The Relationship between Staff's Attitudinal and Behavioural Change and Turnover Intention, and Its Implications for Staff Retention

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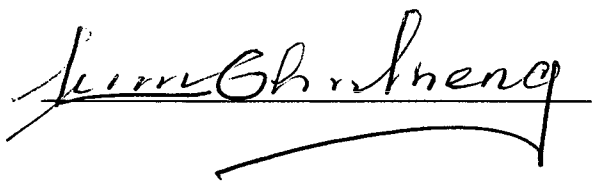
Signature of candidate:  Date: 20th. March 2004

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OVERVIEW

Research Paper 1 of this portfolio reviewed extant management literature which investigated into the much researched turnover phenomenon. In this review, three main attitudinal constructs, namely turnover intention, organizational commitment and job satisfaction, in relation to employee turnover and organizational withdrawal behaviours, were examined. The purpose was to identify the antecedents of these constructs and their associated withdrawal behaviours, as well as established the link between turnover intention and its various forms of manifestations.

While a great number of studies have been undertaken to investigate the relationship between organizational commitment and job satisfaction, there is relatively scanty literature on the association between these variables and work attitudes and in particular their links to turnover intention. The findings of these research studies showed that both organizational commitment and job satisfaction variables were related to the general constructs of job withdrawal and work withdrawal. In particular job satisfaction was found to be a reliable predictor of turnover intention while job dissatisfaction was found to be correlated to the deterioration of staff's work attitude and to the unfavourable change of behaviours in the work place.

Literature reviewed highlighted the importance of recognizing that the behaviours of individuals are the resultant responses to external stimuli. Dissatisfaction which was found to be an antecedent of turnover intention tended to manifest itself in various forms of unfavourable job behaviours such as lateness, absenteeism, missing company meetings, and wasting time on the job. However, research also showed that attitudinal and behavioural changes should not be interpreted in isolation. It was found that the relationship between the staff's changes in job attitude in the work place and turnover intention can only be established through systematic observations and assessments of broad behavioural families over time.

Having established that there was a link between staff's change in work attitude and behaviours and turnover intention, Research Paper two investigated how these findings were supported by empirical evidence among companies in the Information Communication Technology (ICT) industry. To achieve this objective, a sample of 30 member companies of the Association of the

Computer and Multimedia Industry of Malaysia (PIKOM) was selected and executives or managers responsible for human resource administration or management were interviewed.

Results indicated that while there were no significant differences in the staff salary scales among the participating companies, there were conceivable variations in staff benefits. The impact of staff turnover on companies was different. Some companies reported that they were not overly worried about staff turnover. On the other hand, many companies involved in consulting and Information Communication Technology (ICT) development projects were particularly concerned about employee turnover because disruptions caused by key personnel departures and replacements had considerable financial implications.

Results also revealed that most Human Resource managers did not spend much time observing changes in employee behaviour and attitudes in the work place. No specific reasons were given other than that they could not find the time to do so. Therefore, the viability of predicting employees' turnover intentions as a means of pre-empting staff turnover had never been considered.

As a means of investigating to what degree the findings of Research Paper two are supported by companies which have successfully designed and implemented compensation programmes, a single case study was conducted. Research Paper three reports the results of the case study in which an ICT company that was reputed to have one of the best staff retention records in the industry was selected. The findings suggested that the principal factors that contributed to the company's success in staff retention were not the compensation package itself. The analysis of three different sources of information indicated that management style, the Chief Executive's traits and the ethnic composition of the employees played an important role in retaining staff. However, the utility aspect of the predictive ability of staff's attitudinal and behavioural changes to pre-empt staff turnover was not recognized.

RESEARCH PAPER 1

Turnover Intention and its Manifestations in Organizational Withdrawal Behaviours - A Review of Literature

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ABSTRACT

The review of literature focuses on and examines the three main attitudinal constructs, namely turnover intention, organizational commitment and job satisfaction, in relation to employee turnover and organizational withdrawal behaviours. It selects literature that identifies and investigates the antecedents of these constructs and their associated withdrawal behaviours. The establishment of the link between turnover intention and its various forms of manifestations constitutes a major part of this review.

Both organizational commitment and job satisfaction have received a great deal of theoretical and empirical attention as antecedents of specific organizational withdrawal behaviours. Previous research suggests that organizational commitment and job satisfaction variables are related to the general constructs of job withdrawal and work withdrawal. Job satisfaction has found to

constitute a credible and consistent predictor of turnover intentions, and commitment could be predicted by the employees' perception of organizational values.

These studies highlight the importance of recognizing that values are multidimensional and that each value cluster may affect behaviour of individuals differently. Employees tend to respond to general stimuli with multiple behaviours that are representative of an entire repertoire of possible responses manifested in various forms of unfavourable job behaviours such as lateness, absenteeism, missing company meetings, and wasting time on the job. It is only through the systematic observation and assessment of broad behavioural families over time that one can understand and predict the various attitudes and behaviours that an employee is likely to display when he or she has the intention to leave the present organization.

INTRODUCTION

Attracting and retaining talent is a global concern and numerous studies suggest that attracting and retaining key employees is a critical issue in many business organizations. High rates of employee turnover have for years constituted a major personnel problem for many human resource managers and administrators (Comeau 1999; Igbaria & Guimaraes 1999; Melvin 2001). Increasingly, many retention strategies developed by researchers and practitioners alike tend to focus on expanding the benefits package as one way of building commitment and loyalty in the workforce. These packages have gone beyond the offer of traditional benefits such as medical, dental, pension plan and paid vacation time. The new packages are becoming more creative, innovative and individualized, incorporating such attractive benefits as onsite childcare, fitness and medical facilities, flexible work scheduling, telecommuting, occasional sabbaticals, loan programmes for home computers, stock options, concierge services and even insurance for the family pet (Hannay & Northam 2000). The provision of these benefits is costly and it directly affects the company's bottom line.

In this literature review, however, the researcher will not dwell on the same subject but touch briefly on literature relating to turnover classifications, turnover predictors and retention determinants. The review will move quickly to focus on and examine the three main attitudinal constructs; namely turnover intention, organizational commitment and job satisfaction in relation to employee turnover and organizational withdrawal behaviours. These three constructs are

related but exhibit distinguishable attitudes and behaviours at work (Schappe 1998; Ashmos & Duchon 1999; Somers & Birnbaum 2000) and they will be treated individually. The review will also highlight literature that identifies and investigates the antecedents of these constructs and their associated withdrawal behaviours. The establishment of the link between turnover intention and its various forms of manifestations will constitute a major part of this review.

TURNOVER AND RETENTION LITERATURE

In the last two decades, the problems of turnover and retention have generated much interest among management researchers as evidenced by the large volume of research papers that have been written on the subject (Morita, Lee & Mowday 1993;Boshoff & Mels 1995; Milliman et al. 2001;Wong, Hui, Wong, & Law 2001). . In order to gain a better understanding and insight into the problems, researchers generally break turnover into various classifications and assess the impact of voluntary turnover on organizations.

Classifications of Turnover

Various classifications of employee turnover have appeared in the last three decades. Employee turnover has been classified as voluntary and involuntary turnover (Jenkins 1993; Donnelly et al.1993; Trevor et al 1997). Price (1977) defined voluntary turnover as voluntary movement across the membership boundary of a social system which is initiated by the employee, and it normally begins when the employee experiences dissatisfaction with the job and/or organization leading to the formation of an intention to quit the organization. Voluntary turnover is controllable. Involuntary turnover on the other hand is defined as movement not initiated by the employee (e.g. dismissals, layoffs, retirements, contract termination, and death) and is uncontrollable (Hanisch & Hulin 1990; Jenkins 1993; Igbaria & Guimaraes 1999).

