leadership occurs in one of two way transformational or transactional. The transactional leadership is a process involves an exchange of valued benefits, based on present values and motivations of both leaders and followers (Lussier and Achua, 2010). It therefore revolves around the leader-follower exchange (LMX), in which the leader rewards the followers for specific behaviors and performance that meets with the leader's expectations and punishes or criticizes behavior or performance that does not meet expectations. Such exchanges cater to the self-interest of followers. Transaction leader enters into specific contractual arrangement with followers. In exchange for meeting specific objectives or performing certain duties, the leader provides benefits that satisfy followers' needs and desires, for instance, managers give monthly bonuses to salespeople for meeting and exceeding their monthly sales quotas, or to production people for exceeding quality standards. Transactional leadership is conceptually similar to the cultural maintenance form of leadership, which acts to clarify or strengthen existing task, work standards, and outcomes. Transactional leadership consist of three dimensions-contingent, reward, management by exception, and passive leadership (Lussier and Achua, 2010). Transactional

leadership tends to be transitory; in that once transaction is completed the relationship between the parties may end or be redefined (Lussier and Achua, 2010). Robbin and Judge (2013) elaborated transactional leaders are the leaders who guide or motivate their followers in the direction of establish goals by clarifying role and task requirements.

Whereas, transformational leadership inspires followers to go beyond self-interest and act for the good of organization (Lussier and Achua, 2010). Transformational leadership motivates followers by appealing to higher ideals and moral value, serves to change the status quo by articulating to followers the problems in the current system, and compelling vision of what a new organization could be (Lussier and Achua, 2010). Transformational leadership is more enduring, especially when change process is well designed and implemented and it promote stability while transformational leaders create significant change in both followers and organizations (Lussier and Achua, 2010).

Transformational leaders are the leader who inspire followers to transcend their own self-interests and who are capable of having a profound and extraordinary effect on followers (Robbins and Judge, 2013).

Lussier & Achua (2010) re-quote other scholars opinion transactional leaders as managers and transformational leaders as leaders, and viewed that leadership and management are substitutable. They claim that leadership is regard to developing and collaborating a vision, the objectives and strategies for realizing such vision; while management's role is plan, organize, and implement the leader's vision. Managers, it is argued, serve as the means to achieve the leader's plan.

Pay or compensation represents both intrinsic and extrinsic payments employees obtain for the job they have done. Intrinsic reward reflects employees' inner mind-sets that result performing their jobs (Martocchio, 2013). Extrinsic reward comprises both monetary and nonmonetary reward. Monetary compensation represents basic salary and allowances or incentives, whereas, nonmonetary rewards include all legally benefits such as employee social protection and provident fund, discretionary benefits such as medical care, insurances, paid time off, and etc.

On the other hand, pay satisfaction it is regard to the perception of employees on salary they should deserved it and the actual salary they received. If these perceptions are equal, then an employee is deemed to experience pay satisfaction (George et al., 2011). Similarly, Miceli and Lane (1991) defined pay satisfaction as the amount of overall positive or negative affect (or feelings) that individuals have toward their pay.

1.3 Problem Statement

Employees are greatest asset to an organization. However, nowadays in the edge of business competitiveness, turnover is inevitable and to some extent is desirable and accepted as it brings about a constructive change in the organization (Jha, 2009). However, too many employees intending to leave the organization are undesirable. High turnover is a major problem for many organizations because it extremely costly for the employer, particularly in jobs which offer higher education and extensive on the job training (Kysilka, 2013). Low labor turnover contributes to organizational profitability (Lai, 2008), whereas, high labor turnover is costly to company because of the subsequent hiring and training of new employees (Cohen, 2007), similarly, high turnover can lead to more issues in the workplace, such understaffing, low

employee morale, and poor customer service (Kysilka, 2013). Furthermore, turnover could be injurious to organizational performance (Cohen, 2007).

In the local context, the employee turnover rate in Malaysia has increased significantly. Data from Towers Watson (2013) recorded that employee turnover rate in the general industry in Malaysia has increased from 12.3 percent in 2012 to 13.2 percent in 2013. Manufacturing sector has experiencing 24 percent churn in 2013. While, as for YEM it even worse, according to the annual report issued by human resource department, the overall employee turnover ratio was recorded 57 percent in 2011 and 52 percent in 2012. Even though YEM turnover ratio was decreased to 35 percent in 2013 in which the decline was believed due to the effectiveness of Minimum Wages Order implementation in early 2013, YEM turnover ratio is still higher than the ratio recorded at the national level of 24 percent. Therefore, YEM's turnover ratio is quite alarming and damaging in term of costs, time, and efforts. YEM turnover as reported at the end of December 2011 states total employees resigned throughout the year 2011 was 727 employees, whereby, cost for recruitment, hiring and training for a new employee is approximate at RM500. Injuriouly, YEM had loss RM363, 500 for recruitment, hiring, and training costs for year 2011 alone.

Damage costs due to this high and uncontrollable turnover were not only concerning costs of recruitment, replacement, training, loss of skills but also the cost for overtime that need to be done in order to accommodate temporary labor shortage. Overtimes were needed to cover the shortage of manpower. Overtime works are very costly due to the requirements of Employment Act 1955. The overtime pay rate is one and a half times of ordinary rate of pay for overtime done on weekdays, twice on

rest day and triple on public holidays. In addition, other alternative to resolve the shortage of manpower was to outsource some of the production processes. Outsourcing activities had to be implemented in order to avoid any cancellation of orders and if cancellation of orders continues it shall cause YEM of losing the market share in the future. Indeed, outsourcing some of the production processes are also costly and will increase the costs of doing business. Thus, statutory financial statement for the fiscal year end 31 March 2014 shown the labor cost increased from RM31.18 million in 2012 to RM35.73 million in 2013 though the volume of goods produced for year 2012 and 2013 were almost the same. The increase of RM4.55 million or 14 percent in labor costs was partially due to the implementation of minimum wage order and partially due to overtime works and outsourcing processes.

Due to the difficulties of getting local workers nowadays, hiring of foreign workers cannot be avoided to ensure production schedules are not affected by the turnover of local workers. Until end of October 2014, it was recorded that total foreign workers was 408 or 32.2 percent from total workforce i.e. 1,218 workers. However, hiring foreign workers also have it impacts such as recruitment and maintaining costs as well as social impact. Over-reliance on foreign workers can have detrimental consequences. Local workers are starting to feel unsafe on this situation and they do start to worry that foreign workers will induced problems, for instance, spread of diseases and social problem. However, this high dependence cannot be done away with overnight, as a sudden repatriation of foreign workers can have serious repercussions on the economy, especially in the sectors like manufacturing. Indeed, it is important for YEM to aggressively hire local workers to reduce dependency on foreign workers. In the situation of high turnover it is a very challenging task to retain the workers so that there will be controllable turnover. Yet this effort is quite

complicated if YEM does not recognize the factors triggering intention to leave among local workers. If YEM fails to identify those factors, then YEM will continue facing the turnover problems. Intention to leave reveals a lot about an individual's perception, judgment, and behavior. Studies show that intention to leave precedes the actual turnover behavior of employees. If YEM wants to mitigate turnover, then it is imperative for them to understand the factors which triggered intention to leave or quitting intentions among employees.

Despite YEM had implemented the minimum wages in early year 2013 which the starting salary is par with other companies YEM still facing high turnover. There must be factors other than pay that triggered the intention to leave resulted actual turnover. Furthermore, pay is not only regards to salary, it encompassing allowances, incentives and benefits which each organization certainly different from each other. From the exit interviews, it discovered that the most frequent reason employees given when they resigning from YEM was getting new job with higher pay at other companies. Though the starting salary is at par with other organization, YEM should look at other facets such as allowances, incentives, or benefits. Therefore, this study needs to examine the relationship between employees' pay satisfaction and their intention to leave.

Even though the data compiled from the exit interviews did not highlighted superior-subordinate relationship as the major reason for employees to leave the organization but via personal interviews between human resource department and concerned employees revealed this matter was one of the serious issue that need YEM attention. Moreover, the discussions between human resource department and employees was consider confidential and was not officially recorded. Because of this issue, the

researcher wants to foresee the relationship between leadership styles of managers with employee intention to leave.

Therefore, this study aims to investigate and explore current employees' perception in YEM so that an appropriate action and measures can be taken to mitigate the problems.

1.4 Research Questions

Based on the problem highlighted and discussed above, the research questions will be addressed in this study:

1.4.1 Does leadership styles relates to intention to leave among local employees.

1.4.2 Does pay satisfaction relates to intention to leave among local employees.

1.5 Research Objectives

The objectives of this research are:

1.5.1 To examine the relationship between leadership styles and intention to leave among local employees.

1.5.2 To evaluate the relationship between pay satisfaction and intention to leave among local employees.

1.6 Significant of Study

Workforce is essential for a labor intensive manufacturer. For YEM, a sufficient total of employees are vital in addition to sustaining skillful workers. Hence, upholding

good industrial relations and introducing tempting compensation package is hopefully can retain employees in organization. This research will recommend the management of YEM to give appropriate trainings to the leaders such as supervision program, coaching and counselling training, problem solving and decision making and effective leadership program. These programs may inject skills to leaders to motivate his subordinates in order to reduce interpersonal conflict especially conflicts that are latent.

In addition, this research helps the management particularly human resource department to identify which facets of compensation such as benefits and rewards need to be improved. Human resource department shall take responsibility to do regular compensation benchmarking with other competitors in similar industry and surrounding companies. The company may discuss it with employees' representatives through proper communication channel such as JCC in order to understand the workers' needs, views, and aspirations.

1.7 Scope and Limitation of the Study

This study will be focusing on local employees who are currently working in YEM, Chemor, Perak which comprises various level of positions such as production operators, material handlers, QA Inspectors, clerks, technicians, supervisors, executives, engineers, as well as managerial level (starts from assistant manager until head of department).

The focus of this study is to examine leadership styles and pay satisfaction in relation to employee intention to leave. A survey instrument of questionnaire will be used to collect data. Questionnaire for pay satisfaction was adopted from Heneman and

Schwab (1985) and for leadership styles was using the multifactor leadership questionnaire created by Bass and Avolio (2000). While, for intention to leave the questionnaire was adopted from Mobley (1979).

Besides the three main independent variables that have been discussed in this study, researcher believes that there were many other than pay satisfaction and leadership styles that may contribute to employee intention to leave or voluntary resign. Factor such as job stress, adverse working condition, workplace bullying, and relationships between supervisor and subordinate may also become the possible factors to contribute to the employee intention to leave which is not covered in this study.

The researcher also believes that similar studies should involve all employees under the electrical and electronics manufacturing in Malaysia in order to comprehend the key factors that drive intention to leave among electrical and electronics manufacturing workers in Malaysia, however, due to time constraint they were not included in this study.

Lastly, since the study has used questionnaires as the instrument, some of the devious answers given may cause imprecision in findings. This is due to respondents were ordered to return the completed survey to their heads of department. Thus, in answering the leadership styles and intention to leave questions employees might be frightened to express their unpretentious feeling about their managers and plan to leave the organization if they have in mind.

1.8 Organization of the Thesis

This study comprises of five major chapters that will be deliberated widely. The first chapter covers the whole intention of doing this study such as problem statement,

research questions, research objectives, significance as well as scope and limitations of the this study. Subsequently, Chapter 2 highlights the review of related literatures, discussion of previous literature for variables studied, and literature associated in supporting conceptual framework for this study. Meanwhile Chapter 3 underlines the methods and procedures that are applied in this research for collecting and analyzing the data. Then, Chapter 4 will discuss the matter of data analyzing and defining research findings of study. Lastly, the final chapter will illustrate the discussions, findings limitations, conclusions, and recommendations for further research in this subject area.

CHAPTER 2`

LITERATURE REVIEW

2.1 Introduction

Employees are the key resource and the most valuable asset to an organization. An organization necessitates employees to materialize the business results, to accomplish the organization goals, or to realize its financial objectives, and for that reason, most organization recognizes the importance of employees in achieving their business goals (Johanim et al., 2012). Furthermore, a business organization might holds the strongest advantages, in the forms of the latest technology, sturdy financial as well as hold market positioning, nevertheless, without having solid workforce to perform their roles and duties, an organization is incapable to accomplish its objectives and goals (Mobley, 1982; Taylor, 2002).

Nowadays, the most challenging tasks for HR practitioners is to ensure an organization has the right number of staff with the right skills and at the right time (Maimunah, 2011), at these points, understaffing due to employee turnover is detrimental to business operation (Jha, 2009). During globalization age, irrespective of the location, nature of business and size of the organization, turnover becomes common problem and it occurs at all levels of employees, either in a profitable or non-profitable organization (Choi et al., 2012). Human resource practitioners view

employee turnover is a problematic issues (Chan et al., 2010) because employee turnover is very expensive for an organization due to the cost of termination, acquiring and training processes for ex-employee as well as new employee (Abbasi et al., 2008). What is more injurious, when an employee quits, it will spoilt the ability of employees who stay to accomplish their tasks due to low strength of workforce (Chan et al., 2010).

2.2 Turnover and Intention to leave

Generally, there are three types of workplace behaviors directly or indirectly influence organizational effectiveness (Griffin, 1999). The first one is the performance behavior, second is the citizenship behavior, and third is withdrawal behavior (Griffin, 1999). Robbins and Judge (2013) in their book *Organizational Behavior* elaborated performance behavior is the combination of effectiveness and efficiency of employee doing core job tasks, while, organizational citizenship behavior is employee's behavior that is discretionary and not directly or explicitly recognized by the formal reward system and that taken together promotes the effective functioning of the organization. Withdrawal behavior, on the other hand, is the set of actions that employees takes to separate themselves from the organization. Turnover is one of the symptoms of withdrawal behavior. The scholars describe withdrawal behavior is an action taken by an employee to isolate themselves from the organization, for instance, start with coming late to work or intentionally avoiding meetings to absenteeism and turnover. Absenteeism is refers as a temporary withdrawal behavior, meanwhile, George and Jones (1999) labelled turnover as a permanent withdrawal of a worker from the organization they work for. Likewise, Jha (2009) explains employee turnover is an action taken by an employee to quit on

his or her own accord. In line with these views, Mobley (1982) describes employee turnover as the termination of relationship with organization by an individual whom been paid from the organization.

Turnover is classify as voluntary or involuntary, and categorized as functional or dysfunction of workforce. Voluntary turnover, initiated by the employee due to various factors such as getting new job, whereas, involuntary turnover initiated by the employer due to poor performance or redundancy. Besides each will have varying degree of impact on the organization (Watrous et al., 2006). Furthermore, Mello (2011) explains employees who quit the organization on their own accord is classified as voluntary turnover, whereas, employees who quit at the organization's request is classified as involuntary turnover. Moreover, Lambert (2001) indicates that voluntary turnover is an outcome of employee instigating to end their relationship with their employer. Similarly, Wells and Peachey (2010) defined voluntary turnover is a process in which an employee makes decision whether to remain or quit the organization. On the other hand, involuntary turnover is the scenario whereby the organization itself overrides the employee's decision to remain or quit the organization (McPherson, 1976). Involuntary turnover is labeled as functional turnover is due to the often termination of under-performing employees (Watrous et al., 2006). Functional turnover does not detrimental to the organization. Employee who their job terminated by the employer likely to be the unskilled temporary workers and those who are poor performers, thus, the organization does not suffer the loss of talents (Wallace and Gaylor, 2012). Their employment termination does not prevent work from been done effectively. Indeed, the organization can gains advantage by substituting them with better performers and enhancing the quality of the affected jobs, resulting in functional turnover (Dalton and Todor, 1979).

