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**THE EFFECTS OF PAY EFFECTIVENESS AND
LEADERSHIP STYLE ON INTENTION TO LEAVE
AMONG EMPLOYEES AT ASEANIA RESORT & SPA,
LANGKAWI.**



NUR 'AFIFA BINTI HARUN

UUM
Universiti Utara Malaysia

**MASTER OF HUMAN RESOURCE MANAGEMENT
UNIVERSITI UTARA MALAYSIA
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AT ASEANIA RESORT & SPA, LANGKAWI.**

By

NUR 'AFIFA BINTI HARUN



UUM
Universiti Utara Malaysia

**Thesis submitted to
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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 of 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 rate among hotel employees in Malaysia, it demands great concern and some insights on the subject of intention to leave. This research explored the factors that triggering the likelihood of employees' intention to leave their current organization. In this regard, this study attempts to determine the effect of pay effectiveness and leadership styles on intention to leave among local employees in hotel industry. Data were gathered from employees' at Aseania Resort & Spa using questionnaires survey. The findings of this study resulted in acceptance on some of the hypotheses formulated for this study. The research result indicated that pay effectiveness, transactional leadership style (contingent rewards), and transformational leadership style (idealize influence) were significantly impact and contributed to the intention to leave. Hence, with limited literatures on the topic of pay effectiveness, transactional leadership style, transformational leadership style, and intention to leave in the context of hotel industry in Malaysia, the findings of this study, had to some extent, contributed to the understanding of aspects related to the intention to leave and enrich the knowledges of these aspects, especially in Malaysian employment landscape.

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

ABSTRAK

Pusing ganti pekerja merupakan 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, latihan, dan kesan produktiviti yang rendah. Niat untuk meninggalkan didapati sebagai peramal yang kuat untuk perolehan sebenar dalam kajian sebelum ini. Oleh kerana kadar pusing ganti pekerja hotel yang tinggi di kalangan pekerja hotel di Malaysia, ia menuntut perhatian besar dan beberapa pemahaman mengenai perihal niat untuk meninggalkan. Kajian ini meneroka faktor-faktor yang mencetuskan kemungkinan hasrat pekerja untuk meninggalkan syarikat semasa mereka. Dalam hal ini, kajian ini cuba untuk menentukan kesan keberkesanan gaji dan gaya kepimpinan ke atas niat untuk meninggalkan di kalangan pekerja dalam industri perhotelan. Data dikumpulkan dari pekerja di Aseania Resort & Spa menggunakan borang soal selidik. Hasil kajian ini menyebabkan penerimaan pada beberapa hipotesis dirumuskan untuk kajian ini. Hasil kajian menunjukkan bahawa keberkesanan gaji, gaya kepimpinan transaksi (ganjaran luar jangka), dan gaya kepimpinan transformasi (mengidealkan pengaruh) telah ketara memberi kesan dan menyumbang kepada hasrat untuk meninggalkan. Oleh itu, dengan kesusasteraan terhad pada topik keberkesanan gaji, gaya kepimpinan transaksi, gaya kepimpinan transformasi, dan niat untuk meninggalkan dalam konteks industri perhotelan di Malaysia, hasil kajian ini, sedikit sebanyak telah menyumbang kepada pemahaman aspek yang berkaitan dengan niat untuk meninggalkan dan memperkayakan ilmu tentang aspek-aspek ini, terutama dalam landskap pekerjaan di Malaysia.

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

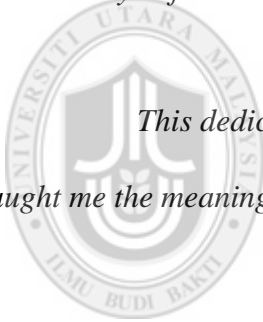
DEDICATION

Alhamdulillah,

*Thanks to the Almighty Allah without His bounty and blessings
and His guidance, I will not successfully complete my study.*

*This dedication is dedicated to my beloved parents
Haji Harun bin Haji Yaacob and Hajjah Rahana binti Haji Othman
and also to my beloved siblings, Nur Shuhadak Harun,
Abdul Qayyum Harun and Abdul Basith Harun,
Thank you for always supporting me during this Master's Degree journey*

*This dedication also addressed to those who concerning,
taught me the meaning of patience and perseverance during my master's journey.*



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“In the name of Allah SWT, the Most Gracious and Most Merciful”

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LIST OF ABBREVIATIONS

| | |
|------|--|
| HPC | High Pay Centre |
| MIDA | Malaysian Investment Development Authority |
| MEF | Malaysian Employers Federation |
| MTUC | Malaysian Trades Union Congress |
| MAH | Malaysian Association of Hotels |



CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter consists of background and the organization of this study which relating to the factors that influence employee intention to leave a job especially about pay effectiveness and leadership style in Hospitality industry particularly at Aseania Resort & Spa, Langkawi. This chapter helps to understand the thoughts and main ideas of the researchers relating to the factors that influence employee intention to leave a job in Hospitality industry.

1.2 Background of Study

Islands are one of the fast growing tourism areas in term of international arrival in Malaysia and Langkawi Island is one of it. Since 1987, Langkawi has become the most visited destination by Malaysian due to its duty – free status and the declaration as the first Tourism city in the country in April 2001 (Hazmi, Omar, & Mohammed, 2012; Wan 2001). Tourists' arrival has become as predominant sources of income for the country since the development in other related areas such as food and beverage, hotel and entertainment depend on the growth of this industry. According to Malaysian Investment Development Authority (MIDA) (2015), the government via Malaysia Tourism Transformation Plan has targeted about 36 million of tourist to visit Malaysia

and this will generate Malaysia's income about RM168 billion approaching the year 2020. Langkawi has been recognized as a major tourism destination by Malaysian government since the late 1980s (Irwana Omar, Ghapar Othman, & Mohamed, 2014).

In today globalization, the growth of the hospitality and tourism industry have been triggered to the several climates such as employee turnover that always become a major problem to the organization, especially in the lodging sector. This is due to the fact that these industries have a poor image of offering long working hours, repetitive work and low pay (Little John & Watson, 2004). These nature of work may drive employees to be exhausted or burn out which may raise their intention to leave the organization. The turnover crisis that caused by employees intention to leave gives negative impact to the service sector especially hospitality industry which is labor-intensive industry whereby, this industry depending on committed and motivated workman for the successful of hotel businesses (Chang, Gong, & Shum, 2011). Besides that, in the hospitality industry, it is vital to provide a high quality of service that are able to satisfy the customer and it can only be achieved with the support from employees.

An employee who had planning to leave the current job and looking for another job in the near future is a definition of intention to leave (Rizwan, Arshad, Munir, Iqbal, & Hussain, 2014). On the other hand, Tett and Meyer (as cited in Basak, Ekmekci, Bayram, & Bas, 2013), defined intention to leave as conscious and willful to leave the organization. While Cho, Johanson, and Guchait (2009), define intention to leave as

an individual's subjective estimation of the probability to leaving an organization in the near future and considered as deliberate and conscious desire to leave the company within a certain period of time. Cohen, Blake, and Goodman (2015), intention to leave and turnover intentions carry the same meaning but have a distinct concept from actual turnover and even though it is different, intention to leave is the best proxy for actual turnover (Cho & Lewis, 2012). Therefore, the higher the turnover intention, the more probable the employee will leave the organization. Employee turnover has always been a matter of concern for all organization types (Jha, 2014), as it negatively impacts the stability and profitability of the organization.

The following figure shows that Malaysia employee turnover rate is 16.40 % in 2011, the highest position in Asia. It's high than Thailand and higher than Indonesia around two times which country has the lowest employee turnover rate.

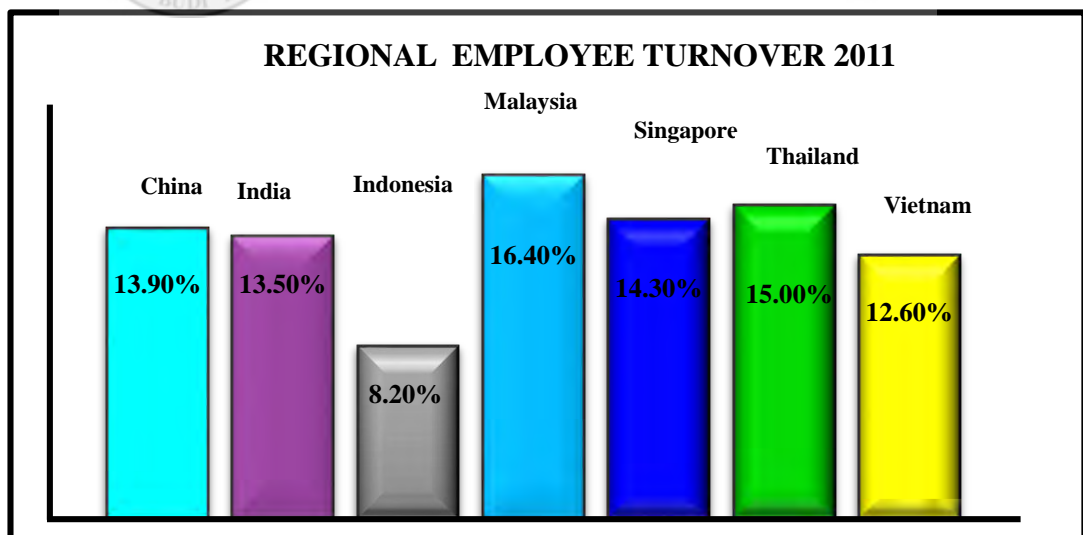


Figure 1.1:
Regional Employee Turnover 2011.
Source: Asia and Thailand Reward Trends 2011-2012 (Hay Group)

According to the statistic from Department of Statistics Malaysia unemployment rate fluctuated from Jun 2014 until April 2015 and then remained unchanged at 3.10 percent in May and June of 2015.

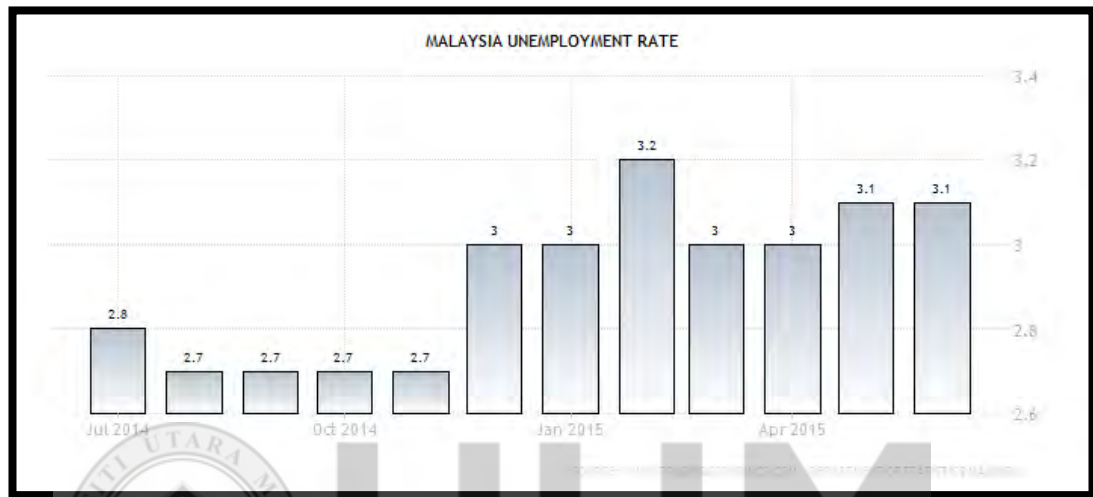


Figure 1.2:
Malaysia Unemployment Rate June 2014 - June 2015
 Source: Department of Statistics Malaysia

Losing a skilled employee because of turnover and joined another organization is costly for the organization as it not only involves the cost of recruitment and training of new employees but also the loss of productivity and the quality of service. The crisis of turnover has led the organization to be more focusing on retaining employees in their organization. Ortín-Ángel and Cannella (2004), asserted that wage or salary is the main factor that influences intention to turnover. For a number of years, the organizational struggled to develop and search for the right combination of pay items that can effectively pay the employees which can reduce the turnover and improve productivity, and as a result numerous of pay systems have been developed (Milkovich, 2005).

To remain competitive in the highly uncertain and dynamic environments, the organization must pay attention to the factor that can increase employee motivation such as reward which can increase employee quality and productivity and employee job satisfaction. Besides, the styles of leadership applied may also affect employee's intention to leave or stay. The employee will be motivated and remain with the organization when they get a good leadership (Nyamubarwa, 2013) and tend to be dissatisfied with their jobs, poor job performance and high intention to quit when the leadership is incompetent (Gwavuya, 2011).

Organizational effectiveness and employee performance rely on the type of leadership that is used as it would affect employees work attitude. Employee readiness to remain in the organization will influence not only workforce stability in the organization but also organizational effectiveness. Leadership is the main tool for an organization to create good relationships among employee and also the management which positively affects the organizational climate, improve service performance and modify behavioral outcomes when used properly (Kozak & Ukah, 2008, as cited in Amankwaa & Anku-Tsedee, 2015). In addition, according to Schermerhorn, Hunt and Osborn (1999), leadership is defined as a process used to motivate and influence employees to perform better to achieve organizational goals.

Meanwhile, Robbins and Judge (2013), describe leadership as the ability to influence a person or a group of people to meet certain target and goals. Moreover, leadership is a pattern of behaviors demonstrated by leaders during their working with and through

others (Hersey & Blanchard, 1993), whereby, it is a process of interaction between individuals and groups that comprise the situation that structured or restructured as well as expectations and perceptions of members (Bass, 1990). Therefore, leader induce followers to act in order to achieve certain goals that represent the values and motivations, desires and needs, aspirations and expectations -both leaders and followers (Burns, 1978), and at the same time, stimulate, motivate, encourage, and recognize their followers' behaviors in order to achieve key performance results (Gill, Flaschner, & Shachar, 2006).

Burns (as cited in Komives & Wagner, 2009), defined transformational leadership as a process when one or more persons engage with others in such a way, whereby leaders and followers help one another to improve motivation and morale to a higher level. According to Bass and Riggio (2006), transformational leadership more focusing on change, inspiring followers in the organization to be more committed, sharing the same vision and goals for the organization or units. Salem and Kattara (2015), defined transformational leadership as a power and influence theory in which the leader acts in mutual ways with the followers, attends to their needs, motivate followers to achieve a particular purpose, rather than just giving rewards.

Transformational leaders enhance the confidence level of the follower by giving high expectations to them with cultivating the ability of followers through feedback and advice for their development, encourage followers to apply new methods to solve the problems of works and rewards followers with praise work skills and achievements.

Bass and Avolio (2004), proposed that transformational leaders exhibit various types of behaviors which are Idealized Influence behavior and attributes, Inspirational Motivation, Intellectual Stimulation and Individualized Consideration.

Transactional leadership are effectively in ensuring the specific tasks completed by managing each part separately. Emphasis on the performance of certain tasks is one way how Transactional leadership focuses on the needs of the lower levels (Hargis, Watt, & Piotrowski, 2011). Transactional Leadership promotes compliance of his follower through reward and punishment. Transactional leadership are based on the exchange model whereby, rewards will be given to the employees as a result of a positive and successfully accomplish their task on-time, meanwhile, employees with poor performance or in other words the quality and work performance below standards and production goals are not achieved, they will be punished if it is not corrected. There are two types of management-by-exception which are active and passive. Leader of active management-by-exception continuously monitors their followers to see the performance of each of them and makes changes or correction to their works throughout the process, while, leaders of passive management-by-exception will wait for the problems to arise and become worse before solving it.

For the purpose of this research, Bass's and Avolio's (2010) full range leadership theory was referred and adopted in an attempt to get a broad spectrum of leadership styles which are expected to have a bearing on employees' intention to stay with or leave the organization. However, for this study, only two of leadership styles were

used which are Transformational leadership and Transactional leadership. Bass's and Avolio's (2010), full range leadership approaches are similar to the other studies on leadership style by Bass's and Avolio's (2004 & 2007), whereby, the study categorizes the Transformational and Transactional leadership behaviour into eight dimensions which are five dimensions under Transformational leadership; Idealized influence (Behaviour and Attitude), Inspirational motivation, Intellectual stimulation and Individualized consideration while three dimensions under transactional leadership; Contingent Reward, Active and Passive.

Most of the compensation objective are to retain, attract and motivate best and skilled employees. Therefore, it is important to make sure the organizational pay system is attractive, flexible and market-based and in the same time aligned with the organizational goals because pay system is an important tool to ensure the organization is competitive and at the same time help to attract and retain talent employees. According to Milkovich and Newman (2005) compensation is all form of financial returns (pay), tangible services and benefit (i.e. insurance, paid vacation and sick days, pension plan and employees discounts). Compensation can be divided into direct compensations and indirect compensations. Direct compensations have two components which are, first is based compensation, the fixed pay an employee receives on a regular basis- either wage or salary while the second component is pay incentives, rewards, bonuses and profit sharing.

The earnings package for employees in the international hotel industry varies (Getz, 1994), which are typically contains a combination of the basic hourly rate, overtime payment to compensate unsocial working hours, service charge (where applicable), tips, and un-wage benefits including subsidized lodging, transportation, and meal (Gautié & Schmitt, 2010). Most of the hotels tried to provide an attractive remuneration packages to their employees as a way of tackling recruitment and retention packages, such as, giving loyalty bonuses, provide free meal or uniform and performance award. In addition, there is also hotel employee who can stay at the hotel chain where they work on employee price rate. Moreover, the payment of bonuses will be paid to employees annually or twice a year based on collective agreements or employment contract.

According to Kline and Yu-Chin, (2007), the allocation of fringe benefits differed based on employees' position and the size of the hotels. Large and full-service hotels were forced to offer attractive compensation packages to attract and retain employees with the skill and competency required in serving its target market (Kline & Yu-Chin, 2007; Nankervis, 2000). Work in large, full-service and luxury hotels was more complex and therefore, required more experienced, competent and skilled individuals (Kline & Yu-Chin, 2007). These organizations attempt to offer more attractive compensation package compared to their competitors to attract new talent especially from others Hotel (Collins & Smith, 2006).