At the same time, there are other researchers who distinguish turnover based on the impact of turnover on the organization (Cascio, W.F. 1982; Price, J.L. 1989). Depending on the calibre of the departing employees, turnover can be either good or bad for the organization. When a poor performer decides to terminate his or her relationship with the organization, the organization will usually benefit. This type of turnover is termed as functional turnover. Conversely, when a key employee decides to leave the company for greener pastures, the organization will usually suffer.

This type of turnover is termed as dysfunctional turnover (Dalton et al. 1981; Dalton, Todor & Krackhardt 1982; Abelson & Baysinger 1984).

Most of the turnover cases studied in research however are those termed as voluntary turnover (Gardner 1986). Hence, for the purpose of this study, the focus will be on cases of voluntary turnover.

Employee Turnover Predictors

Three groups of variables of turnover antecedents have been extensively researched as predictors of employee turnover. They are classified as demographic variables, job-related variables and attitudinal variables.

Demographic variables

Many researchers have examined the relationship between various demographics such as age, tenure, and education, and employee turnover (e.g. Cable & Judge 1994; Mount & Barrick 1995; Barber & Daly 1996; Gilbert & Ivancevich 1999). These demographics are either constants (e.g. gender, race), or they change quite predictably (e.g. age, education). The popularity of these variables among the researchers could be due to the fact that they are easy to measure and to use as predictors for employee turnover.

Job-related variables

Job-related variables include pay, benefits, incentives, bonus, job type and job performance. These variables lend themselves easily to quantitative measurement and statistical analysis. However, numerous researchers have used job-related variables as predictors of turnover, only to find that the relationships between many job-related variables and turnover are inconclusive. Several of these variables have even been shown to present conflicting results across studies (Cotton & Tuttle 1986; Gardner 1986).

Attitudinal variables

"The most important work-related factors are attitudinal, including job satisfaction, organizational commitment, and turnover intention" (Wong, Hui, Wong, & Law 2001, p. 327). Job satisfaction has been implicated in research as an important attitudinal determinant of turnover (Brown & Peterson 1994; Russ & McNeilly 1995; Bettencourt & Brown 1997).

Organizational commitment is another attitudinal variable which has frequently been explored in the literature; however the findings have so far been inconsistent. For example, organizational commitment has been found to be positively related to turnover in one study (Morita, Lee & Mowday 1993) but negatively related to employee turnover in others (Shore & Martin, 1989; MacKenzie, Podsakoff & Ahearne 1998).

Employee Retention Determinants

Retaining key employees appears to have become a significant human resource problem in many organizations (Bradford 2001; Bridges 2001). A solution to this issue may lead to more profitable and effective organizations, more productive employees, and more satisfied clients/customers. As a result, much research has been done to find out what makes an employee stay with a company. However, the bulk of retention programmes were designed without taking into considerations such employee differences as demographics, organizations and industries (Huselid 1995; Cheng 1997; Hansen 2000). Until recently the emphasis on turnover management has been on the reaction of turnover across the board (Joy 1989; Woods & Macaul 1989; Campion 1991). The basic assumptions of these studies that employees have the same expectations and aspirations could have been the reason why many of these retention initiatives do not work. In recent years, there have been discernable shifts in management focus from broad retention programmes to highly targeted efforts aimed at particular employees or groups of employees (Sunoo 1998; Daugherty, Lusch, Myers & Griffith 2000; Guthrie 2000; McNally 2001). For example, Guthrie (2000) advocated the use of skill-based pay systems to improve employee retention. The focal point of the programme is to compensate employees for the skills they possess which are critical for the business operations of the organization. At the turn of the century, Cappelli (2000) went even further in proposing a revolutionary approach to employee retention. Organizations are urged to accept the reality that it is "not your company, but the market force which will ultimately determine the movement of your employees" (Cappelli 2000, p. 105). To retain people, the organization should focus not only on employees with critical skills, but also consider job design, job customization, social ties, location and hiring. In an increasingly competitive business environment, the adage of traditional HR management - to minimize overall employee turnover - needs to be replaced by a more effective way of managing human resource, enabling the management to influence who leaves and when (Cappelli 2000).

Meanwhile, increasing number of studies have been undertaken to determine the key retention factors that make employees want to stay with an organization. Pay, which is traditionally regarded as the most important determinant in the employee retention effort, is gradually giving way to other retention determinants such as career growth, learning and development, exciting, challenging and meaningful work as well as making a difference and a contribution (Milkovich & Newman 1996; Leonard 1998; Hannay & Northam 2000; Melvin 2001; Messmer 2001).

TURNOVER INTENTION

Russ and McNeilly (1995), in their article on the link attitude with turnover intention, emphasized that the most important area for turnover and retention research is the determination of the intent to leave the organization rather than turnover itself. He contends that further research should be done to discover more of the determinants of intent to leave and the characteristics of major factors that will increase the likelihood of individual intent to leave. He believes that by discovering these factors and grouping them into personal, organizational and environmental elements, appropriate organizational interventions can be carried out to match those intent-to-leave variables in the form of personal, organization/structural and environmental processes.

Also, a review of those studies conducted primarily in the United States indicate that empirical findings and theoretical expositions have given strong support to the concept that intent to leave an organization is an important predictor of actual turnover (Prestholdt et al.1987; Tett & Meyer 1993; Russ & McNeilly 1995).

In recent years, two distinct streams of research on turnover intention have evolved independently of each other. One largely focuses on the formation (antecedents) of turnover intention while paying less attention to predicting behaviours over time (Ajzen & Fishbein 1980; Engel, Blackwell & Miniard 1993). The other centres on the predictive ability of data on turnover intention without examining the antecedents of turnover intention (Morwitz & Schmittlein 1992).

Turnover intention has long been found to be significantly related to turnover (Steel & Ovalle 1984; McNeilly & Goldsmith 1991). Bagozzi 1992 asserted that behavioural intention is the primary antecedent to actual behaviours. Turnover intention has also been widely accepted as a component of organizational model of employee turnover in turnover research (Blau & Boal

1989; Tett & Meyer 1993). Turnover intention is so closely related to turnover that it has been conceptualized as a possible substitute for turnover such as job withdrawal behaviour (Todor & Dalton 1980; Taylor & Covaleski 1985; Dalton & Todor 1993). Previous research has also found that turnover intention is negatively related to organizational commitment (DeCotiis & Summers 1987; Tett & Meyer 1993; Igbaria & Guimaraes 1999; Naumann et al. 2000).

There have been, however, many critics about the use of turnover intention as a surrogate for actual employee turnover (Tett & Meyer 1993; Russ & McNeilly 1995). They argued that the measures of turnover intention are inaccurate. Their arguments are based on one fundamental weakness in its instruments of measure. Most, if not all, research investigations use either Bluedorn's measure or Becker's three item instrument. Bluedorn's measure uses a seven-point response scale to assess an individual's expectation that he or she will not quit the current organization at future time intervals ranging from three months to five years. Becker assesses turnover intention with the following three questions:

i. How often do you think about resigning from your current job?
ii. Do you often think about resigning?
iii. Would it take much to make you resign?