Subsequently, organization faces high turnover, but the employees who remain are the top performers and brightest.

On the other hand, voluntary turnover is labeled as dysfunctional turnover. Dysfunctional turnover contradicts with functional turnover, whereby top performers leave and causing the remaining employees to pick up the slack (Wallace and Gaylor, 2012). Various reasons caused the good performers leave the organization, but a common cause is lack of career prospective. For instance, a company fills its management positions with external candidates and without giving a chance to internal employees, employees are likely to seek external opportunities for career advancement.

Employee turnover is an inevitable phenomenon emerged in any organization's business phase and it will implicate financial as well as non-financial costs, especially when involves efficient and experienced employees, with substantial amounts of investments in their human capital development, leave the organization voluntarily (Weisberg, 1994). Because of this, managements will continuously to identify the antecedents that lead the intention to leave, and then study the employee turnover models comprise bio-demographic, organizational, job characteristics, and labor market factors as factors and justifications of a worker's decision to leave his or her job (Weisberg, 1994).

Voluntarily turnover is view as interdisciplinary and multidimensional construct and this problematic issue has stretches beyond the gamut of employee and organization (Udechukwu and Mujtaba, 2007). The concept of voluntary turnover can be explicate only when it is accepted as a combination of social, economic, and psychological processes (Udechukwu and Mujtaba, 2007). Furthermore, March and Simon (1958:

48) stated in their classic book, *Organizations*, “Few aspects of organizational behavior have been subject to so much speculation as have morale, productivity, and turnover”. Within the field of organizational behavior, turnover and employee retention remains as an enthusiastic area of theory and empirical research. March and Simon (1958) influential book pioneered the development of turnover theory. March and Simon (1958) theorized that members participate in the organization as long as inducements, such as pay, match or exceed the employees’ inputs. The interaction of the inputs and inducements is influence by two motivational components: the perceived desirability of leaving and the ease of leaving. Being satisfied in one’s job reduces the perceived desirability of leaving. March and Simon (1958) suggest that ease of leaving is influence by the external economy. These include other organization see individual employee and intent to hire them, employee see the plenty of jobs in the labor market and feel easy to switch job, the reputation of current organization which easier to move from a well-known company than a little known company, and the individual's tendency to search for a job all influence ease of movement.

There were some debates claimed that turnover is beneficial to organization. Mello (2011), for instance, asserts in his book *Strategic Management of Human Resources* that turnover grants the organization to acquire new employees with fresh ideas that can cultivate innovation. Indirectly, turnover also can lower the average tenure of employees and translate into lower payroll expenses as well as giving opportunities to promoted talented and high performers (Mello, 2011), finally, when poor performers or troublemaking employees quit the organization, it will enhance the morale of the remaining workers. Nevertheless, many researchers put forward their arguments against these notions. Mobley (1982), for instance, argues that voluntary

turnover is typically dysfunctional and creates most damages to the organization. In addition, Abbasi and Hollman (2000) claimed that normally talented and smartest employees have a tendency to quit the organization, therefore, their valuable expertise and aptitude will go together with them, hence, it weakening the organization's efficiency. Furthermore, an excessive employee turnover may be harmful both organization, for instance, it will burden the organization with additional cost for acquiring, training for new employees, loss of know-how gained by an employee while on job, and understaffing will lead to decreased effectiveness as well as productivity of the remaining staff (Jha, 2009). Moreover, unwanted employee turnover is one of the biggest and most costly business problems companies may faces (Taylor, 2002). Besides losing the costly knowledge base when employee leaves, the organization will have to re-organize its resources so that business plans and goals will continue to stay the course (Johanim et al., 2012). In fact, turnover also, may have an undesirable effect on the employee as well. The individual may lose non-vested benefits and may be a victim of the "*grass looks greener*" phenomenon (Jha, 2009).

Since six decades ago, scholars have shown their concern on employee intention to leave as a precursor of actual turnover. Initial literature on turnover behavior specified that the employees would start the course of cessation of working relationship with their employer or occupation once there is a tendency to do so and seemed opportunity of such career interchange (March and Simon, 1958). Thus, this employee's tendency to terminate the employment relationship is call as intention to leave or intention to leave.

According to Ajzen and Fishbein (1980) and Igbaria and Greenhaus (1992), each behavior must be headed by an intention. Many researchers posit their concept about intention to leave or intention to leave. For instance, Vandenberg and Nelson (1999) defined employee intention to leave as a possibility of employee to stop working at certain time in the future. Furthermore, Ajzen and Fishbein (1980) elaborate that intention to leave is where an employee has made the choice to resign from his or her current employment after deep thought and a cautiously manner. In addition, Tett and Meyer (1993) defined intention to leave as conscious willfulness to seek other alternative job opportunities in other organizations. Likewise, Cheng and Liou (2010) referred intention to leave as individuals' insights towards leaving the organization than their actual leaving behavior. Moreover, Emberland and Rundmo (2010); Mishra and Bhatnagar (2010) elaborated intention to leave as a thoughtful and mindful concern to quit from an organization whereas actual turnover refers to actual resignation behavior of a person with an organization. Indeed, what were posited by these researchers was in line with the concept of '*withdrawal cognitions*' theorized by Kreitner and Kinicki (2010) in their book Organization Behavior in which they suggested that most people leave their job after gone through a thoughtful process either to leave or not the organization they work for. Thus, intention to leave is a direct indication to the actual turnover behavior (Tett and Meyer, 1993). While actual quitting becomes attention of employers and researchers, intention to leave is debate to be strong indicator for actual turnover (Firth et al., 2003). In addition, Miller et al., (1979), noted that actual turnover is occur succeeding to intention to leave among employees. Thoughts or feelings to change the current job to other organizations is engender from dissatisfactions and perceived of social support. Another argument is that the most significant cognitive factor that has affected the

turnover in term of an immediate causal is known as intention to leave (Bigliardi et al., 2005), besides, he indicated that the turnover and intention to leave is an unlike variables and is measured separately.

Therefore, the significance of turnover has inclined researchers to study further the factors that may mitigate the intention to leave among employees. In fact, intention to leave is favorable to be study in the individual's level as this factor can predict actual behavior for leaving (Harris et al., 2008). It is because an actual turnover action is more complex to be measured (Hom and Griffeth, 1995) and considered as too late to prevent quitting decisions. The reason for many researchers put concerned to study on intention to leave is due the difficulties to comprehend the turnover behavior tendencies completely (Lacity et al., 2008). Hence, companies are able to mitigate number of people who intent to leave their current jobs by evaluating research findings in intention to leave issue. Undoubtedly, the main reason for intention to leave become significant to be studied because of high turnover rate has demonstrated high cost for organizational either direct or indirect (Ali and Baloch, 2010).

An individual's intention is consider as a forerunner to future behavior (Richer et al., 2002). Referring to the textbook of Belief, Attitude, Intention, and Behavior written by Fishbein and Ajzen in 1975 which initiated the model known as Theory of Reason Action, individual behavior intention that has led individual to perform specific behavior is ground on attitude towards the behavior and subjective norms. The attitude towards behavior, subjective norm, and perceived behavioral control are three predictor variables in determining behavioral intention for this theory. Base on the theory, the attitude toward behavior is define as individual's feelings either it is

positive or negative way regards his/her actions, and it is based on the judgment of the individual either to behave in the good or otherwise to perform his/her specific behaviors (Ghazali, 2010). On the other hand, the subjective norm means that external force that influences people's observation and decisions to present their specific behavior. However, this model has a lack on the practical basis, which means the action based on intention will be difficult when sources such as ability, time, environmental, and organizational are limited. Moreover, numerous of theories have been using in explaining intention to leave studies. For instance, Intermediate Linkages Model by (Mobley, 1977) is clarified the relationships on job satisfaction and turnover. Based on the theory, the evaluation of existing job is a starting point for turnover that will lead to the job satisfaction or dissatisfaction assessment. Later, the employee tends to identify their satisfaction towards the job overall and will generate thoughts of quitting as well with intention to leave as outcome of dissatisfaction towards job. The framework established from Mobley's theory is an extension of reasoned action theory by Fishbein and Ajzen in 1975.

There are various factors caused employees feel unhappy with their jobs, hence, will quit the organization. Branham (2005) posits seven of them are lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership, and dysfunctional work cultures.

In the initial stage, there were lack of explanation of intention to leave from previous studies. Therefore, Firth et al (2003) introduced 'The Intention to Leave Model' to explain the concept of intention to leave. The authors use the model and tested among the retail salesperson and measuring the variable of job stressor, job engagement, dispositional factors as a mediator and intention to leave as the results.

The authors found that job dissatisfaction, job stress, stressors, commitment issues, and the mediator of dispositional factor recognized to clarify the current model of intention to leave.

Subsequently, in Malaysia context, Ghazali (2010) used the model of intention to leave constructed by Firth et al. (2003) to examine non-managerial employees mainly in fast food industry. Job stressor, job stress, job satisfaction and commitment, employee job feelings and employee characteristics hypothesized as the independent variables that caused employee's intention to leave. The researcher found that twenty percent of workers intended to change their job as well the industry because of job stress, which in turn directs to burn out feelings because of the routines nature and repetitive task in job scopes.

Either in global or in the local context, turnover issue received very much concern from many scholars as well as researchers to conduct studies, and job satisfaction becomes one of the popular antecedents in analyzing its relationship on intention to leaves. In Malaysia context, for instance, Samad (2006); Hemdi (2006); Khatijah et al. (2013); Hasin and Omar (2007) had conducted studies on intention to leave in various predictors, setting as well as populations.

Samad (2006) has conducted study on the relationship between job characteristics, job satisfaction, and intention to leaves among 292 IT staff in Telecom Malaysia. Researcher hypothesized that job satisfaction and job characteristic factors have negative and significant relation to intention to leave. The study shows that demographic variables, job characteristics, as well as job satisfaction had a significant contribution and negative effect on intention to leaves. The study exposed that job satisfaction accounted for larger variance in intention to leaves than from job

characteristics. The finding also discovered that job satisfaction had more influence on intention to leave than from job characteristics.

Next, a research conducted by Hemdi (2006) has used HRM practices as predictor that lead to intention to leave among employees in hotel industry. The researcher found that these antecedents has contributed to the intention to leave. The HRM practices are comprised of trust in organization and affective commitment, which has a negative relationship towards intention to leave.

The shortage of nurses has become a worldwide issue and it affected Malaysia as well. Thus, researchers, Khatijah et al. (2013) shown an interest to conduct a study on the relation between job satisfaction and intent to leave among nurses in public hospital in Peninsular Malaysia. The purpose of this study was to examine the relationship between job satisfaction and intention to leave among permanent nurses in Malaysian public hospital, and to determine the role of moral obligation as a mediator on the relationship between job satisfaction and intention to leave. Consequences supported the researchers' first hypothesis that job satisfaction significantly and negatively related to intention to leave. The most crucial finding was the significant mediating effect of moral obligation on the relationship between job satisfaction and intention to leave, hence, were crucial for Ministry of Health to review back the retention strategies.

Hasin and Omar (2007), has conducted a study on relationship between job satisfaction, job-related stress and intention to leave among audit staff in context of public accounting firms in Melaka. Results shown that job satisfaction and job related-stress significantly related on intention to leave.

Obviously, in term of Malaysian atmosphere, most researchers are less concerned to discover intention to leave subject in context of manufacturing setting except for the works of Aziz (2009); Nor (2012). Therefore, the current study will further examining factors that lead to intention to leave as current turnover rate and costs involved in manufacturing is the highest among other industries. Factors namely pay satisfaction and leadership styles were been selected to be tested on its direct relationships on employee intention to leave.

2.3 Pay Satisfaction

According to Martocchio (2013), pay or compensation represents both intrinsic and extrinsic rewards employees gain for the job have done. Intrinsic reward reflects employees' inner mind-set that result from performing their jobs, whereas, extrinsic comprises both monetary and nonmonetary peak. In addition, Williams et al. (2006) referred pay to all forms of compensation, such as direct, cash payment (e.g. salary); indirect, noncash payment (e.g. benefits); and amount of increment and the process by which the compensation system is administered. Furthermore, Mondy and Noe (2005) defined compensation as the cumulative financial and non-financial rewards payable to employees in return for their services. Milkovich et al. (2011) in their book Compensation revealed the different views on the compensation terms from the various aspect of cultures, for instance, in English, compensation means something that counterbalances, offsets, or makes up for something else, whereas, in China, the word *dai yu* is used to represents compensation. *Dai yu* refers how an employee is being treated such as wages, benefits, training opportunities, and so on. Milkovich et al. (2011) said "Compensation" in Japanese is *kyuyo*, which meaning "giving something." Traditionally, *kyu* is an honorific used to indicate that the person doing

the giving is someone of high rank, for instance, feudal lord, and an emperor or samurai leader. Today, business consultants in Japan had replaced it with the word *hou-syu*, which means “reward” and no more relations with concepts of superiors. Various allowances that commonly a part of Japanese compensation system are translate as *teate*, which means “taking care of something”. *Teate* is regarded as compensation that takes care of employees’ financial needs, furthermore, this concept is consistent with the family, housing and commuting allowances that still used in many Japanese companies. Milkovich et al. (2011), again, categorized forms of pay as total compensation returns such as cash compensation and benefits, and relational returns such as learning opportunities, status and job security. To summarize all these views, compensation or pay can be referred as all forms of monetary earnings, facilities, welfares employees enjoy as part of an employee-employer relationship.

Pay satisfaction, on the other hand, refers to the equilibrium between the perception of employees on salary they should deserved it and the actual salary they received (Milkovich et al., 2011). Similarly, Miceli and Lane (1991) defined pay satisfaction as the amount of overall positive or negative affect (or feelings) that individuals have toward their pay. Moreover, previously pay satisfaction is always becomes a significant aspect in employee-employer relation in any organization (Williams et al., 2006). Furthermore, Dreher et al. (1988) noted that the expectation of relation between compensation and work outcomes is mediated by attitudinal reactions to pay. Thus, pay satisfaction may be viewed as a necessary but not a sufficient condition for organizations to achieve the goals of their compensation system.

Pay satisfaction, in beginning stage was considered as unidimensional construct. Some researchers established an ad hoc methods for measuring pay satisfaction, on the other hand, other researchers relied on more homogenous tools for specifically targeting pay level satisfaction such as the pay satisfaction sub-scales of the Minnesota Satisfaction Questionnaire and the Job Descriptive Index (Lievens et al., 2007).

