The copyright © of this thesis belongs to its rightful author and/or other copyright owner. Copies can be accessed and downloaded for non-commercial or learning purposes without any charge and permission. The thesis cannot be reproduced or quoted as a whole without the permission from its rightful owner. No alteration or changes in format is allowed without permission from its rightful owner.
THE EFFECTS OF PAY EFFECTIVENESS AND LEADERSHIP STYLE ON INTENTION TO LEAVE AMONG EMPLOYEES AT ASEANIA RESORT & SPA, LANGKAWI.

NUR ‘AFIFA BINTI HARUN
MASTER OF HUMAN RESOURCE MANAGEMENT
UNIVERSITI UTARA MALAYSIA
JUNE 2016
THE EFFECTS OF PAY EFFECTIVENESS AND LEADERSHIP STYLE ON INTENTION TO LEAVE AMONG EMPLOYEES AT ASEANIA RESORT & SPA, LANGKAWI.

By

NUR ‘AFIFA BINTI HARUN

Thesis submitted to
School of Business Management,
Universiti Utara Malaysia,
PERAKUAN KERJA KERTAS PENYELIDIKAN
(Certification of Research Paper)

Saya, mengaku bertanggung, memperakuan bahawa
(I, the undersigned, certified that)

NUR'AFIFA BINTI HARUN (814095)

Calon untuk ijazah Sarjana
(Candidate for the degree of)

MASTER OF HUMAN RESOURCE MANAGEMENT

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

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

Seperti yang tercatat di muka surat tajuk dan kuit kertas penyelidikan
(as it appears on the title page and front cover of the research paper)

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

Nama Penyelia Pertama
(Name of 1st Supervisor) : DR. ZULKIFLEE DAUD
(Name of Supervisor)

Tandatangan
(Signature) :

Tarikh
(Date) : 09 JUN 2016
PERMISSION TO USE

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

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

School of Business Management
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman
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


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.
ACKNOWLEDGEMENT

I owe a debt of appreciation and gratitude to a number of personalities whose contributions in diverse ways led to the accomplishment of this thesis.

First and foremost, I would like to take this opportunity to express my sincere gratitude to Dr. Zulkiflee bin Daud, who’s not only taught me the subject of Industrial Relations, but also the supervisor of my thesis. He helped me and guided me until the successfully completion of this thesis. Constant feedback, constructive criticism, advice and support from him has motivated me to complete this thesis. Without his knowledges, broad experiences and skills in supervision, this study may not be completed. And definitely, it is a great honour to work with someone who have deep knowledge in the Industrial Relation areas and I am very lucky to have that opportunity. May Allah continuously grant him with a wisdom, strength and a good health.

My sincere appreciation, to the management of Aseania resort & Spa, Langkawi by granting the permission for me to carry out study.

I also would like to express my gratitude to my family members especially to my parents Tn. Hj. Harun b. Hj. Yaacob and Pn. Hj. Rahana bt. Hj. Otman, they were the one who inspired me to start my master’s degree journey. For their lovely encouragement, continuously support and understanding, this thesis is made especially for them.

Finally, yet importantly, I would also like to thank to my Master Degree journey companions, Siti Hanis, Marina, Hisha, Faniza, Ros, Farah Hanis, Nadrah and Diana. They always shared their knowledge with me and without getting bored listened to all my ups and downs. A friend in need is a friend indeed.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>PERMISSION TO USE</th>
<th>ii</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>v</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>vi</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xiii</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xiv</td>
</tr>
</tbody>
</table>

## CHAPTER 1 INTRODUCTION

1.1 Introduction 2
1.2 Background of Study 2
1.3 Problem Statement 11
1.4 Research Question. 21
1.5 Research Objectives. 21
1.6 Scope of Study 22
1.7 Significant of Study 22
1.8 Organization of the Thesis 24

## CHAPTER 2 LITERATURE REVIEW

2.1 Introductions 25
2.2 Intention to Leave 25
   2.2.1 Dimension of Intention to Leave 28
   2.2.2 Past Study Regarding Intention to Leave 31
2.3 Pay Effectiveness 31
   2.3.1 The Effect of Pay Effectiveness on Intention of Leave 39
2.4 Leadership Styles