Understandably most, if not all employees, especially Asian employees would feel very 'exposed' in answering these questions. As such, they are unlikely to give truthful answers upon which sound conclusions can be drawn.

There is perhaps a better way of assessing the turnover intention of an employee other than by questionnaire. For instance, structured, tactful and unobtrusive probing and observations of changes in attitudes and behaviours of the employees in the work place can yield a wealth of information reflecting the state of mind of the employee (Bagozzi 1992; Ashmos & Duchon 1999). It is indeed logical to expect an employee who has the intention of leaving the company to experience some emotional changes that are shown, consciously or otherwise, in his or her behaviour towards colleagues and superiors.

In the following section, therefore, the author will proceed to review literature related to turnover intention and discernable changes in attitudes and behaviours brought about by work withdrawal syndromes.

ORGANIZATIONAL COMMITMENT

Organizational commitment is defined as the identification of an individual's values and goals with that of the organizations and the formation of an emotional attachment to the organization (Roe et al. 1999; Finegan 2000). Numerous studies have been carried out that have concluded that a sense of community is associated with employee commitment and turnover intention (Organ & Lingl 1995; Seay 2000). Theoretical framework and empirical studies have also provided strong evidence indicating that organizational commitment is an antecedent of specific organizational withdrawal behaviours (Mathieu & Zajac 1990). Organizational commitment has been linked to absenteeism (Gellatly 1995), turnover intention (McDonald 1993; Meyer, Allen & Smith 1993) and actual turnover (Whitener & Walz 1993), as well as other attitudes and behaviours (e.g. job satisfaction; see Hackett, Bycio & Hausdorf 1994). Even job performance may be affected by organizational commitment (Russ & McNeilly 1995: Somers & Birnbaum 2000).

Organizational commitment was earlier conceived to encompass two distinct dimensions, namely, affective commitment and continuance commitment (Whitener & Walz 1993; Roe et al. 1999). Affective commitment signifies the emotional attachment a person feels for the organization (Mathieu & Zajac 1990; Allen & Meyer 1996). Individuals with a high level of affective commitment stay with their organization because they want to. Affective commitment is associated with higher productivity (Meyer et al. 1989), positive work attitudes (Allen & Meyer 1996) and a greater tendency to engage in organizational citizenship (Meyer & Allen 1991). Thus, affective commitment will bring about beneficial effects for the organization.

Continuance commitment, on the other hand, concerns one's perceived investments in psychological and economic outlays, so that the act of termination with the organization will be associated with the perceived loss of investments (mainly economic) and the perceived costs of exit (Bar-Hayim & Berman 1992; Baugh & Robert 1994; Roe et al.1999). Individuals with a high level of continuance commitment stay with their organization because they have to. They have to

either because they lack marketable, or the right sort of skills or qualifications, or because other organizations might not be prepared to match the pay and benefits they are currently getting.

A decade ago, Meyer and Allen, (1991) suggested an additional dimension to the two components of commitment that have already been identified by earlier researchers. The third dimension proposed is normative commitment. Normative commitment describes the feelings of obligation a person has to remain with an organization. It is particularly prevalent in Asian society. Individuals who are normatively committed tend to value adherence to convention and have a great sense of responsibility. It is perhaps the inborn sense of responsibility that makes these normatively committed individuals feel obligated to stay on with their present organizations (Meyer & Allen 1991; Allen & Meyer 1996).

All three types of commitment have the same effect on the employees. They are all committed to the organization albeit for different reasons. The effect on the organization, however, is quite different.

In a study undertaken by Finegan (2000), it was found that the value clusters that predict affective commitment and normative commitment are different from those that influence continuance commitment. When affective commitment was examined, most of the variance was found to be predicted by such values as courtesy, consideration, cooperation, fairness, forgiveness and moral integrity which are collectively known as the humanity and vision factors. When continuance commitment was examined, the predictors were obedience, cautiousness and formality, collectively known as adherence to convention and business related bottom-line. When normative commitment was examined, it was found that it was not predicted by a match between the person's values and the organization's values but by person's values such as discipline, honesty, and moral.

Although affective and normative commitments are separate constructs, they are often correlated (Meyer et al. 1993). For instance, it is reasonable to expect that situations that produce affective commitment are also likely to strengthen the employee's sense of obligation to the organization (i.e. normative commitment). On the other hand, continuance commitment suggests a very different cluster of values from either normative or affective commitment. The data in the study done by Finegan (2000) showed that people who perceive their organization as embracing such

values as logic, economy, experimentation and diligence (i.e. bottom-line values) or obedience, cautiousness and formality (i.e. adherence to convention values), have higher continuance commitment.

Further review of the literature on commitments however, reveals that there are two schools of thought. One school suggests that certain dimensions or components of organizational commitment are independent constructs. For example, Zaccaro & Dobbins (1989) differentiated value commitment to support organizational goals from commitment to stay to retain organizational membership. Becker and Billings (1993) named value commitment normative commitment, whereas Etzioni (1975) called it moral involvement. The other school advocated the concept of foci of commitment (Reichers 1985; Becker & Billings 1993). Foci of commitment refer to the individuals and groups to whom an employee is attached (Becker and Billings 1993). Reichers (1985) identified the foci to include co-workers, superiors, subordinates, customers and other organization-related groups such as trade unions. Accordingly, these foci of commitment can be referred to as co-worker commitment, customer commitment and commitment to a superior, depending on the organizational group being emphasized. This approach underscores the principle that each membership may lay claim to a different version of job-related commitment (Zaccaro & Dobbins 1989; Somers & Birnbaum 2000) in accordance with his placement within the organizational structure or hierarchy. Reichers (1985) viewed organizational commitment as a collection of multiple commitments to various groups in the organization (Witt 1993), such as a professional association, a trade union, a career or profession, a supervisor, the organization, top management and the work group (Fukami & Larsen 1984; Reichers 1985; Becker 1992; Mueller, et al. 1992; Gregersen 1993).

The majority of theoretical and empirical evidence also suggests that job satisfaction is an antecedent to organizational commitment (Mathieu & Hamel 1989; McFarlane et al. 1989; Brown & Peterson 1994; Bettencourt & Brown 1997; Testa 2001), and the analysis of turnover intention almost always centres on the notion of affective and continuance commitment (Mathieu & Zajac 1990). Further review of the literature revealed that organizational commitment and job satisfaction variables are related to the general constructs of job withdrawal and work withdrawal (Borman, et al. 1991; Werner 1994; Knoop 1995; Laczo & Hanisch 1999). The impact of these two variables on employee attitude and behaviour has been recognized by Becker and Billings (1993) and confirmed by Testa (2001). Therefore, in order to understand the process of intention

formation and its subsequent manifestations in withdrawal attitudes and behaviours, one has to know how this attitudinal variable interacts with other related variables.

JOB SATISFACTION

Job satisfaction denotes the pleasurable state of mind or positive emotional well-being resulting from an assessment of one's job (Russ & McNeilly 1995; Testa 1999). The result of studies conducted by Cotton and Tuttle (1986) and Sagie (1998) suggest that job satisfaction has a direct impact on turnover intention as well as an indirect effect mediated by organizational commitment. Numerous other researchers have also provided similar findings (Russ & McNeilly 1995; Schappe 1998; Testa 2001).

