THE RELATIONSHIP BETWEEN HUMAN RESOURCE MANAGEMENT PRACTICES AND TURNOVER INTENTION IN A MANUFACTURING COMPANY: THE MEDIATING EFFECT OF EMPLOYEE ENGAGEMENT

By:

LAI SAY WEI

Research Paper Submitted To
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the Degree of
Master of Science (Human Resource Management)

December 2013
PERAKUAN KERJA KERTAS PROJEK
(Certification of Project Paper)

Saya, mengaku bertanda tangan, memperakuan bahawa
(I, the undersigned, certified that)
LAI SAY WEI (811914)

Calon untuk Ijazah Sarjana
(Candidate for the degree of)
MASTER OF HUMAN RESOURCE MANAGEMENT

telah mengemukakan kertas projek yang bertajuk
(has presented his/her project paper of the following title)

THE RELATIONSHIP BETWEEN HUMAN RESOURCE MANAGEMENT PRACTICES AND TURNOVER INTENTION IN A MANUFACTURING COMPANY: THE MEDIATING EFFECT OF EMPLOYEE ENGAGEMENT

Seperti yang tercatat di muka surat tajuk dan kulit kertas projek
(as it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.
(that the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

Nama Penyelia
(Name of Supervisor)

Tandatangan
(Signature)

Tarikh
(Date)

DR. SUBRAMANIAM A/L SRI RAMALU

29 DECEMBER 2013
PERMISSION TO USE

In presenting this research paper in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this research paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in his absence, by the Dean of Othman Yeop Abdullah Graduate School of Business where I did my research paper. It is understood that any copying or publication or use of this research paper parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my research paper.

Request for permission to copy or to make other use of materials in this research paper in whole or in part should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman
ABSTRACT

Employee turnover is crucial to be received considerable attention by organizations since it has proven to be one of the most costly that could diminish an organization’s morale and budget. The purpose of this study was to examine the mediating effect of employee engagement between Human Resource Management (HRM) practices (training and development, career development, rewards and recognition and performance appraisal and achievements) and turnover intention. Besides that, it also investigated the relationship between HRM practices and turnover intention as well as the relationships of employee engagement and turnover intentions. There has existed a lack of information about the relationship between HRM practices, employee engagement and turnover intention and the mediating effect of engagement among these variables.

A total of 180 survey questionnaires were distributed to the respondents in company X and 150 sets of questionnaires returned were used for the further analyses. The data analyzed by “Statistical Package for Social Science” (SPSS Window) Version 16.0. The study utilized the reliability analysis, descriptive statistics, independent-samples T-test, One-way ANOVA, Pearson Correlation and multiple regression analysis to examine relationships between human resource management practices, employee engagement and turnover intention.

From the findings, the Cronbach’s Alpha values for dependent variable, independent variables (HRM practices) and mediating variable (employee engagement) were considered acceptable. Independent-samples T-test revealed that there is no significant difference in turnover intention reported by male and female respondents. Besides that, One-way ANOVA indicated that turnover intentions differ with the aged groups and also academic qualification. The findings of the study found that the relationship of turnover intention with both of rewards and recognition and performance appraisal and achievements generally support the presented hypothesis as well as the mediation effect of employee engagement on those relationships. Some suggestions has been recommended for practitioners and academicians and future research needs to include more diversified samples and broaden the scope of current research by examining other human resource practices dimensions and including other types of industry.

Keywords: Human Resource Management practices, Mediating Effect of Employee Engagement, Turnover Intention
ABSTRAK

Penggantian pekerja adalah penting untuk diberi perhatian oleh organisasi kerana ia telah terbukti menjadi salah satu kos yang paling mahal yang boleh mengurangkan semangat dan bajet organisasi. Tujuan kajian ini adalah untuk mengkaji kesan mediasi keterlibatan pekerja antara amalan pengurusan sumber manusia (latihan dan pembangunan, pembangunan kerja, ganjaran dan pengiktirafan dan penilaian prestasi dan pencapaian) dan keinginan untuk meninggalkan sesebuah organisasi. Begitu juga, hubungan antara amalan pengurusan sumber manusia dengan keinginan untuk meninggalkan sesebuah organisasi, serta hubungan keterlibatan pekerja dengan keinginan untuk meninggalkan sesebuah organisasi akan disiasat. Terdapat kekurangan maklumat mengenai hubungan antara amalan pengurusan sumber manusia, keterlibatan pekerja dan keinginan untuk meninggalkan sesebuah organisasi serta kesan mediasi keterlibatan pekerja di antara hubungan tersebut.