There were two theories of the causes of pay level satisfaction that steered researches for almost 50 years ago: equity theory (Adams, 1965) and discrepancy theory (Lawler, 1971 and Lawler, 1981). Based on the work of Heneman H. G. (1985); Lawler (1971); and Miceli and Lane (1991) that combines both theories of the causes of pay level satisfaction, Williams et al. (2006), was then developed a pay satisfaction model which include primary determinants (i.e., the difference between deserved and actual pay), antecedents (i.e., perceived inputs and outcomes of others), correlates (i.e., justice constructs), and consequences (i.e., absenteeism and turnover) of pay level satisfaction. They use this model to guide their meta-analysis and to frame and unify the findings. This pay satisfaction level model agrees in several points. First, it suggest that the perceived amount of pay that should be received and the perceived amount of pay received are the primary determinants of pay satisfaction. Second, when these two determinants are equivalent then employee is deemed to be satisfied with their pay. Third, its postulates that when the perceived amount of pay deserved is greater than the actual amount received then employees experience pay dissatisfaction. Miceli and Lane (1991) claimed that over payment may lead to satisfaction instead of dissatisfaction, and Scarpello (1988) advanced the theory that over reward may cause people to be satisfied but to view the outcome as unfair.

Instead of focus on dimension's determining, Heneman and Judge (2000), start to find the relationship of pay satisfaction's construct with other variables by giving a high priority to identify the linkage of pay satisfaction's outcomes. It will provides organizations significant applicable conclusions. In practical, Heneman and Judge start developing a model for pay satisfaction's outcomes which guide hypothesis formulation and testing in the field.

Most organizations intend to implement "fair" compensation system (Carraher and Carrahar, 2005; Scarpello and Carraher, 2008). The word "fair", nevertheless, is defined by the organization's ability to pay with the compensation goals of acquiring, retaining, motivating, and developing a talented staff (Pohlen and La Londe, 1994). Because of costs of doing business are vary across industries and countries, "fair" pay and benefits may be relative terms (Carraher and Welsh, 2009; Gustainiene and Endriulaitiene, 2009; Kakabadse et al., 2004; Kessler et al., 2006; Lunnan and Traavik, 2009; Turk, 2008).

2.4 Leadership Styles

Leadership is a vital character for an organization because the success of individual careers and organization is based on how effectively leaders behave (Lussier and Achua, 2010). According to Robbins and Judge (2013), leadership is defined as the capability to influence people or a group of people to meet target and goals. Similarly, Lussier & Achua (2010) in their book *Leadership*, had defined leadership as a influencing process of leaders and followers to achieve organizational objectives through change, and it is the combination of traits, skills, and behaviors leaders use

as they interact with followers. Furthermore, Yukl (2002) refers leadership is the process of influencing others to understand and agree about what needs to be done and how it can be done effectively, and the process of facilitating individual and collective efforts to accomplish the shared objectives. In conclusion, leadership is been defined in diverse means but most definitions share the assumption that it involves an influence process concerned with facilitating the performance of a collective task to achieve the vision, mission and objectives set by an organization.

Leadership style, on the other hand, is the mixture of traits, skills, as well as behaviors leaders used as they interact with followers (Lussier and Achua, 2010). Even though traits and skills construct the leadership style, behavior is more important elements because of consistent pattern of behavior will characterizes a leader. The antecedents for the behavior approach is known as autocratic and democratic leadership styles.

There are various philosophies and models regard to leadership style. One of the many theories and perhaps the most popular concept to comprehend the effectiveness of leadership is transformational versus transactional leadership (Piccolo and Colquitt, 2006).

The concept of transformational and transactional leadership was first developed in 1978 by J. M. Burns (Lussier & Achua, 2010). Later, another researcher, Bernard M. Bass (1985), expanded the concept of Burns (1978) by explaining the psychological mechanisms that underlie transforming and transactional leadership. In summary, transformational leadership serves to change the status quo by articulating the followers the problems in the current system and a compelling vision of what a new organization could be, whereas, transactional leadership seeks to maintain stability

within an organization through regular economic and social exchanges that achieve specific goals for both the leaders and their followers.

There is some studies on the correlation between leadership styles and turnover problems. Mobley (1982) has indicated that leadership styles practice in an organization is one of the causes of employee turnover. Fiasco in leadership not only brings catastrophe to workplace behaviors such as poor performance but also nourishing the withdrawal cognitive among employees, whereas, the effective leadership styles will decrease employees turnover and absenteeism cases (Howell and Costley, 2006). And social support received by followers lead to lower intention to leave and promotes organizational commitment (Firth et al., 2003).

Jackofsky and Slocum (1987) established importance leadership study on withdrawal behavior. A model of integrated process of turnover and performance which are discussed as leader's behavior is a moderator in influencing thoughts of quitting, intention to leave as well actual job turnover for a final step. Researchers also have emphasized on the advantages of leadership techniques to persuade employees for better performance and subsequently reducing job turnover. Moreover, intention to leave was associated with lower job satisfaction that caused by manager's supervision practices (Wheeler et al., 2010). Hence, the supervision styles should be comprised of high efficiency in vision, judgment and communication for intention to leave reduction (Riley, 2006).

2.4.1 Transformational Leadership Behavior

Bass and Avolio as cited in Lussier & Achua (2010) suggested that transformational leadership comprises four behavior dimensions, and labeled them as follows.

2.4.1.1 Idealized Influence

Idealized influence is a crucial component in a change process. A charismatic transformation leader possess the capability or characteristic power that is then used to influence followers. Followers idealize such a leader and often create a compelling enthusiastic connection.

2.4.1.2 Inspirational Motivation

Transformational leader have a tendency to be inspirational individual also. Inspiration depicts how the leader profoundly conveys a future idealistic objective or circumstance that is a greatly improved option to current situation. The transformational leader utilizes visionary clarifications to portray what the workgroup can fulfill. Energized followers are then inspired to attain the organizational goals.

2.4.1.3 Individual Consideration

Transformational leader plays as a tutor role to the followers. Under individual consideration behavior, the relationship between leader and follower just like mentor-mentee relationship. Transformational leader treats followers as an individuals and apply personal development program to react to the followers needs and concerns.

2.4.1.4 Intellectual Stimulation

Lastly, intellectual stimulations portrays the transformational leader's inventive and out-of-the-box thinking style. Transformational leader urges followers to approach old and regular issues in the new methods. By motivating employee unique thinking

pattern, the leader inspires followers to ponder their own intellectuality and figure out how to tackle issues innovatively by themselves.

2.4.2 Transactional Leadership Behavior

The transactional leadership style was first described by Max Weber in 1947, and again by Bernard M. Bass in 1981. Transactional leaders are on the opposite leadership theory spectrum relative to transformational leaders. The former depends on a system of rewards and punishments, while the latter takes advantage of internal motivations.

Transactional leadership represents those exchanges in which both the superior and the subordinate influence one another reciprocally so that each derives something of value (Yukl, 1981). Leadership style that approaches followers with an eye to exchanging one thing for another (Burns, 1978). Leadership style pursues a cost benefit, economic exchange to meet subordinates current material and psychic needs in return for “contracted” services rendered by the subordinate (Bass, 1985), Transactional leadership is characterized by leader-follower exchanges, whereby leaders exchange things of value with followers to advance both the leaders’ own and followers’ agendas (Gary, 2009). According to Straker (2009), the transactional leader works through creating clear structures whereby it is clear what is required of their subordinates, and the rewards that they get for following orders. Punishments are not always mentioned, but they are also well-understood and formal systems of discipline are usually in place.

The early stage of transactional leadership is in negotiating the contract whereby the subordinate is given a salary and other benefits, and the company (and by implication

the subordinate's manager) gets authority over the subordinate. When the Transactional Leader allocates work to a subordinate, they are considered to be fully responsible for it, whether or not they have the resources or capability to carry it out. When things go wrong, then the subordinate is considered to be personally at fault, and is punished for their failure (just as they are rewarded for succeeding).

The transactional leader often uses management by exception, working on the principle that if something is operating to defined (and hence expected) performance then it does not need attention. Exceptions to expectation require praise and reward for exceeding expectation, whilst some kind of corrective action is applied for performance below expectation.

Whereas Transformational Leadership has more of a 'selling' style, Transactional Leadership, once the contract is in place, takes a 'telling' style. The transactional leadership style developed by Bass (1985) is based on the hypothesis that followers are motivated through a system of rewards and punishment. The transactional leader's view of the leader /follower relationship is one of quid pro quo - or this for that. If the follower does something good, then they will be rewarded. If the follower does something wrong, then they will be punished.

Basically, transactional leadership involves motivating the followers through the use of rewards, praises and promises (Burns, 1978). There exist mutual agreements between the leader and followers, where once the followers achieve the work objectives, they will be rewarded.

Antonakis (2003) and later Avolio and Bass (2004) categorized the transactional leadership into three sub scales, namely, contingent rewards, management by exception (active) and management by exception (passive).

In contrast, transactional leadership is a more conventional style in which work is exchanged for resources. A transactional leader influences subordinates by rewards in exchange for their efforts (contingent rewards), follows workers closely and takes corrective actions when required (management by exception – active), or passively manages employees and takes measures when necessary (management by exception – passive) (Bono & Judge, 2004; Elkins & Keller, 2003; Judge & Piccolo, 2004). Though initially thought that the two forms of leadership were considered to be on a continuum, further research has modified the theory. In particular, Bass created the augmentation theory, which proposes that transformational leadership builds upon transactional leadership, and that successful leaders display both types of behaviors (Bass, 1985). Bass and Avolio (1995) proposed that transactional leadership consists of three dimensions, namely contingent rewards, management by exception (active), and management by exception (passive).

2.4.2.1 Contingent Reward

These behaviors have to do with economic and emotional exchanges between leaders and followers. Bass (1985) says when leaders provide contingent rewards they “engage in a constructive path-goal transaction of reward for performance. They clarify expectations, exchange promises, and resources for support of the leaders, arrange mutually satisfactory agreements, negotiate for resources, exchange assistance for effort, and provide commendations for successful follower performance.”

The transactional leadership style developed by Bass (1985) is based on the hypothesis that followers are motivated through a system of rewards and punishment. The transactional leader's view of the leader / follower relationship is one of quid pro quo - or this for that. If the follower does something good, then they will be rewarded. If the follower does something wrong, then they will be punished. Transactional leadership that applies rewarding system will encourage the role needed to meet the organization challenge and goals (Bolden, Gosling, Marturano, & Dennison, 2003). According to Schilling (2007), contingent reward is a very rational leadership style. The followers are supposed to give their time and effort in order to receive material and immaterial rewards. This leader perceives time in its compensatory function. If he spends his time for developing or instructing followers, he expects to get value in the form of results in return. This rather short time perspective implies that all activities not directly task bounded or with an uncertain pay off are omitted. This time strategy could be called an exchange of time and services or 'time-buying'.

2.4.2.2 Management by Exception - Active

When leaders engage in active management by exception, they monitor the performance of their followers in order to detect poor performance or deviations from standards so they can take corrective action. The leader actively searches for mistakes or errors in order to catch and correct them. In short, says Bass (1985), leaders who engage in active management by exception "...enforce rules to avoid mistakes." Active leaders monitor follower behavior, anticipate problems, and take corrective actions before the behavior creates serious difficulties (Northouse 2004: 179). According to Schilling (2007), this behavior implies to control final

performance but also the efficiency of work. This strategy can be termed time-control. Mistakes and a low quality of products cost time in terms of revisions, amendments, and customer complaints. By correcting mistakes before their consequences occur time can be saved on part of the leader, his subordinates, and his superiors. In his work this leader concentrates on external subjects like customers, suppliers, competitors, and public. However, he is prone to disregard internal aspects like motivation and skills of the followers, employee burnout, turnover and absenteeism, as well as organizational development. Some investigations support the notion that the effectiveness of this time strategy highly depends on situational factors, i.e. stable market environment, an individualistic societal culture, and a hierarchical organization with standardized tasks, and well defined performance standards.

2.4.2.3 Management by Exception - Passive

Leaders who engage in passive management by exception wait to intervene until serious mistakes are made and called to their attention. Passive leaders wait until the behavior has created problems before taking action. A substantial difference is that in the active form the leader looks for deviations whereas in the passive form, the leader waits for problems to emerge (Hater and Bass 1988). According to Schilling (2007), passive management-by-exception is characterized by a lack of time investment with regard to the monitoring of follower performance and prevention of failures and mistakes. The leader prefers not to intervene before the mistake becomes obvious. In this case he saves time by strategically shortening his activities. This is a rather short-termed as well as risky managerial strategy with a possibly destructive long-term impact concerning both the performance of the organization and the leader. In case

that no problems occur, the leader will be rewarded by the time saved but cannot experience self-efficacy as he has not contributed to this performance. However, if failure and mistakes interrupt the work process, much additional time and effort is needed from him and his followers.

2.5 The Relationship between Pay Satisfaction and Intention to Leave

Pay satisfaction and attitudes towards benefits have appeared as common variables for use in organizational study (Carragher et al., 2004a, b, c; Gerhart and Rynes, 2003; Scarpello and Carragher, 2008; Williams et al., 2008). They reveal significant relationships between pay satisfaction with workplace behaviors consequences, for instance, absenteeism, intention to leaves, perceived organizational attractiveness for job seekers, organizational citizenship behaviors, and job performance (Carragher et al., 2006a, b; Gaiduk et al., 2009).

In addition, compensation is also found have the relationship to employee's intention to leave. When an employee has intention to leave, an employee always ponders the tangible benefits (i.e. compensation) from the existing organization that he or she has to sacrifice (Bergiel et al., 2009). This view also supported by Vanderberghe and Tremblay (2008) that compensation satisfaction is a key element in retention plans because it helps strengthening the link with the organization.

Carragher (2011) had conducted study on turnover prediction using attitudes towards benefits, pay, and pay satisfaction among employees and entrepreneurs in Estonia, Latvia, and Lithuania. One of the major problems faced by the organizations in the Baltics was vast employee turnover (Gaiduk et al., 2009). For instance, since 1990 it was recorded more than 400,000 Lithuanians have migrated and the departing of

these qualified workers for higher paying jobs in Western Europe has caused labor costs increased faster than GDP growth (Gaiduk et al., 2009). Researcher collected data from six samples in three countries. The sample consists of 153 Estonians, 157 Latvians, 146 Lithuanians and all of them are employees working in service industry. Another samples were from business owners which consists of 243 Latvians, 103 Estonians, and 109 Lithuanians. In this study, researcher hypothesized that attitudes towards benefits, pay, pay satisfaction, gender, and age shall have significant relationship with intention to leave among entrepreneurs and employees in these three countries. Researcher further hypothesized that both equity and expectancy variables shall be useful predictors of turnovers for employees and entrepreneurs. As a result, attitudes towards benefits were found generally significant predictor of turnover for employees as well as entrepreneurs over a four-year time period. On the other hand, pay satisfaction was typically significant predictor of turnover for employees, however, for entrepreneurs were not.

In addition, Wang et al. (2010) had conducted a study on employees of selected multinational companies in the semiconductor industry in Shanghai. They hypothesized that pay satisfaction has positive relationship with organizational commitment, thus, lesser intention to leave. Pay satisfaction, was then, found to be significantly relate with intention to leave. It was discussed that the workers from the young generation of Chinese were quite individualistic and materialistic, therefore, they tend to pursue more personal growth and recognition tied to financial rewards, if they do not receive the expected financial rewards they incline to leave an organization. Whereas, employees who experienced pay satisfaction will show less intention to leave. Intention to leave will be reduced intensely when financial pay satisfaction was fulfilled. This view was supported Philips and Fox (2003), whereby

researchers indicated that at the organizational level, compensation is crucial in appealing, retaining, and motivating the employees to endure their services with organization. This is because compensation is vital to influence individuals' choice to work with an organization. Numerous organizations use the compensation system to reward, to motivate, as well as to stimulate employees' productivity. Indirectly, it will deter the intention to leave and increase career satisfaction (Chiu et al., 2002). Similarly, Chew and Chan (2008) revealed that remuneration and recognition positively predicted organizational commitment and intention to stay in the employer's perspective. Clearly, employers will increase their commitment to the use of rewards as essential elements of talent management programs.