Job satisfaction has been described in numerous studies as the most important variable in predicting the behaviour of employees after they have joined the organization (Roznowski & Hulin 1992). Previous studies have also lent support to the hypothesis that there are significant relationships between job satisfaction and work withdrawal (Hanisch & Hulin 1990, 1991; Roznowski & Hanisch 1990; Molitor 1998).

Additionally, Mobley et al. (1978) developed a model that demonstrated that dissatisfaction with one's job produces a series of withdrawal cognitions in which employees weigh the costs and benefits associated with leaving their jobs. This process of evaluation may ultimately result in the employees' withdrawal from the organization. Hom, Caranikas-Walker, Prussia and Griffeth's (1992) meta-analytic techniques with structural equations modelling, supported the Mobley et al.'s (1978) turnover model. Cranny, Smith and Stone (1992) arrived at the conclusion that job satisfaction is a combination of cognitive and affective reactions to the differential perceptions of what an employee expects and what he or she actually receives.

Job satisfaction has also been found to be an important attitudinal determinant of turnover (Tett & Meyer 1993; Russ & McNeilly 1995; Shaw 1999). Generally, job satisfaction is influenced mainly by work-related factors and working conditions, although there have been studies indicating that demographic factors can also influence these measures (Parasuraman & Futrell 1983; Mottaz 1986; Bedeian, Feris & Kacmar 1992; Russ & McNeilly 1995: Organ & Lingl 1995).

Other studies have shown that majority of causes of dissatisfaction were within the power of the organization to remove by changing the working environment. To investigate the dominant causes of job dissatisfaction, Carraher & Buckley (1996) indicated three major factors that influence employee satisfaction.

i. The greater the conformity of the job characteristics to the self-characterization of the individual, the higher the level of job satisfaction;
ii. The greater the predictability of instrumental relationships on the job the higher the level of job satisfaction; and
iii. The greater the compatibility of work requirements with the requirements of other roles the higher the level of job satisfaction.

Variables affecting each of the above factors can include items such as:

i. The relationship between supervisory practice and employee independence;
ii. The amount of rewards; and
iii. The individual's degree of participation in job assignment.

Although, as alluded to earlier, most of these factors cited above can be solved by the organization, yet some organizations would rather change the employees or find employees who are more congruent with the organizational environment.

Both organizational commitment and job satisfaction have been linked to citizenship behaviours and absenteeism (Williams & Anderson 1991; Organ & Lingl 1995; Sagie 1998; Schappe 1998) and pro-social behaviours (Bettencourt & Brown 1997). These findings support the general belief that employees who are satisfied and committed do exhibit higher levels of citizenship behaviour compared to those who are not. By the same token, committed employees would not normally absent themselves without good reason.

Another factor that has been recognized as an important antecedent to turnover intention is work exhaustion or job burnout (McGee 1996; Sethi, Barrier & King 1999). Employees who are emotionally exhausted tend to be negative in their outlook, behave callously towards co-workers and exhibit excessively detached behaviour toward others including the organization. As the factor of work exhaustion is not one of the foci of this review, it will not be elaborated on. It

nonetheless deserves further investigation as it too is manifested in various forms of human behaviour in a work environment.

WITHDRAWAL ATTITUDES AND BEHAVIOUR

An employee begins to develop an intention to leave when he or she experiences dissatisfaction with the job or the organization. Doran et al (1991) argue that behavioural intentions are the principal antecedents to actual behaviour. In other words, an employee's behaviour in a workplace is often influenced by his or her intention to act.

The presence of turnover intention in practice may, or may not, develop into actual turnover. More specifically, there are two categories of employees who might have the 'intention to leave' but experience different outcomes. One group consists of those who have the intention to leave but are unable to do so and the other consists of those who have the intention to leave and have no problem in doing so. Although a review of the existing literature does not provide statistics on actual turnover among those who nurse the intention to leave, it would be very interesting and informative to carry out a study to find out the percentage of employees who actually carry out their intention to leave. It would also be interesting to know whether these two categories of employees display similar or different sets of withdrawal behaviour. The literature reviewed thus far has treated them as one undifferentiated category.

Organizational withdrawal

The evaluation of the relationship between general attitude antecedents and a group of behavioural norms has been successively undertaken by groups of researchers (Hanisch & Hulin 1990 1991; Roznowski & Hanisch 1990; Hanisch 1995; Hanisch, Hulin & Roznowski 1998; Ellemers et al. 1999).

According to Hanisch & Hulin (1990), organizational withdrawal can be classified into job withdrawal and work withdrawal. Job withdrawal is defined as behaviours which represent the ultimate act of leaving the organization such as resignation and transfers. Work withdrawal on the other hand, is identified as behaviours that employees display to avoid specific tasks when turnover is only an intention. Such behaviours can be lateness, absence and long lunch or tea breaks, thereby disengaging themselves from work (Roxanne & Hanisch 1999).

There is one more category of withdrawal which has not been alluded to by both Hanisch and Hulin (1990, 1991), and Hanisch et al. (1998) or other turnover intention literature reviewed thus far, i.e. the social withdrawal behaviours. Social withdrawal behaviours may take the form of abstinence from organization-sponsored activities such as staff outings, staff functions and sports. This form of withdrawal behaviour deserves further investigation as it can provide an additional tool for detecting employee turnover intention.

In an attempt to detect signs of turnover intention among employees, one cannot rely on one single specific behaviour to conclude that the employee observed has the intention to leave. Hanisch and Hulin (1990, 1991), and Hanisch et al. (1998) argued that, generally, isolated and specific behaviours are less useful with regard to forming generalizable theories of employee behaviour across constructs, situations, populations, and time. In other words, knowing that an employee is dissatisfied with some aspect of his or her work is not sufficient to conclude that he or she has the intention to leave (Hanisch & Hulin 1990). They added that only through the observation and assessment of broad behavioural families can one understand and predict the various attitudes and behaviours that an employee is likely to display in response to general stimuli. By assessing broad behavioural families, it is argued that it will enable one to predict and understand the multiple behaviours that an employee is likely to enact in response to general stimuli; behaviours that are representative of an entire repertoire of possible responses (Hanisch 1995).

Additionally, Jaros, John, Jerry and Terry. (1993) posited that individuals' withdrawal behaviours are vague and they do not normally provide 'focused cognitions'. The individuals generally evaluate their perceptions based on their own preferences (Ellemers et al.1999). Although the emotional reactions are reflections of one's subjective evaluation, they can be the most important factor in interpreting the meaning of the situations and deciding what subsequent actions will be taken by the individual. Thus, the perception/evaluation process leads directly to action and reaction in relation to stimuli. Based on their perceptions, individuals are likely to vary their behaviour in different organizational situations and in their interpersonal relationships to various individuals (Ellemers et al.1999; McDonald 1993: Organ & Lingl 1995; Boshoff & Mels 1995).

CONCLUSION

The review of literature shows that turnover intention has been widely accepted as a component of organizational model of employee turnover in turnover research which centres on the predictive ability of intention. However, such research does not examine the antecedents of intention. A number of studies have revealed that organizational commitment and job satisfaction variables are related to the general constructs of job withdrawal and work withdrawal. Previous studies have provided strong evidence that organization commitment is an antecedent of specific organizational withdrawal behaviours. Both organizational commitment and job satisfaction have been linked to citizenship behaviours, absenteeism and pro-social behaviours. Work withdrawal will lead to employees displaying the desire to avoid specific tasks when turnover is only an intention. Such behaviours can be lateness, absence and long lunch or tea breaks, thereby disengaging themselves from work. Even though social withdrawal behaviours have not been prominently stressed as a consequence of turnover intention in the literature reviewed, they do deserve to be investigated in future studies.