2.4.1 Transformational Leadership

2.4.2 Transactional Leadership

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

2.5 Conclusion

CHAPTER 3 METHODOLOGY

3.1 Introduction

3.2 Research Design

3.2.1 Type of Research

3.3 Research Framework

3.4 Hypothesis Development

3.5 Operational Definitions

3.6 Measurement and Instruments

3.6.1 Intention to Leave

3.6.2 Pay Effectiveness

3.6.3 Leadership Styles

3.7 Population and Sampling

3.7.1 Population

3.7.2 Sampling

3.8 Data Collection Procedures

3.9 Data Analysis

3.10 Pilot Study

3.11 Reliability Test

3.12 Validity Test

3.13 Data Screening

3.13.1 Linearity Test

3.13.2 Normality Test

3.13.4 Multivariate Outliers Test
3.14 Factor Analysis.
  3.14.1 KMO, Bartlett, Anti-Image Correlation and MSA tests.
  3.14.2 Rotation Factor
  3.14.3 Factor Determination
  3.14.4 Reliability Test after Factor Analysis
3.15 Correlation Analysis
3.16 Multiple Regression Analysis
  3.16.1 Residual Violation Test
  3.16.2 Multicollinearity
  3.16.3 F Test
  3.16.4 R- Squared Value
  3.16.4 Beta Value
3.17 Conclusions

CHAPTER 4 RESULT AND FINDING

4.1 Introduction
4.2 Sample Characteristics
4.3 Respondents Profile
4.4 Pilot Study
4.5 Data Screening
  4.5.1 Linearity Test
  4.5.2 Normality Test
  4.5.3 Multivariate Outliers Test
4.6 Factor Analysis
  4.6.1 Prerequisite Test for Factor Analysis
    4.6.1.1 Pay effectiveness
  4.6.2 Factor Loading
4.7 Reliability Test after Factor Analysis
4.8 Restatement Hypotheses
4.9 Correlations Analysis
  4.9.1 Interpretation of Results of Correlation Analysis
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.10</td>
<td>Multiple Regression Analysis</td>
<td>89</td>
</tr>
<tr>
<td>4.10.1</td>
<td>Residual Violation Test.</td>
<td>89</td>
</tr>
<tr>
<td>4.10.2</td>
<td>Multicollinearity</td>
<td>90</td>
</tr>
<tr>
<td>4.10.3</td>
<td>F Test</td>
<td>91</td>
</tr>
<tr>
<td>4.10.4</td>
<td>R-Squared Value</td>
<td>92</td>
</tr>
<tr>
<td>4.10.5</td>
<td>Beta Value</td>
<td>92</td>
</tr>
<tr>
<td>4.11</td>
<td>Hypothesis Testing</td>
<td>93</td>
</tr>
<tr>
<td>4.12</td>
<td>Conclusion</td>
<td>95</td>
</tr>
</tbody>
</table>

CHAPTER 5 CONCLUSION AND RECOMMENDATION

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Introduction</td>
<td>96</td>
</tr>
<tr>
<td>5.2</td>
<td>Discussion on Research Findings</td>
<td>96</td>
</tr>
<tr>
<td>5.2.1</td>
<td>Pay effectiveness with Intention to Leave</td>
<td>97</td>
</tr>
<tr>
<td>5.2.2</td>
<td>Transformational Leadership Style with Intention to Leave.</td>
<td>100</td>
</tr>
<tr>
<td>5.2.3</td>
<td>Transactional Leadership Style with Intention to Leave.</td>
<td>104</td>
</tr>
<tr>
<td>5.3</td>
<td>Implications and Recommendation</td>
<td>107</td>
</tr>
<tr>
<td>5.4</td>
<td>Limitation and Suggestion for Future Study</td>
<td>110</td>
</tr>
<tr>
<td>5.5</td>
<td>Conclusion</td>
<td>111</td>
</tr>
</tbody>
</table>