In Malaysia context, Mohd Yusuf (2011) has studied the relationship between human resources practices and employee intention to leave among executive in one of the oil and gas companies. There were the seven human resource practices act as variables have been analyzed namely staffing, performance appraisal, performance rewards, pay satisfaction, employee relations, internal communication system, and intention to leave. Result of correlation analysis exposed that all items measured were significant relationship with the intention to leave except for the staffing variable. Pay satisfaction was identified as highest negative and significant relationship to the intention to leave with the correlation coefficient at large scale of 0.629, followed by employee relations with the correlation coefficient of 0.569. As a consequence, pay satisfaction as well as employee relations are the uppermost matters that employees unhappy with the present HRM practices. Obviously, the more employees' dissatisfied with their pay, the higher tendency employees want to leave the company. Also, results shows that the employee perception on pay satisfaction was relatively low with other oil and gas companies. Therefore, the management should

deal this matter diligently to avoid the chances of employee intention to leave becomes higher and could not be contained in the future.

Therefore, from previous studies, it is shown that managing good compensation or pay not only helps to acquire but also to retain and motivate employees. In Chapter 1, the researcher has indicated that the turnover rate for employees in YEM is alarming. Good compensation package becomes one of the strong tools to persuade employees to stay in the company.

2.6 The Relationship between Leadership Styles and Intention to Leave

While popular variables, for instance, job satisfaction, HRM practices, or jobs characteristic become main concentrations of researchers to study turnover discipline, some researchers focus on leadership styles as an alternative variables in various settings (Wells and Peachey, 2010; Choi et al., 2012; Nor, 2012; Overbey, 2013; Liu et al., 2013; Robertson, 2013).

Wells and Peachey (2010) had conducted study to examine the connection between leadership behaviors (transformational and transactional), satisfaction with leaders and voluntary intention to leave on 208 respondents from National Collegiate Athletic Association (NCAA) Division I softball and volleyball assistant coaches in the United States. It also aims to observe the mediation effect of satisfaction with the leader on the correlation between leadership behaviors and voluntary turnover organizational intentions. Findings of study revealed significant negative association between leadership behaviors (either transformational or transactional) and voluntary organizational intention to leaves. Likewise, satisfaction with the leader mediated negative relationship between leadership behaviors (transformational and

transactional) and voluntary intention to leaves. Then researchers quoted the theory of Cobb et al. (1995) to justify why they found transactional leadership behavior was related to lessen voluntary organizational intention to leave.

In addition, Overbey (2013) had conducted study to investigate the relationship between perceived leadership styles and intention to leave among the telecommuter at two sales-based organizations located in the Midwestern USA and both organizations had employees scattered in USA. The nature of business of the first organization was a computer systems integration company and the second organization was a veterinarian products distributor. Three leadership styles were examined: transformational, transactional, and laissez-faire. Respondents answered to a single online survey combining two validated survey instruments, the MLQ 5X Rater and Staying or Leaving Index. Surprising, linear regression results exposed a significant relationship between perceived transformational and telecommuter intent to leave an organization ($F(1,111) = 34.36, p < 0.001$) signifying the more a leader demonstrates a transformational leadership style, the more a telecommuter intends to quit the organization.

On the other hand, results also shown a significant negative relationship between perceived laissez-faire leadership style and intent to leave an organization ($F(1, 111) = 20.01, p < 0.001$) telling the more a leader demonstrates a laissez-faire leadership style, the less a telecommuter wants to leave the organization. And then, it was found no connection occurred between perceived transactional leadership style and telecommuter intent to leave an organization. The findings were unanticipated for all three leadership styles. Due to these unexpected results, Overbey (2013) proposes that study should gather actual leadership behavior verses perceived leadership

behavior and expanding the population to include greater diversity in both gender and ethnic. Researcher of this study views that the unforeseen results of Overbey's study is connected to the working atmosphere of telecommuters itself which similar to self-employed workers. According to some studies, people choose to be self-employed because it offers them a high degree of autonomy, freeing them from constraints usually associated with a formality, lesser bureaucratic organization (Jamal, 2007), thus, laissez-faire leadership style is seems more conducive to this type of working environment where laissez-faire leaders demonstrate a passive indifference to tasks and subordinate needs. Avolio (1999) labelled laissez-faire leadership as an absence of effective leadership.

Furthermore, Robertson (2013) had investigated the relationship between leadership styles and the intention to leave among pastors of District 9 Baptist Association of the Southern Baptist Association of North Carolina. The data were collected from 31 pastors utilizing the Leadership Practices Inventory, the Anticipated Turnover Scale, and a demographic questionnaire. Permanent and bi-vocational pastors participated in the research, rating their leadership styles and their intention to leave the ministry. The results exposed no significant relationship between leadership styles and intention to leave. Upon further examination, the research shown that permanent pastors were a lower risk of intention to leave than bi-vocational pastors. Education and age were factors in the intention to leave among pastors. This research offered information that can be applied for continue research relating to bi-vocational leadership training and education. Colleges, seminaries, and associations should consider mentoring programs and educational opportunities for the bi-vocational pastor for leadership development based upon a higher risk of intention to leave.

Generally, some researchers suggest that leader-member exchange (LMX) is a part of transactional leadership style due to the similarities in characteristics (Lussier & Achua, 2010), in which leader rewards the follower for specific behaviors and performance that meets with the leader's expectations and punishes or criticizes behavior or performance that does not meet expectations. Zhiqiang et al. (2013) had conducted study to detect in what way mediating variable of culturally specific human resource management (C-HRM) moderates the relationship between leadership style and employee turnover in electronics companies in China. To gain more variance and accurateness in the measurement of C-HRM, the researchers collected data from both Shenzhen and Hong Kong. While Hong Kong was a British colony from 1842-1997, and Shenzhen is a new Chinese city in mainland of China with the majority of its residents coming from other parts of China. There are explanations to doubt that these two Chinese cities vary in C-HRM. Study has revealed that Hong Kong is deeply influenced by the individualistic cultural values from the West and that Shenzhen much more influenced by traditional Chinese culture, which the migrant workers bring from their hometowns in inland China provinces (Li et al., 2011). The result of the study exposed that a leadership style, i.e. leader-member exchange (LMX) have a significant effect on employee turnover. In addition, the effect of LMX can be moderated by the C-HRM-oriented approach.

In Malaysia context, Choi et al. (2012) had conducted study on the relationship between leadership style and employees' intention to leave among the permanent academic staff in a community college in the most southern state in Peninsular Malaysia. The structured questionnaire have been circulated among permanent academic staff and 84 percent of them completed and return the forms to the researchers. Initially, the researchers hypothesized that transformational and

transactional leadership styles are significantly related to employees' intention to leave, nevertheless, the outcomes exposed direct negative relationship between transformational and transactional leaderships and intention to leave. The result contradicts with the several previous studies, for instance, Overbey (2013) and Robertson (2013), this may be due to the work nature of the academic staff in an higher learning institute works independently in conveying their knowledge to students and amount of contact hours with their superior are minimal because normally academics staff have high autonomy on executing their tasks.

Again in Malaysia context but in the difference settings, Nor (2012) has conducted a study to investigate the relationship between job characteristics and transactional leadership style among operators in E&E industry. Nor (2012) hypothesized that job characteristic significantly correlates and transactional leadership style significantly correlates with intention to leave. Findings showed that job characteristics and transactional leadership style have significant correlation with intention to leave. In fact, most leaders are utilizing a pedagogy approaches in applying transactional leadership (Epstein, 2005) which reflects in actual manufacturing environment whereby operator are only performing task after received initial training and base on instruction given by the leader or supervisor. Transactional leadership style has been determined as a social exchange relationship which both leader and subordinates must contribute on mutual agreements to gain both objectives and rewards exchange (Voon et al., 2009). "The stress is on two-way influence and a social exchange relationship between the leader and those who are followers" has represented transactional style (Hollander, 1978; p. 160). Social exchange can describe in transactional leadership style approach applied in organizations (Heravi et al., 2010). According to Schyns et al. (2007), low quality connection engaged between leader

and member will reduce the desire to stay among member, in turn, the feelings and intent to turnover will be raised.

2.7 Summary

This chapter presented a review of literature that focused on the relationships between pay satisfaction, leadership styles, and employee intention to leave. Two main predictors will be tested on intention to leave among manufacturing workers in E&E industry. Next, chapter three will discuss on the research design and methodology applied in data collection and analysis of the study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the procedures on how this study was conducted. It entails of research framework, hypotheses development, research design, population and sampling procedures, questionnaire design, variables and operational definition, pilot study, data collection procedures, and techniques of data analysis.

This research aims to comprehend the relationship between pay satisfaction and leadership styles with intention to leave among employees in YEM, henceforth, to suggest ideas and actions need to be taken by the management on how to mitigate turnover problems.

3.2 Research Framework

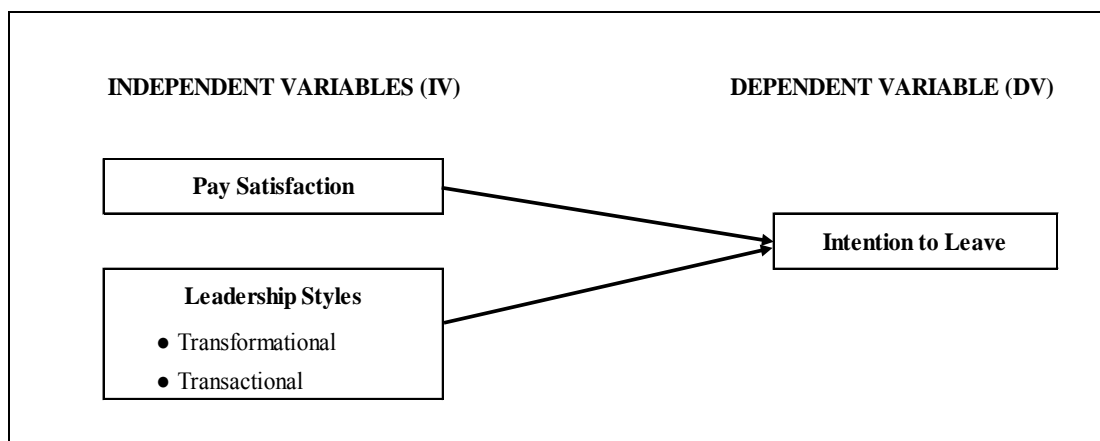


Figure 3.1
Research Framework

3.3 Hypothesis Development

Base on the above research framework, four research hypothesizes are develop as below.

H1: There is a relationship between pay satisfaction and local employee's intention to leave.

H2: There is a relationship between leadership styles and intention to leave.

H2a: Transformational leadership style is significantly related to local employees' intention to leave.

H2b: Transactional leadership style is significantly related to local employees' intention to leave.

3.4 Research Design

A research design is a blueprint used as a standard guideline for collecting, measuring, and analyzing data in order to find answers for the research questions, then, comprehend how certain problems that befall in organization can be resolved (Sekaran and Bougoe, 2013).

3.4.1 Type of Research

This study is classified as cross-sectional research design because it entails the collection of data on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables, which are then examined to detect pattern of association (Bryman and

Bell, 2011). In these study, pay satisfaction and leadership styles as the independent variables, while the intention to leave as the dependent variable.

3.4.2 Data Collection Method

Two approaches are utilized to gather data for this study. Discussion with human resource personnel and selected heads of department from various departments were conducted in order to understand on problem scenario, while questionnaires were distributed to acquire respondents' perceptions on understudied variables. Hence, questionnaires were distributed to collect primary data.

Questionnaires have been distributed to all local employees encompasses permanent and fixed-term contract at various departments in YEM with the assistance from all heads of department. The respondents were asked on their perception on pay satisfaction, their perception of leadership styles adopted by their manager, and their intention to leave their organization.

3.5 Population and Sampling Procedure

3.5.1 Population

Similar with other electrical and electronics manufacturing companies, YEM is a labor intensive organization with a total of 1,218 workforces inclusive 408 of foreign workers and 8 of Japanese expatriates. Nevertheless, foreign workers and expatriates were not included in this study because relatively their existence were not giving any impact to turnover in YEM, after all, their presence in YEM were on contract basis and YEM will repatriates them to their origin countries after their contract expired.

After the researcher discards the figure of foreign workers and expatriates, the number of population in this study is only 802 (N).

At YEM, employees are classified into six categories. First category is called as direct employee category which comprises of operators, material handlers, and quality assurance inspectors. Second is named as skill-employee categories which includes skilled employees, senior material handlers, and senior QA inspectors. Third is termed as technical and staff category covers of storekeepers, technicians, senior technician, clerk, and senior clerks. Next category is called supervisory category involves of supervisors, assistant engineers, senior supervisors, and senior assistant engineers. Fifth category is called as executive category which consist of engineers, senior engineers, executives, and senior executives. Meanwhile, assistant managers, managers, senior managers, general manager is categorized under managerial category.

3.5.2 Sampling Procedures

To determine the sample size of this study, researcher uses table provided by Krejcie and Morgan (1970) as in Sekaran and Bougie (2010) that generalized guidelines for the sample size determination. Based on table provided, for a given population of 802 (N), an appropriate sample size of at least 265(n) would be needed to represent a cross section of the population. According to Cavana, Delahaye, and Sekaran (2001), this determination of sample size procedure has the little bias and it can afford to present most generalizability.

The population is divided into six categories of employee. In order to ensure that the samples exhibits equally the proportional representation of the different categories in

which employees work, the researcher decided to use disproportionate stratified random sampling as proposed by Sekaran and Bougie (2013). The calculation of samples is shown in Table 3.1 below.

Researcher in this study anxious that information from small samples from the managerial level and the executive category would not able to portray exactly how all members at these two categories would respond. Therefore, as what theorized by Sekaran and Bougie (2013) and the number of samples from each stratum will be slightly altered, at the same time the sample size remain unchanged.

Table 3.1
Disproportionate Stratified Random Sampling

Category (Strata)	Number of Elements	Proportionate (%)	Number of Respondents
Direct-Employee	294	$294/802 = 37\%$	$37\% \times 265 = 98$
Skilled-Employee	95	$95/802 = 12\%$	$12\% \times 265 = 32$
Technical & Staff	220	$220/802 = 27\%$	$27\% \times 265 = 71$
Supervisory	111	$111/802 = 14\%$	$14\% \times 265 = 37$
Executive	49	$49/802 = 6\%$	$6\% \times 265 = 16$
Managerial	33	$33/802 = 4\%$	$4\% \times 265 = 11$
Total	802	100%	265

Source: Human Resource & Administration report as 31 October 2014

Once the population has been stratified by job categories, a sample of members from each stratum can be drawn using a simple random sampling procedure (Sekaran and Bougie, 2013). Supposing, a stratified sample is used, the standard error of the mean will be smaller because the variation between strata is essential eliminated, thus, it injects an extra increment of precision into probability sampling process (Bryman and Bell, 2011).