The literature reviewed also shows that one cannot rely on one single specific behaviour to conclude that the employee observed has the intention to leave. It is only through the systematic observation and assessment of broad behavioural families over time that one can understand and predict the various attitudes and behaviours that an employee is likely to display when he or she has the intention to leave the present organization.

The key point of the investigation into the possible predictions of employee turnover intention is not just observing the employee's attitudes and behaviours per se, but noting the changes in attitudes and behaviours brought about by the presence of the intention to leave the organization. It is these behavioural changes that are of interest to the human resource managers.

In order to investigate the utility of using systematic observations to detect employee turnover intention, a field study should be conducted. Although mailed questionnaires have been extensively used as a research instrument in the study of employee turnover and retention, they may not be an effective way of obtaining optimum results in this particular study. This is because answers to a mailed questionnaire survey will tend to be guided and restrictive. Such responses may lose the depth and quality that are necessary for a better understanding of the issues investigated. The supporting rationales and assumptions of the respondents would also not be

disclosed. As employee turnover intention basically involves human cognitive process and behavioural reactions to external stimuli, which consist of a vast spectrum of individual differences, a qualitative methodology may be a better alternative.

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RESEARCH PAPER 2

The Role of Turnover Intention in Employee Retention Strategies

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ABSTRACT

The problem of excessive employee turnover has, for years, constituted a major Human Resource Management problem for many business organizations in the industrialized world. Studies undertaken in the United States, show that the impact of the loss of valued employees, could have devastating effects on the performance of the organization. The purpose of this study is to investigate into the possibility of pre-empting key employee turnovers through the observations of changes in employees' attitude and behaviour in the workplace.

A sample of 30 member companies of the Association of the Computer and Multimedia Industry of Malaysia (PIKOM) was selected based on a set of criteria. Officers responsible for human resource management in the company were then interviewed, guided by a questionnaire and data was recorded instantly for subsequent analysis.

The research findings show that there are no significant differences in the staff salary scales among the participating companies. However, there are variations in staff benefits. While all

companies comply with the employee statutory requirements, there are some companies that offer staff benefits in excess of the others in the industry. The survey also shows that the majority of the companies interviewed are not too concerned about employee turnover as they believe that replacements of employees are relatively easy. Only a few companies which are involved in consulting and Information Communication Technology (ICT) development projects have shown sufficient level of concern to have expended efforts in formulating contingency plans to cushion the damaging effects of unexpected loss of project key personnel.

Generally, Human Resource managers do not spend much time observing changes in employee behaviour and attitude in the work place as a means of predicting employees' turnover intentions. The survey also reveals that those employees who left or intend to leave the company due to dissatisfaction, are more likely to show their intentions by exhibiting negative attitude and work behaviour, compared to employees who left or intend to leave for better prospects in other companies. Negative attitude and work behaviour can be identified as follows:-

- General lack of enthusiasm
- Attitude towards management become more detached and the use of 'we' is replaced to a more dominant 'I'
- Reluctance to take on more assignments or responsibilities
- Negative organizational behaviour such as coming to office late, leaving place of work (office or work site) early, long lunch break, frequent absenteeism from work
- Staying away from company organized activities
- Quality of work deteriorates (only among certain types of non-professional employees)
- Declined enthusiasm in contributing ideas during meeting declined

Finally, the results show that although only a very few companies make some effort in detecting signs of turnover intention among their employees, most of the respondents recognized the value of knowing the employees' intention to leave in providing the management time to assess the impact and formulate remedial actions. Results also strongly suggest that the management must accept the reality that it is the market, and not the company which will ultimately determine the movement of employees. To retain people with critical skills, companies need to look at functional issues such as job design, job customization, social ties, location and hiring. Turnover, therefore, must be managed and not eliminated.

INTRODUCTION

The problem of excessive employee turnover has, for years, constituted a major Human Resource Management problem for many business organizations (Price 1989;Tett et al.1993;Arthur 1994; Igbaria 1999). A high turnover rate in an organization often brings about diminished motivation and low morale among the employees who remain in the company (Amabile et al 1994). It can often disrupt the efficient operations of an organization "when knowledgeable and experienced personnel leave and replacements may not be found soon enough to assume positions of responsibility" (Robbins 1986, p. 29). If the leaving employee had a unique skill set and/or held a critical position within the company, the loss is bound to have a rippling effect on the staff performance throughout the organization, and may continue to be so until a replacement becomes fully functional (Brunner 2000).

This issue of employee turnover is so critical to the well-being an organization that a great number of researchers in organizational management over the decades have conducted numerous studies to assess the impact of employee turnover on organizations and to identify the antecedents of turnover intentions. The findings of these research studies have consistently established a direct relationship between personnel costs and turnover (Darmon 1990; Caro & Kaffenberger 2001) and identified three major categories of antecedents of turnover intention. The first category consists of demographic items such as gender, educational level, age and tenure (Russ & McNeilly 1995; Lyness & Thompson 1997; Ellemers et al. 1999). The second category consists of job-related items such as pay, benefits, incentives, bonus, job type and job performance and attitudinal items such as job satisfaction, organizational commitments (Allen & Meyer 1996; Roe et al.1999;Finegan 2000; Testa 2001). The third category consists of job involvement (Knoop 1995; Wong, Hui, Wong, Law & Kenneth 2001).These research studies; however, did little to address other substantive issues such as changes in employee behaviour in the work place.

The Purpose of this Study

The purpose of this research study is to explore the existence of a relationship between the intention to quit and changes in employee attitude and behaviour as well as investigate the extent

these changes are manifested in the work place. This study, therefore, seeks to answer the following research questions:

Research question 1: Will the intention to quit which is harboured by an employee be manifested in the change of his/her behaviour at work and attitude towards work, superiors, peers and the organization?

Research question 2: Are these manifestations detectable?

Research question 3: Can an instrument be developed to detect these manifestations?

The Need for this Study

The value of this study has already been fully recognized by Roseman (1981) who asserts that it is not only necessary to understand the reasons behind staff turnover, but also to have the ability to detect staff turnover intention through keen observations of changes in attitude and behaviour. Roseman (1981) added that knowing the intention of the employee to quit well beforehand places the company in a much better position to deal with the dire situation of losing valued staff and to nip the intent to quit in the bud.

Working with PIKOM

One of the major problems of conducting a survey is getting companies to participate in a student project. Having identified PIKOM, which is a professional association of the computer and multimedia industry in Malaysia (APPENDIX II), as the most promising source of getting participants for the survey, a letter was sent to the chairman of the association to seek his assistance. The agreement for the cooperation was reached under the following terms.

1. Administrative assistance

   An executive of the organization will be assigned to assist in this survey. His main functions are to contact potential participants to inform them of the impending survey and solicit their participation. He will dispatch a circular from the Executive Director of PIKOM by email informing them of the purpose of the forthcoming survey and what it entails. As a follow-up, the assigned executive will then contact the potential participants by phone to ask if they have received the circular issued by the PIKOM executive director. For those who have not received the circular a fresh copy will be e-mailed to them and for those who have received they will be asked for a date for the interview. A day before the scheduled date of the interview, the executive will call the interested party to confirm the appointment.