According Ahmad and Scott (2015), the fringe benefits given by the hotel in Malaysia especially five - star hotel to executives are insurance and medical coverage, free meals in the staff cafeteria or the hotel's restaurant, staff discounts, free uniforms, transportation to and from work, free accommodation in the staff quarters, free laundry, manager of the month and year award, staff parties and birthday parties. Some of the fringe benefit that given to executive level are also given to non-executive employees which can be said as basic elements in fringe benefits like staff quarters, free meal at staff cafeteria, uniforms and others. However, only non-executives were given pension schemes or the long-service awards which are one of the Collective Agreement requirements because most of the non-executives especially in five-star hotels are union members (Ahmad, 2013).

1.3 Problem Statement

Employees are the most important asset to the hoteliers to remain competitive and survive in the hospitality industry, this is due to the quality of services offered to the guests played a key role in ensuring their future in this industry. Due to this matter, hoteliers not only need to have skilled and trained employees who perform their roles and jobs effectively but at the same time should retain their employees. Employee turnover intention is a worldwide phenomenon especially in the hospitality industry (Nivethitha, Dyaram, & Kamalanabhan, 2014). The hospitality industry is a service sector whereby it depends on manpower to be successful in the business. According to Ogbonna and Lloyd (as cited in Vasquez, 2014), hospitality sector employs more

people than any other industry within the private sector both domestically and globally, it is essential for this industry to retain their employee.

Employees' turnover can give negative impact to the organization. Employee turnover is dangerous when it became excessive because it undermines the efficiency and productivity of the organization (Joarder, Mohmad Yazam, & Ahmmed, 2011). Turnover can be clustered as voluntary and involuntary. Like in other countries, Malaysian hospitality industry is confronting problems such as a shortage of skilled personnel and high employee turnover (Ahmad, Rashid, & Mohd Shariff, 2014; Kang & Gould, 2002; Patah et al., 2010). According to Khatri, Budhwar and Fern (1999), most of Asian countries like Singapore, Malaysia, South Korea and Taiwan experiencing the turnover crisis as a major problem, especially the voluntary turnover (Chang, 1996) but, does not matter whether the turnover is voluntary or not because both of turnover will affect employee retention and in the same time compromising on service quality and customer loyalty (Ahmad & Scott, 2015).

Nasyira, Othman, and Ghazali (2014), state that based on Malaysian Employers Federation (MEF) survey, hotel or restaurant industry is in the top three highest turnovers with the annual average turnover rate at 32.4%. Malaysian hospitality industry is constantly experiencing the challenges of personnel shortages due to high employee turnover rates (Hemdi & Nasurdin, 2006; Hemdi, Rahman, & Rahim, 2011). Turnover intention or intention to leave clarify on the relative strength of an individual's purpose or intention toward permanent voluntary turnover from an

organization (Oluwafemi, 2013). Besides that, intention to leave or to stay is the strongest predictor to the actual voluntary turnover (Lee & Liu, 2007). According to Chris N. Uzundu (2015), employees usually decided in advance whether want to leave the organization or not before their eventual quit and it is supported by Attitude Behaviour Theory (Fishben and Ajzen, 1975), whereby it asserts that an individual's intention to engage in a certain behaviour is the likely predictor of the behaviour.

Employee turnover gives negative impact to financial and profitability of the organization. Losses incurred when employees leave an organization include the costs of recruiting and training new employees, increased sales costs, loss of skills and company knowledge, lost productivity and capacity, and lost customers (Kochanski & Sorensen, 2008). According to Chen, Wang, and Cheng (2010), high turnover does lead customer satisfaction both internally and externally. This is due to the poor quality of services provided by new employees who lack experience. This issue should be resolved straightaway because employees' changeability continues to cause uncertainty and instability in the industry. Therefore, it is essential to hospitality industry to retain their talented employee in order to maintain the organization operation. Alexander, Bloom, and Nuchols (1994), stated that organization with a high level of employee turnover there was also high inefficiency. Therefore, the organization stability can be shown by it employee's turnover rate whereby the organization with high turnover rate shown that the organization is instability. According to Choi and Dickson (2009), as highly guest service- oriented, encounter

between employees and guest determine the success of the business in the hospitality industry.

There are numbers of reasons for hospitality employees may leave their organization including paltry salaries, unusual working hours and unpleasant working environment. According to Yang, Wan, and Fu (2012), salaries and fringe benefits, working hours, high work pressure, workload, training and development, leadership, career development, and family is a concept in determining employee turnover. According to Nankervis and Debrah (1995), traditionally hotel employees perceived as the lowest pay among other workers in other industry, due to low of skills and lack of union support. Moreover, jobs in the tourism and hospitality industry are largely seen as undesirable characteristics whereby low salaries, poor working conditions, lack of opportunities, low job security and lack of promotion which contributes to high turnover (Getz, 1994).

Besides that, non-competitive compensation, high-stress working conditions, monotony, poor supervision, employees less fit with jobs, inadequate training, poor communications, and other organization practices are factors which influence turnover intention in the hospitality industry (Mushrush, 2002). Employees become less motivation, no job satisfaction, high turnover and low customer satisfaction is the consequences of frequently underpaid and doesn't receive training (Nivethitha et al., 2014). Solnet and Hood (2008), described hospitality industry as a highly people-intensive, lack of career opportunities and synonymous with employee turnover and

from their point of view, formal and informal training play an important role in reducing the rate of turnover, while, Bonn and Forbringer (1992), found that financial incentives and education offered employees will reduce turnover intentions in the hospital sector.

It is essential for an employer to know the best way to pay their employees to increase their satisfaction and motivation which can minimize the turnover, retaining the highly skilled employees and increase their contribution to the organization (Lawler, 2005).

Appelbaum and Kamal, (as cited in Noor, Daud & Isa, 2011), explained that, the improvement of revenues through higher productivity, reduction of employee absenteeism and also employee turnover rates, enhance employee satisfaction, and a greater overall synergy in improving the firm's efficiency and bottom line, may be achieved through employee motivation which is non-monetary rewards by giving high attention to the needs of the employees.

Defining the appropriate criteria to be used in the pay system is an important aspect of designing a successful and effective in pay system. Therefore, management should design a system of attractive salary that not only able to attract high-skilled and talented employees but also highly motivated and productive as, good employees will determine whether the offer is worth or not to accept (Sturman, Cheramie, & Cashen, 2005). In addition, employers should be more sensitive in improving the working environment, particularly in terms of salary and benefits to attract and retain talented employees at all levels (Baum, 2008), as it the main reason why employee turnover

occurs in the hospitality sector is better salaries and benefits offered elsewhere (Chan & Kuok, 2011).

Service charges and minimum salary are the main issues in Malaysian hotel industry nowadays. The minimum salary was implemented on 2013 of RM900 in Peninsular Malaysia and RM800 in Sabah, Sarawak and Labuan respectively. As stated in TheSundaily on 31 July 2014 the union's industrial relations adviser Lim Chooi Phoe, said that there are 24 hotels nationwide facing the same problem regarding minimum salaries and service point salaries. The case arose because there was a salary dispute between the hotel management and employees. Employees said that hotel management tries to include the service charge into the computation of employee's salary because want to meet the requirement of Minimum Wages Act 2012, in other words, employees felt that the hotel management indirectly refuse to increase the basic salary or, refuse to follow the Minimum Wages Act 2012. Moreover, employees insisted that their salary should be structured in line with the Act whereby the basic salary is separated from service charge.

However, based on the Guidelines of Minimum Wage Act 2012, in section 3 subsection (v):

"for the hotel sector, where a collection of service charges implemented, employers can convert all or part of the service charge meant for distribution to the employees, to be part of the minimum wage".

Hence, there is disagreement on the calculation of the minimum salary between employers and employees which directly and indirectly affect the increase in workers' intention to leave the organization. Due to this things, it is the reason why the union is important, it is difficult for an individual worker to challenge this sort of unfairness. Negotiations between in-house unions with the management indirectly help the management to understand the needs of workers and restructuring of the employee's salary.

The President of Malaysian Trades Union Congress (MTUC), Mohd Khalid Atan stated that the decision made last month is a precedent which should be followed by others in the hospitality industry (The Sundaily, 31 July 2014). Despite that, the award of the case can only be implemented at the hotel involved. This is because the court's decision cannot be automatically implemented at another hotel although they facing the same problem. In the written judgment (National Union of Hotel, Bar & Restaurant Workers, Peninsular Malaysia vs. Crystal Crown Hotel & Resort Sdn. Bhd. [2014], 3 ILR 410), the court held that an employee shall be paid the minimum wage, as per the Minimum Wage Act which came into effect 2013, on top of the service charge imposed. In addition, the court also decided that the hotel would retain 10% of the total service charge imposed on all its monthly bills and the remaining 90% will be fully distributed to all employees covered within the scope of the decision made and should be implementing with immediate effects as the hotels is a member of Malaysian Association of Hotels (MAH).

Aseania Resort & Spa, Langkawi is one of the famous hotels in Langkawi Island and known as one of 4 Star hotels in Langkawi Island. Surprisingly, most of the hotels are currently having the same employee turnover problem and this is not excluding Aseania Resort & Spa, Langkawi. Employee turnover report was the main data that been referred for this study. This report helps human resource department planned or forecast on the future headcounts to be hired, training and to come out with the other solutions such the employee's retention program. As the matter of fact, the rating of employee's turnover within 5 years from 2010 until 2014 for hotel employees in Langkawi Island are witnessed in the graph as below:

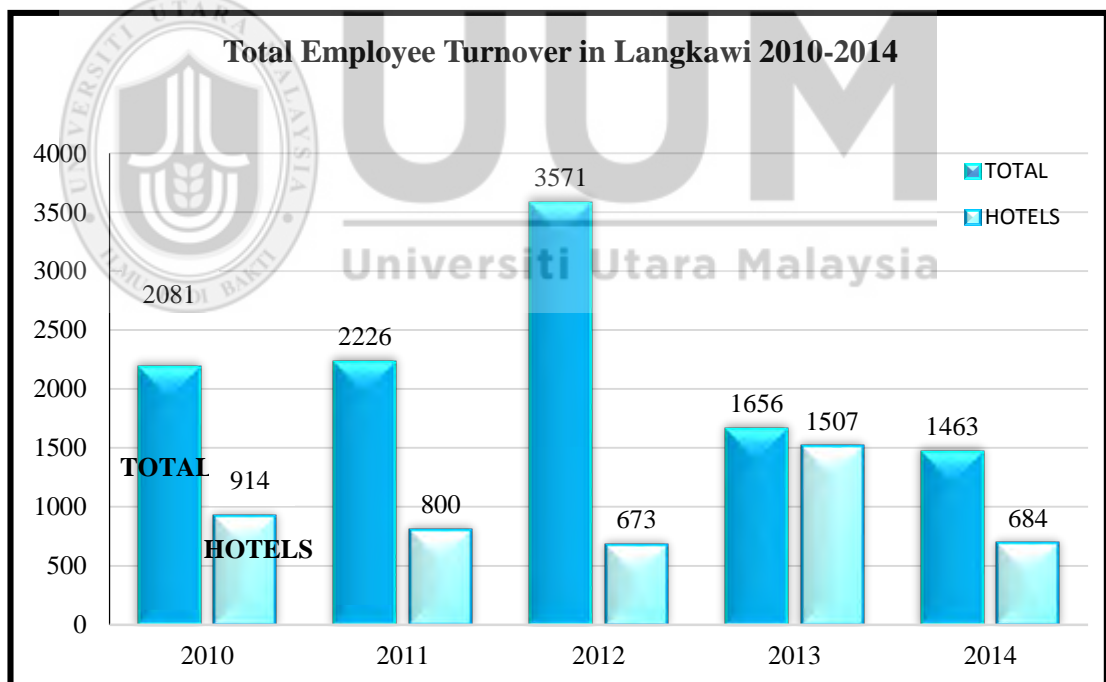


Figure 1.3:
Total Employee Turnover in Langkawi 2010 - 2014.
 Source: Pejabat Tenaga Kerja, Langkawi.

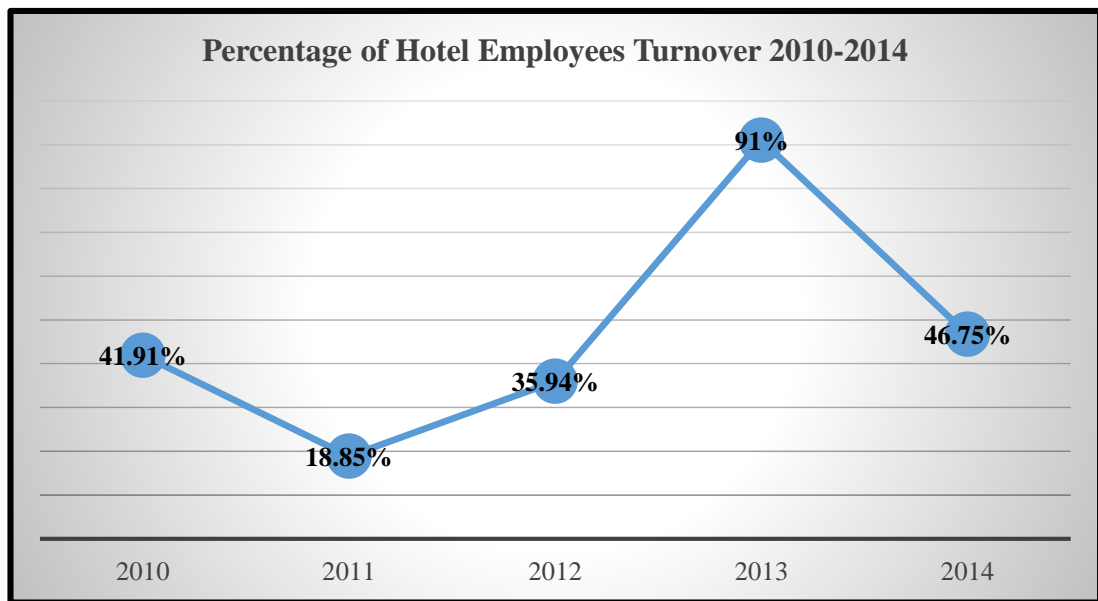


Figure 1.4:

Percentage of Hotel Employees Turnover in Langkawi 2010 - 2014.

Source: Pejabat Tenaga Kerja, Langkawi.

In 2013, the turnover in hotel industry was nearly equivalent to total turnover in Langkawi while in 2014 hotel industry contributed nearly half from Langkawi employees' turnover. Aseania Resort and Spa, Langkawi is not accepted from confronting with this critical issue. An interview with Human Resource Executive of Aseania Resort and Spa, Langkawi has been performed to get an insight of the turnover problem. As she cannot reveal the real figure of the turnover rate because of the figure is highly confidential, she indicated that the departments that facing a crucial turnover rate are housekeeping, food and beverage and front office. She also indicated that the absenteeism rate in this hotel is kept on rising every year. The Human Resource Department also always confront with employees who are coming late to work. As the hotel facing the shortage of workmen, the Human Resource Department only gave warning to those employees. The absenteeism and coming late to work are the

indicators for intention to leave. Even though the hotel provided their employee with the good salary package, fringe benefits and allowances due to hotel industry are dealing with the collective agreement with Hotels, Bars, and Restaurants Workers Union and they keep on improving it but the employee's turnover rate still fluctuated.

The employees will always look for a better offer from others hotels that they think fit with their skills and knowledge. To overcome this turnover culture among employee, the hotel needs to offer not only in term of good salary packages but also friendly working environment that is less stress and suitable leadership style in order to build good staff and manager relationship. Employee turnover intention can be influenced by supervision skills (leadership style) applied by the leader (Mobley, 1979). Thus, a good relationship between manager and employees throughout leadership style practiced help organization managed employees effectively meanwhile inappropriate leadership behaviors that present by managers or supervisors could affect high turnover rate (Overbey, 2013). According to Houkes, Janssen, De Jonge and Nijhuis (2001), a worker who encounters disagreement with his supervisor tends to quit from current jobs as a result of little social support received from his leaders. Future investigation on employee turnover intention and its relationship with leadership style is needed because of the importance of gaining the competitive advantage in the marketplace (Westlund, 2007). Thus, this present study tends to investigate the influence of pay effectiveness and leadership styles on employees' intention to leave in hotel industry particularly at Aseania Resort & Spa, Langkawi.

1.4 Research Question.

The research questions of this proposed study are:

- i. Is there any impact of pay effectiveness on the intention to leave among hotel employee?
- ii. Is there any influence between transformational leadership style and intention to leave among hotel employee?
- iii. Is there any effect between transactional leadership style and intention to leave among hotel employee?

1.5 Research Objectives.

This research was carried out for the purpose to provide insights and in-depth understanding about the effect of pay effectiveness, leadership style and intention to leave. The specific objectives of this research are as follows:

- i. To determine the impact of pay effectiveness and intention to leave among hotel employee.
- ii. To determine the influence between transformational leadership style and intention to leave among hotel employee.
- iii. To determine the effect between transactional leadership style and intention to leave among hotel employee.

1.6 Scope of Study

This study focused on employee intention to leave and its relationship with pay effectiveness and leadership style which are Transactional leadership and Transformational leadership. The respondents for this study are employees from all departments at Aseania Resort & Spa, Langkawi. This resort is popular among government agencies as well as tourists. But lately, Aseania Resort & Spa, Langkawi no more become attractive and first choice hotel. The hotels industry is fully relying on the quality of service of its employees. According to the hotel's Human Resource Department Executive, the turnover rate in this hotel for the past few years is daunting. Even though the salary and benefits package is according to the collective agreement between the hotel and the trade union, still the hotel cannot retain its employees. Therefore, the aim of this study was to examine factors; leadership style and the effectiveness of pay, which affect workers from remaining in the organization.