Sebanyak 180 soalselidik telah diagihkan kepada responden dalam syarikat X dan 150 soalselidik telah dikutip untuk analisis selanjutnya. Kajian ini menggunakan perisian "Pakej Statistik untuk Sains Sosial" (SPSS Window) Versi 16.0. Kajian ini menggunakan analisis reliabiliti, statistik deskripsi, ujian-T sampel bebas, ANOVA satu jalur, Korelasi dan analisis regresi untuk mengkaji hubungan antara amalan pengurusan sumber manusia, keterlibatan pekerja dan keinginan untuk meninggalkan sesebuah organisasi.


Kata Kunci: Amalan Pengurusan Sumber Manusia, Kesan Mediasi Keterlibatan Pekerja, Keinginan untuk Meninggalkan Sesebuah Organisasi
ACKNOWLEDGEMENT

The completion of this dissertation has required a lot of time, effort and knowledge from many people. All praise is to Buddha, for His mercy in granting me wisdom, opportunities and support to complete the dissertation. Here, I would like to take this opportunity to extend my utmost appreciation and gratitude.

I am grateful to my thesis supervisor, Dr. Subramaniam Sri Ramalu, Deputy Dean of Othman Yeop Abdullah Graduate School of Business, for his kindness, constant guidance, comments, encouragement and support throughout the process of completing the study.

I would like to thanks my friends at Universiti Utara Malaysia for their encouragement and valuable experiences and knowledge throughout the research process.

Finally, I would like to thank my beloved family for putting up with me while I went through this process. I am most appreciative of my family moral support for enduring along with me. My mom, Alice, for always pushing me to persevere and being patient. My siblings for their words of encouragements and provide me some quite time and personal space to complete the study.

To all the above mentioned and anyone else whom I have forgotten who have assisted me throughout the research process, I thank you for your love, understanding, guidance and support.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERMISSION TO USE</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xiii</td>
</tr>
</tbody>
</table>

## CHAPTER ONE: INTRODUCTION

1.1 Background of Study........................... 1
1.2 Problem Statement.............................. 4
1.3 Research Questions.............................. 7
1.4 Research Objectives............................. 8
1.5 Significance of the Study..................... 9
1.6 Scope of study.................................. 10
1.7 Definitions of Key Terms..................... 10
1.8 Organization of the Chapters................ 13
1.9 Conclusion..................................... 14

## CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction.................................... 15
2.2 Turnover Intention........................... 15
   2.2.1 Definitions................................ 15
   2.2.2 The Model of Employee Turnover Intention 19
2.3 Human Resource Management (HRM) Practices... 21
2.3.1 Definitions .............................................................................. 21
2.3.2 Training and Development .................................................. 23
  2.3.2.1 Definitions ........................................................................ 23
2.3.3 Career Development ............................................................... 26
  2.3.3.1 Definitions ........................................................................ 26
2.3.4 Rewards and Recognition ...................................................... 29
  2.3.4.1 Definitions ........................................................................ 29
2.3.5 Performance Appraisal and Achievement .............................. 32
  2.3.5.1 Definitions ........................................................................ 32
2.4 Employee Engagement ............................................................... 36
  2.4.1 Definitions ............................................................................ 36
2.5 Empirical Studies between HRM Practices and Turnover Intention 38
  2.5.1 Relationship between Training and Development and
      Turnover Intention ..................................................................... 39
  2.5.2 Relationship between Career Development and
      Turnover Intention ..................................................................... 40
  2.5.3 Relationship between Rewards and Recognition and
      Turnover Intention ..................................................................... 41
  2.5.4 Relationship between Performance Appraisal and Achievements
      and Turnover Intention ................................................................ 43
2.6 Empirical Studies between HRM Practices and Employee
    Engagement .................................................................................. 45
  2.6.1 Relationship between Training and Development and
      Employee Engagement ............................................................... 46
  2.6.2 Relationship between Career Development and
      Employee Engagement ............................................................... 47
  2.6.3 Relationship between Rewards and Recognition and
      Employee Engagement ............................................................... 48
CHAPTER THREE: METHODOLOGY

3.1 Introduction

3.2 Research Design
   3.2.1 Sources of Data
   3.2.2 Unit of Analysis
   3.2.3 Population and Sampling

3.3 Measurement
   3.3.1 Measurement for Turnover Intention
   3.3.2 Measurement for Employee Engagement
   3.3.3 Measurement for Human Resource Management Practices