3.5.3 Unit of Analysis

This study employs individual as the unit of analysis. Therefore, the questionnaire will be distributed among YEM employees that comprise of six categories of employee from sixteen (16) departments namely Production, Production Engineering, Molding, Sub-Contract, Engineering, Quality Assurance, Purchasing, Part Center, Supply Change Management, Management Information System, Research and Development, Global Service Parts Center, Shipping, Finance, Facilities and Maintenance, as well as Human Resource and Administration.

3.6 Design of questionnaire

A survey instrument was employed for collecting numerical data to explore whether pay satisfaction as well as leadership styles behaviors have an effect on employee intent to leave the understudied organization. The measurement for the variables in this research consists of 73 items and divided into four sections as below.

Section A - Demographic Profile – This section was a simple and straight forward questionnaire and the questions consisting of eight items. These eight items, namely, (1) gender, (2) age, (3) marital status, (4) education level, (5) employment status (6) job category, (7) length of service and (8) pay level.

Section B – Pay Satisfaction: Researcher adopts the four-factors of pay satisfaction developed by Heneman and Schwab (1985) using strongly disagreed (1), disagree (2), neither disagree nor agree, agree (4), and strongly agree (5) as anchors. The four items, namely, (1) pay level, (2) benefits package, (3) pay raises, and (4) pay structure and administration. According to Tang, Tang and Homafar (2006),

Cronbach's alpha for pay level (0.94), benefits (0.93), pay raise (0.83), and pay structure/administration (0.87).

Section C – Leadership Styles: This study measures how respondents perceive their managers' leadership style behaviors. Instrument to measure leadership styles using Multifactor Leadership Questionnaire (MLQ) 5X rater form established by Avolio and Bass (1984) using strongly disagreed (1), disagree (2), neither disagree nor agree, agree (4), and strongly agree (5) as anchors.

Transformational leadership style behavior was measured using five factors: (1) Idealized influence-attributed and idealized influence-behavior - 17 items, (2) inspirational motivation - 12 items, (3) individualized consideration – 8 items, (4) intellectual stimulation - 9 items. According to Choi et al (2012) Cronbach alpha value obtained for the items measuring transformational leadership is 0.92. A reliability analysis was also conducted on each of the four factors examined under transformational leadership style. These included idealized influence - behavior (0.83), idealized influence – attribute (0.72), inspirational motivation (0.92), intellectual stimulation (0.86), and individual consideration (0.73).

Whereas, transactional leadership style is measured using three factors: (1) contingent reward – 3 items, (2) management-by-exception (active) – 4 items, (3) management-by-exception (passive) and laissez-faire – 4 items. According to Choi et al (2012) Cronbach alpha value obtained for the items measuring transactional leadership was 0.86. A reliability analysis was also conducted on each of the three factors examined under transactional leadership style. These included contingent reward factors (0.83), management by-exception (active) factors (0.76) and for management by-exception (passive) factors (0.85).

According to Overbey (2013) the MLQ 5X is easy to administer to groups or individuals and the instructions were clear and simple.

Section D - Intention to Leave: Intention to leave variable was measured using three-item instrument developed by Mobley, Horner, & Hollingsworth, (1978). These three items were (1) *I often think about leaving my present job*, (2) *I will probably look for a new job in the next year*, and (3) *As soon as possible, I will leave the organization*. According to Choi et al (2012) Cronbach alpha value for items measuring the intention to leave is 0.95.

Furthermore, the interval scale was applied for the measurement item was based on the extent of the agreement to the disagreement for the statements given. The items will be measured using a Five-point Likert scale for Section B until Section D as shown in Table 3.2.

Table 3.2
Measurement the Level of Agreement

Choice of Answer	Five-Point Scale
Strongly Disagree	1
Disagree	2
Neither Agree nor Disagree	3
Agree	4
Strongly Agree	5

Because most of YEM employees especially production employees are not English literate, to ease the understanding of respondents towards the meaning of items presented in the questionnaire, the original questionnaire was translated from English to Bahasa Malaysia using a back-translation procedure (Brislin, 1980). The back-

translation is done with the assistance of qualified English translator who is an English teacher from SMK Jalan Tasek, Ipoh.

3.7 Operational Definitions and Items

As displayed in Table 3.3, the researcher defined some conceptual and operational words to aid the understanding of readers of this study. On top of that the researcher will relate the items for each operational word as illustrated in Table 3.3.

Table 3.3
Operational Definitions and Items

Variables	Operational Definition	Item
1 Pay Satisfaction	Expressing satisfaction level towards pay	<ol style="list-style-type: none"> 1. I am satisfied with my overall pay level. 2. I am satisfied with my benefits package. 3. I am satisfied with my pay raises. 4. I am satisfied with my pay structure and administration
2 Transactional Leadership Style	<p>Contingency Rewards:</p> <p>The exchange rewards received in form of praise, pay increase, bonuses, and commendations when expectation is achieved.</p> <p>Active Management by Exception:</p> <p>Performance presented will be monitor and takes correction action when mistakes or failures are detected.</p> <p>Laissez-Faire:</p> <p>Intervenens actions is taking place if standards are not met or if something goes wrong.</p>	<ol style="list-style-type: none"> 1. My leader tells me what to do if I want to be rewarded for my effort. 2. He rewards my achievement 3. He recognizes my achievement. 1. My leader manage to know when things go wrong. 2. My leader focuses on my mistakes. 3. My leader keeps track of all mistakes. 4. My leader directs my attention toward failures to meet standards. 1. He takes no action even when problems become chronic. 2. He is absent when needed. 3. He avoids deciding. 4. He delays responding to requests for assistance or advice.
3 Transformational Leadership Style	<p>Idealized influence/charisma:</p> <p>Leader behaves so that</p>	<ol style="list-style-type: none"> 1. I have complete faith in my leader. 2. He/she is a model for me to follow.

	followers seek to emulate with their own actions.	<ol style="list-style-type: none"> 3. I am proud of my leader. 4. He goes beyond self-interest. 5. He/she has my respect. 6. He displays power and confidence. 7. My leader talks about values. 8. He models ethical standards. 9. He considers the moral/ethical consequences of his actions 10. He talks to us about his/her most important values and beliefs 11. He emphasizes the importance of being committed to our beliefs. 12. He displays conviction in his/her ideals, beliefs, and values 13. He clarifies the central purpose underlying our actions. 14. He talks about how trusting each other can help us to overcome our difficulties. 15. He emphasizes the importance of having a collective sense of mission. 16. He takes a stand on difficult issues. 17. He behaves in ways that are consistent with his expressed values.
3	Transformational Leadership Style	<p>Inspirational Motivation: Communicating a vision with the confidence and enthusiasm needed to energize others.</p> <ol style="list-style-type: none"> 1. My leader is an inspiration to us. 2. He inspires loyalty to the organization. 3. He emphasizes the collective mission. 4. He talks optimistically about the future. 5. He talks enthusiastically about what needs to be accomplished. 6. He arouses awareness of important issues. 7. He sets high standards. 8. He provides continuous encouragement. 9. He focuses my attention on “what it takes” to be successful. 10. He makes me aware of work-related issues. 11. He expresses his/her confidence that we will achieve our goals. 12. He articulates a compelling vision of the future.
	Individualized Consideration:	<ol style="list-style-type: none"> 1. My leader spends time teaching and coaching me. 2. He teaches and coaches.

	Characteristic that show how much a leader gives personal attention to subordinates.	<ol style="list-style-type: none"> 3. He treats me as an individual rather than as a member of a group. 4. He focuses me on developing my strengths. 5. He treats each of us as individuals with different needs, abilities, and aspirations. 6. He promotes self-development. 7. He listens attentively to my concerns 8. He provides useful advice for my development.
3	Transformational Leadership Style	<p>Intellectual Stimulation: Creative and out-of-the-box thinking style. How leader encourages followers to approach old and familiar problems in new way.</p> <ol style="list-style-type: none"> 1. My leader enabled me to think about old problems in new ways. 2. He/she seeks different views. 3. He/she suggests new ways. 4. He/she suggests different angles. 5. He/she encourages me to express my ideas and opinions. 6. He seeks differing perspectives when solving problems. 7. He/she suggests new ways of looking at how we do our jobs. 8. He/she gets me to look at problems from different angles. 9. He encourages non-traditional thinking to deal with traditional problems.
4	Intention to Leave	<p>Expressing propensity to leave current organization</p> <ol style="list-style-type: none"> 1. I often think about quitting my present job. 2. I will probably look for a new job in the next year. 3. As soon as possible, I will leave the organization.

Source: Heneman and Schwab (1985), Avolio and Bass (1984), and Mobley, Horner, and Hollingsworth, (1978)

3.8 Pilot study

It is always necessary to conduct a pilot study before running a self-completion questionnaire to samples. The purpose of pilot test is not only to confirm that survey questions can operate well but also has a role in ensuring that the research instrument as a whole function well (Bryman and Bell, 2011). Importantly, potential anomalies can be detected and can be fixed before starting the real study. Furthermore, the

outcomes of the pilot study will help the researcher to remove the uncertainty questions that are considered ambiguous or blur to the respondents. Hence, necessary rectifications can be done on questionnaire to ensure that the questionnaire is fully understood by the respondents. The pilot study was conducted based on 10 percent or 27 target respondents at YEM between 24th until 30th of November 2014.

3.8.1 Reliability test

Cronbach's alpha is used to measure the internal consistency of the instrument or evaluate the reliability of the constructs formed instrument from the items. According to Sekaran and Bougie (2013) cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. To put it another way, analyzing using cronbach's alpha was to ensure the reliability of all measurement scales.

According to Sekaran and Bougie (2013), reliability less than 0.60 are considered to be poor, those in the 0.70 range is acceptable, and those over 0.80 good. The closer the reliability coefficient to 1, the higher the internal consistency reliability will be.

3.9 Data collection procedure

Using questionnaires for collecting quantitative data is more appropriate when the respondents need time to think wisely their answer, so a self-completion survey would provide respondents with time to check their records before answering (Phellas et al., 2011). There are some advantages gained from self-completion questionnaire identified by (Phellas et al., 2011). One of them, it is inexpensive to manage because costs are only related with printing questionnaire, or electronic distribution.

The questionnaires were distributed by assistance of all heads of department in YEM. Even though the sample size was decided 265 but 280 sets of questionnaire were distributed started from 1st until 10th of December 2014. A total of 272 or 97% sets of questionnaires were successfully collected.

3.10 Techniques of Data Analysis

The data collected will be analyzed by using the Statistical Package for Social Science Program (SPSS) version 22.

3.10.1 Validity tests

Validity test is to come out evidence that the instruments, techniques, or process used to measure the variables does indeed measure the variables. In validity tests, the researcher performed face validity and construct validity. For face validity, the questionnaire was referred to the proficient human resource practitioner for endorsement (Bryman and Bell, 2011). In construct validity, the researcher will rely on the results from factor analysis. The result of factor analysis (a multivariate technique) will confirm whether or not the theorized dimension emerged (Sekaran and Bougie, 2013).

3.10.2 Factor Analysis

Factor analysis was employed in relation to multiple-indicator measures to determine whether groups of indicators tend to bunch together to form distinct clusters, referred to as factors (Bryman and Bell, 2011). Its main goal is to reduce the number of variables with the researcher needs to deal. Factor analysis is use to confirm the dimensions of the concept that have been operationally defined, as well as indicating

which of the items are most appropriate for each dimension (Sekaran and Bougie, 2013). It reveals whether the dimensions are indeed tapped by the items in the measure, as theorized.

3.10.2.1 Prerequisite for Factor Analysis

Before conducting factor analysis, prerequisite tests must be performed in order to permit the factor analysis process. The tests are as follow:

3.10.2.1.1 KMO, Bartlett, Anti-image correlation, and MSA tests.

The next item from the output is the Kaiser-Meyer-Olkin (KMO) and Bartlett's test. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy tests whether the partial correlations among variables are small. The test result should be greater than 0.5 for a satisfactory factor analysis to proceed. Bartlett's test of sphericity tests whether the correlation matrix is an identity matrix, which would indicate that the factor model is inappropriate. Bartlett factor scores have a mean of 0.00. The sum of squares of the unique factors over the range of items is minimized.

The anti-image correlation matrix contains the negatives of the partial correlation coefficients, and the anti-image covariance matrix contains the negatives of the partial covariance. Most of the off diagonal elements should be small in a good factor model.

A measurement systems analysis (MSA) is a specially designed experiment that seeks to identify the components of variation in the measurement. A measurement systems analysis evaluates the test method, measuring instruments, and the entire process of obtaining measurements to ensure the integrity of data used for analysis.

3.10.2.1.2 Factor Identification and Labelling

To identify total of factors, the researcher refers to eigenvalues and cumulative eigenvalues. Factors that involved in this study must have Eigenvalues more or equal one (1) and cumulative eigenvalues must be more or equal to 60 %.

To indicate items that converge in a particular factor, this study will use 0.63 as the factor loading value. Items score above or equal to 0.63 will be converge in the same factor. No single item can be measured any understudied factor (Meyers, Gamst and Guarino, 2006).

3.10.3 Pearson Correlation Analysis

Correlation analysis will be executed to inspect the relationship between independent and dependent variables understudied. A Pearson correlation coefficient is apply to show the direction, strength, and significance of the relationships among all the variable that were measured at an interval or ratio (Sekaran and Bougie, 2013). The symbol of a correlation coefficient is r , and its range is from -1.00 to +1.00 (Sekaran and Bougie, 2013).

A correlation coefficient communicates two matters about the relationship between two variables; the direction of the relationship and its magnitude. The closer the coefficient to 1, the stronger the relationship; and the closer it is to 0, the weaker the relationship (Bryman and Bell, 2011). If a Pearson's r correlation of 1, it means that, as one variable increases, the other variables increase by the same amount, however, if a Pearson's r correlation of -1, it means that, as one variable increase, the other variable decreases. The interpretation of the strength of correlation according to Davis (1971) as cited in Mohamed (2011) as illustrated in Table 3.4.

Table 3.4
Relationship between Variables and r Value

Correlation Value, r	Strength of relationship
± 0.70 or higher	Very high relationship
± 0.50 to ± 0.69	High relationship
± 0.30 to ± 0.49	Moderate relationship
± 0.10 to ± 0.29	Low relationship
± 0.01 to ± 0.09	Very Low relationship
± 0.00	No relationship at all

3.11 Conclusion

This chapter of methodology is the heart of the research proposal. It discusses the whole process of research procedures in order to meet research objectives. Findings from data examination based on methodology used will be discussed in the next chapter.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter analyzes all the data findings of this study. Data were analyzed using statistical package for the social sciences (SPSS) version 22.0 for window. Frequency and percentage were applied in analyzing the respondents' demographic profiles such as gender, age, marital status, educational level, employment status, job category, length of service, and gross income level. The statistical method of Pearson correlation was employed to determine the existence of any relationships between pay satisfaction, leadership styles, and intention to leave.

4.2 Respondents profiles

For a population of 802, required samples were 265. A total of 280 questionnaire was distributed to various job category in YEM. Then 272 fully answered questionnaires or 97 percent were returned as presented in Table 4.1.