1.7 Significant of Study

The findings of the study may assist the leaders in identifying the desirable leadership traits and increase the effectiveness of pay system. Reduction in employee turnover not only beneficial to the organization in term of reducing costs and increasing organization profit but in the same time will also benefit the employees because organization will give more attention on developing a retention strategy to encourage employees to stay in the company through several incentives such as training and development, empowerment, rewards, and bonuses. This research will recommend the

management of Aseania Resort & Spa, Langkawi to provide appropriate training to the leaders such as counseling program, leadership strategies, problem-solving and teamwork effectiveness. Besides that, this research will also emphasize that the management needs to constantly monitor the behavior of leaders to ensure they are always ethically and build a positive relationship with employees to enhance employee confidence, loyalty and commitment and the same time to reduce the desire of employees to leave the organization.

Moreover, although the salary package and fringe benefits were statutes in the collective agreement, it does not mean the management cannot improve it, so this research would recommend the management of Aseania Resort & Spa, Langkawi to use salary surveys to benchmark their pay level and other pay practices against other hotels in Langkawi to improve the remuneration package. In addition, hotel management should always consult with employee representatives about the opinions and needs of employees and ensure that employees understand the pay system practiced in Aseania Resort & Spa, Langkawi.

1.8 Organization of the Thesis

This study is organized into five chapters. Chapter 1 discussed the background of the study, the problem of the study, research question, research objective and why the study been conducted. Chapter 2 contains the literature review on all variables in this study and also previous literature regarding variable that help the researcher to enhance the understanding of the related topic. This chapter also highlights the associated literature in supporting the framework of this study. Meanwhile in chapter 3 discussed methods and process of data collecting and data analysis using in this research. Chapter 4 will discuss the finding and outcome of the research. Last but not least, chapter 5 contains the evaluation and summarized the findings of this study will be present in this chapter. This chapter not only provides recommendations but also suggestions for future study. This chapter is the culmination of the entire study and reveals all of the efforts and thought put into the ideas behind this research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introductions

This chapter emphasized the literature review of the study. It also provides a review of the literature and past findings related to the problem of this study. Besides that, discussion of the review is related to the independent variables includes job requirement, working environment, compensation and career growth which is highly involved into employee turnover intention. The literature was extracted from various publications of journals, books, and articles as a reference to a match between independent and dependent variables of this study.

2.2 Intention to Leave

High turnover costly to the organization whether in the form of direct and indirect cost. According to Long, Thea and Ismail (2012) turnover is high - priced to the organization either in term of direct cost (i.e. the cost borne for recruitment and training of new employees) or indirect cost (i.e. the cost borne for expenditure of learning, reduction of morale, pressure which inherent on the existing employee and also loss of social capital). According to Bigliardi, Petroni and Ivo Dormio (2005) intention to leave refers to individuals' desire with apparent probability whether they will stay or leave the employer organization. Meanwhile, an employee with high withdrawal

intentions from organization personally indicated that they will be leaving the organizations in the by future (Mowday, 1982). Besides, turnover intention can be defined as the intention of employees to leave their organization. Turnover intention alludes of employee behavior to withdraw from their current job (AlBattat, 2013).

Price (1977) has defined “turnover” as a ratio of the number of members who have left the organization in the period under consideration divided by the average number of people in the organization in the period. In addition, Tett and Meyer (1993) in their study pointed that employee’s intention to depart the organization, as an aware and deliberate determination of the employee to leave the current organization. Blau (2000) simply define intention to leave occupation as the degree of employees’ requirements or intention to depart the organization. Nevertheless, Mobley (1878) pointed out that real turnover is predictable to amplify as the intention increases. According to Johnsrud and Rosser (1999) researcher, all the time tend to use 'intention' as an alternative for actual turnover because of difficulties to study it. In the meantime, Souza – Poza and Sousa – Poza (2007) defined ‘intent to leave’ as the indication of the personal likelihood that an individual will transform his or job within a certain time period and is an instantaneous antecedent to actual turnover. Whereby, the more individual implemented behavior to relinquish the more he/she will leave the organization (Steers and Mowday, 1981).

Furthermore, Park and Kim (2009) add, employee’s intentions to leave an organization to comprise mere opinion of quitting the organization and statements by the employee

that he or she really wants to leave the organization. On the other hand, intention to depart is the last stage before the actual turnover take place. According to Arnold and Feldman (1982) intention to leave is the ending cognitive variable straight away previous and having a straight casual impact on turnover. In addition, the phrase intention to leave is used as an alternative of actual turnover because based on the Theory of Considered Behavior by Ajzen (1991), recommend that behavioral intention is a good forecaster of real behavior. In the meantime, according to Vandenberg and Nelson (1999), intention to leave can be defined as the individual own predictable likelihood that they are enduring leaving their organization in the future.

Turnover has been found cause consequences for the employees who remain in the organization. Outcomes include increased workload and burden on those who stay (Krausz, Bizman & Weiss, 1989; Steers & Mowday, 1981). Shehan (1991) found that when co-workers leaving reflect negatively on the stayer's job the stayer became dissatisfied with his or her job and thus, increased the stayer's intent to leave. Some authors have made the argument that turnover can have positive consequences. Turnover can increase employee mobility which is important for the development of innovation within the organization and can decrease the effect of groupthink (Pfeffer, 1992). Turnover also improved the opportunities for promotion for employees who stay with the organization (Krausz, Bizman & Weiss, 1989; Fry 1973). Dalton and Tudor added to their 1979 study in combination with Krackhardt (1982) to classify turnover as positive or negative. The authors classified turnover as positive and functional or negative and dysfunctional as shown in figure 2. 1.

| | | <u>Employer's Appraisal of Employee</u> | |
|--|--|---|---|
| | | <u>Positive</u> | <u>Negative</u> |
| Employee's Evaluation of Company | <u>No Initiation of Voluntary Quit</u> | Employee remains Functional of retention | Employee is terminated Dysfunctional Retention |
| | <u>Initiation of Voluntary Quit</u> | Employee Quits Dysfunctional turnover | Employee Quits Functional Turnover |

Figure 2.1:

Dalton, Tudor & Krackhardt's Taxonomy of Functional Turnover.

Source: Adapted from Dalton, D., W.Todor, W., & Krachardt, D., "Turnover Overstated: The Functional Taxonomy," *Academy of Management Review* 7(1982).

2.2.1 Dimension of Intention to Leave


Employee turnover can be categories into voluntary and involuntary. Denver & McMahon (as cited in Faldetta, 2013) noted that labor is a people movement into and out of profession within the organization whether voluntary or involuntary and controllable and inevitable. Moreover, voluntary turnover happens when employees decide to leave the organization at their own will while involuntary occurs employees leave the organization for reasons outside their own decision such as termination, death, and exits due to serious illness (Griffeth & Hom, 2004). According to Watrous et al. (as cited in Well, & Peachey, 2010), turnover can be categorized into two categories namely known as voluntary or involuntary and also as functional or

dysfunctional. Functional turnover is referring to the employee's departure produces increased value for the organizational but dysfunctional turnover is refer to the employee's departure produces reduced value for the organization. Often, functional turnover is referring to an employee who had the high performers are difficult to be replaced as dysfunctional turnover, and dysfunctional turnover is refer to an employee who had low performers and easy to be replaced as functional turnover.

Most organizations focusing on the circumstance of voluntary employee turnover precisely because it is more controllable than involuntary turnover. Besides that, most organizations are also interested in calculating the costs of voluntary turnover because when these costs are known, they can reduce the voluntary turnover cost particularly where such costs have significant strategic effects. Intention to leave is the same as turnover itself, which it can be either voluntary or involuntary. One of an example of the voluntary turnover is when the member of staff makes the pronouncement leave on his own. This usually occurs, when the employee perceives the better opportunity as to enhance than his current position which includes receiving better offers of payment, acknowledgment or a suitable location. The voluntary turnover also occurs when the worker has to leave for the physical condition or relatives reasons.

On the other hand, the instinctive turnover intention is a dimension of whether the organization in question plans to take away a member of staff from a position which will causing the turnover. Instinctive turnover occurs if an organization is not happy with an employee's job performance and chooses to fire him. Besides that, instinctive

turnover also happens when a business has to do away with positions due to economic pressures or downturns in industry. Employee's turnover is primarily classified into three categories which known as unpreventable turnover, desirable turnover and undesirable turnover (Shim, 2010; Ellet et al., 2007). Unpreventable turnover (i.e. illness or retirement) and desirable turnover (i.e. due to employees incompetent) will not cause problem to the organization unlike undesirable turnover, which happen when competent and qualified employees leaving due to such organizational issues such as lack of supervision, role conflict, compensation and others (Shim, 2010) not only affect customer service quality but also organizational effectiveness.



| | | <u>Employee's Control</u> | |
|--------------------|--------------------------|--|--|
| | | <u>Voluntary</u> | <u>Involuntary</u> |
| <u>Avoidance</u> | <u>Company's Control</u> | Better pay elsewhere. Better working conditions elsewhere. Problem with superiors Better firm to work elsewhere | Dismissal Layoff Forced retirement |
| | | | |
| <u>Unavoidance</u> | | Move to another location (Follow spouse). Mid-career change. Stay home to care for spouse or children. Pregnancy; did not return after maternity leave. | Severe medical disability Death |

Figure 2.2:

Abelson Taxonomy of Turnover Availability (1987).

Source: Adapted from Abelson, M. (1987). Examination of avoidable and unavoidable turnover. *Journal of Applied Psychology*, 72, 382-86.

2.2.2 Past Study Regarding Intention to Leave

Woods et al (1998) who had conducted a study of turnover and diversity in the hospitality industry on almost 5,000 general managers of hotel properties found that there are five most cited internal causes of turnover which are the rate of pay, communication problems, lack of recognition for a job and conflict with management. While, Burch (1999) conducted a gap analysis on labour supply and demand in hospitality establishment in Myrtle Beach, South Carolina, stated that, before the height of the summer seasons employers consistently and drastically reducing staffs. He also found that in some cases that only employ less than half the number of people they needed to run the business. Other than that, on 1989, Wood et al., conducted an extensive study to attempt and determine the reasons why hospitality employees often severed employment with the organization. These researchers concluded eight reasons most frequently cited were; less quality of supervision, lack of communication, unpleasant working condition, and less of quality co– worker which appropriate with company culture, unattractive and low pay and benefit, lack of responsibility and no clear instruction on what to do.

2.3 Pay Effectiveness

Nowadays, there are heterogeneity of terms used to elucidate the payment system. According to Foot and Hook (2008), compensation, remuneration, reward and payment of salary are the term often to be used to describe the payment system. Meanwhile, Noor, Quaddus, Isa and Daud (2013), explained that, compensation is a

common term used in the United State to describe the remuneration received by employees in exchange for the services they provided to the organization and it is an organized practice involving the balancing of work-employee relation by providing financial and non- financial benefits to employees. This was supported by Spector (as cited in Arokiasamy, Hon & Abdullah, 2013), whereby, he indicated that pay is something that is given as an exchange for services provided in an organization. Pay is one of the main factors that affects the relationship at work. It plays an important role in retaining and rewarding the high-quality employees. The allocation and distribution of pay and rewards not only give a big impact on the morale of employees but also organization efficiency and productivity.

It is vital for an organization to develop pay system which is suitable for their employees, by providing the value for money and fair rewards for work they perform. Besides, employers can monitor and control certain activities and performance levels of employees by binding pay and performance. Due to the matter, employees need to prove their ability in order to remain with the organization by providing quality work or else run the risk of getting a termination. The conceptualization of pay effectiveness is based on the extent which compensation system is seen as contributing to the achievement of individual, organization, and objective. According to Balkin, and Gomez-Mejia (1987), the effectiveness pay system refers to the validity of the pay system, which means contribution the organizational strategy made by using pay system, and it represents the contribution to the organizational performance and the degree of incentive for employees' working motivation.

Ideally, good pay systems should be clear and simple to be practiced so that employees easily understand and know how they are involved in the process. According to Brown (2008), pay and reward system effectiveness should well communicate, understood and valued by employees. The wages system should be simple and satisfied both party, whereby employee should be rewarded fairly, must low cost for the employer side and have the approval of the trade union in order to avoid strikes and agitations from happening when workers feel suspicion on wages system which is too complicated to understand (Sharma, 1997). This supported by The Code of Conduct for Industrial Harmony [CCIH], 1975, provides in § (18) (a) and (d):

“(18) Although payment systems vary according to the nature and organization of the work, local conditions, and other factors, the following principles should be observed so as to ensure that the system of payment is soundly based and thereby reduces the incidence of disputes arising:

- (a) **Payment systems should be as simple as possible***
- (b) Differences in rates should be related to the requirements of the job which should wherever possible, be assessed by agreed as well established methods*
- c) piece-work rates, incentive bonuses, etc. should be determined by agreed or well methods.*
- (d) **Rates of payment should be jointly negotiated where a recognized trade union exists.”***

According to Cairncross and Kelly (2008), in the hospitality industry, there are many company had faced a general labour shortage. The main reason of labour shortage in the hospitality industry because of the generally lower wage than other industries (Sturman, 2001). Payments plays an important roles and it is the most difficult factor to manage efficiently by an organization in the hospitality industry which have limited labour budgets. Therefore, it is a vital to develop an effective pay structure which is the most critical issue to be solve in the hospitality industry and human resource department is responsible in ensuring the effectiveness pay structure for higher service quality. To ensure the employee work more efficiently, attract talented employees' and maintain the good staffs, the effective payment of wages can meet employees' expectation. According to Lawler (as cited in Yen 2012) a good payment structure will contribute positively to the performance of the organization and it is the reasons why a clear and deep understanding of different factor on the payment system and perceptive of pay is a vital issue for human resources management in the hospitality industry. Hence, salary is an exchange between employer and employees, pay structure is an important tool to retain talented employees and reduce turnover rate.

The pay system provides a foundation for organizations reward their employees for individual contributions, skills, and achievements. Pay structures used to determine specific pay rates for certain jobs which are usually based on the type of work, its content, and requirements. A pay structure provides the framework within which the organization places the pay rates for its various jobs or groups of jobs. Pay structure is an essential component of pay effective program which helps to ensure the level of

pay for groups of the job are competitive externally and equitable internally. A well - designed pay structure enable management to reward performance and skills development in the same time controlling overall base salary cost by providing a gap on the range paid for particular job or allocation.

A salary range is a span between the minimum and maximum basic salary which an organization will pay for a specific job or group of the job. The pay structure is a hierarchal group of work and range of salary in the organization which, often described as pay grades or job grades that indicate the value of the job in the external market and the internal value to an organization. According to Zhu, et al., (1996), pay structure is a method of distributing the pay allocation, the emphasis on the results of pay structure in higher pay satisfaction to the employee. In addition, the pay range structures should be reviewed frequently to maintain a competitive advantage in attracting and retaining top talent. For some organization with union employees, salary structure revision was based on the length of the multi-year labour contract, while, non-union organizations the salary review is made annually.

Collective bargaining between trade union or other employee representatives is one of mechanism to determine employee pay rate with the employer (Torrington et al. as cited in Nickson, 2013) in order to reach a consensus decision on employment terms and condition including salary structure. In the hospitality industry, the degree of organization of employees within trade unions varies considerably (Boella & Tunner 2013). Obviously, the approach used by organization to develop pay and rewards

strategies does not exist in isolation unless there are other factors that affect pay determination including the government intervention and regulatory pressure (e.g. the national minimum wage, trade unions and collective bargaining), strength of bargaining group or trade union to influence pay determination and the last one is the labour market whereby the level of pay and the labour demand and supply will affect the reward package either at national or local labour market, and whether an organization is trying to build a strong internal labour market (Nickson,2013).

The organization pay system must be consistent with the labor legislation (e.g. Employment Provident Fund (EPF) Act 1991, PSMB Act 2001, Employees Social Security Act 1969, Minimum Wage Act 2012 and others). Brown, (2008) stated that the complaint legally, internally equitable and fairness are important elements of pay and reward system effectiveness. Service charge refer to an amount of money added to the customer's bill by management (Sommerville, 2007). The service charge is collected by the Hotel on behalf of its employee from the Hotel's customer and presented in the bill under the Collective Agreement. The service charge amount will be varying every month depending upon the volume of business of the Hotel.

The service charge allocation will be distributed to the Hotel's employees based on the agreement in the Collective Agreement and it's belongs to the employees not to the Hotel's money or resources. According to the court decision (e.g. National Union of Hotel, Bar & Restaurant Workers, Peninsular Malaysia vs. Crystal Crown Hotel & Resort Sdn. Bhd. [2014], 3 ILR 410), the hotel only retains about 10% of the service

charge imposed on all its monthly customers' bills and the remaining 90% will be fully distributed to all employees covered within the scope of the decision made in the collective agreement. The 10% cost of the service charge obtained from customers will be used to defray administrative costs such as maintenance, collection, distribution services charge on a monthly basis which is done on behalf of the Union.

The effectiveness of high pay system is a practical design that discover the reasons of contribution to the effectiveness pay system. The effective pay system will improve the employment and labour relations, which lead to enhancing the effectiveness and improve employee working motivation. In general, the assessment of the effectiveness system of remuneration is based on the concept of the effective pay, which means the remuneration system is one of the contributions to the organization's strategy. In other words, the contribution of an effective payment system not only refers to the contribution made to improve the performance of the organization but it also can motivate employees to work. There are three indicators of the pay effectiveness which are paid satisfaction (Lawler, 1981; Dreher, 1981), withdrawal cognition (Motowidlo, 1983) and performance, which is an important predictor of attitudes and retention (Balkin & Gomez – Mejia, 1989).

Pay systems are vital for an efficient and harmony workplace which it can maximize the levels and quality of service and productivity with an acceptable, effective and reliable pay system. The organizational goals cannot be achieved if the organization not able to influence employee behaviour and performance, unless through the pay

system which is fair and reasonable. Therefore, pay is significant affects the management system (Opsahl & Dunnette, 1966). An effective pay system in organizational should be operational and strategic. In the hotel industry pay is seen as a retention tool because it is one of the main reasons why employees leave the organization. Pay is a reward based on job content, work performance, and personal criteria (Robbin, 1978) and often to be used by organizations to motivate employees (Lum, Kervin, Clark, Reid, & Sirola, 1998).