3.4 Data Collection

3.5 Data Analysis Technique

3.6 Pilot Test

3.7 Conclusion
CHAPTER FOUR: FINDINGS

4.1 Introduction .................................................................................................................. 74
4.2 Findings .......................................................................................................................... 74
  4.2.1 Demographic Descriptions ....................................................................................... 74
  4.2.2 Descriptive Analysis of Variables ........................................................................... 76
  4.2.3 Reliability Analysis ................................................................................................. 77
  4.2.4 Differences in Turnover Intention by Demographic Variables .................. 78
  4.2.4.1 Independent Sample T-test ................................................................................ 78
  4.2.4.2 Analysis of Variances ......................................................................................... 79
  4.2.5 Correlation Analysis ............................................................................................... 83
  4.2.6 Multiple Regression Analysis ................................................................................. 84
    4.2.6.1 Multiple Regressions between HRM Practices and Turnover Intention .... 85
    4.2.6.2 Multiple Regressions between HRM Practices and Employee Engagement ... 87
    4.2.6.3 Multiple Regressions between Employee Engagement and Turnover Intention ... 89
    4.2.6.4 Multiple Regressions between HRM Practices and Turnover Intention with thepresence of Employee Engagement as Mediator .............................................. 91
4.3 Summary of Hypothesis Testing ..................................................................................... 94
4.4 Conclusion ..................................................................................................................... 95

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction .................................................................................................................. 96
5.2 Discussion

5.2.1 Objective 1: To examine the Significant Difference of Turnover Intention between Gender among the Technicians and Engineers.

5.2.2 Objective 2: To examine the Significant Difference of Turnover Intention between Age, Academic Qualifications and Length of Service among the Technicians and Engineers.

5.2.3 Objective 3: To examine the Significant Relationship between HRM Practices and Turnover Intention.

5.2.4 Objective 4: To determine the Significant Relationship between HRM Practices and Employee Engagement.

5.2.5 Objective 5: To examine the Significant Relationship between Employee Engagement and Turnover Intention.

5.2.6 Objective 6: To identify whether Employee Engagement Mediates the Relationship between HRM Practices and Turnover Intentions.
LIST OF TABLES

Table 3.1 Questionnaire Design ......................................................... 66
Table 3.2 Operational Definition and Items for Turnover Cognitions Items (Turnover Intention) ............................................................... 67
Table 3.3 Operational Definition and Items for Employee Engagement ........................................ 68
Table 3.4 Operational Definition and Items for HRM practices ......................................................... 69
Table 3.5 Summary of Reliability Analysis for Pilot Test ................................................................. 73
Table 4.1 Profile of Respondents ........................................................................... 75
Table 4.2 Descriptive Analysis of Variables ........................................................................ 76
Table 4.3 Summary of Reliability Analysis ................................................................. 78
Table 4.4 Results of Independent T-test to analyze difference in turnover intention by gender ................................................................. 79
Table 4.5 Results of One-way ANOVA to analyze difference in turnover intention among age ............................................................................ 80
Table 4.6 Results of One-way ANOVA to analyze difference in turnover intention among academic qualification ................................................. 81
Table 4.7 Results of One-way ANOVA to analyze difference in turnover intention among length of service ......................................................................... 82
Table 4.8 Correlation results between human resource practices, employee engagement and turnover intention .................................................................. 83
Table 4.9 Regression analysis between HRM practices and turnover intention ......................................................................................... 85
Table 4.10 Regression analysis between HRM practices and employee engagement ................................................................. 87
Table 4.11 Regression analysis between employee engagement and turnover intention ......................................................................................... 89
Table 4.12 Regression analysis between HRM practices and turnover intention with employee engagement as a mediating variable ................................................. 91
Table 4.13 The mediation effect of employee engagement on HRM practices and turnover intention ......................................................................................... 93
Table 4.14 Summary of Hypothesis Testing.

94
LIST OF FIGURES

Figure 2.1 Causal Model of Turnover ......................................................... 19
Figure 2.2 Research Framework ................................................................. 57
CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

Organizations are facing revolutionary trends in the global competition stage due to changes in technology, acceleration of products, changes in demographic and competition for the best talents. The vision, mission, philosophy and company’s goals should align with the global trends to create a strong background in order to survive in the market. The strong company background drives the organizational culture in term of effective leadership style, group dynamics and strong teamwork among the employees. As a result, the employees’ performance, satisfaction, motivation and commitment will increase.

Human capital is considered the greatest asset of any organization and it is important for the organization’s operation. Human capital is the workforce in the organizations. They transform manpower resource into productive resource in the workplace. Several researchers (Arthur, 1994; Pfeffer, 1994; MacDuffie, 1995; Delery & Doty, 1996) argued that human resources are critical component in the organizations to achieve competitive advantage over its rivals and it has positive impact of HRM practices on organizational performance. Employee plays the role in the business process and helps organizations to achieve their goals and maximizes the profits.

Turnover intention is the behavior of employee’s intention to leave the organizations. According to Cotton and Tuttle (1986), turnover is predicted as an individual’s possibility of leaving or staying in the organization. Similarly, Hom and Griffeth (1991) defined turnover intentions as an individual’s intent with relative strength to voluntarily withdraw from an organization. Therefore, turnover intention could lead to
The contents of the thesis is for internal user only
REFERENCES


Hinkin, T., & Tracey, B. (2006). Development and use of a web-based tool to measure the costs of employee turnover: Preliminary findings. *CHR Reports, 6* (6), 1-14