Table 4.1
Total of Returned Questionnaires

Description	Number
Total Population	802
Total Sampling	265
Total Questionnaire Distributed	280
Total Questionnaire Returned	272
Percentage Questionnaire Returned	97%

Table 4.2 displays the demographic profiles of the respondents of this study. Reflecting the actual scenario in YEM, majority of the respondents are female which is 62.9 percent while male is 37.1 percent. In term of the age level, 16.5 percent of the respondents are from the age group of 18 to 24 years, 32 percent of the

respondents represent the age group of 25 to 34 years, 35.3 percent of respondents signify the age group of 35 to 44 years, 15.8 percent are from age group of 45 to 54 years, and only 0.4 percent of the respondents who are more than 55 years old.

Regarding respondents' marital status, 63.3 percent of them are married, 33.8 percent are unmarried or single, 1.5 percent of them are divorced, 0.7 percent of respondents are widows or widowers, and 0.7 percent of them living separated with their spouses.

Concerning respondents' education achievement, more than half or 52.2 percent of them having SPM as their highest educational level, 21.7 percent of them possess a diploma, 11 percent of them hold a bachelor degree, 8.1 percent of them only possess PMR/SRP, 1.1 percent of them studied until UPSR level, and only 0.7 percent of respondents hold a master degree.

In respect of employment status, 90.4 percent of respondents are permanent employees of YEM while only 9.6 percent of respondents are under fixed term contract. For job category, 35.7 percent of respondents are under direct-employee category, 25.4 percent of respondents are under technician and staff category, 14 percent of respondents are under supervisory category, 10.7 percent of respondents are under executive category, 10.3 percent of respondents are under skill-employee category, and 4 percent of respondents are under managerial class.

Concerning the respondents' tenure, 12.5 percent of them served the company less than 2 years, 28.7 percent of respondents served the company between 2 to 5 years, 10.3 percent of them served between 6 to 10 years, 8.8 percent of respondents served between 11 to 15 years, 25.4 percent of respondents have been working between 16

to 20 years, and 14.3 percent of respondents served the company for more than 20 years.

As for respondents' gross income, 22.4 percent of them having their gross income less than RM1,000 per month, more than half or 50.7 percent of respondents earned between RM1,001 to RM2,000 per month, 17.6 percent of them received between RM2,001 to RM3,000 per month, 6.3 percent of respondents having between RM3,001 to RM4,000, 1.1 percent earned between RM4,001 to RM5,000 per month, and only 1.8 percent of respondents enjoyed gross income more than RM5,000 per month.

Table 4.2
Respondents' Demographic Profile

Demographic Profile		Frequency	Percentage
Gender	Female	171	63%
	Male	102	37%
Age	18 – 24 years	45	16.5%
	25 – 34 years	87	32.0%
	35 – 44 years	96	35.3%
	45 – 54 years	43	15.8%
	55 years and above	1	0.4%
Marital Status	Single	92	33.8%
	Married	172	63.3%
	Divorced	4	1.5%
	Widow or widower	2	0.7%
	Separated	2	0.7%
Educational Level	UPSR	3	1.1%
	PMR / SRP	22	8.1%
	SPM	142	52.2%
	STPM	14	5.1%

	Diploma	59	21.7%
	Bachelor Degree	30	11.0%
	Master Degree	2	0.7%
	PhD	0	0.0%
Employment Status	Permanent	246	90.4%
	Contract	26	9.6%
Job Category	Direct Employee	97	35.7%
	Skill-Employee	28	10.3%
	Technician & Staff	69	25.4%
	Supervisory	38	14.0%
	Executive	29	10.7%
	Managerial	11	4.0%
Length of Service	Less than 2 years	34	12.5%
	2 – 5 years	78	28.7%
	6 – 10 years	28	10.3%
	11 – 15 years	24	8.8%
	16 – 20 years	69	25.4%
	More than 20 years	39	14.3%
Gross Income	Less than RM1,000	61	22.4%
	RM1,001 – RM2,000	138	50.7%
	RM2,001 – RM3,000	48	17.6%
	RM3,001 – RM4,000	17	6.3%
	RM4,001 – RM5,000	3	1.1%
	More than RM5,000	5	1.8%

4.3 Pilot Study

Pilot study was conducted to test the reliability of the measurement used in this study. According to Sekaran and Bougie (2013), reliability less than 0.60 are considered to be poor, those in the 0.70 range is acceptable, and those over 0.80 good. The closer the reliability coefficient to 1, the higher the internal consistency

reliability will be. Table 4.3 illustrates the cronbach alpha value for each variables understudied.

Table 4.3

Cronbach Alpha Value for each Variable Understudied.

Variables / Dimension	Items	α value
Pay Satisfaction	<ol style="list-style-type: none"> 1. I am satisfied with my overall pay level. 2. I am satisfied with my benefits package. 3. I am satisfied with my pay raises. 4. I am satisfied with my pay structure and administration 	0.873
Leadership Styles (Transactional)	<ol style="list-style-type: none"> 1. My leader tells me what to do if I want to be rewarded for my effort. 2. He rewards my achievement 3. He recognizes my achievement. 4. My leader manage to know when things go wrong. 5. My leader focuses on my mistakes. 6. My leader keeps track of all mistakes. 7. My leader directs my attention toward failures to meet standards. 8. My leader reacts to problems if they are serious. 9. He takes no action even when problems become chronic. 10. He is absent when needed. 11. He avoids deciding. 12. He delays responding to requests for assistance or advice. 	0.966
Leadership Styles (Transformational)	<ol style="list-style-type: none"> 1. I have complete faith in my leader. 2. He/she is a model for me to follow. 3. I am proud of my leader. 	0.966

4. He goes beyond self-interest.
5. He/she has my respect.
6. He displays power and confidence.
7. My leader talks about values.
8. He models ethical standards.
9. He considers the moral/ethical consequences of his actions
10. He talks to us about his/her most important values and beliefs
11. He emphasizes the importance of being committed to our beliefs.
12. He displays conviction in his/her ideals, beliefs, and values
13. He clarifies the central purpose underlying our actions.
14. He talks about how trusting each other can help us to overcome our difficulties.
15. He emphasizes the importance of having a collective sense of mission.
16. He takes a stand on difficult issues.
17. He behaves in ways that are consistent with his expressed values.
18. My leader is an inspiration to us.
19. He inspires loyalty to the organization.
20. He emphasizes the collective mission.
21. He talks optimistically about the future.
22. He talks enthusiastically about what needs to be accomplished.
23. He arouses awareness of important issues.

24. He sets high standards.
25. He provides continuous encouragement.
26. He focuses my attention on “what it takes” to be successful.
27. He makes me aware of work-related issues.
28. He expresses his/her confidence that we will achieve our goals.
29. He articulates a compelling vision of the future.
30. My leader spends time teaching and coaching me.
31. He teaches and coaches.
32. He treats me as an individual rather than as a member of a group.
33. He focuses me on developing my strengths.
34. He treats each of us as individuals with different needs, abilities, and aspirations.
35. He promotes self-development.
36. He listens attentively to my concerns.
37. He provides useful advice for my development.
38. My leader enabled me to think about old problems in new ways.
39. He/she seeks different views.
40. He/she suggests new ways.
41. He/she suggests different angles.
42. He/she encourages me to express my ideas and opinions.
43. He seeks differing perspectives when solving problems.
44. He/she suggests new ways of looking at how we do our jobs.
45. He/she gets me to look at problems from different

	angles.	
	46. He encourages non-traditional thinking to deal with traditional problems.	
Intention to Leave	1. I often think about quitting my present job. 2. I will probably look for a new job in the next year. 3. As soon as possible, I will leave the organization.	0.916

4.4 Data Screening

Data screening was conducted to guarantee the collected data are linear, normal, and homogenous. For linearity test, the researcher has conducted scatter plot. Furthermore, normality was tested by measuring the values of skewness and kurtosis.

4.4.1 Linearity Test

The diagrams shown in Appendix D, Section A, sub-sections i, ii, and iii are the scatter plot graphs showing the linearity pattern between variables. From the diagrams, it shows that all scatter plots graphs are linear.

4.4.2 Normality

Normality test was performed to ensure that the data is well structured by the normal distributed, whereby Skewness and Kurtosis values are referred. Table 4.4 shows that the Skewness and Kurtosis values for all variables were between -1.96 and 1.96 which is acceptable.

Table 4.4
Skewness and Kurtosis Values

		Pay Satisfaction	Transact Style	Transform Style	Intention to Leave
N	Valid	272	272	272	272
	Missing	0	0	0	0
Skewness		.133	-.056	-.947	-.005
Std. Error of Skewness		.148	.148	.148	.148
Kurtosis		-.550	-.367	1.278	-.447
Std. Error of Kurtosis		.294	.294	.294	.294

4.4.3 Removal of Multivariate Outliers

A multivariate outliers is a combination of unusual scores on at least two variables. Outliers were removed so that these extreme values cannot have a large effect on any conclusions of this study. The extreme samples or outliers were detected using Mahalanobis' distance process. These process was conducted for 6 times, and out of 272 original samples, 26 outliers have been detected and removed. Table 4.5 displays final case processing summary and Figure 4.1 portrays that all outliers have been removed using Mahalanobis' distance process.

Table 4.5
Case Processing Summary for Mahalanobis's Distance

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Mahalanobis Distance	246	100.0%	0	0.0%	246	100.0%

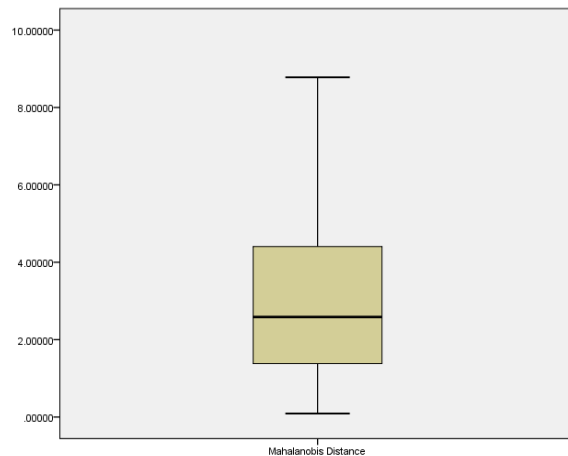


Figure 4.1
Mahalanobis Boxplot

4.5 Factor Analysis

Factor analysis was performed separately for each set of independent and dependent variables based on the study instruments. The idea was to determine the discriminant factors and the convergent of items bunched in particular dimensions (factors).

4.5.1 Prerequisite for Factor Analysis

Researcher of this study has conducted prerequisite tests in order to allow the factor analysis process. These tests were included Kaiser-Meyer-Oikin (KMO), Bartlett, Anti-image correlation, and Measure of Sampling Adequacy (MSA) test. The value for KMO measure of sampling adequacy should be greater than 0.5 to enable factor analysis can be carried out.

4.5.1.1 Pay Satisfaction

Based on KMO and Bartlett's Test table in Appendix E, the KMO value for pay satisfaction was 0.806 which was acceptable for factor analysis and the Bartlett test shows significant. Furthermore, the table of anti-image correlation shown all items for pay satisfaction dimension were not exceeding 0.7. In term of MSA values for

pay satisfaction dimension, all items were well above 0.5. Therefore, factor analysis was allowed to be executed.

4.5.1.2 Transactional Leadership

Based on KMO and Bartlett's Test table in Appendix E, the KMO value for transactional leadership was 0.782 which was acceptable for factor analysis and the Bartlett test shows significant. Furthermore, the table of anti-image correlation shown all items for pay satisfaction dimension were not exceeding 0.7. In term of MSA values for pay satisfaction dimension, all items were well above 0.5. Therefore, factor analysis was allowed to be executed.

4.5.1.3 Transformational Leadership

Based on KMO and Bartlett's Test table in Appendix E, the KMO value for transformational leadership was 0.949 which was acceptable for factor analysis and the Bartlett test shows significant. Furthermore, the table of anti-image correlation shown all items for pay satisfaction dimension were not exceeding 0.7. In term of MSA values for pay satisfaction dimension, all items were well above 0.5. Therefore, factor analysis was allowed to be executed.

4.5.2 Factor Loading

Researcher has conducted factor analysis in order to recognize factors involve in this study. To recognize the number of factors involved, researcher had refers to eigenvalues and cumulative eigenvalues. As researcher had discussed in chapter 3, those components or factors that have initial eigenvalues greater or equal to one (1)

and cumulative eigenvalues greater or equal to 60 % should only be involved in this study.

As what posited by Meyers et al (2006), researcher of this study will apply 0.63 as the value of factor loading to indicate items that converge in a particular factor. Any item scored greater or equal to 0.63 will be clustered in the same factor. Furthermore, no single item can be measured or represents any dimension or understudied factor.

4.5.2.1 Pay Satisfaction

Based on Total Variance Explained table for pay satisfaction in Appendix E, there is only one component or factor that has eigenvalues greater than 1 with the cumulative eigenvalues percentage higher than 60%. Thus, this study will only include one factor for convergent test.

4.5.2.2 Transactional Leadership

Based on Total Variance Explained table for transactional leadership in Appendix E, there are three components or factor that has eigenvalues greater than 1 with the cumulative eigenvalues percentage higher than 60%. Later, this study will include three factors for convergent test.

Furthermore, the Rotated Component Matrix table for transactional leadership in Appendix E has displayed three discriminant factors. By adopting 0.63 as a loading factor, as a result, four items can be clustered for Factor 1; *He/she takes no action even when problems become chronic* (question CA9), *He/she is absent when needed* (question CA10), *He/she avoids deciding* (question CA11), and *He/she delays responding to requests for assistance or advice* (question CA12). As for Factor 2

involves three items; *He/she tells me what to do if I want to be rewarded for my effort* (question CA1), *He/she rewards my achievement* (question CA2), and *He/she recognizes my achievement* (question CA3). While, for Factor 3 it also involves three items; *He/she focuses on my mistakes* (question CA5), *He/she keeps track of all mistakes* (question CA6), and *He/she directs my attention toward failures to meet standards* (question CA7). All these three factors were accepted in measuring transactional leadership dimension. To summarize, Factor 1 will study the dimension of laissez-faire, while, Factor 2 will study the dimension of contingency active reward, and Factor 3 will study the dimension of active management by exception. However, these two dimensions will be combined study as one dimension so called active reward monitoring.

4.5.2.3 Transformational Leadership

Based on Total Variance Explained table for transformational leadership in Appendix E, there are eight components or factor that has eigenvalues greater than 1 with the cumulative eigenvalues percentage higher than 60%. Then, this study will include eight factors for convergent test.