2. After the data of the interview have been analyzed, hard copies of the survey results will be given to all the companies that participated in the survey and a soft copy will be given to PIKOM.
3. On the question of anonymity, PIKOM is given the assurance that the identity of the respondents as well as the organization will not be revealed without written consent from PIKOM or the respondent.

THE THEORETICAL FRAMEWORK

In this section, the theoretical framework of this study is discussed. This theoretical framework is derived from extant literature on turnover, turnover intention and antecedents of turnover and it provides the basis for the formulation of the content items of the questionnaire.

The antecedents of turnover

A review of literature reveals that antecedents of employee turnover may be divided into three major categories: demographic variables, job-related variables, and attitudinal variables (Whitener & Walz 1993; Russ & Neilly 1995; Shaw 1999; Naumann et al. 2000).

a) Demographic Antecedents

Demographic variables are age, tenure, education, gender and intelligence. Of these variables, only age, education and tenure were found to have a consistent relationship to turnover. Gender and intelligence have been found to have no influence on turnover decision. (McNeilly & Goldsmith 1991; Russ & McNeilly 1995). For the purpose of this study, the employee's level of education is investigated to find out whether it has any modifying effects on the individual's attitude and behaviour towards adverse organizational stimuli such as job dissatisfaction arising from incongruence between organization and self expectations.

b) Job related Antecedents

Job related factors include pay, benefits, unemployment rate and job performance. Although researchers such as Cotton and Tuttle (1986), and Gardner (1986) have repeatedly pointed out that the relationship between turnover and many job-related variables have not been consistent, the use of job performance as a measure of demonstrable outcome of turnover

intention cannot be overlooked. It is therefore not unreasonable to expect that employees who have intent to quit, may exhibit some decline in the quality of their work.

c) Attitudinal Antecedents

Attitudinal antecedents of employee turnover include overall job satisfaction, satisfaction with pay, satisfaction with the work itself, work-family conflict, perception of inequity in authority or power, organizational commitment, and turnover intentions. (Lee et al. 1992; Whitener & Walz 1993; Lowe & Vodanivich 1995; Tremblay et al. 2000).

Of the attitudinal factors listed above, job satisfaction (Russ & McNeilly 1995; Hellman 1997; Shaw 1999) and organizational commitment (Lee et al. 1992; Morita, Lee & Mowday 1993; DeConinck & Bachmann 1994; MacKenzie, Podsakoff & Ahearne 1998) have been much implicated in research as two important attitudinal determinant of turnover. Therefore, they will be discussed further.

Job satisfaction

Cranny, Smith, and Stone (1992) reported that job satisfaction is a combination of cognitive and affective reactions to the differences in perception of what an employee expects and what he or she actually gets. Cognitive reactions reflect the employee's rational evaluation of his or her working conditions, opportunities and returns, whereas affective reactions reflect an overall positive emotional appraisal of one's job (Russ & McNeilly 1995; Williams and Hazer, n.d.).
The findings of Cotton and Tuttle (1986), and Shaw 1999 show that job satisfaction has a direct effect on turnover intention. However, the magnitude of this relationship has not been consistent within the available literature (Carsten & Spector 1987; Tett & Meyer 1993). The inconsistency could be due to situational specificity which might be influenced by other personal or situational factors. The negative outcomes of job satisfaction may result in changes in attitude towards work ethics such as absenteeism, and punctuality (Sagie 1998; Milliman et al. 2001).

Organizational commitment

Organizational commitment has frequently been explored in management literature and found to be negatively related to employee turnover (Lee et al. 1992; Morita, Lee & Mowday 1993; DeConinck & Bachmann 1994; MacKenzie, Podsakoff & Ahearne 1998). A number of empirical studies further confirm the important role organizational commitment plays in influencing turnover intentions (Becker & Billings 1993; Milliman et al 2001). The term organizational

commitment extends beyond an employee's commitment to an organization as a business entity to include individuals and groups to whom he or she is attached. Becker and Billings (1993) define these objects of commitment as foci of commitment and according to Reichers (1985) the foci of commitment includes co-workers, superiors, subordinates and customers.

Majority of researchers view organizational commitment from either a behavioural perspective or an attitudinal perspective. On a behavioural perspective, Meyer et al. (1993) define job commitment as the extent to which an individual is identified psychologically with his/her work, or the importance of work in his/her total self-image. Whereas, from an attitudinal perspective, Milliman et al. (2001) characterize organization commitment as the relative strength of an individual's identification with and involvement in a particular organization. It involves the sharing of the organization's goals and values, a willingness to exert considerable effort on behalf of the organization, and a desire to maintain membership in the organization. However, when organizational commitment is viewed in its totality, it is an affective response to the whole organization and the degree of attachment or loyalty employees feel towards the organization. When affective commitment was examined, most of the variance in employee commitment towards the organizations was found to be predicted by values such as courtesy, consideration, cooperation, fairness, forgiveness and moral integrity which are collectively known as the humanity and vision factors (Finegan 2000).

Both organizational commitment and job satisfaction have been linked to organizational citizenship behaviours (OCB) (Williams & Anderson 1991; Sagie 1998; Schappe 1998) and job involvement (Knoop 1995).

Organizational citizenship behaviour

Organizational citizenship behaviour (OCB) has been the topic of numerous studies (Moorman 1991; Becker & Vance 1993;; Moorman 1993; Niehoff & Moorman 1993; Organ & Lingl 1995; Organ & Ryan 1995). Individual behaviour has been defined as discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes goodwill among organizational members and the effective functioning of the organization. (Organ & Ryan, 1995).

The demonstration of organizational behaviour has been found to be positively related to job satisfaction (Williams & Anderson 1991; Moorman 1993; Organ & Lingl 1995). The altruistic dimension of OCB was identified by Smith, Organ, and Near (1983) to be a set of behaviour

directly and intentionally aimed at helping colleagues and a generalized behaviour of compliance with organizational regulations. Williams and Anderson (1991) subsequently found that the cognitive component of job satisfaction significantly predict altruism in OCB. Therefore, any organizational outcomes resulting from consequential changes in job satisfaction (e.g. intention to quit) may bring about corresponding changes in organizational citizenship behaviour.

Job Involvement

Job involvement has long been investigated by researchers. Parasuraman (1982) defines job involvement as the extent to which employees are absorbed in or preoccupied with their jobs and the extent to which an individual identifies with his or her job. Job involvement has also been found to be negatively related to turnover intentions (Milliman et al.2001) and its effect on turnover was influenced by job satisfaction and organizational commitment and moderated by experience and performance (Russ & McNeilly 1995). The negative aspect of job involvement can generally be identified as work withdrawal which includes behaviours such as disengaging themselves from work, unpunctuality, absenteeism, and extended lunch or tea breaks (Hanisch & Hulin 1990).

Job performance

A more subtle display of negative behaviour in response to an emergence of turnover intent is the adverse change of job performance. Job performance has traditionally been measured by the extent to which an employee achieves a work-related quality or quantity goal. The traditional way of assessing the performance of an employee is through a relatively structured staff performance appraisal system (Thomas & Bretz 1994; Pettijohn et al. 2000). It has been cited by Doran, Stone, Brief, & George (1991) that the employee's attitude towards the staff performance appraisal system was negatively related to the turnover intention. For example, an employee who reported negatively about the appraisal system is more likely to contemplate quitting (Brown & Petersen 1994)..