Besides, the research found that employees in hotel industry leave their organization for some common reasons, such as they are dissatisfaction with the salary they get and unpleasant workplace environment. According to Lum, et al., (1998), the consequences of pay dissatisfaction including negative employee behaviours. Such behaviours are turnover, absenteeism, willingness to strike, and lowered job performance. Woods, Heck, and Sciarini (1998) found that pay rate was the top reason of the most important internal causes of turnover in the lodging industry. In addition, pay has a strong determination to job satisfaction (Arokiasamy et al., 2013; Ting, 1997). In the whole field of an employment relations, the pay systems area plays as the most important roles which it is naturally affect the major interest of workers to find out how much they will be paid by the organizations and how they may increase their income. Pay systems are vital for an efficient and harmony workplace which it can maximize the levels and quality of service and productivity with an acceptable, effective and reliable pay system.

2.3.1 The Effect of Pay Effectiveness on Intention of Leave

Pay system effectiveness can be evaluated based on the outcomes of employees' behaviour in the aspect of attraction, retention, and performance which is strongly affected by organizational pay practices (Rynes, 2004). An effective pay system helps an organization be more competitive, retain key employees and reduce employee's turnover (Hurd, 2008). The effectiveness of pay plans can be affected by pay knowledge mainly through pay satisfaction (Mulvy et al., 2002). Sweins (2009), also get the same finding for his study which is, pay knowledge and pay satisfaction give an impact to the effectiveness of the pay plans. Employees knowledge and perception on how their salary been calculated and also on what their being paid will influence the level of employee's satisfaction on the pay system in the organization. Decreasing on pay satisfaction will influence employee intention to leave. According to Mbah (2012), employees with high satisfaction with pay, have lower intention to leave/turnover. Increasing in pay -level satisfaction reinforce job satisfaction, affective commitment and reducing employees' turnover (Schreurs, 2013).

The operation department in hospitality industry often facing a problems of high turnover, staff shortages and difficulty in attracting and retaining skilled staffs due to low pay compared to other industries (Ahmad, & Scoot, 2014), therefore, hotels must provide an attractive compensation package as well as recognition to their employees in order to retain experienced and competent employees (Ahmad, & Scoot, 2014; Nankervis, 2000). In the other words, the pay system especially salary increment is a

crucial factor to sustain employees in an organization which is vital to avoid staffs from resignation and turnover intention as well. The effectiveness of compensation payment is strongly related to employee's productivity in the organization (Greene, 2010). Besides that, the High Pay Centre (HPC) (2014), has conducted an analysis towards the payment of compensation to the organization and found a large gap between the level of payment for operations employees and top management operation level employees. HPC (2014) claimed that workplace with a large wage gap between the highest and lowest salary earners suffer more industrial disputes and contribute to higher employee turnover, from organizations with more equitable salary differences.

2.4 Leadership Styles

The past couple of year, is very challenging for the hospitality industry worldwide and it requires major changes in order to compete and survive in this increasingly harsh environment (Rothfelder, Ottenbacher & Harrington, 2013) and in the context of change, leadership is a key theme that always arise, because changes often require more leaders (Kotter, 1998). Leadership is a process of influencing group or individual to achieve a certain target while the leader is an individual who can influence others (Wehrich et al., 2008; Robbin & Coulter 2007; Cole 2006). In Addition, West and Tonarelli-Frey, (2008) defined the leadership as a system used by an individual to influence the members of the group towards accomplishing the objectives.

Burns, 1978 (as cited in Chiang & Wang, 2012) classifies leadership styles as a transactional leadership and transformational leadership, express that both leadership

styles attempt to understand the needs of employees and at the same time help them to meet work objectives. Meanwhile, according to Bass, 1985 (as quoted by Rothfelder, et al., 2013), the full-range leadership theory consists of three components which are Transformational Leadership, Transactional Leadership, and Non-Leadership, where, all these types of leadership behaviour consist of different dimensions. Burns (1978) has introduced a distinction between transactional leadership and transformational leadership, while, a deeper research in this field doing by Bass (1985) and has identified eight dimensions of leadership behaviours that include both a broad domain (Bono & Judge, 2004).

2.4.1 Transformational Leadership

Transformational leadership is a leader who able stimulate, motivate and transform their followers to strive harder to achieve outstanding outcomes (Long, Thean, Khairuzzaman & Jusoh, 2012; Martin & Epitropaki, 2001). Transformational leadership develops followers as partners in the decision-making, therefore allowing them to build their self-confidence. It also contributes to building the inter-organizational trust between leaders and followers and create an organizational culture that advocating for change and innovation. Transformational leadership lends itself to the encouragement of creativity and risk taking (Emery & Barker, 2007), and to the creation of what Bass and Avolio referred to as the commitment model of operation. Transformational leadership is a style that fosters freedom, creativity, innovation, and self-motivation, which are characteristics of knowledge workers. Transformational leaders have a great interest in continuous organizational change and improvement;

they align the goals and interests of their followers with their own and those of the organization at large (Bass & Avolio, 1994).

According to Tracey and Hinkin (1998), transformational leaders motivate people by appealing to their sense of morals and values. They define and articulate a vision for the future based on the needs and the aspirations of members of the group or the organization. Bass's theory describes transformational leaders as leaders who stimulate attention among colleagues and followers to see their work in new perspectives, generate consciousness about the mission or vision of the group or organization, and motivate colleagues and followers to look beyond their own interests to those that benefit a bigger cause such as the group or the organization. By empowering followers, and helping them to align their own individual goals with those of the organization at large, transformational leadership helps followers grow and develop to become leaders themselves (Bass & Riggio, 2006).

Bass and his colleagues (Bass & Avolio, 1989; Seltzer and Bass, 1990) (as cited in Rothfelder et al., 2013) characterized transformational leadership composed of four behavioural components, which are unique but interrelated: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. The first two dimension represents the response 'charisma' and the admiration of followers to the leader while the third dimension, intellectual stimulation is associated with providing followers with challenging tasks and lastly Individualised Consideration, as dimensional transformation else, it illustrates the degree to which leaders are

concerned with the needs and wants of followers individually. Literature often refers these four transformational dimensions as 'four I's' as all of them starts with 'I'.

Transformational leaders using their charisma by providing vision and mission, instil pride, trusts, and respect in their followers through idealized influence skill of leadership. In the process to be a leader of inspiration motivation to their followers' transformational leaders stimulate followers with their energy, sense of direction, and self-confidence. By intellectually stimulating their followers, transformational leaders engage them on issues of substance and meaning. They challenge the existing ways of thinking and the common wisdom of others by asking challenging questions, and thinking outside the box and delivers a fresh new perspective (Bass, 1999).

Transformational leaders offer new views, new perspectives, and new paradigms to looking at situations. Transformational leaders make people stop, think, and ponder, because what they experience with them is out of the ordinary, and is often revolutionary. By giving individualized consideration to their followers, transformational leaders work on building trust and commitment, the foundation of every strong relationship. They take the time to learn personal details about their colleagues and followers and show interest in their thoughts, ideas, and perspectives. Transformational leaders make every effort to support their colleagues and followers, and can be relied on when help and support are needed (Bass & Avolio, 1994).

2.4.2 Transactional Leadership

The transactional leadership style being describing as leaders who guide, inspire and encouraging followers toward the established goals by clarifying role and task requirements and using contingent reward as a means as motivation (Robbins, 2003). Based on the general belief, when the job and the environment do not provide the follower with the satisfaction, direction and the necessary motivation, the leader able to compensate for those by offering the follower the exchange of benefits (Den Hartog, Van Muijen, & Koopman, 1997). Transactional leader behaviour tends to monitor follower performance, and appropriately disciplines or rewarding the follower depending on their performance (Bass, 1985).

Transactional leadership is a leader–follower relationship which is built on a series of exchanges or implicit bargains between leader and follower. According to Bass (1990) the transactional leaders focusing more on the exchange process that takes place between leaders and followers. Transactional leader behaviour tends to monitor follower performance and appropriately to disciplines or rewarding the follower depending on their performance (Bass, 1985). Transactional leaders clarify the role and task requirements for followers who want to put an effort and achieve the desired outcomes and in the same time what they will get in return. The clarification provides followers with the confidence that they need, to put their effort and make them understand how their needs can be fulfilled by their satisfactory performance. This is the transactional process in its simplest form (Bass, 1985).

The transactional leadership consists of three dimensions which are a contingent reward, management by exception - active, and management by exception - passives (Avolio, 1999; Bass, 1998). Contingent reward is the degree of constructive transactions or exchanges between leaders and followers: The leader clarifies the expectations and establishes the rewards which employees will get if achieving the targets. According to Howell and Avolio (1993), the difference between management by exception - active and management by exception - passive, based on the timing of the intervention by leaders. An active leader monitors the behaviour of followers, anticipate problems, and take corrective actions before the behaviour creates serious problems. While passive leader waiting until the behaviour of followers created problems before taking any action.

According to Bass and Avolio (1994), transactional leadership is based on the status quo are more efficient and effective to practice in a stable organization. While transformational leadership is more suitable for organizations or industries that are going through fundamental shifts or change in structure or strategy. In the context of the country or society, transactional leadership is more likely to be seen in well-ordered environments and societies where stable institutions existed (Hay, 2007). Transactional leadership stems from more traditional views of worker and organization, which come from the traditional control model of operation. The control model of operation is one that facilitates the quid pro quo between leader and follower and puts the leader in control of the follower (Bass & Avolio, 1994).

2.4.3 The effects of Leadership Styles (Transformational and Transactional) on Intention to Leave

Leadership style is one of many organizational factors that can influence employee turnover and intention to leave (Helpert, 2006). Employees who receive good support and care from their leaders have a high intention to stay and some of them tend to be more commitment to their leaders compare to the organization (Nasyira, Othman, & Ghazali, 2014). Employees are more likely to remain with the organization when they believe that their leader shows interest and concern for them, know what is expected of them, given the role that fit their capability, receive regular feedback and recognition. According to the Regulatory Fit Theory, individuals who experience 'fit' with their leader's style give more value and priority to their work and be less likely to leave the organization (Hamstra et al., 2011). According to Chew (2004), leadership behaviour has a positive impact on organization commitment and turnover intention. In others word, how employees' response on leader behaviour will determine whether workers remain or leave the organization. Therefore, the quality of the relationship, employees has with their leader will elongate employee to remain with the organization (Ferreira, 2007 cited in Michael, 2008).

2.5 Conclusion

This chapter reviewed past literature on factors that influence employees' intention to leave the organization and also discussed the definition of intention to leave, leadership style and pay effectiveness. Other than that in this chapter also discuss on how the leadership style and pay effectiveness influencing employee intention to leave. The following chapter, Chapter 3 describes the research framework and method for this study.



CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter briefly describes how the research is carried out. It includes research design, data collection methods, sampling design, operational definitions of constructs, measurement scales, and methods of data analysis to carry out this research.

3.2 Research Design

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

3.2.1 Type of Research

This study can be categorized as correlation study because it was designed to examine the impact of independent variable toward dependent variables. For research leadership style and pay effectiveness, is independent variables meanwhile intention to leave is dependent variable.

3.3 Research Framework

The endeavour of this study is to examine the impact of pay effectiveness, leadership style on intention to leave among hotel employee at Langkawi Island, Kedah. Figure 3.1 below shows the conceptual framework of this research. Independents variables for this study are, pay effectiveness and the dimension of leadership style; Transformational leadership and Transactional leadership. The dependent variable is Intention to Leave.

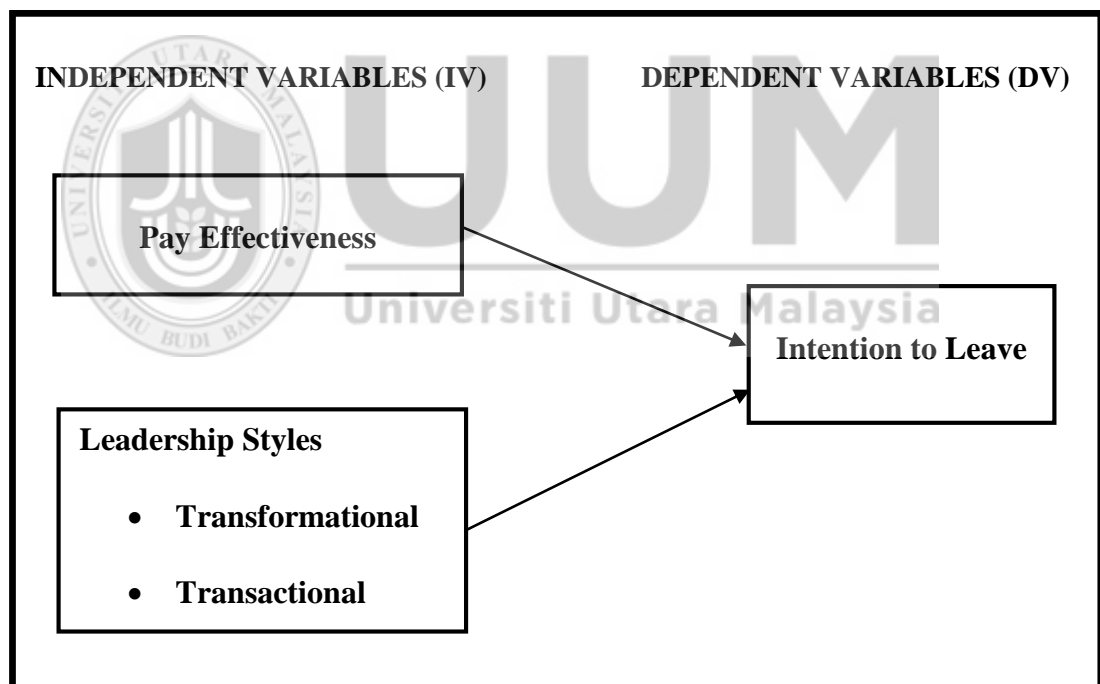


Figure 3.1:
Research Framework.

3.4 Hypothesis Development.

Based on research framework there are four hypotheses to be tested.

H1: There is a significant relationship between pay effectiveness and employee intention to leave.

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

H2a: There significant relationship between Transformation leadership style and employee intention to leave.

H2b: There is a significant relationship between Transactional leadership style and employee intention to leave.

3.5 Operational Definitions

Table 3.1 display some of conceptual and operational words that used in this research to aid the understanding of readers of this study.

Table 3.1:
Operational Defination.

| Term | Definition |
|--|--|
| Pay Effectiveness | Pay system effectiveness refers to the validity of the pay system, which means the contribution to the organizational strategy made by the pay system, and it represents the contribution to the organizational performance and the incentive degree for employees' working motivation (Gomez-Mejia & Balkin, 1984). |
| Leadership Style | An interaction process among individual groups that includes a structured or restructured situation members expectation and perception (Bass et al., 2003 as cited in Al-Ababneh ,2013). |
| Transformational leadership | The process of influencing major changes in the attitude and assumptions of organization members (Tracy and Hinkin,1994). |
| Transactional Leadership | Understanding employee needs, providing employee need to reward employee contribution and hard work and committing to giving those reward after employees complete assigned work duties (Bass & Avolio, 1990). |
| Intention to Leave | The indication of the personal likelihood that an individual will transform his or job within a certain time period and is an instantaneous antecedent to actual turnover (Sousa-Poza & Sousa-Poza, 2007). |
| Idealized Influence (Attributed & Behaviour) | Refer to leaders who have a high standard of moral and ethical conduct, who are held in high personal regard, and who engender loyalty from a follower (Bono and Judge, 2004). |
| Inspirational Motivation | Refer to the way leader motivate and inspire the follower to reach ambitious goals view the future with optimism. These leaders encourage the follower to achieve a level of performance beyond their expectation. A leader with inspirational motivation has a |

collective vision that they are able to articulate to follower (Bass 1985 as cited in Metwally & El-bishbishy, 2014).

| | |
|-----------------------------------|---|
| Intellectual Stimulation | Is concerned with the role of leader to challenge creativity and innovation among follower; the leader stimulates followers to explore new ways of doing things, opportunities to learn and finding solutions to difficult problem (Hater and Bass 1988 as cited Metwally & El-bishbishy, 2014). |
| Individualized Consideration | Refer to leaders who pay attention to the needs of each individual for accomplishment and growth to their full potential. They provide customized socio-emotional support to followers while developing and helping them to self-actualize (Hater and Bass 1988 as cited in Metwally & El-bishbishy, 2014). |
| Contingent Rewards | Refer to leadership behaviors focused on exchanges resources. That is providing tangible or intangible support and resource to a follower in exchange for their efforts and performance (Bono and Judge, 2004). |
| Management by Exception (Active) | Refer to monitoring performance and taking corrective action as necessary (Bono and Judge, 2004). |
| Management by Exception (Passive) | Refer to the leader whose take a passive approach, intervening only when the problem became serious (Bono & Judge, 2004) |

3.6 Measurement and Instruments

In this study, the questionnaire was adapted from the original source and modified some of the questionnaires to suit with the context of the study. This study is using a dual- language questionnaire English - Bahasa Melayu format. The survey questionnaire used in this research consists four section whereby Section One is about respondents' demographic data such as age, gender, marital status, education level, employment level, the length of service, total years of experience and income of the respondent will be asked. Section Two and Section Three consists of the measurement items for independent variable that is leadership style and pay effectiveness and in

Section Four consists measurements item for the dependent variable, intention to leave. This research used the five- point Likert scale in the questionnaire survey. Table 3.2 show the rating scale that using in the questionnaire survey while, table 3.3 indicated the measurements of the variable that used in this study.