REFERENCES

APPENDICES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Questionnaire</td>
<td>141</td>
</tr>
<tr>
<td>B</td>
<td>Letter for Collection Data.</td>
<td>151</td>
</tr>
<tr>
<td>C</td>
<td>Letter of Application for Data Collection: Pilot Test</td>
<td>152</td>
</tr>
<tr>
<td>D</td>
<td>Letter of Application for Data Collection: Actual Test</td>
<td>153</td>
</tr>
<tr>
<td>E</td>
<td>Letter for Application of Data Collection</td>
<td>154</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 3.1: Operational Definition. 51
Table 3.2: Rating Scales for Independents and Dependents Variables. 53
Table 3.3: Distribution of Variables and Measurement. 53
Table 3.4: Disproportionate Stratified Simple Random Sampling. 56
Table 3.5: Interpretation of Strength of KMO / MSA. 61
Table 3.6: Interpretation of Strength of Correlation Coefficient. 63
Table 4.1: Respondent Rate. 68
Table 4.2: Demographic Variables. 68
Table 4.3: The Cronbach Alpha for Pilot Test (n=20). 71
Table 4.4: Skewness and Kurtosis Values. 73
Table 4.5: Mahalanobis Distance Values. 74
Table 4.6: KMO and Barlett’s Test for Pay Effectiveness. 76
Table 4.7: KMO and Barlett’s Test for Leadership Test. 76
Table 4.8: KMO and Barlett’s Test for Intention to Leave. 77
Table 4.9: Factor Analysis Result for Intention to Leave. 78
Table 4.10: Factor Analysis Result for Pay Effectiveness. 79
Table 4.11: Factor Analysis for Leadership Style. 81
Table 4.12: Rename of Factors for Factor Analysis. 82
Table 4.13: Reliability Test after Factor Analysis. 83
Table 4.14: Restatement Hypothesis. 84
Table 4.15: Result of Correlation (n=113). 88
Table 4.16: Liner Regression Result Summary. 90
Table 4.17: Result of Coefficient Analysis. 91
Table 4.18: Result of ANOVA Analysis. 92
Table 4.19: Liner Regression Model Summary. 92
Table 4.20: Result of Beta Coefficient Analysis. 93
Table 4.21: Summary of Hypothesis Testing. 94
LIST OF FIGURES

Figure 1.1: Regional Employee Turnover 2011. 4
Figure 1.2: Malaysia Unemployment Rate June 2014 - June 2015 5
Figure 1.3: Total Employee Turnover in Langkawi 2010 - 2014. 18
Figure 1.4: Percentage of Hotel Employees Turnover in Langkawi 2010 - 2014. 19
Figure 2.1: Dalton, Tudor & Krackhardt's Taxonomy of Functional Turnover. 28
Figure 2.2: Abelon Taxonomy of Turnover Availability (1987). 30
Figure 3.1: Research Framework. 49
Figure 4.1: Scatter Plot Graph 72
Figure 4.2: Scatter Plot Graph 72
Figure 4.3: Multivariate Box Plot. 74
Figure 4.4: Normal P-P Plot of Regression Standard Residual. 89
## LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>HPC</td>
<td>High Pay Centre</td>
</tr>
<tr>
<td>MIDA</td>
<td>Malaysian Investment Development Authority</td>
</tr>
<tr>
<td>MEF</td>
<td>Malaysian Employers Federation</td>
</tr>
<tr>
<td>MTUC</td>
<td>Malaysian Trades Union Congress</td>
</tr>
<tr>
<td>MAH</td>
<td>Malaysian Association of Hotels</td>
</tr>
</tbody>
</table>
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...
The contents of the thesis is for internal user only
REFERENCES


Retrieved from https://books.google.com/books?id=YnCcAQAAQBAJ&pgis=1


Chang, H., 1996. In Singapore, the Dreams are Getting Bigger. *Business Week,*


https://books.google.com/books?id=2tIPgAACAAJ&pgis=1

Minimum Wages Order. (2012). Retrieved from


transformational leadership and its components on organizational innovation.

Motowidlo, S. J. (1983). Predicting sales turnover from pay satisfaction and

linkages: The psychology of commitment, absenteeism and turnover. New

finds that knowledge of pay process can beat out amount of pay in employee
retention, organizational effectiveness. Journal of Organizational Excellence,

Development and Technology Center. Retrieved from:
http://www.missouribusiness.net/sbtdc/docs/reducing_employee_turnover.asp


Sharma Rajendra Kumar (1997), Industrial labour in India *Atlantic Publishes*


Boston: Allyn and Bacon