METHOD

As the aim of this research is to generate substantive understanding of research issues rather than to test the validity and reliability of a hypothesis deduced from previous research, a qualitative research methodology has been adopted. This study used survey as a research method and face-to-face interview as a method of data collection. Data were collected during depth, and semi-

structured face-to-face interviews with executives of organizations who performed the human resource management (HRM) functions. Key points of the conversation were recorded in the field and transcribed on the same day as the interview.

Sampling Procedure

A sample from a predetermined population within a particular geographical location in a specific industry was selected for face-to-face interviews. The sampling frame consisted of members of a professional organization. The name of the professional organization is PIKOM, an acronym for Persatuan Industri Komputer & Multimedia Malaysia. PIKOM is an association of the computer and multimedia industry in Malaysia whose main purpose is to ensure systematic development and coordinated growth of the ICT industry in Malaysia. The survey was undertaken under the auspices of PIKOM which assisted in the recruitment of potential participants. The individuals targeted for the interview were either the executives or managers of the organizations responsible for personnel matters. The professional organization informed the members of the impending survey, its purpose and potential benefits. Those who were interested to participate in the survey were assigned a date for the interview.

Sample Selection Criteria

Members of PIKOM which met the following criteria were selected for the study.

i. a staff size exceeding 30
ii. more than 5 years in operation
iii. located within the Federal Territory and Klang valley

The sampling frame

The list of member companies of PIKOM formed the sampling frame of the research and the unit of analysis was a member company. The choice of this sampling frame was guided by the fact that 85 per cent of the total ICT industry revenue was generated by the PIKOM's member companies.

The size of the company

A minimum staff size of the participating companies was tentatively fixed at 30. The rationale for not including companies with a staff size of less than 30 was to ensure that the participating companies have a wider spectrum of employee types and a more strategic approach to human resource management.

The years of trading

One of the selection criteria for companies to participate in the survey was a five-year operating experience. This is to make sure that the participating companies have a reasonable amount of experience in dealing with staff turnover and retention.

The location

Only companies within the Federal Territory and Klang Valley were selected for the study.

The sample size

The number of participating companies was determined by the extent to which an additional company would contribute to that understanding. An initial target was thirty companies but when the themes and issues in which the researcher was interested became 'saturated' when the responses of the last few companies have ceased to offer any new significantly information in additional to what have already been collected from the previous companies . The data collection activities will come to an end (Glaser & Strauss 1967).

Questionnaire Design

The questionnaire was used more as a tool to guide the interview to ensure that important concepts would be properly investigated within the time frame allocated. It was by no means a rigid framework of questioning to which the interviewer was expected to strictly adhere. In fact, the design was flexible enough to permit the discovery and exploration of thought-provoking issues during the course of the interview adding greater understanding of the substantive research problem.

The questionnaire consisted of five sections.

- Section one contains objective questions on simple and factual information such as the company profile which enables sample composition to be established and analysis of data to be contextualized.

- Section two consists of questions pertaining to the structure of the company remuneration package and the management's perception of the package as compared with those offered by other companies in the industry.
- Section three aims to assess the level of effort made to reach out to the employees for a better understanding and appreciation of their expectations and frustrations.
- Section four solicits information on company turnover track record and expected trend in the next two years.
- Section five contains questions on respondents' experience with staff turnover and their thoughts on turnover intention manifestations among the employees who have left the company.

The majority of the questions in the questionnaire were presented in an open (vs. closed) format to allow respondents to express their views on the issues. Questions were developed following an extensive review of relevant literature. The sequence of questions in the questionnaire was arranged so that the respondent was led from questions of a general nature to those that were more specific and then from questions that were relatively easy to answers to those that were progressively more subjective i.e. narrating experience and offering opinion.

Pretest of questionnaire

Pretests of questionnaire were conducted on four test respondents. The respondents were interviewed using the questionnaire as a guide. The pretest was to ensure that the following objectives are achieved.

- wordings of the questions can be easily understood
- questions convey the meanings intended
- questions are relevant to the issues investigated
- duration of the interview remains within the one-hour limit

Based on the feedback from the two initial test interviews, a number of amendments such as simplifying the questioning approach and re-arranging the sequence of questions were made. After the amendments have been made, the amended questionnaire was re-piloted on another two test respondents. The results of the pre-tests showed that in order to maximize response acquiescence, a number of questions were modified.

The interview

The main reason for choosing personal interview as a method of data collection is that the researcher can collect all the responses within a short period of time. During interviews, the respondents can gain immediate clarification of doubts or questions they might have. In addition, the research topic and the objectives of the study can be explained to the respondents so that they will better appreciate the value of the study. Personal assurance of anonymity can also be given face-to-face so that they will feel free to express their opinions without concern about repercussions.

The nature of the variables tapped will determine the kind of questions asked. In this study, the variables are of a subjective nature (job satisfaction, job involvement) and as such the questions asked will be open ended. The data on other objective variables such as company profile and educational levels of respondents are obtained by direct questions.

The interview started with a brief statement of purpose of the survey and an assurance of organizational and individual anonymity. The participant was made to understand that he or she was not obliged to respond to any questions which he or she felt might compromise the confidentiality of the company. The participant was also at liberty to cut the interview short should he or she find it inappropriate to proceed any further. The interviewee was not given a copy of the questionnaire lest he or she might be distracted from paying attention to the questions put forth by the interviewer. Due consideration was also given to possible influence and biasness of the interviewer on the interviewee. To minimize this, the interviewer stressed that the questionnaire served only as a guide and the respondents were free to give their views on the issues raised. Except for the part of the questionnaire which solicited data on the profile of the company, all questions were open ended.

The interviewer was sensitive and alert to body language that signalled fatigue, boredom or inattentiveness and pre-occupations. As soon as such phenomenon occurred, the interviewer promptly cut short the interview and exited.

RESULTS

A total of 30 companies out of the 40 companies contacted responded positively achieving a response rate of 75%. However, only 26 companies were interviewed. It was because the last five

companies interviewed did not offer any new information in additional to what have already been collected from the previous 21 companies and the interviews scheduled for the remaining four companies were cancelled.

Descriptive statistics

.Table 1 to Table 4 show the demographic characteristics of the sample viz. staff size, number of years in business, legal status (private limited, proprietorship or public listed) of the company and position of the individuals interviewed

Table 1.

Staff Size

Staff size	Less than 30	31 - 50	51 - 100	More than 100
No. of companies	4	7	5	10

Table 2.

Number of Years in Business

Years in business	5 years	6 – 10 years	11 – 20 years	More than 20 years
No. of companies	4	7	5	10

Table 3.

Type of Company

Type of company	Private Limited	Limited	Partnership/Proprietorship	Listed
No. of companies	18	1	3	4

Table 4.

Position of Individuals Interviewed

Position	HR Executive	HR Manager	Finance Director/Manager	CEO
No. of individuals	3	7	6	10

Staff compensation package

Every respondent believed that his or her company staff remuneration package was at par with other companies in the industry. One human resource manager remarked, "Judging from the findings of the Salary Benchmark Survey, our pay scheme is at par if not slightly higher than industrial standards." There were also others who said that even though their pay scheme might not match the best among the Information Technology companies, their staff benefits could be considered one of the best in the industry.