Moreover, the Rotated Component Matrix table for transformational leadership in Appendix E has displayed eight discriminant factors. By adopting 0.63 as a loading factor, as a result, only six items can be clustered in Factor 1; *He enabled me to think about old problems in new ways* (question CB38), *He/she encourages me to express my ideas and opinions* (question CB42), *He/she seeks differing perspectives when solving problems* (question CB43), *He/she suggests new ways of looking at how we do our jobs* (question CB44), *He/she gets me to look at problems from different angles* (question CB45), and *He encourages non-traditional thinking to deal with*

traditional problems (CB46). As for Factor 2 it involves four items; *He/she talks enthusiastically about what needs to be accomplished* (question CB22), *He/she arouses awareness of important issues* (question CB23), *He/she sets high standards* (question CB24), and *He/she expresses his/her confidence that we will achieve our goals* (question CB28). Factor 3 involves four items; *He/she considers the moral/ethical consequences of his/her actions* (question CB9), *He/she talks to us about his/her most important values and beliefs* (question CB10), *He/she emphasizes the importance of being committed to our beliefs* (question CB11), and *He/she displays conviction in his/her ideals, beliefs, and values* (question CB12). Factor 4 involves three items; *I have complete faith in my leader* (question CB1), *He/she is a model for me to follow* (question CB2), and *I am proud of my leader* (CB3). Factor 5 consists one item; *He/she treats each of us as individuals with different needs, abilities, and aspirations* (question CB34). Factor 6 involves two items; *He/she takes a stand on difficult issues* (question CB16), and *He/she behaves in ways that are consistent with his/her expressed values* (question CB17). Factor 7 also involves two items; *He spends time teaching and coaching me* (question CB30), and *He/she teaches and coaches* (question CB31). While Factor 8 only consists one item; *He/she goes beyond self-interest* (question CB4). Unfortunately one item cannot represent one dimension (Meyers et al, 2006). Therefore, Factor 5 and Factor 8 will be discarded from this study.

4.5.2.4 Intention to Leave

Based on Total Variance Explained table for intention to leave in Appendix E, there is only one component or factor that has eigenvalues greater than 1 with the

cumulative eigenvalues percentage higher than 60%. Thus, this study will only include one factor for convergent test.

4.6 Reliability Test after Factor Analysis

Table 4.6 below illustrates the cronbach alpha values for dimensions involved in this study after factor analysis. Obviously, the cronbach alpha values for all dimensions revealed that all the dimensions are reliable for further analysis.

Table 4.6
Reliability Test after Factor Analysis

Variables	Dimension	Items	α value
Transactional Leadership	Reward & Active Monitoring	1. He/she tells me what to do if I want to be rewarded for my effort (CA1). 2. He/she rewards my achievement (CA2). 3. He/she recognizes my achievement (CA3). 4. He/she focuses on my mistakes (CA5). 5. He/she keeps track of all mistakes (CA6). 6. He/she directs my attention toward failures to meet standards (CA7).	0.762
	Laissez-Faire	1. He takes no action even when problems become chronic (CA9). 2. He is absent when needed (CA10). 3. He avoids deciding (CA11). 4. He delays responding to requests for assistance or advice (CA12).	0.864
Transformational Leadership	Intellectual Stimulation	1. He enabled me to think about old problems in new ways (CB38). 2. He/she encourages me to express my ideas and opinions (CB42). 3. He seeks differing perspectives when solving problems (CB43). 4. He/she suggests new ways of looking at how we do our jobs (CB44). 5. He/she gets me to look at problems from different angles (CB45). 6. He encourages non-traditional thinking to deal with traditional problems (CB46).	0.913
	Inspirational Motivation	1. He talks enthusiastically about what needs to be accomplished (CB22). 2. He arouses awareness of important issues	0.850

	(CB23).	
	3. He sets high standards (CB24).	
	4. He expresses his/her confidence that we will achieve our goals (CB28).	
Idealized-Belief	1. He considers the moral/ethical consequences of his actions (CB9). 2. He talks to us about his/her most important values and beliefs (CB10). 3. He emphasizes the importance of being committed to our beliefs (CB11). 4. He displays conviction in his/her ideals, beliefs, and values (CB12).	0.877
Idealized-Influence	1. I have complete faith in my leader (CB1). 2. He/she is a model for me to follow (CB2). 3. I am proud of my leader (CB3).	0.900
Ethical Decision Making	1. He takes a stand on difficult issues (CB16). 2. He behaves in ways that are consistent with his expressed values (CB17).	0.825
Individual Consideration	1. My leader spends time teaching and coaching me (CB30). 2. He teaches and coaches (CB31).	0.825
Pay Satisfaction	1. I am satisfied with my overall pay level (B1). 2. I am satisfied with my benefits package (B2). 3. I am satisfied with my pay raises (B3). 4. I am satisfied with my pay structure and administration (B4).	0.864
Intention to Leave	1. I often think about quitting my present job (D1). 2. I will probably look for a new job in the next year (D2). 3. As soon as possible, I will leave the organization (D3).	0.908

4.7 Correlations

4.7.1 Correlation Coefficient between Pay Satisfaction and Intention to Leave

Table 4.7 displays pay satisfaction is negative and significant relationship with intention to leave. The correlation coefficient was -.493. While it shows the moderate relationship between pay satisfaction and intention to leave is but it is very close to a

high relationship. According to Davis (1971), correlation value for a high relationship between variables is ± 0.50 to ± 0.69 .

Table 4.7

Correlation Result between Pay Satisfaction and Intention to Leave

		Intention to Leave	Pay Satisfaction
Intention to Leave	Pearson Correlation	1	-.493**
	Sig. (2-tailed)		.000
	N	246	246
Pay Satisfaction	Pearson Correlation	-.493**	1
	Sig. (2-tailed)	.000	
	N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.2 Correlation Coefficient between Transactional after Factor Analysis and Intention to Leave

Table 4.8 displays transactional after factor analysis is negative and significant relationship with intention to leave. The correlation coefficient was $-.389$. This indicates that the relationship is moderate. According to Davis (1971), correlation value for a moderate relationship between variables is ± 0.30 to ± 0.49 .

Table 4.8

Correlation Result between Transactional after Factor Analysis and Intention to Leave

		Intention to Leave	Transactional after factor analysis
Intention to Leave	Pearson Correlation	1	-.389 **
	Sig. (2-tailed)		.000
	N	246	246
Transactional after factor analysis	Pearson Correlation	-.389 **	1
	Sig. (2-tailed)	.000	
	N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.3 Correlation Coefficient between Active Reward Monitoring and Intention to Leave

Table 4.9 illustrates dimension of active reward monitoring is negative and significant relationship with intention to leave. The correlation coefficient was -.413. This indicates that the relationship is moderate. According to Davis (1971), correlation value for a moderate relationship between variables is ± 0.30 to ± 0.49 .

Table 4.9

Correlation Result between Active Reward Monitoring and Intention to Leave

		Intention to Leave	Active Reward Monitoring
Intention to Leave	Pearson Correlation	1	-.413 **
	Sig. (2-tailed)		.000
	N	246	246
Active Reward Monitoring	Pearson Correlation	-.413 **	1
	Sig. (2-tailed)	.000	
	N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.4 Correlation Coefficient between Laissez-Faire and Intention to Leave

Table 4.10 shows dimension of laissez-faire is negative and significant relationship with intention to leave. The correlation coefficient was -.190. This indicates that the relationship is low. According to Davis (1971), correlation value for a moderate relationship between variables is ± 0.10 to ± 0.29 .

Table 4.10

Correlation Result between Laissez-Faire and Intention to Leave

		Intention to Leave	Laissez-Faire
Intention to Leave	Pearson Correlation	1	-.190 **
	Sig. (2-tailed)		.000
	N	246	246
Laissez-Faire	Pearson Correlation	-.190 **	1
	Sig. (2-tailed)	.000	
	N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.5 Correlation Coefficient between Transformational after Factor Analysis and Intention to Leave

Table 4.11 displays transactional after factor analysis is negative and significant relationship with intention to leave. The correlation coefficient was -.444. While it shows the moderate relationship between pay satisfaction and intention to leave is but it is very close to a high relationship. According to Davis (1971), correlation value for a high relationship between variables is ± 0.50 to ± 0.69 .

Table 4.11

Correlation Result between Transformational after Factor Analysis and Intention to Leave

		Intention to Leave	Transformational after factor analysis
Intention to Leave	Pearson Correlation	1	-.444**
	Sig. (2-tailed)		.000
	N	246	246
Transformational after factor analysis	Pearson Correlation	-.444 **	1
	Sig. (2-tailed)	.000	
	N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.6 Correlation Coefficient between Intellectual Stimulation and Intention to Leave

Table 4.12 illustrates the dimension of intellectual stimulation is negative and significant relationship with intention to leave. The correlation coefficient was -.447. While it shows the moderate relationship between pay satisfaction and intention to leave is but it is very close to a high relationship. According to Davis (1971), correlation value for a high relationship between variables is ± 0.50 to ± 0.69 .

Table 4.12*Correlation Result between Intellectual Stimulation and Intention to Leave*

		Intention to Leave	Intellectual Stimulation
Intention to Leave	Pearson Correlation	1	-.447**
	Sig. (2-tailed)		.000
	N	246	246
Intellectual Stimulation	Pearson Correlation	-.447 **	1
	Sig. (2-tailed)	.000	
	N	246	246

** . Correlation is significant at the 0.01 level (2-tailed).

4.7.7 Correlation Coefficient between Idealize Belief and Intention to Leave

Table 4.13 demonstrates the dimension of idealize belief is negative and significant relationship with intention to leave. The correlation coefficient was -.370. While it shows the moderate relationship between pay satisfaction and intention to leave. According to Davis (1971), correlation value for a high relationship between variables is ± 0.30 to ± 0.49 .

Table 4.13*Correlation Result between Idealize Belief and Intention to Leave*

		Intention to Leave	Idealize Belief
Intention to Leave	Pearson Correlation	1	-.370**
	Sig. (2-tailed)		.000
	N	246	246
Idealize Belief	Pearson Correlation	-.370 **	1
	Sig. (2-tailed)	.000	
	N	246	246

** . Correlation is significant at the 0.01 level (2-tailed).

4.7.8 Correlation Coefficient between Ethical Decision Making and Intention to Leave

Table 4.14 displays the dimension of ethical decision making is negative and significant relationship with intention to leave. The correlation coefficient was -.353. While it shows the moderate relationship between pay satisfaction and intention to leave. According to Davis (1971), correlation value for a high relationship between variables is ± 0.30 to ± 0.49 .

Table 4.14

Correlation Result between Ethical Decision Making and Intention to Leave

		Intention to Leave	Ethical Decision Making
Intention to Leave	Pearson Correlation	1	-.353**
	Sig. (2-tailed)		.000
	N	246	246
Ethical Decision Making	Pearson Correlation	-.353 **	1
	Sig. (2-tailed)	.000	
	N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.9 Correlation Coefficient between Idealize Influence and Intention to Leave

Table 4.15 illustrates the dimension of idealize influence is negative and significant relationship with intention to leave. The correlation coefficient was -.337. While it shows the moderate relationship between pay satisfaction and intention to leave. According to Davis (1971), correlation value for a high relationship between variables is ± 0.30 to ± 0.49 .

Table 4.15

Correlation Result between Idealize Influence and Intention to Leave

		Intention to Leave	Idealize Influence
Intention to Leave	Pearson Correlation	1	-.337**
	Sig. (2-tailed)		.000
	N	246	246
Idealize Influence	Pearson Correlation	-.337 **	1

Sig. (2-tailed)	.000	
N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.10 Correlation Coefficient between Individualize Consideration and Intention to Leave

Table 4.16 shows the dimension of individualize consideration is negative and significant relationship with intention to leave. The correlation coefficient was -.320. While it shows the moderate relationship between pay satisfaction and intention to leave. According to Davis (1971), correlation value for a high relationship between variables is ± 0.30 to ± 0.49 .

Table 4.16

Correlation Result between Individualize Consideration and Intention to Leave

		Intention to Leave	Individualize Consideration
Intention to Leave	Pearson Correlation	1	-.320**
	Sig. (2-tailed)		.000
	N	246	246
Individualize Consideration	Pearson Correlation	-.320 **	1
	Sig. (2-tailed)	.000	
	N	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.11 Correlation Coefficient between Inspiration Motivation and Intention to Leave

Table 4.17 illustrates the dimension of inspiration motivation is negative and significant relationship with intention to leave. The correlation coefficient was -.317. While it shows the moderate relationship between pay satisfaction and intention to leave. According to Davis (1971), correlation value for a high relationship between variables is ± 0.30 to ± 0.49 .

Table 4.17*Correlation Result between Inspiration Motivation and Intention to Leave*

		Intention to Leave	Inspiration Motivation
Intention to Leave	Pearson Correlation	1	-.317**
	Sig. (2-tailed)		.000
	N	246	246
Inspiration Motivation	Pearson Correlation	-.317 **	1
	Sig. (2-tailed)	.000	
	N	246	246

** . Correlation is significant at the 0.01 level (2-tailed).

4.8 Conclusions

This chapter underlined the results from data analysis procedures. In the first process the researcher implemented data screening that applied the linearity test and normality test. The researcher also removed some of the outliers. This process is followed by factor analysis and reliability test where the researcher examines the value of cronbach alpha. The researcher executed correlation analysis as a final analysis. The researcher will use the findings of this chapter to discuss and make conclusion in chapter 5.

CHAPTER 5

DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter will deliberate and interpret the findings derived from the data analyzed in the previous chapter. Subsequently, it will be followed by limitations found in presenting current research together with the implications. As a final point, recommendations to management as well as directions for further future research are suggested and will be finalized with some conclusions.

This research studied two independent variables which consist of nine dimensions. Pay satisfaction that was examined as one dimension which encompassed overall pay level, benefits package, pay raises, and pay structure. For transactional leadership style, two dimensions were examined namely active reward monitoring, and passive management by exception (*laissez-faire*). While, for transformational leadership style, six dimensions were examined namely, idealized influence, inspirational motivation, individual consideration, and intellectual stimulation, idealize belief, and ethical decision making.

The objective of this study is to inspect whether pay satisfaction and leadership behavior either transactional or transformational have significant relationship with intention to leave among employees at YEM.

5.2 Discussion and Findings

5.2.1 Pay Satisfaction with Intention to Leave

This study attempts to observe the employees' perception on pay satisfaction in relation to intention to leave. Based on correlation analysis, it was found that there is significant negative relationship between pay satisfaction and intention to leave with the correlation coefficient at large scale of -0.493. Thus, the first hypothesis (H1) of this study suggested that there is a relationship between pay satisfaction and employees' intention to leave was supported.

From the correlation analysis result, clearly, it can be understood that the lower pay satisfaction level among employees, the higher intention employees want to leave the organization. Based on the high correlation coefficient ($r = -0.493$), generally, it can be presumed that employees of YEM felt that their overall pay level, benefits package, pay raises, and pay structure were relatively low. In other words, most of the employee feels that their compensation and benefits package is less attractive and competitive with other manufacturing companies or companies in other economic sectors. It is a concern if the policy makers or management of YEM does not responses to the dissatisfaction of pay diligently, hence, the probabilities of employees intent to leave the company will be higher. Moreover, 22.4 percent of respondents come from the net income group below than RM 1,000 per month which is around the poverty income line of RM750 (Ministry of Human Resources, 2012). They are a group of employees classified under direct-employee category in which

they also are the ones who contributed to the high turnover rate in YEM. Therefore, by reviewing back the overall pay level, benefits package, pay raises, and also the salary structure it can be regarded as proactive and judicious actions taken by management in order to curb the turnover problems.