Table 3.2:
Rating Scales for Independents and Dependents Variables.

| | | | | |
|-------------------------------|------------------------|----------------|---------------|-------------------------|
| Strongly disagree | Disagree | Neutral | Agree | Strongly Agree |
| <i>Sangat tidak bersetuju</i> | <i>Tidak bersetuju</i> | <i>Neutral</i> | <i>Setuju</i> | <i>Sangat Bersetuju</i> |
| 1 | 2 | 3 | 4 | 5 |

Table 3.3:
Distribution of Variables and Measurement.

| Variables | Number of Items | Sources |
|----------------------------|-----------------|---|
| <u>Independents</u> | | |
| - Pay effectiveness | 5 | David B. Balkin and Luis R Gomez-Mejia (1990) |
| - Leadership Style | 32 | Bass and Avalio (1997) (as cited in Xirasagar, Samuels, & Stoskopf, 2005) |
| <u>Dependents</u> | | |
| - Intention to Leave | 8 | Staw (1980) as cited in Spendolini, (1985) |
| TOTAL | 45 | |

3.6.1 Intention to Leave

There are 8 items was developing by MACRO organization in measuring intention to leave (Staw, 1980) cited by Spendolini, Michael Joseph (1985). The respond format for each item consisted of a five-point Likert scale as in table 3.2. According to Spendolini, Michael Joseph (1985), the Cronbach Alpha for this measurement based on past research is 0.80.

3.6.2 Pay Effectiveness

The items for pay effectiveness was adapted from “David B. Balkin and Luis R Gomez-Mejia (1990) which consist of” 5 items with Cronbach Alpha 0.94. The respond format for this section is a five-point Likert scale as in table 3.2.

3.6.3 Leadership Styles

The Multifactor Leadership Questionnaire (MLQ- Form 5x) were used to measure the leadership style which consists 2 dimensions which are Transformational Leadership style (20 items) and transactional Leadership style (12 items). This questionnaire was adapted from Multifactor Leadership Questionnaire (MLQ – Form 5x) 1997, cited by Xirasagar, S. (2005). The five-point Likert scale was used as in table 3.2. The Cronbach Alpha for this questionnaire has exceeded the requirement for standard cut off for internal consistency as recommended in literature which is 0.74 to 0.94 (Avolio & Bass, 2004).

3.7 Population and Sampling

3.7.1 Population

Sekaran and Bougie (2010), state that population is referring to the entire group of people, events, or things that the researcher have strong desire to investigate. This study was conducted at a hotel in Langkawi Island, however, it only focused at Aseania Resort and Spa. Hence, the target population of this research is all staff working at Aseania Resort and Spa, Langkawi. The total of employee working at Aseania Resort and Spa, Langkawi is 250 including all staffs from management level.

3.7.2 Sampling

Krejcie and Morgan argue (as cited in Sekaran & Bougie, 2010) in the table for determining the sample size mention that to present the population of 250 the sample size of 152 is needed. Meanwhile due to the target respondents for this study are from various departments in the Aseania Resort & Spa, and the sample size is small, the researchers decided to use disproportional stratified random sampling.

Proportionate formula:

Multiply the group number by sample size and divide by the total number of population

= Total Number of Respondent

Table 3.4:

Disproportionate Stratified Simple Random Sampling.

| Department | Number of Staffs | | | Proportionate (%) | Total Number of Respondents |
|-----------------|------------------|------------|------------|-------------------|-----------------------------|
| | Managerial | Operation | Total | | |
| General Manager | 2 | 0 | 2 | $2 / 250 = 1$ | $1\% \times 152 = 2$ |
| Human Resource | 4 | 0 | 4 | $4 / 250 = 2$ | $2\% \times 152 = 3$ |
| Finance | 8 | 0 | 10 | $10 / 250 = 4$ | $4\% \times 152 = 6$ |
| Spa | 2 | 9 | 11 | $11 / 250 = 4$ | $4\% \times 152 = 6$ |
| Front Office | 5 | 43 | 48 | $48 / 250 = 19$ | $19\% \times 152 = 29$ |
| Food & Beverage | 5 | 49 | 54 | $54 / 250 = 22$ | $22\% \times 152 = 33$ |
| Kitchen | 5 | 40 | 45 | $45 / 250 = 18$ | $18\% \times 152 = 28$ |
| Housekeeping | 5 | 51 | 56 | $56 / 250 = 22$ | $22\% \times 152 = 33$ |
| Technician | 2 | 8 | 10 | $10 / 250 = 4$ | $4\% \times 152 = 6$ |
| Security | 1 | 9 | 10 | $10 / 250 = 4$ | $4\% \times 152 = 6$ |
| TOTAL | 39 | 211 | 250 | 100 | 152 |

3.8 Data Collection Procedures

A survey method via questionnaire has been used to collect data for this research about respondents' perception on understudied variables. According Thomas, Schermerhorn, Dienhart, & Bartles, (2004), questionnaire not only low in cost but also will lead to mere openness and truthful responses. A total 152 set of questionnaires were given to Human Resource Assistant Manager of Aseania Resort & Spa,

Langkawi to distributed to all employees started from 2nd October 2015 until 27th October 2015. There are 127 sets of questionnaire were successfully collected from 152 questionnaires.

3.9 Data Analysis

Data collected through the questionnaires will be analysed using Statistically Package for Social Science (SPSS) version 22.

3.10 Pilot Study

Pilot test been conducted not only to make sure the questionnaire operates properly but also to ensure that research instrument overall well function (Bryman & Bell, 2011). The reliability test and validity test had been performing during the pilot test. The result from pilot test will help the researcher to remove the uncertain question that is considered blur or unclear to the respondents. The necessary correction or improvement will be done to ensure that the respondents fully understand the questionnaire.

3.11 Reliability Test

The reliability test has been conducted in order to test the reliability of the instruments used in this research. The value of Cronbach alpha has been used to examine the instruments. A good reliability instrument has a closer value of Cronbach alpha to

1.00. It can be said that the Cronbach alpha should be more than 0.7 but according to Sekaran & Bougie (2010), although the Cronbach Alpha of 0.6, it is acceptable but poor.

3.12 Validity Test

The validity analysis is examined after determining reliability test for study (Sekaran & Bougie, 2010). The validity analysis has been performed to test whether the variables studied in this measurable. At validity analysis researcher will perform two tests which are face validity and constructed validity. For face validity, the researcher had referred to expert human resources practitioners for questionnaire verification to ensure that the requested item was measured variables understudied, meanwhile, the results of the factor analysis for was used for construct validity. This is to confirm whether or not the theorized dimension emerged (Sekaran and Bougie, 2013).

3.13 Data Screening

Data screening has been used in order to identify the missing data and/or invalid data. Linearity test, Normality test, and Multivariate test has been performed during data screening process.

3.13.1 Linearity Test

The relationship between independents and dependent variables has been examined using the linearity test. The result of analysis whether the relationship between independent and dependent variables is linear or otherwise will be shown using Scatter plot.

3.13.2 Normality Test.

The Skewness and Kurtosis test were used in order to examine whether the sample data have drawn from a normally distributed population or not. According to Hair, Hult, Ringle, & Sarstedt (2016), the normality of data regarding skewness and kurtosis value of the indicators are within ± 1 .

3.13.4 Multivariate Outliers Test.

The outlier is cased with obsessive or unusual values on a single variable or more variables (M. Meyer et al., 2014). Multivariate box plot and Mahalanobis Distance values have been evaluated during Multivariate outlier test.

3.14 Factor Analysis.

Factor analysis has been used in relation to multiple-indicator measures to determine whether groups of indicators tend to bunch together to form different clusters, which known as factors (Bryman and Bell, 2011). Factor analysis was used as a data

reduction technique (Raykov & Marcoulides, 2012), in term of reducing a large number of related variables to a more manageable number, before using them in other analysis such as multiple regression or multivariate analysis of variance (MANOVA) (Tabachnick & Fidell, 2013). There is a prerequisite test that must be performed in order to permit the factor analysis process to be performed. The test that been run before performing the factor analysis is as follow.

3.14.1 KMO, Bartlett, Anti-Image Correlation and MSA tests.

The appropriateness of factors analysis depends on the correlation between variable. To determine whether there is a sufficient number of significant correlation among the items to justify performing a factor analysis, the Barlett's test of Sphericity and the Kaiser – Meyer- Olkin (KMO) were conducted. The Bartlett's test tests the null hypothesis that the correlation coefficient matrix is a unit matrix (i.e. a matrix where there is no relationship among items). KMO test is to measure whether the samplings are enough for factor analysis and whether the partial correlation coefficient between variables is too small. Kaiser gave the KMO test standard about whether it is suitable for factor analysis or not (Dou, Shen, & Qi, 2013). A Measurement Systems Analysis (MSA) indicates whether the correlations between variables can be explained by other variables in the dataset (Sarstedt & Mooi, 2014). The interpretation of the strength of correlation according to Kaiser (as cited in Dou et al., 2013)as follows:

Table 3.5:

Interpretation of Strength of KMO / MSA.

| KMO / MSA | Interpretation |
|---------------|--------------------|
| 0.9 and above | quite suitable |
| 0.8 – 0.9 | suitable |
| 0.7 – 0.8 | generally suitable |
| 0.6 – 0.7 | not quite suitable |
| Under 0.5 | not suitable |

3.14.2 Rotation Factor

Rotation factor has two types which are orthogonal rotation and oblique rotation. In this study the orthogonal rotation, Varimax has been used during the factor rotation. Most of the researcher suggested to used Orthogonal rotations because the orthogonal rotation is more generalize-able, replicable and much simpler to understand and interpret (Kim & Mueller, 1978). Varimax provide clear information about which items correlate most strongly with a given factor and the factor scores generated are also more interpretable because the variance is independent of one another (Pett et, al.2003).

3.14.3 Factor Determination

To identify the total factors of factors loading the research refer to eigenvalues and cumulative eigenvalues. The Kaiser- Gutman rule indicates that only those factors whose eigenvalues are greater than 1.00 should be considered (Gutman, 1954; Kaiser,

1991; Nunnally & Bernstein, 1994). According to Polit & Beck, (2008), some advocate that the number of factors extracted should account for at least 60% of the total variance which is referred to cumulative eigenvalues. A factor is defined as a cluster of related behavior measures. Cross loading process a problem for defining factors since single items is shared by two or more factors and causes otherwise independent factor to recover. Tabachnick & Fidell (2001), define cross loading as an item with a loading 0.32 or greater (10% of item variance in common with the factor) on two or more factors.

3.14.4 Reliability Test after Factor Analysis

Renaming the factor that has been identified in the factor matrix been done before performing the reliability test. The reliability test after factor analysis is to make sure that the factor is valid and the new Cronbach Alpha for the factors is acceptable.

3.15 Correlation Analysis

The correlation coefficient (r) or person correlation was performed in order to test the relationship between independent and dependent variables understudied and also the degree of linear relationship between independent and dependent variables. The correlation coefficient value range between -1.00 to +1.00. A correlation coefficient gives two information about the relationship between two variables; the direction of the relationship and its magnitude. The interpretation of the strength of correlation according to Meyer et al (2006) as follows:

Table 3.6:

Interpretation of Strength of Correlation Coefficient.

| Value of Coefficient | Relationship between Variables |
|-----------------------------|---------------------------------------|
| 0.5 | Strong |
| 0.3 | Moderate |
| 0.1 | Weak |

3.16 Multiple Regression Analysis

The multiple regressions analysis explains the relationship between several independent variables or multiple predictor variables and one dependent or criterion variable or in other words, to test the hypothesis the multiple regression analysis will be performed. Hypothesis. According to Sekaran & Bougie (2010), multiple regression analysis widely used in the research area. To perform the multiple regressions it is required two or more predictor variable (Tabachnick & Fidell, 2007).

3.16.1 Residual Violation Test

The violation in regression can be detected by performed the Residual and Diagnostic Plot. The modelling assumption can help indicate when a model transformation or medication is needed. The validation of the distributional assumption for the data will be done using the Cox-Snell Residual P-P Plots whereby it can be said that the

distributional assumption might be violated if the data points deviate far from the diagonal (Institute, 2013). The Scatter plot (ZRESID against ZPRED) is useful to determine whether the assumptions of random errors and Homoscedasticity have been met (Field, 2000).

3.16.1.1 Durbin – Watson

Durbin – Watson is the standard test for auto-correlation. Durbin-Watson statistic varies between 0 and 4. The Durbin- Watson value that close to 2.0 indicates that there is no evident autocorrelation. For positive auto-correlation, the value Durbin-Watson will be small and for negative auto-correlation, the value of Durbin-Watson will be large (Anderson, Sweeney, & Williams, 2014).

3.16.1.2 Case Wise Diagnostic

Case wise diagnostic indicate which cases are extreme outlier and/or which cases have the most impact on the regression estimates.

3.16.2 Multicollinearity

Multicollinearity exists in a predictive model when two or more independent or input variables in the model are related to each other, which lead to the inability in analysing the important of the input variables in the model based on their invalid test statistics. The rule of thumb to detect the multicollinearity is if the VIF is greater than 10.0 and/

or tolerance less than 0.1. Therefore, it can be said that multicollinearity only exists when tolerance less than 0.1 and VIF greater than 10.0 (Altinay, Paraskevas, & Jang, 2015).

3.16.3 F Test

F test used to determine whether there is a significant overall relationship between the dependent variable and the set of all independent variables significantly influence the dependent variable (Anderson et al. , 2014).

3.16.4 R- Squared Value

The coefficient of determinant or R-Squared, describes the proportion of the variability in the dependent variable that is explained by all the independent variable, with the range of value for between 0.0 to 1.0 (Thomas, 2013). R-Squared is the square of the measure of association which indicates the percent of overlap between the predictor variables and criterion variable (Tabachnick & Fidell, 2007).

3.16.4 Beta Value

Beta coefficient describes the relationship between independent variable with dependent variable with the range of Beta coefficient is between ± 1.0 (Hair, 2015). Beta is used to measure of how strong each predictor (independent variable) influences the criterion (dependent variable) (Pawlak, 2014). Beta with a higher value will give a

greater impact of the independent variable on the dependent variable. Variable on the dependent variable.

3.17 Conclusions

This chapter discussed briefly on methodology procedure in term of research design, conceptual, hypothesis development, data collection process, and data analysis that used in this research. Chapter 4 will discuss the finding of this research.



CHAPTER 4

RESULT AND FINDING

4.1 Introduction

This chapter contains a presentation and analysis of the data collected for this study and statistical tests and analyses as outlined in Chapter 3. Chapter 4 provides a discussion of the sample and response rate, descriptive statistics, and hypothesis testing results, and concludes with a summary of the overall findings of the study. Basically, this chapter is divided into two main parts which are: (i) the descriptive analysis of respondent's profile and (ii) the inferential analysis consist of two types which are correlation analysis and regression analysis.

4.2 Sample Characteristics

There are 152 questionnaires were distributed to the target respondents. This total no of the questionnaire is according to the table of sampling size which is developed by (Krejcie & Morgan, 1970) (as cited in Sekaran & Bougie, 2010) There were only 84% of the total number distributed questionnaire successful collected while the others missing. The summary of respondents' rates has been shown in table 4.

Table 4.1:
Respondent Rate.

| Total Population | Total Questionnaire Distributed | Total Questionnaire Collected | Percentage |
|------------------|------------------------------------|----------------------------------|------------|
| 250 | 152 | 127 | 84% |

4.3 Respondents Profile

The descriptive analysis has been run to examine the respondents profile by using 113 usable questionnaires instead of 127 collected questionnaires. 14 questionnaires were discarded from the analysis due to outlier. The results of outlier test were discussed briefly in section 4.5.3. The respondents demographic were describing by frequency and percentage values. Table 4.2 indicated the detail of respondent profile.

Table 4.2:
Demographic Variables.

| Item | Category | Frequency | Percentage |
|-------------------|----------|-----------|------------|
| gender | male | 57 | 50.4 |
| | female | 56 | 49.6 |
| | Total | 113 | 100 |
| Age of respondent | Below 20 | 8 | 7.1 |
| | 20-29 | 68 | 60.2 |
| | 30-39 | 31 | 27.4 |
| | 40-49 | 6 | 5.3 |
| | Total | 113 | 100 |
| Marital status | Single | 56 | 49.6 |
| | Married | 56 | 49.6 |

| | | | |
|------------------------------|-------------------|-----|------|
| | Divorce | 1 | 0.9 |
| | Total | 113 | 100 |
| Employment level | Operation | 95 | 84.1 |
| | Management | 18 | 15.9 |
| | Total | 113 | 100 |
| Academic level | STPM | 19 | 16.8 |
| | Bachelor Degree | 2 | 1.8 |
| | SPM | 64 | 56.6 |
| | Diploma | 8 | 7.1 |
| | PMR | 7 | 6.2 |
| | Certificate | 13 | 11.5 |
| | Total | 113 | 100 |
| Total years of experience | 1-5 | 88 | 77.9 |
| | 6-10 | 19 | 16.8 |
| | 11-15 | 5 | 4.4 |
| | >15 | 1 | 0.9 |
| | Total | 113 | 100 |
| Length of service in company | Less than 1 Years | 26 | 23 |
| | 1 year | 31 | 27.4 |
| | 2-3 | 40 | 35.4 |
| | 4-5 | 13 | 11.5 |
| | >5 | 3 | 2.7 |
| | Total | 113 | 100 |
| Income | Less than Rm900 | 12 | 10.6 |
| | Rm900-1200 | 64 | 56.6 |
| | RM1201-RM2000 | 18 | 15.9 |
| | RM2001-RM4000 | 16 | 14.2 |
| | RM4001-RM6000 | 3 | 2.7 |
| | Total | 113 | 100 |

Based on the table of the demographic profile of this study majority of the respondent's male which is 50.4% while the female is 49.6%. The range of age between 20-29 represent the higher percentage in term of the age of respondents with 60.2% followed

by the range of age between 30-39 with 27.4, below 20 with 7.1 and the lower percentage is the range of age between 40-19 with the percentage of 5.3%. In term of marital status married and single were represented the same percentage which is 49.6% and 0.9% of respondent are divorce. Most of the respondents are from an operational level which is 84.1% and 15.9% of respondent are management level.