The above result is consistent with the findings by Carrahar (2011), Wang et al (2010), Idris (2011), Mohamed (2011), Ayaru (2012). Carrahar (2011) on his study on turnover prediction using attitudes towards benefits, pay, and pay satisfaction among employees and entrepreneurs in Estonia, Latvia and Lithuania, his findings showed that attitudes towards benefits and pay satisfaction were found generally significant predictor of turnover for employees.

Wang et al. (2010) had conducted a study on employees of selected multinational companies in the semiconductor industry in Shanghai. They also hypothesized that pay satisfaction has positive relationship with organizational commitment, thus, lesser intention to leave. Pay satisfaction, was then, found to be significantly relate with intention to leave. It was discussed that the workers from the young generation of Chinese were quite individualistic and materialistic, therefore, they tend to pursue more personal growth and recognition tied to financial rewards, if they do not receive the expected financial rewards they incline to leave an organization. Whereas, employees who experienced pay satisfaction will show less intention to leave. Intention to leave will be reduced intensely when financial pay satisfaction was fulfilled. This view was supported Philips and Fox (2003), whereby researchers indicated that at the organizational level, compensation is crucial in appealing, retaining, and motivating the employees to endure their services with organization.

In Malaysian context, Idris (2011) has conducted study on HR practices in relation to intention to leave. One of the dimension under HR practices has been analyzed was pay satisfaction. As a result, pay satisfaction was the highest negative and significant relationship to the intention to leave.

In addition, Mohamed (2011) has conducted a study on factors that influence intention to leave among medical employees of National Heart Institute Kuala Lumpur. He hypothesized that pay are significantly related to intention to leave, Finding of his study, pay and supervision were found significantly related to intention to leave among medical employees. Similarly, Ayaru (2012) has conducted a study on the impacts of human resource management practices on employee retention in Kulim Industrial Estate (KIE). As a result, compensation package was found to have a most significant correlation with employee retention in KIE. Moreover, compensation satisfaction indicates relation to employee retention in KIE.

5.2.2 Transactional Leadership Styles with Intention to Leave

This study aims to examine the employees' perception on their managers' transactional leadership behavior in relation to intention to leave. From the analysis, it was found that generally, transactional behavior was significantly negative relationship to intention to leave with the correlation coefficient (r) was equal to -0.389. Thus, the third hypothesis (H2b) of this study suggested that transactional leadership style is significantly related to employees' intention to leave was supported.

However, looking at the dimensions of transactional leadership style understudied, correlation coefficient score for active reward monitoring was -0.413, whereby it

shown strong relationship with intention to leave. It can be assumed that the more leaders or managers implementing active reward monitoring the less intention employees want to leave the company. It can be understood that employees are more concerned with motivation-based-system that used to rewards them if they meet the set goals. Contingent reward is perceived as a significant aspect for employee to perceive whether they satisfy with their pay or not, hence, to make choice either to stay or to leave the company. Employees who are experienced higher level of rewards exchange in form of pay level, benefits package, pay raises, and pay structure demonstrated have higher intention to stay with the company. Whereas, employees who are suffering lower level of rewards exchange are more incline to leave the company.

While, in other dimension of transactional leadership, laissez-faire leadership was also shown significantly negative relationship to intention to leave. Generally, employees preferred their leaders to demonstrate more laissez-faire leadership behavior. What was implied here, employees felt less distressed when their leaders provide less guidance and only intervenes actions when something goes wrong. However, the correlation coefficient score for laissez-faire was -0.190, whereby it shown a weak relationship. Since it shown weak relationship, it can be concluded that laissez-faire leadership given less influence to intention to leave.

Researcher of this study in the opinion that employees under direct-employee category (operators) and skilled-employees category (senior operators) are more concern their managers should adopt more transactional leadership behavior. The main task of the operators or senior operators is to make the products either manually or using machine. Employees under these job categories require no formal education,

they learn to do jobs through on-job training, and a number of specific steps must be followed repeatedly to properly assemble, pack, and ship them. Production operator or skilled-operator handles production tasks according to working instruction or work guide whereby they need to ensure daily target and quality are achieved to meet production schedule. It is undeniable that almost all employees work to get pay. If there is an opportunity to earn more money through better performance they will strive for it. As a result employees' efficiency increase, then, company gets more products in the same working hours frame.

The above result are consistent with the findings by Nor (2012) and Riley (2006). Nor (2012) has studied the relationship between transactional leadership style and intention to leave. The results derived from the analysis shown that transactional leadership style that is contingency reward and active management by exception were indicated a significant influence for negative relationships on operator's intention to leave. Likewise, Riley (2006), revealed that contingent rewards aspect have significantly influenced with a negative relationship on intention to leave in study salesperson environment.

5.2.3 Transformational Leadership Styles with Intention to Leave

Similar with transactional, this study attempt to understand the employees' perception on their managers' transformational leadership behaviors in relation to intention to leave. This study has found that in general, transformational leadership style has shown significant negative relationship with the correlation coefficient at large scale of 0.444. The transformational leadership style was shown high relationship with intention to leave. Thus, the second hypothesis (H2a) of this study suggested that transformational leadership style is significantly related to employees'

intention to leave was supported. Generally, it can be assumed that the lesser a manager demonstrates a transformational leadership style, the higher intention employee want leave the company.

Looking at the six dimensions of transformational leadership style understudied, correlation coefficient for intellectual stimulation scores -0.447, follow by idealize belief at -0.370, ethical decision making at -0.353, idealize influence at -0.337, individualized consideration at -0.320, and inspiration motivation scores at -0.317.

From this correlation analysis result, correlation coefficient for intellectual stimulation scores the highest which is -0.447. The less leaders or managers stimulate employees' intellectual the more intention employees want to leave the company. Its mean that, most of them feel that their managers did not or less stimulate ideas and creativity from the subordinates. Here it implied that employees in YEM admired managers who able to provide them new ideas or new ways to deal with their jobs. They preferred managers encourage and offer them an opportunity to come out with better ideas instead of just follow managers' decision or traditional way to deal with the jobs. They inspire managers that can motivate them to come out a creative thinking or thinking out-of-the-box in order to solve problem rather than traditional thinking to deal with the traditional problem. It is anticipated that should the management of YEM ignore the important of encouraging for creative thinking, the employees will feel their managers implementing close-mind concept, hence, the possibility for them looking at more conducive working environment at other organization is higher.

Idealize belief also has negative and significant relationship with intention to leave. The correlation coefficient was -0.370. This indicates that the relationship was also

high. This means, idealize belief is related to the employee intention to leave. The less leaders and managers demonstrate idealize belief the more intention employees want to leave the company. Employees are more preferred with managers who can emphasize and display on dedication, integrity, accountability, teamwork, professionalism, and good conduct. These are the important values that supposed to become a positive working culture at workplace. Generally, it can be assumed that the lesser a manager emphasis on important values and belief at workplace, then the higher employee intent to leave the organization. Values and ethics are essential in the workplace to help keep order, ensuring that a company runs smoothly and remains profitable. Manager needs to makes its values and ethics known almost immediately after hiring an employee or during interview process. It is anticipated that should the management demeanor looks like they fail to provide a positive workplace landscape, the employees will feel injustice, and thus, the possibility for them to chance their career with other organization is higher.

Ethical decision making also has negative and significant relationship with intention to leave. The correlation coefficient was -0.353. This indicates that the relationship was also moderate. This means that ethical decision making is related to the employee intention to leave. Generally, it can be assumed that the lesser a manager takes a stand on difficult issues or behaves inconsistently with his/her expressed values, then the higher employee intent to leave the organization. It is foreseen that should the management of YEM ignore this matter the employees will feel distress. Hence, the possibility for them to chance their career with other organization is higher.

Idealize influence also has negative and significant relationship with intention to leave. The correlation coefficient was -0.337. This indicates that the relationship was also moderate. This means that idealize influence is related to the employee intention to leave. Generally, it can be assumed that the lesser a manager demonstrates charismatic leadership, then the higher employee intent to leave the organization. It is anticipated that should the management of YEM ignore this leadership behavior, the employees will less respect to their managers, hence, the possibility for them to chance their career with other organization is higher.

Idealize consideration also has negative and significant relationship with intention to leave. The correlation coefficient was -0.320. This indicates that the relationship was also moderate. This means that idealize consideration is related to the employee intention to leave. Generally, it can be assumed that the lesser a manager spends time for teaching and coaching employees, then the higher employee intent to leave the organization. It is anticipated that should the management of YEM pay less attention to this leadership behavior, it will reflect that company does not pay attention on employee career development. Hence, there will be a possibility for them to shift their career with other organization.

Finally, inspirational motivation also has negative and significant relationship with intention to leave. The correlation coefficient was -0.317. This indicates that the relationship was also moderate. This means that inspirational motivation is related to the employee intention to leave. Generally, it can be assumed that the lesser a manager communicate his target and vision to his/her employees, then the higher employee intent to leave the organization. It is expected that should the management of YEM pay less attention to this leadership behavior, it will reflect that company

does not have visions, hence, there also will be a possibility for them to shift their career with other organization.

Generally, employees under job categories such as supervisory, executive, and managerial are not only dealing with day-to-day operations but also focus on departmental strategic planning and goals, communicate with other employees at different levels of an organization, handle and solving problems, partially making decision and so on. The researcher of this study in the opinion that staff under these categories, for examples, supervisor, senior supervisors, executive, senior executive and assistant manager who are the people who prefer being giving more flexibility and opportunity to explore their knowledge or capabilities in solving jobs problems. These are the employee who preferred their managers communicate the organizational and departmental goal effectively and effectively, they expected their managers cultivate and grow them to think independently and make them self-guided. They require unwavering support from their managers to grasp their ultimate career objectives and job goal. In fact, majority of them possess at least diploma as their education level and majority of them having vast experience in their own field at YEM. Supposing YEM's management abandoned or less adopting the transformational leadership behavior, the probabilities of these group of employees to shift their career with other organization is higher.

The above results are consistent with the findings by a number of previous researchers, for intake, Wells and Peachey (2010) and Bycio et al. (1995) and. Wells and Peachey (2010) has carried out a separate study to examine the connection between leadership behavior (transformational and transactional) on 208 respondents from National Collegiate Athletic Association (NCAA) Division I softball and

volleyball assistant coaches in the United States. Result of the study exposed significant negative association between leadership behaviors (either transformational or transactional) and voluntary organizational intention to leaves. In another study conducted by Bycio et al. (1995) in the nursing profession, the study result found that higher degrees of transformational leadership were associated with lower intention to leave.

As one of the multinational company and owned by the reputable Yamaha Corporation Japan, it is believed that it has given a remarkable impression in the company image. This means, there is no doubts that jobseekers have self-confidence to work with this company. Nevertheless, to retain them, leaders of YEM is not only should demonstrate that they able to exchange rewards or punishments in turn to productivity or performance but also need to shared goal with subordinates, appreciate and grow their potentialities, draw clear career path for team members, inspire team members to transcend their own self-interests in achieving superior results.

5.3 Recommendations

Some prospects for upcoming studies were transpired resulted from this study. The results can be used by any interested parties to enhance or expand this research to other than pay satisfaction, transactional and transformational leadership factors such as job satisfaction, job stress, adverse working condition, workplace bullying, and relationships between supervisor and subordinate on employee intention to leave in relations to intention to leave. The researcher of this study has come out with few proposals for the management of YEM and future researchers to considered:

5.3.1 Management

The outcomes of this study convey essential knowledge to the policy makers of the company which is the management that managing employees' compensation and benefits equally vital as ensuring company gains the profit. The management of YEM should be responsive to this findings and pay attention to the employees' aspiration.

In manufacturing industry all job categories are equally significant. In order to accomplish the organization long-term objectives simultaneously to retain talent employees in the present competitive labor market, company should implements pay system that can attains certain objectives, for instance, internal alignment, external competitiveness, efficiency, and compliance with laws and regulations.

The findings of this research supposed have triggered the management particularly human resource department that current pay system partially does not meet the above objectives. Human resource department shall take responsibility to do regular compensation and benefits benchmarking with competitors in similar industry and surrounding companies. This is to understand whether the pay rates currently paying by YEM are competitive enough to attract and retain high-quality employees or below the market level. If from the compensation and benefits benchmarking result shows that YEM's pay system leads the market then it is not necessary to raise the level of pay at this particular of time. Conversely, if the benchmarking result shows that YEM experiencing pay lag, then it became substantiate for management to consider to raise-up the pay level accordingly. It suggested that the benchmarking report should be shared with employees and used in all employee debriefing meetings. Generally, it is important to include both the strengths and weaknesses as

identified by benchmarking report. Furthermore, to have a harmonious discussion, management of YEM and employees' representative may have communicate channel through joint consultative committee. Company may shares with the employee the compensation and benefits benchmarking report and at the same time listens and understands the employees' need and views.

Nevertheless, the management cannot simply raise-up the pay level without considering it consequences. By raising up the pay level definitely it will increase the costs of doing business, in which management always try to avoid it. Therefore, instead of practicing a traditional pay model YEM should start consider pay policy based on employee efficiency or so called productivity-linked wage system (PLWS) among employees under direct-employee and skilled-employee job categories. PLWS ensures that any pay raise is corresponding with the productivity growth. Its means PLWS improved productivity and wages through the active participation and cooperation of all employees, and more important it create a win-win situation between employees and company.

Workforce is essential for a labor intensive manufacturer. For YEM, a sufficient total of employees are vital in addition to sustaining skillful workers. Hence, upholding good industrial relations and introducing tempting compensation package is hopefully can retain employees in organization. The researcher of this study also recommends the management of YEM to give appropriate trainings to the leaders such as supervision program, coaching and counselling training, problem solving and decision making, stress management, team management, and effective leadership program. Hopefully, these programs may inject skills to leaders to motivate his

subordinates in order to reduce interpersonal conflict especially conflicts that are latent.

5.3.2 Future Researchers

Based on the literature review on pay satisfaction, leadership styles, and intention to leave, nine dimensions of pay satisfaction and leadership styles were used as independent variables of this study, whereas, intention to leave was used as dependent variable. However there are many other variables such as, job stress, adverse working condition, workplace bullying, and relationships between supervisor and subordinate may also become the possible factors to contribute to the employee intention to leave in manufacturing industry which is not covered in this study.

This study focused on manufacturing workers in YEM only. The researcher believes that future studies should involve all employees under the electrical and electronics manufacturing in Malaysia in order to comprehend the key factors that drive intention to leave among electrical and electronics manufacturing workers in Malaysia. This can portray the overall scenario pay satisfaction and leadership styles in electrical and electronics manufacturing.

5.4 CONCLUSION

The study attempts to identify the factors that may predict employee intention to leave toward their manufacturing company. As an assumption, this study has found that all nine variables of pay satisfaction and leadership styles were significantly correlated with employee intention to leave in YEM.

This study has shown that pay satisfaction, intellectual stimulation, and active reward monitoring have shown large correlations with employee intention to leave. Meanwhile, idealize believe, ethical decision making, idealize influence, inspiration motivation, idealize consideration have shown considerable moderate correlation with employee intention to leave, while laissez-faire showed less or minimal correlation with employee intention to leave. These results not only unique but it is believed is useful for other researchers who interested to conduct the same research in the future. Generally, the study has delivered informative inputs to comprehend the topic of intention to leave among employees in YEM. More important, the findings may help the company policy makers in designing more effective compensation and benefits strategies to minimize turnover problems for the benefits of the company as well as the workers.

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