Regarding the respondent higher education more than half or 56.6 respondents possess the SPM as their higher education, while 16.8 % of respondents having STPM followed by 11.5% of respondents having Certificate, 7.1% of respondents hold a Diploma, 6.2% of respondents only studied until PMR and only 1.8% respondent hold a Bachelor Degree in their higher education. Other than that 77.9% of respondents having 1 – 5 years as their total years of experience followed by 6-10 years with 16.8%, 11-15 with 4.4 % and > 15 years is 0.9%. Meanwhile for length of service in the company 23% of respondent were working in the company less than 1 year 27.4% been working in the company about 1year, 35.4% of the respondents been served the company between 2-3 years, 11.5% of them served the company between 4-5 years and 2.7 of respondents served the company more than 5 years. Lastly, in term of income, 56.6% of respondents earned about RM900 – RM1200 per month, 10.6% of them received less than RM900 as their gross income per month. 15.9% of them receive income in the range between RM1202-RM2000, 14.2% of respondents having income in the range between RM 2001 – RM 4000, and 2.7% of respondents earning an income between RM4001 – RM 6000.

4.4 Pilot Study

The pilot study was executed to examine the reliability of the measurement used in this study. The value of Cronbach Alpha of 0.7 and above is reliable while the value of 0.6 still acceptable but weak (Sekaran & Bougie, 2013). The summarized of Cronbach Alpha value for each variable understudied are shown in Table 4.3.

The Cronbach's Alpha for independent variables; leadership style and pay effectiveness were greater than 0.8. Therefore, it indicates that the data for all variables are highly valid and reliable (Sekaran, & Bougie, 2016). Hence, it proved that internal consistency reliabilities for the questionnaire used for all the interval scale are measured well.

Table 4.3:

The Cronbach Alpha for Pilot Test (n=20).

| Variables | N of Items | Cronbach Alpha Value (α) |
|--------------------|------------|-----------------------------------|
| Pay Effectiveness | 5 | 0.982 |
| Leadership Style | 32 | 0.937 |
| Intention to Leave | 8 | 0.953 |

4.5 Data Screening

Data screening has been used in order to identify the missing data, invalid and to ensure the gathered data are linear, normal and homogeneous. To test the linearity, the researcher performed scatter plot. In addition, normality was tested by measuring the values of Skewness and kurtosis and M-box plot used to measures homogeneity.

4.5.1 Linearity Test

The scatter plot graphs showing the linearity pattern between dimensions and based on the diagram below, it shows that the scatter plots graphs are linear.

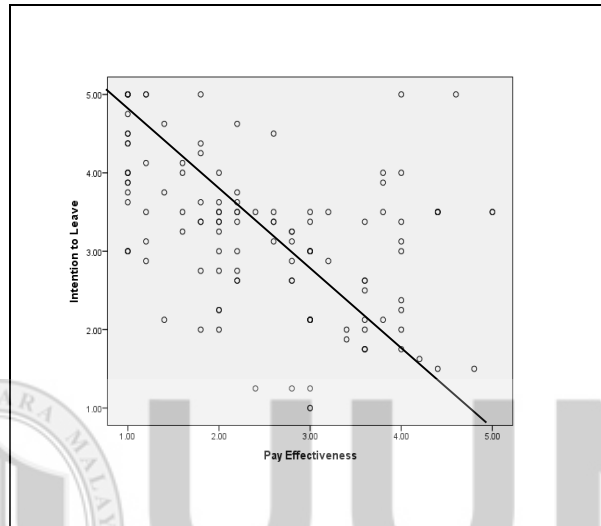


Figure 4.1:
Scatter Plot Graph

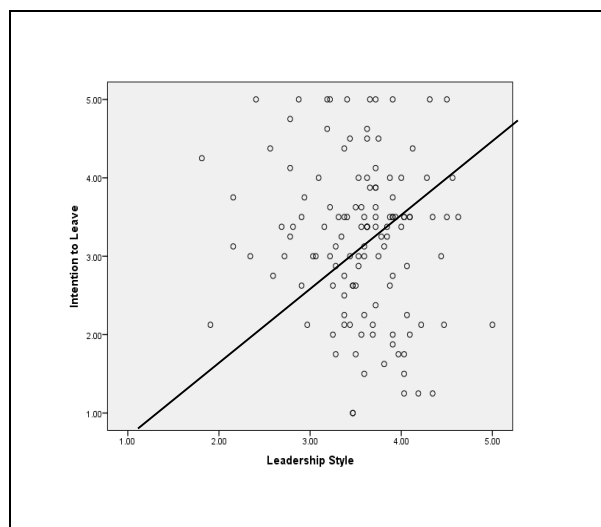


Figure 4.2:
Scatter Plot Graph

4.5.2 Normality Test

The Skewness and Kurtosis test were used in order to examine whether the sample data have drawn from a normally distributed population or not. According to Hair et al.(2016), the normal distribution of data skewness and kurtosis were between ± 1 . Table 4.4 below, shows that the Skewness and Kurtosis values for all variables;

Table 4.4:
Skewness and Kurtosis Values.

| <i>n</i> = 127 | Skewness | SE Skewness | Kurtosis | SE Kurtosis |
|--------------------|----------|-------------|----------|-------------|
| Leadership Style | -.594 | .215 | .961 | .427 |
| Intention to Leave | -.096 | .215 | -.474 | .427 |
| Pay Effectiveness | .263 | .215 | -.966 | .427 |

4.5.3 Multivariate Outliers Test

The outlier in this multivariate model has been tested using the Mahalanobis distance values and Multivariate box plot. The values of Mahalanobis distance has been shown in table 4.5. Table 4.5 indicated that there are no outliers because there were no cases with a Mahalanobis distance value equal or greater than 13.816. To ensure that the result is accurate the Multivariate box been referred. The potential outlier values were identified by the residuals that are larger in their absolute values than the majority of the other residuals. These processes were conducted for 4 times. Figure 4.2 illustrated the Multivariate box plot with 14 marked outlier IDS: 86, 35, 106, 73, 13, 18, 9, 72, 37, 28, 96, 55 and 79.

Table 4.5:
Mahalanobis Distance Values.

| | | Case Number | | Value |
|----------------------|---------|-------------|-----|----------|
| Mahalanobis Distance | Highest | 1 | 86 | 10.23423 |
| | | 2 | 35 | 8.85470 |
| | | 3 | 106 | 8.23874 |
| | | 4 | 73 | 7.14828 |
| | | 5 | 13 | 6.78705 |
| | Lowest | 1 | 48 | .00544 |
| | | 2 | 59 | .00710 |
| | | 3 | 47 | .07314 |
| | | 4 | 119 | .08596 |
| | | 5 | 66 | .08670 |

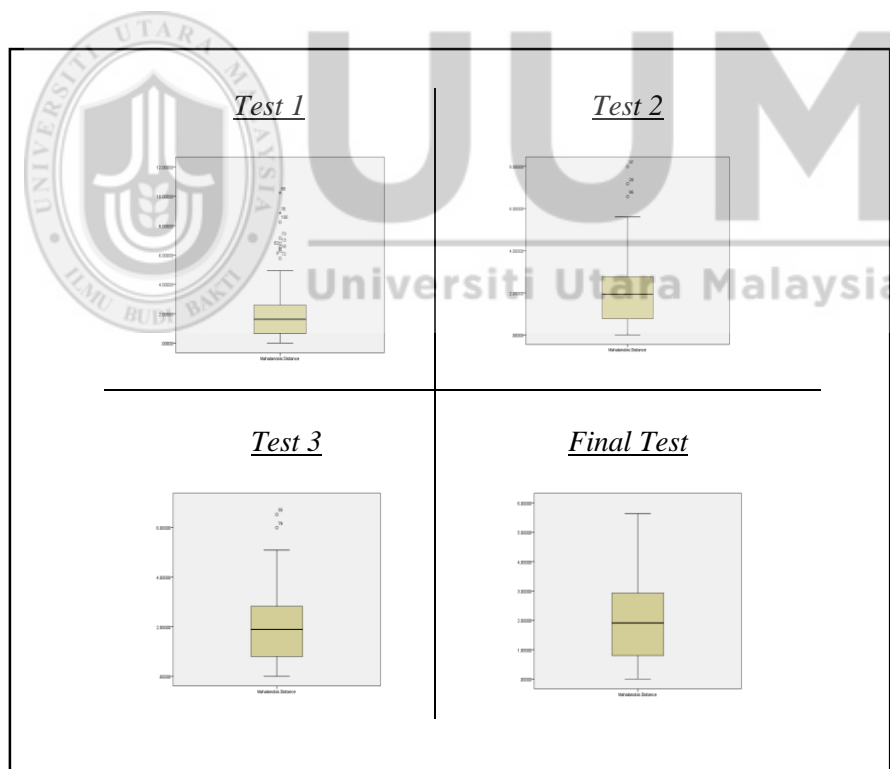


Figure 4.3:
Multivariate Box Plot.

4.6 Factor Analysis

Factor analysis has been used in relation to multiple-indicator measures to determine whether groups of indicators tend to bunch together to form different clusters, which known as factors (Bryman & Bell, 2011). Factor analysis also was used as the data reduction technique (Raykov & Marcoulides, 2012).

4.6.1 Prerequisite Test for Factor Analysis

In order to perform the factor analysis, the researcher has conducted the prerequisite tests namely including the Kaiser-Meyer-Olkin (KMO), Bartlett, Anti-image correlation, and Measure of Sampling Adequacy (MSA) tests. The KMO should be greater than 0.5 for a satisfactory factor analysis to proceed (Ordóñez de Pablos, 2012).

4.6.1.1 Pay effectiveness

Table 4.6 shows the result of KMO and Bartlett's test for pay effectiveness, the KMO value for pay effectiveness was .885 which is acceptable for factor analysis and Bartlett test shows significant. Beside that the table anti – image indicated that all items for pay effectiveness were not exceeding 0.7 and the MSA values are well above 0.5. Therefore, factor analysis was allowed to be executed.

Table 4.6:

KMO and Barlett's Test for Pay Effectiveness.

| | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .885 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 623.013 |
| | Df | 10 |
| | Sig. | .000 |

4.6.1.2 Leadership Style

Kaiser- Gutman rule of thumb indicate that those factors whose eigenvalues are greater or equal to 1.00 should be considered and the cut off for factor loading is that the number of factors extracted should account for at least 60% and above of cumulative eigenvalues. Based on the statements the leadership style will have eight factors for the convergent test. Factor 8 has been eliminated because the items loaded on that factor are lower than three items. The total of seven factors will be used to examine the leadership style during correlation and multiple regression analysis. The item of Transformational Leadership- IA3 has been discarding from factor 1 because the items cross loading with factor 5. The value for item Transformational Leadership- IA3 under factor 5(0.668) is higher than the value of factor 1(0.523) so the item will be under factor 5.

Table 4.7:

KMO and Barlett's Test for Leadership Test.

| | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .817 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2529.359 |
| | Df | 496 |
| | Sig. | .000 |

4.6.1.3 Intention to Leave

Table 4.8 shows the result of the KMO and Bartlett's test for intention to leave. Based on table 4.8 the KMO value for intention to leave was .879 which was acceptable for factor analysis and Bartlett test shows significant. Beside that the table anti – image indicated that all items for intention to leave were not exceeding 0.7 and the MSA values are well above 0.5. Therefore, factor analysis was allowed to be executed.

Table 4.8:

KMO and Barlett's Testfor Intention to Leave

| | | |
|--|--------------------|---------|
| iser-Meyer-Olkin Measure of Sampling Adequacy. | | .879 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 887.696 |
| | Df | 28 |
| | Sig. | .000 |

4.6.2 Factor Loading

Factor analysis was performed to determine factors involve in this present study. To determine the total factors of factors loading the research refer to eigenvalues and cumulative eigenvalues. The Kaiser- Gutman rule indicates that only those factors whose eigenvalues are greater than 1.00 should be considered (Gutman, 1954, Kaiser, 1960, Nunnally & Bernstein, 1994) and the number of factor extracted should account for at least 60% of the total variance which is refer to cumulative eigenvalues total variance (Polit & Beck, 2008). The factor loading value of 0.5 was used to indicate which items that converge in a particular factor (Meyer, Becker, & Van Dick, 2006)in other word items score above or equal to 0.5 will converge in the same factor. An item

that loaded on factors which comprised of lower than three items were to be eliminated (Campbell&Ma,2016; Costello & Osborne, 2005; Tabachnick & Fidell, 2001).

4.6.2.1 Intention to Leave.

Kaiser- Gutman rule of thumb indicate that those factors whose eigenvalues are greater or equal to 1.00 should be considered and the cut off for factor loading is that the number of factors extracted should account for at least 60% and above of cumulative eigenvalues. Based on the statement for further study intention to leave will only have one factor. Table 4.11 below shows that all the item of intention to leave that scored loading factors more than 0.5. All these items will be used to examine the intention to leave during correlation and multiple regression analysis.

Table 4.9:

Factor Analysis Result for Intention to Leave.

| Items | Factor 1 |
|---|----------|
| Intention to Leave 7 | .909 |
| Intention to Leave 8 | .905 |
| Intention to Leave 5 | .880 |
| Intention to Leave 2 | .869 |
| Intention to Leave 3 | .862 |
| Intention to Leave 6 | .859 |
| Intention to Leave 4 | .853 |
| Intention to Leave 1 | .766 |
| Variance Explained (cumulative eigenvalue) | 74.64% |
| The Kaiser-Meyer-Olkin measure of sample adequacy | .879 |
| The Bartlett's test of Sphericity (significant level) | .000 |

4.6.2.2 Pay Effectiveness

Kaiser- Gutman rule of thumb indicate that those factors whose eigenvalues are greater or equal to 1.00 should be considered and the cut off for factor loading is that the number of factors extracted should account for at least 60% and above of cumulative eigenvalues. Based on the statement for further study pay effectiveness will only have one factor. Table 4.10 below shows that all the item of pay effectiveness that scored loading factors more than 0.5. All these items will be used to examine the pay effectiveness during correlation and multiple regression analysis

Table 4.10:
Factor Analysis Result for Pay Effectiveness.

| Items | Factor 1 |
|---|----------|
| Pay Effectiveness 4 | .953 |
| Pay Effectiveness 2 | .940 |
| Pay Effectiveness 5 | .939 |
| Pay Effectiveness 1 | .894 |
| Pay Effectiveness 3 | .876 |
| Variance Explained (cumulative eigenvalue) | 84.80% |
| The Kaiser-Meyer-Olkin measure of sample adequacy | .885 |
| The Bartlett's test of Sphericity (significant level) | .000 |

4.6.2.3 Leadership Style

Kaiser- Gutman rule of thumb indicate that those factors whose eigenvalues are greater or equal to 1.00 should be considered and the cut off for factor loading is that the number of factors extracted should account for at least 60% and above of cumulative eigenvalues. Based on the statements the leadership style will have eight factors for the convergent test. Factor 8 has been eliminated because the items loaded on that factor are lower than three items. One item cannot represent one dimension (Meyers et al, 2006). The total of seven factors will be used to examine the leadership style during correlation and multiple regression analysis. The item of Transformational Leadership- IA3 has been discarding from factor 1 because the items cross loading with factor 5. The value for item Transformational Leadership- IA3 which under factor 5 (0.668) is higher than the value for item under factor 1 (0.523) so the item will be under factor 5.

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Table 4.11:

Factor Analysis for Leadership Style.

| Items | Factor 1 | Factor 2 | Factor 3 | Factor 4 | Factor 5 | Factor 6 | Factor 7 | Factor 8 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Transformational Leadership - IM 1 | .854 | | | | | | | |
| Transformational Leadership - IM 2 | .854 | | | | | | | |
| Transformational Leadership - IB 4 | .787 | | | | | | | |
| Transformational Leadership - IM 3 | .774 | | | | | | | |
| Transformational Leadership - IB 3 | .757 | | | | | | | |
| Transformational Leadership - IM 4 | .686 | | | | | | | |
| Transactional Leadership-PASSIVE3 | | .881 | | | | | | |
| Transactional Leadership-PASSIVE4 | | .856 | | | | | | |
| Transactional Leadership-PASSIVE2 | | .850 | | | | | | |
| Transactional Leadership-PASSIVE1 | | .839 | | | | | | |
| Transactional Leadership-ACTIVE 2 | | | .817 | | | | | |
| Transactional Leadership-ACTIVE 4 | | | .791 | | | | | |
| Transactional Leadership-ACTIVE 1 | | | .777 | | | | | |
| Transactional Leadership-ACTIVE 3 | | | .748 | | | | | |
| Transformational Leadership - IC 2 | | | | .756 | | | | |
| Transformational Leadership - IC 1 | | | | .750 | | | | |
| Transformational Leadership - IC 4 | | | | .738 | | | | |
| Transformational Leadership - IC 3 | | | | .694 | | | | |
| Transformational Leadership - IS 4 | | | | .577 | | | | |
| Transformational Leadership - IA 4 | | | | | .774 | | | |
| Transformational Leadership - IB 2 | | | | | .714 | | | |
| Transformational Leadership - IB 1 | | | | | .680 | | | |
| Transformational Leadership - IA 3 | .523 | | | | .668 | | | |
| Transformational Leadership - IA 1 | | | | | .556 | | | |
| Transactional Leadership - CR 3 | | | | | | .827 | | |
| Transactional Leadership - CR 1 | | | | | | .788 | | |
| Transactional Leadership - CR 2 | | | | | | .766 | | |
| Transactional Leadership - CR 4 | | | | | | .534 | | |
| Transformational Leadership - IS 2 | | | | | | | .793 | |
| Transformational Leadership - IS 3 | | | | | | | .691 | |
| Transformational Leadership - IS 1 | | | | | | | .578 | |
| Transformational Leadership - IA 2 | | | | | | | | .897 |
| Variance Explained (cumulative eigenvalue) | | | | | | | | 76.05% |
| The Kaiser-Meyer-Olkin measure of sample adequacy | | | | | | | | .817 |
| The Bartlett's test of Sphericity (significant level) | | | | | | | | .000 |

Note. IA: Idealized Influence (Attributed), IB: Idealized Influence (Behaviour), IC: Individualized Consideration, IM: Inspirational Motivation, IS: Intellectual Stimulation, CR: Contingent Reward, ACTIVE: Management- by-Exception (Active), PASSIVE: Management- by-Exception (Passive)

Based on table 4.9 there are seven (7) discriminant factors for leadership style. All these seven (7) factors were accepted in measuring leadership style. All factors been renaming according to what factor loaded on them.

Table 4.12:

Rename of Factors for Factor Analysis.

| Factor | Item | Rename |
|----------|---|---------------------------------------|
| Factor 1 | Transformational Leadership - IM 1, IM 2, IM3, IM 4 - IB 3, IB 4 | Transformational Leadership – IM. |
| Factor 2 | Transactional Leadership - PASSIVE 1, PASSIVE 2, - PASSIVE 3, PASSIVE 4 | Transactional Leadership - PASSIVE |
| Factor 3 | Transactional Leadership - ACTIVE 1, ACTIVE 2, - ACTIVE 3, ACTIVE 4, | Transactional Leadership – ACTIVE |
| Factor 4 | Transformational Leadership - IC1, IC 2, IC 3, IC 4 - IS 4 | Transformational Leadership - IC |
| Factor 5 | Transformational Leadership - IA 1, IA 3, IA 4 - IB 1, IB 2 | Transformational Leadership - IA |
| Factor 6 | Transactional Leadership - CR1, CR2, CR 3, CR4 | Transactional Leadership – CR |
| Factor 7 | Transformational Leadership - IS 1, IS 2, IS 3 - IA 2 | Transformational Leadership – IS |

4.7 Reliability Test after Factor Analysis

Table 4.12 below illustrates the Cronbach Alpha values for all dimensions involved in this study after factor analysis performed. The reliability value showed that all dimensions are reliable for further analysis

Table 4.13:
Reliability Test after Factor Analysis.

| Variables | | Cronbach Alpha Value (α) |
|--------------------------------|--------------------------------------|--------------------------------------|
| Transactional Leadership | Contingent Reward (CR) | 0.915 |
| | Management -by- Exception (PASSIVE) | 0.908 |
| Transformational Leadership | Management -by- Exception (ACTIVE) | 0.864 |
| | Individual Consideration (IC) | 0.837 |
| | Idealized Influence –Attributed (IA) | 0.866 |
| | Inspirational Motivation (IM) | 0.864 |
| | Intellectual Stimulation (IS) | 0.746 |
| Pay Effectiveness | - | 0.954 |
| Intention to Leave | - | 0.951 |

4.8 Restatement Hypotheses

There is four (4) hypothesis were proposed earlier in Chapter 3. After researcher conducted the factor analysis the hypothesis for this study has been reconstructed based on the number of factors that gets during factor analysis tests as below:

Table 4.14:

Restatement Hypothesis.

HYPOTHESIS

- H1 : There is significant relationship between Pay Effectiveness and Intention to leave
- H2aa : There is significant relationship between Idealized influence- Attribute (IA) and Intention to Leave
- H2ab : There is significant relationship between Inspirational Motivation (IM) and Intention to Leave
- H2ac : There is significant relationship between Intellectual Stimulation (IS) and Intention to Leave
- H2ad : There is significant relationship between Individualized Consideration (IC) and Intention to Leave
- H2ba : There is significant relationship between Contingent Reward (CR) and Intention to Leave
- H2bb : There is significant relationship between Management by Exception – Active and Intention to Leave
- H2bc : There is significant relationship between Management by Exception – Passive and Intention to Leave
-

4.9 Correlations Analysis

Person correlation was conducted in order to find out the relationship between all variables in this study. According to Meyer et al (2006) there are 3 level of correlation value for relationship between independent variable and dependent variable. Table 4.13 indicate the summary of Correlation Analysis for all variables understudied.

4.9.1 Interpretation of Results of Correlation Analysis

i. The relationship between Pay Effectiveness and Intention to Leave.

Table 4.15 shown that Pay Effectiveness have a negative relationship with Intention to Leave which is the correlation coefficient value is – 0.472. This indicated that the relationship is moderate.

ii. The relationship between Idealized Influence –Attributed (IA) and Intention to Leave.

Table 4.15 shown that Idealized Influence (Attributed) have a negative relationship with Intention to Leave which is the correlation coefficient value is – .270. This indicated that the relationship is a weak.

iii. The relationship between Inspirational Motivation (IM) and Intention to Leave

Table 4.15 shown that Inspirational Motivation (IM) have a negative relationship with Intention to Leave which is the correlation coefficient value is $-.283$. This indicated that the relationship is weak.

iv. The relationship between Intellectual Stimulation (IS) and Intention to Leave

Table 4.15 shown that that Intellectual Stimulation (IS) and Intention to leave which is the correlation coefficient value is $-.210$. This indicated that relationship is weak.

v. The relationship between Individual Consideration (IC) and Intention to Leave

Table 4.15 shown that there is no relationship between Individual Consideration (IC) and Intention to Leave

vi. The relationship between Contingent Rewards (CR) and Intention to Leave

Table 4.15 shown that there is no relationship between Contingent Rewards (CR) and Intention to Leave.

vii. The relationship between Management by Exception (Active) and Intention to Leave.

Table 4.15 shown that there is no relationship between Management by Exception (Active) and Intention to Leave.

viii. The relationship between Management by Exception (Passive) and Intention to Leave

Table 4.15 shown that there is no relationship between Management by Exception (Passive) and Intention to Leave.



Table 4.15:

Result of Correlation (n=113).

| | | IM AFTER FA | PASSIVE AFTER FA | ACTIVE AFTER FA | IC AFTER FA | IA AFTER FA | CR AFTER FA | IS AFTER FA | PAY E. AFTER FA | ITL AFTER FA |
|---------------------|--------------------|-------------------|------------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|--------------------|
| IM AFTER FA | Person Correlation | 1 | | | | | | | | |
| | Sig (2-tailed) | | | | | | | | | |
| PASSIVE AFTER FA | Person Correlation | -.273** | 1 | | | | | | | |
| | Sig (2-tailed) | .003 | | | | | | | | |
| ACTIVE AFTER FA | Person Correlation | .074 | .270** | 1 | | | | | | |
| | Sig (2-tailed) | .435 | .004 | | | | | | | |
| IC AFTER FA | Person Correlation | .453** | -.141 | .272** | 1 | | | | | |
| | Sig (2-tailed) | .000 | .136 | .004 | | | | | | |
| IA AFTER FA | Person Correlation | .612** | -.323** | .000 | .311** | 1 | | | | |
| | Sig (2-tailed) | .000 | .000 | .999 | .001 | | | | | |
| CR AFTER FA | Person Correlation | .108 | .097 | .056** | .488** | -.028 | 1 | | | |
| | Sig (2-tailed) | .257 | .307 | .000 | .000 | .772 | | | | |
| IS AFTER FA | Person Correlation | .580** | -.075 | .092 | .436** | .518** | .067 | 1 | | |
| | Sig (2-tailed) | .000 | .429 | .331 | .000 | .000 | .481 | | | |
| PAY E. AFTER FA | Person Correlation | .372** | -.254** | .093 | .218* | .467** | .072 | .351** | 1 | |
| | Sig (2-tailed) | .000 | .007 | .329 | .020 | .000 | .447 | .000 | | |
| ITL AFTER FA | Person Correlation | -.283** | .207* | -.012 | .031 | -.270** | -.075 | -.210* | -.472** | 1 |
| | Sig (2-tailed) | .002 | .028 | .902 | .743 | .004 | .429 | .025 | .000 | |

Note. IA: Idealized Influence (Attributed), IC: Individualized Consideration, IM: Inspirational Motivation, IS: Intellectual Stimulation, CR: Contingent Reward, ACTIVE: Management- by-Exception (Active), PASSIVE: Management- by-Exception (Passive), PAY E.: Pay Effectiveness, ITL: Intention to Leave.

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

*. Correlation is significant at the 0.05 level (2-tailed).

4.10 Multiple Regression Analysis

The relationship between variables in this study was examined using multiple regression analysis. The analysis was performed to determine whether there are relationships between pay effectiveness and leadership style has any relationship between employee intentions to leave. The result of the multiple regression analysis is shown below.

4.10.1 Residual Violation Test.

The relationship between variables in this study was examined using multiple regression analysis. The analysis was performed to determine whether there are relationships between pay effectiveness and leadership style has any relationship between employee intentions to leave. The result of the multiple regression analysis are shown as below.

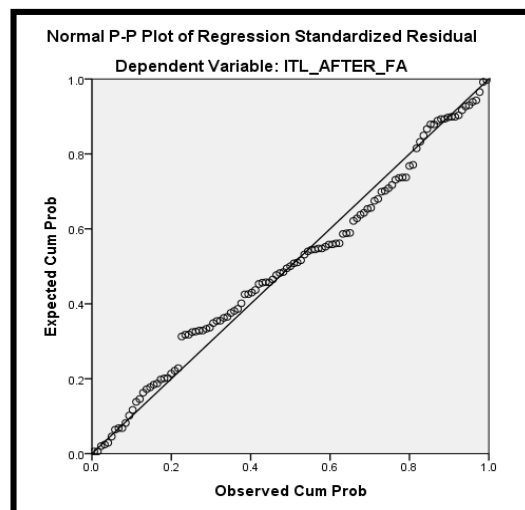


Figure 4.4:
Normal P-P Plot of Regression Standard Residual.

4.10.1.1 Durbin – Watson

Table 4.14 below indicated the value for Durbin - Watson test. The Durbin-Watson statistic varies is between 0 and 4. For positive auto-correlation, the value Durbin-Watson will be small and for negative auto-correlation the value of Durbin-Watson will be large (Anderson, Sweeney, Williams, Camm, & Cochran, 2014). The value of Durbin – Watson test for this study is 1.882 and this is acceptable although it is not ideal because closed to desired 2.0.

Table 4.16:

Liner Regression Result Summary.

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .563 ^a | .317 | .265 | .85213 | 1.882 |

4.10.1.2 Case Wise Diagnostic

The table of Case Wise Diagnostic result did not appear because there is no outlier in this study. All the outliers have been discarded from this study during the Multivariate Outlier Test using Mahalanobis distance values and Multivariate box plot.

4.10.2 Multicollinearity

Collinearity diagnostic was performed to examine the existence of multicollinearity problem. VIF procedure and tolerance values were used during multicollinearity test. Hair, Black, & Babin (2010), stated that the tolerance values should more than 0.1 but less than 1.0 and VIF values are less than 10. Table 4.14 showed that all independent variables in the regression equation had low VIF values ranging from 1.328 to 2.056.

The tolerance values are less than 1.0 which is ranging from 0.486 to 0.753 showing that absence of multicollinearity problem.

Table 4.17:
Result of Coefficient Analysis

| Model | Collinearity Statistics | |
|----------------------------|-------------------------|-------|
| | Tolerance | VIF |
| 1 (Constant) | | |
| IM_AFTER_FA | .486 | 2.056 |
| P_AFTER_FA | .753 | 1.328 |
| ACTIVE_AFTER_FA | .624 | 1.604 |
| IC_AFTER_FA | .544 | 1.837 |
| IA_AFTER_FA | .506 | 1.976 |
| CR_AFTER_FA | .534 | 1.873 |
| IS_AFTER_FA | .552 | 1.813 |
| PAY_EFFECTIVENESS_AFTER_FA | .734 | 1.363 |

a. Dependent Variable: ITL_AFTER_FA

*P ≤ 0.05

Note. IA: Idealized Influence (Attributed), IC: Individualized Consideration, IM: Inspirational Motivation, IS: Intellectual Stimulation, CR: Contingent Reward, ACTIVE: Management- by-Exception (Active), PASSIVE: Management- by-Exception (Passive)

4.10.3 F Test

Table 4.16 indicate that 6.036 of F Value is significant at the .000 level which means there is a significant relationship between all independent variable; pay effectiveness and leadership style and the dependent variable, intention to leave.

Table 4.18:
Result of ANOVA Analysis.

| | Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|------------|----------------|-----|-------------|-------|-------------------|
| 1 | Regression | 35.065 | 8 | 4.383 | 6.036 | .000 ^b |
| | Residual | 75.517 | 104 | .726 | | |
| | Total | 110.582 | 112 | | | |

4.10.4 R-Squared Value

Table 4.14 is output summary of the multiple regression when all nine independent variables simultaneously influence dependent variable, intention to leave. R-value indicates the correlation of the two variables that is 0.563 and R Square value (R^2) explains the variance, which is 0.317. It means that pay effectiveness and leadership style explained 31.7% of the variance in intention to leave.

Table 4.19:
Liner Regression Model Summary.

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .563 ^a | .317 | .265 | .85213 |

4.10.5 Beta Value

The standardized regression coefficient (beta, β) show the strength of the relationship between independent variables and dependent variable whereby Beta with higher value indicate the stronger relationship (with ranges between -1 to $+1$) (Zikmund, Babin, Carr, & Griffin, 2013). Table 4.15 indicate the result for regression coefficient for leadership style and pay effectiveness. The standard coefficient **Beta** (β) for pay effectiveness is $-.049$ with significant level is $.000$ follow by Contingent Reward (CR)

($\beta = -.236$ with significant level .035). Nevertheless, there is an individualized consideration (IC) that had indicated positive relationship by Standard Coefficient **Beta** (β) = .364 with significant level .000. It shows that pay effectiveness had a highly negative relationship with intention to leave and followed by Contingent Reward (CR). The other items in model 1 don't have a relationship even though the item has high beta value (PASSIVE with 0.103) but the significant level is higher than 5% ($P \leq 0.05$).

Table 4.20:
Result of Beta Coefficient Analysis

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | Sig. |
|-------|----------------------------|-----------------------------|-----------|---------------------------|--------|------|
| | | B | Std.Error | Beta | t | |
| 1 | (Constant) | 3.997 | .769 | | 5.200 | .000 |
| | IM_AFTER_FA | -.266 | .161 | -.192 | -1.650 | .102 |
| | PASSIVE_AFTER_FA | .107 | .096 | .103 | 1.105 | .272 |
| | ACTIVE_AFTER_FA | .070 | .130 | .055 | .534 | .594 |
| | IC_AFTER_FA | .593 | .179 | .364 | 3.313 | .001 |
| | IA_AFTER_FA | .004 | .167 | .003 | .023 | .982 |
| | CR_AFTER_FA | -.320 | .150 | -.236 | -2.133 | .035 |
| | IS_AFTER_FA | -.137 | .154 | -.097 | -.889 | .376 |
| | PAY_EFFECTIVENESS_AFTER_FA | -.379 | .088 | -.409 | -4.327 | .000 |

a. Dependent Variable: ITL_AFTER_FA

4.11 Hypothesis Testing

Based on coefficient regression analysis, the result of hypothesis was obtained, with significant level $P \leq 0.05$, whereby three (3) hypothesis are accepted meanwhile six (6) hypothesis are rejected.

Table 4.21:

Summary of Hypothesis Testing.

| HYPOTHESIS | | RESULT |
|------------|---|-----------|
| H1 : | There is significant effect between Pay Effectiveness and Intention to leave | Supported |
| H2aa : | There is significant effect between Idealized influence-Attribute (IA) and Intention to Leave | Rejected |
| H2ab : | There is significant impact between Inspirational Motivation (IM) and Intention to Leave | Rejected |
| H2ac : | There is significant influence between Intellectual Stimulation (IS) and Intention to Leave | Rejected |
| H2ad : | There is significant impact between Individualized Consideration (IC) and Intention to Leave | Supported |
| H2ba : | There is significant influence between Contingent Reward (CR) and Intention to Leave | Supported |
| H2bb : | There is significant impact between Management by Exception –Active and Intention to Leave | Rejected |
| H2bc : | There is significant effect between Management by Exception – Passive and Intention to Leave | Rejected |

4.12 Conclusion

This chapter highlighted the result from data analysis processes. First, before performing the factor analysis researcher examined the data using linearity and normality to ensure the data is linear and discard the outlier. Then the data been examined using reliability test to make sure the data is valid and measurable based on the value of Cronbach Alpha. To test the relationship and hypothesis for this study the researcher executing the correlations and multiple regression analysis. The finding of this chapter will be discussed in chapter 5.



CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Introduction

The result of this research as reported in chapter 4 will be discussed in this chapter which is related to the objective of this study. This chapter also presents the limitation, implication, and recommendations of the study. The objectives of this study are to examine whether pay effectiveness or leadership styles is predicted intention to leave. Overall, from a total of 8 hypotheses, only 3 hypotheses were supported based on the objective of this study.

5.2 Discussion on Research Findings

Hotel industry becomes among the country's gross domestic product contributor. This industry helps to introduce the country to the eye of the world. Unfortunately, recently this industry faces a human resource problem, particularly, employees' turnover. This problem affects the operation of the hotel industry. Langkawi is declared as Tourism Island and many hotels have been built to fulfill the demand of hospitality. In 2013 and 2014, hotel industry contributed more than half from the total of employees' turnover in Langkawi (Pejabat Tenaga Kerja Langkawi, 2015). Therefore, it is plausible a study must be performed to determine the antecedents of employees' turnover in Langkawi, particularly in the hotel industry. Hence, the researcher has carried out a study to investigate the effect of pay effectiveness and leadership styles on employees' turnover.

5.2.1 Pay effectiveness with Intention to Leave

The purpose of this study is to determine the impact of pay effectiveness on the intention to leave among hotel employees. Based on regression result, it was found that there is negatively significant impact on pay effectiveness on the intention to leave ($r = -.472$, $n = 113$, $p \leq 0.01$) and ($\beta = -.409$, $p \leq 0.05$). Hence, the first hypothesis (H1) in this study which is, there is a significant relationship between Pay Effectiveness and Intention to leave is supported.

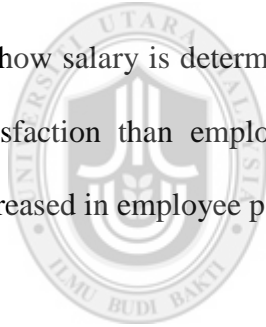
It proved that lower pay effectiveness system at the organization will increase the employee intention to leave. The high Beta value (-0.409), can be presumed that employee of Aseania Resort & Spa, Langkawi felt that their overall pay grade, pay structure, pay rate, benefits, and incentives packages and pay level are not effectiveness. Based on the response rate in the questionnaire almost half of employee stated that pay system at Aseania Resort & Spa, Langkawi is less attractive, less motivate and not worth. Other than that, employees of Aseania Resort & Spa, Langkawi also felt that the total compensation package did not meet their expectation and fail to increase their motivation and performance, retained valuable and skilled employee and also attract new talented. Moreover, employees feel that their salary only adequate for meeting the basic needs and not worth compare to their work efforts. In other words, it can be said that employees' feels that the compensation package at Aseania Resort & Spa, Langkawi is less attractive and less competitive compare with others hotel in Langkawi Island. It will create a big problem if HR personnel at Aseania Resort & Spa, Langkawi does not give attention on employee dissatisfaction about their pay package because the probabilities of the employee to leave the hotel is high.

The characteristics of good pay plan are easy to understand, unambiguous and simple to operate whereby the average worker be able to understand the salary and incentives offered in order to obtain their cooperation. Based on the result of respondent's demographic analysis 10.6% of them stated that received income less than RM900.00. It can be said that 10.6% of respondent felt that the salary calculation is not followed the requirement of Minimum Wage Act 2012. During the interview session, HR Personnel stressed that they implemented the minimum salary based on Minimum Wages Guideline 2012, which allowed the service charge is included in the calculation of employee's salaries to meets minimum salary level. Hence, this shows that employees did not know the right calculation of minimum salary. This indirectly creates a feeling of dissatisfaction and negative perception among employees regarding the compensation package provided by Aseania Resort & Spa, Langkawi

The above results are consistent with the finding by (Sweins, Kalmi, & Hulkko-Nyman, 2009). Sweins at. al. (2009), in their study on personal knowledge of the pay system, pay satisfaction, and pay effectiveness: evidence from Finnish personal funds, examine the relationship between pay knowledge and pay effectiveness based on expectancy theory and the relationship between pay knowledge and pay satisfaction mediated by pay satisfaction based on gift –exchange arguments. The finding found that the personal knowledge of pay system has a direct relationship between pay effectiveness. It was discussed from the expectancy theory, the reason for the positive relationship between pay knowledge and pay effectiveness is that better pay knowledge allows employees to see more clearly the link between performance and reward. Even though there are no evidence shows that pay knowledge is associated with pay effectiveness mediated through pay satisfaction in this study which is might

be happening due to the small sample of size the researchers highlighted that the main finding of this study is high level of pay knowledge will increase employee satisfaction with pay and effectiveness of pay. This view was supported by Mulvey, LeBlanc, Heneman, & McInerney (2002), whereby researchers indicated that pay satisfaction is a mediator between pay knowledge and pay effectiveness.

Treuren & Frankish (2014), in their study on the impact of pay understanding on pay satisfaction and retention: salary sacrifice understanding in the not-for-profit sector, the finding shows that increasing in employee pay knowledge and understanding will directly increase employee pay satisfaction and reduced employee turnover intention. This can be said that employees who have more knowledge and better understanding on how salary is determined and works are more likely to have higher levels of pay satisfaction than employees with low levels of pay understanding. As a result, increased in employee pay satisfaction reduces employee turnover intention.



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5.2.2 Transformational Leadership Style with Intention to Leave.

The second objective of this research is to determine the influence between Transformational leadership and intention to leave among hotel employees. There are 5 items under Transformational leadership which are Idealized Influence – Attributed, Idealized Influence – Behaviour, Inspirational Motivational, Intellectual Stimulation, and Individualized Consideration. From the regression analysis result it is shown that Individualized Consideration significantly and positively influences intention to leave ($n = 113$, $\beta = .364$, $p \leq 0.05$), meanwhile the other items are not significant and have no relationship between intention to leave. Thus, the hypothesis (H2ad) of this study suggested there is a significant relationship between Individualized Consideration (IC) and Intention to Leave is supported.

The study showed that employees' intent to leave the organization increased when leadership behaviour of Individual Consideration is increased. The finding was unexpected because most of the studies on between Transformational Leadership-Individual Consideration and intention to leave get different results from this study. It can be assumed that employees felt that their subordinate supervisor practiced Individualized Consideration in an inauthentic way which is being favouritism when treating employees and taking credits on employees' works. An employee who gets less attention and support from the supervisor or unfavourable employee felt unsatisfied because of the unfair competitive environment, career enhancement and less care on their desire. As a result, employees become less committed to staying with the hotel, lose interest with their work and also cannot cooperate well with their peer.

Being in the collectivist workplace the employee of Aseania Resort & Spa, Langkawi strong with team spirit and always support each other's when to perform their works. They being treated equally in term of provision benefit and reward for an employee at the same level. When the favouritism happened, it directly gives bad impact to the relationship between employees. Employees act against favouritism and office politic by leaving the hotel. This is one of the ways how they show they're unsatisfied the way how their supervisor treats them. This employee is one who contributed to the turnover rate in Aseania Resort & Spa, Langkawi. Furthermore, employees who remain in the organization will felt uncomfortable and faced a problem with their peers and supervisor.

Moreover, an employee who unfavorable felt that the supervisor takes credit for their hard works. In order to finish work, they have to work more even though they are treated with unfairness. This always happened during peak seasons when the hotel fully occupied with guests. The employee has less time to rest and spend time with family and has to do overtime. Sometimes they are pushed to work to the limit to achieve the sale for that month it makes employee emotional exhaustion like chronic stress and burnout to. Even though employees been paid for their overtime and also get pay point based on the revenue of the month but others benefit like promotion and recognition (holiday trips) usually the supervisor will get it. Some employee chooses to leave the organization because they cannot stand with the unhealthy working environment and change to others hotel that pays high attention to employee goodness and fair performance appraisals.

Vandenberghe stated that, (as cited Mokhber, Vakilbashi, & Ismail, 2015) supervisor or manager who represents individualized consideration could be different and even deleterious in specific contexts and this explains why the finding of his study showed individualized consideration representing by a leader or top manager can sometimes be perceived as a sign of inequity and favoritism, which threatens employees or followers. Meanwhile, Mokhber et al, (2015) in his study on the effect of Transformational Leadership and its Components on Organizational Innovation in Iran company, by referring to the reason above, concluded that when manager inclination for the higher level of institutional collectivism and employees had higher levels of in-group collectivism make the transformational leader has less consideration and neglecting this behavior which results in the individualized consideration shown by leaders is not significant with organization innovation in the study. Besides, the finding of the study of comparing transformational leadership in successful and unsuccessful companies in Iran conducted by Jandaghi, Matin, & Farjami (2009), indicate that, individualized consideration demonstrated by leaders have the lowest mean score among the components of transformational leadership in both companies and stressed that leaders in successful companies are acting weakly in individualized consideration aspect.

On the other hand, according to Chmiel (2008), collectivist have been found more in-group bias than individualist cultures and in the collectivist cultures, this behavior is more overtly apparent. Daskin and Tezer (2012) conducted a study on organizational politics and turnover: An empirical study research in the Hospitality industry. The front office supervisor has selected for this study. The finding of this study found the front office supervisor felt that there is a limitation in term of salary, promotion, career

opportunities training and so forth which create the high competitive working environment. Besides, that some of the staff think that lack of opportunity for career advancement and promotion because they avoid from office politic game. The positive relationship between organizational politic and turnover intention has also been found in this study. Besides that, Daskin and Tezer (2012) state that the prevalent with politics like favoritism in the workplace tend to make employees to harbor thought of leaving their job.

Bass noted that (as cited in Rowold & Schlotz, 2009), increased demand by the transformational leader will make them motivate the employee to performance beyond expectation which can increases employees stress. This is because the employee has to allocate more time on work like doing overtime than time to recreational like rest and holiday. Besides that, the good individualized consideration leader not only concern about employees need and development but also should treat them as ends not just means which is leader should treat their employee as having a value all their own rather than merely as useful tools or devices by means of which the leader can use can to satisfy his own goals or purposes, (Bass & Steidlmeier as cited in Bass & Riggio, 2006).

Chen et al., (2012) in their study found that supervisory support moderates the effects of emotional labour on job satisfaction and burnout. Support from supervisor or leader import and can reduce turnover. Meanwhile, Jung, Yoon, & Kim (2012), conducted a study on the effect of culinary employees' role stress on burnout and turnover intention in the hotel industry. His finding of the study shows that a positive relationship

between employees' perceptions of role stress and burnout. The finding of the study also highlighted that employee with a high level of burnout was more likely to quit.

5.2.3 Transactional Leadership Style with Intention to Leave.

The third objective of this research is to determine the effect between Transactional leadership and intention to leave among hotel employees. There are 3 items under Transactional leadership which are Contingent Reward, Management by Exception - Active and Management by Exception - Passive. Based on the regression result shown that there is negative significantly between Contingent Reward and intention to leave whereby $n = 113$, $\beta = -.236$, $p \leq 0.05$, meanwhile the others items are not significant and have no relationship between intention to leave. The hypothesis (H2ba) for this study suggested there is a significant relationship between Contingent Reward (CR) and intention to leave is supported.

Based on the regression result proved that employees' intention to leave will increase when the contingent reward is low, unattractive and less effectiveness. Contingent reward is important to keep the employee motivated and maintain their quality of service. The employee is the one who deliver the service to the guest. The way employees treat the guest will give an impact to the hotel business. It is important to make sure them always being motivated and proactive in performing their task. Word-of-mouth play an important role in the hotel industry. In the hotel industry customers tend to rate and express their opinion and comments on hotels services that they experience in the social media especially in travel website which is the online word-of-mouth. The comment from guests will give the big impact to the hotel business. Contingent reward is important to retain good employees and motivate them for better

performance. The employee is a higher intention to stay in the organization when they feel the reward exchange whether in the form of incentives, pay raises or promotion are worth and meets their expectation compare to employees who are dissatisfied with their reward they get are more likely leave the hotel.

The result of this study is consistent with the finding by Sayadi (2016). Sayadi (2016) in his study on the effects of dimensions transformational, transactional and non-leadership on the job satisfaction and organizational commitment of teacher in Iran, his finding showed that Transactional leadership dimensions which are Management by exception –active and contingent reward positively correlated with high levels of job satisfaction, value of commitment and commitment to stay. Waldman, Carter, & Hom (2012), in his study on a multilevel investigation of leadership and turnover behaviour revealed that contingent reward significantly negatively with quit intention and actual turnover among hospitality employees in the Republic of China.

Rachmawati (2015), has studied the relationship between Leadership style and Job satisfaction at Santika Hotel Bandung. The finding of the study shows that even though Transactional Leadership was not significant with employee satisfaction but employee more prefer Transactional Leadership than Transformational Leadership. In other word, employees more prefer a leader that reward them when they are successfully performance their tasks or achieve a specific target. They feel that their work effort is been appreciated and worthwhile and make them be more motivated. According to (Rothfelder, Ottenbacher, & Harrington, 2013), there is the need for the manager to perform transactional leadership style in the form of contingent rewarding to meet the employee satisfaction because when employee satisfied they will retain on the

organization. Contingent reward is perceived as an important aspect for employee's intention to quit. Employees who have experienced a higher level of rewards exchange in the form of praise, pay increase, bonuses and acknowledgement produced a lower tendency to turnover.

Transactional leadership in the context of Maslow's hierarchy of needs, focused at the basic levels of need satisfaction, which is the lower levels in the hierarchy by giving rewards and recognition for excellent performance and provide penalties for unsatisfactory performance and low quality of works until the problem is rectified. Based on the Maslow hierarchy of needs the researcher of this study in feel that transactional leadership style is suitable to be performed in hotel industry whereby employee need to be focused when doing jobs to avoid mistake from happening which can affect customer satisfaction. The employee will put full effort to perform well to get a reward and avoid from doing mistake because don't want to be punished. It will make the employee feel that even though the task is challenging but worthwhile to be attainable.

5.3 Implications and Recommendation

Literature had shown that intention to leave has a negative impact on the organizational effectiveness, especially in financial term. Intention to leave not only increased the recruitment cost but also training cost whereby the organization has to train the new employees. Based on the finding of this study, the researcher has come out with few recommendations to be considered:

The result of this study provided information to the HR personnel about the effectiveness of pay system and leadership behaviour which is something that essential to ensure hotel operation competitive and increase employee loyalty to keep them remain with the organization. The management of Aseania Resort & Spa, Langkawi should pay attention to these findings and find the solutions. Hotel business in Langkawi is increased rapidly and high competitive labour market. In order to make sure the valuable and skilled employee stay, Aseania Resort & Spa, Langkawi should implement pay system that not only effective but also align with hotel objective, compliance with law and regulation and also attractive and competitive. From the finding of this study HR personal of Aseania Resort & Spa, Langkawi should realize that current pay system that practiced at Aseania Resort & Spa, Langkawi does not meet the above objective.

The hotel industry has many job characteristic and job responsibilities. The existing of different job task and job responsibility is a reason for pay variation. There is important to make sure employees understand the pay system that practiced by the hotel to avoid miscommunication and dissatisfied with the salary. HR personnel can create pay range like a trainee, junior and senior but they still under the same job. Conducting market

survey salary is important to make sure that salary that offers by Aseania Resort & Spa, Langkawi is competitive and not below market level. HR personnel also can consider paying more aggressively for some job based on how important and its impact is let it vacant critical to fill that position. Some of the employees think that they should be paid based on individual performances, but in the hotel industry, it needs more than individual to effectively perform the work task. To handle this issue HR or manager has to take note on special achievement made by the employee and rewarded for monthly or yearly achievement. The hotel management can improve employee retention by providing a better explanation of how employees are paid, particularly if components of the payment system are complicated, such as in salary sacrifice, at negligible cost.

In Minimum Wages guideline 2012, this guideline allows hotel management to convert all or part of the service charge to form part of minimum wages. Where this occurs it looks like that basic salary is higher but reality is, the total salary did not increase. This did not affect the changes of employee's salary at Aseania Resort & Spa, Langkawi because before the implementing of minimum wages the total salary including service charge already above minimum salary. The HR of Aseania Resort & Spa, Langkawi can create the compensation package by non-inclusive the service charge in the minimum salary calculation. It can be a reward to the employee for their work hard and commitment especially during peak seasons. It might increase the cost of salary but in return, the revenue of sales will increase because employees who are highly satisfied with the organization, will perform well and likely to provide a high quality of services to satisfy the customer. The customers tend to express their feeling and comment in

the social media or travel website. The word of mouth from customer give effect to the business.

Customer service department employee is an important asset for the hotel. Employees not only deliver the service to the costumers but in the same time represent the hotel when dealing with the customer whether direct or indirectly. Customer expectation, reaction, satisfaction and delight on the services provided is important in determining the success or failure of service in future. It is vital for Aseania Resort & Spa, Langkawi to retain the skilled employees in order to make sure to it always be competitive. By increasing communication in pay knowledge and provide not only effective but also attractive pay package hopefully can overcome the problem of employee turnover and at the same time increase the effectiveness of pay system. The management of Aseania Resort & Spa, Langkawi should pay attention on the leadership skill because it will affect employee loyalty and performance. Management can provide a training to the manager on how to be a good leader such as counselling training which can enhance the communication and understanding between employee and manager, stress management and effective leadership program. By providing these skills to leaders, will help the leader to motivate to work more efficiency and retain them with the organization. It also will help to increase the leader professional ethics to avoid personal gain from employee effort from happening.

The researcher also thinks that it will be good if Aseania Resort & Spa, Langkawi can practice “juggling act” of leadership style which researcher think suitable for the hotel industry. A leader not only motivates the employee to achieve the target, enhance their skill and ability but at the same time reward they based on their achievement. This also

highly recommended by previous study because the balancing between four transformational leadership dimensions and transactional contingent reward and active management by exception style shows the need to perform a leadership style ‘juggling act’ to balance between employee need and job demand, whereby to maximise the job satisfaction, high performance and at the same time sustaining the employees (Rothfelder et al., 2013). Besides, Bass's theory, stated, leader can use both Transformational and Transactional leadership, whereby, transformational leadership is a complement for the basis of transactional leadership (Rothfelder et al., 2013). Moreover, within the Maslow hierarchy of needs, transactional leadership which is managerial styles been applied to the lower-level needs which is physiological needs or basic needs, which is a basis for transformational leadership which applied to higher-level needs, which is self - actualization of the highest level of needs whereby, it is the realization of one's potential to become somebody based on their capabilities. It is a personal growth, career development, highest moral level and fulfilment.

5.4 Limitation and Suggestion for Future Study

There were several limitations that affects the result and the quality of this research. This study was conducted at Aseania Resort& Spa, Langkawi focusing on how pay effectiveness and leadership style affected the employee intention to leave the hotel. Future research must investigate other types of hotels according to the star of the hotel. Further research on this subject could include another factor that leads to turnovers such as pay knowledge, job stress, and organization politics and safety factors. Furthermore, future research can emphasize more on human resource policies such as the procedure of recruitment, selection and types of an annual survey which can help the Human Capital Division to identify the reasons why employees leave the jobs and

also to measure employee's retention program effectiveness on reducing the turnover rate. This study only focused Aseania Resort & Spa, Langkawi, for future research it can be conducted in others hotel in Langkawi or Malaysia in order to get a clear picture of the impact of pay effectiveness and leadership in Hotel industry in Malaysia.

5.5 Conclusion

The purpose of this study is to identify the factors that influence employee intention leave at Aseania Resort & Spa, Langkawi. Finding showed that one dimension from each dimension of both leadership style; Transformational Leadership -Individual Consideration and Transactional Leadership -Contingent Reward and Pay Effectiveness contributed to employee intention to leave. Other than that, the study has provided information to enhance the understanding of intention to leave among hotel employees particularly in Langkawi Island. Furthermore, the findings may help the HR personnel in designing effectiveness pay system and suitable leadership characteristic that can be applied in the organizational in order to increase employees' satisfaction and minimize the turnover problem. The finding of this study not only unique but also can be used as a reference for others researchers. For the conclusion, this study has successfully reached the research objectives which are to determine the impact and effect of pay effectiveness and leadership style on employee intention to leave Aseania Resort & Spa, Langkawi.

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