Table 5: Pay Scheme Compared with National Industry Benchmark

Significantly below	Slightly below	At Par	Slightly above	Significantly below
0	2	19	5	0

Table 5 shows that 19 respondents (73%) conceived that their companies' pay schemes were at par with the national industrial average, while 2 respondents (7%) slightly below average and 5 respondents (19%) slightly average. None of the respondents perceived that their pay schemes are either significantly below or significantly above

Benefits

Unlike pay, staff benefits cover a wide spectrum of variations. At one end of the spectrum, there are companies which do not go beyond complying with the basic statutory requirements such as contribution to Employee Provident Fund, Social Security (Socso), and general medical benefits for the employee, while at the other extreme, one company rewards their key staff and their spouses with overseas trips once in every three years. The majority of the companies, however, tend to use staff benefits as a means of compensating the deficiency in their pay scheme. This is how a Chief Executive Officer (CEO) describes it; "Our pay may not be among the top ten in the industry but it is adequately compensated with generous benefits and performance based incentives."

Table 6: Straff Benefits Compared with national Industry Benchmark

Significantly below	Slightly below	At Par	Slightly above	Significantly below

0	2	21	3	0

Table 6 shows that 21 respondents (81%) conceived that their company pay schemes were at par with the national industrial average, while 2 respondents (8%) slightly below average, and 3 respondents (11%) slightly above average. None of the respondents perceived that their pay schemes were either significantly below or significantly above

Main reasons for staff turnover

The results of the survey show that while some staff left the company because they felt that rewards did not commensurate with their contribution, others left because they could not take the pressure of work. A majority of the respondents believed that different categories of staff have different reasons for leaving the company. For example, marketing and administrative staff leave the company for pay and benefits; middle managers for promotional opportunities and better career advancement prospects, and technical personnel for opportunity to learn new skills and the use of advanced tools.

Amidst the numerous reasons given by the respondents for leaving the company, an underlying principle concerning employee turnover intention emerges. Quality staff leave because they feel that they are better than the jobs they hold, while the non-performing staff leave because they feel pressured and insecure.

Table 8: Reasons for Staff Turnover by Job Functions as perceived by Respondents

	Job Functions			
Types of Compensation	Managerial	Technical	Marketing	Admin./finance
Dissatisfied with Pay	2/26 (8%)	2/26 (8%)	8/26 (31%)	7/26 (26%)
Dissatisfied with Benefits	3/26 (12%)	4(!5%)	14/26(54%)	8/26(31%)
Lack of Internal Career opportunities	3/26(12%)	6/26(23%)	9/26 (35%)	4/26(15%
Absence of Stock options	2/26(8%)	0/26 (0%)	0/26 (0%)	0/26 (0%)
Problems with superiors	0/26 (0%)	5/26(19%)	3/26 (12%)	3/26(12%)
Dissatisfied with Technical/ professional	2/26 (8%)	15/26(57%)	2/26(8%)	0/26(0%)

training				
Excessive Work pressure	0/26(0%)	3/26(12%)	2/26(8%)	0/26(0%)
Unfavourable work environment	0/26(0%)	0/26(0%)	0/26(0%)	0/26(0%)
Starting own business	2/26(8%)	3/26(12%)	0/26(0%)	0/26(0%)

The reasons for leaving the present job of those who have left in the last five (5) years sensed by the respondents are tabulated in Table 8 above. For instance, two of the 26 companies responded observed that their managers and technical staff left the company because of low pay; whereas eight of 26 respondents observed that their marketing staff and seven of 26 respondents administrative and finance staff left for the better pay elsewhere. All other entries in the table are to be interpreted in the same manner.

Impact of turnover on the company

Generally, respondents felt that the impact of turnover on the company was insignificant save for some cases where the expertise of the employees who had left was hard to replace. The results show that older companies involved in projects normally have a contingency plan in place to alleviate the damaging impact of key staff turnover. Younger companies were quick to react to crisis but were less prepared to incur additional costs in structuring and maintaining a backup strategy.

Table 9 Impact of Turnover on Companies by Age and Size

	Number of years in Operation								
	Y ≤ 5 years			5 years< Y ≤10 years			Y > 10 years		
	A	B	C	A	B	C	A	B	C
Cost	0	3	0	5	8	5	5	0	1
Productivity.	0	3	0	2	5	3	3	0	1
Loss of Business	0	0	0	0	0	0	3	1	0
Customer Satisfaction	0	0	0	0	0	0	2	1	2
Bottom Line	0	2	0	0	1	0	1	0	0
Staff Morale	0	2	0	1	4	0	1	0	1

Others	0	0	0	1	0	3	0	0	0

Legends:

A = Staff size less or equal to 20

B = Staff size greater than 20 and less than or equal to 50

C = Staff size greater than 50

Turnover intentions manifestations

The study reveals that not too many managers involved in personnel matters pay much attention to the changes in behaviour and attitude of the employees. Only a handful of the respondents gave spontaneous answers to the question of staff behavioural change. Majority of the respondents required a bit of time to ponder over the question and dig into their memory searching for the occurrences of changes exhibited by colleagues who have left the company. The repertoire of behavioural and attitudinal changes can be summarized as follows.

- General lacking of enthusiasm
- Attitude towards management became more detached and the use of 'we' is replaced to a more dominant 'I'
- Reluctance to take on more assignments or responsibilities
- Negative organizational behaviour such as coming to office late, leaving place of work (office or work site) early, long lunch breaks and frequent absenteeism from work
- Staying away from company organized activities
- Quality of work deteriorates only among certain types of non-professional employees
- Enthusiasm in contributing ideas during meetings declined

Table 10: Turnover Intention Manifestations

		Response Frequency	Percentage of respondents
Performance	Quality of work Declines	10	38%
	Management / Organization	13	50%

Job Attitude

	Immediate Superior	17	65%
	Peers	12	46%
	Subordinates	12	46%
	Customers	10	38%
Work Ethics	Punctuality	9	35%
	Absenteeism	11	42%
Communication	Less Frequent	14	54%
	Curt	1	4%
	Non – engaging	10	38%
	Non -committal	5	19%
Others	Less enthusiast about projects	14	54%

Other factors

They were, however, quick to add that it also depended on factors such as the individuals, the reasons for wanting to leave, and the degree of concern about possible consequences brought about by their behavioural changes.

The individuals

One human resource manager said, "From the way some of the staff behaved I could tell that they were up to something. When these individuals handed in their resignation, I was not at all surprised. But then, there were others who showed absolutely no signs that they had been contemplating leaving the company. "

Many respondents shared the view of a senior human resource director who said, "Junior employees are more demonstrative of their intentions than employees who have been with the company for some years."

A CEO was full of pride when he said, "My staff are highly qualified professionals and they would never shirk their responsibilities even though they are planning to leave the company for a better position elsewhere."

Individuals leave the present company for various reasons. "People resign because they are dissatisfied with present employment, or because they have a far better job offer, or because there are opportunities for career advancement or because of family reasons."

"Generally, those who left because they were unhappy with the job, superiors or felt unjustly treated may have negative feelings about the companies and showed them, whereas, those who left for a better job, opportunities or family reasons showed no negative organizational behaviour at all."

As an illustration, one senior manager quoted an example of a systems analyst who showed absolutely no respect for his immediate project supervisor because the supervisor was the reason for his wanting to quit the company in the first place.

Category of Staff

The study also suggests that the category of the staff makes a difference in the way they behave. Employees in senior management positions are very unlikely to behave irresponsibly towards the company when they have planned to make an exit move. On the contrary, they will make extra efforts to ensure that their departure does not cause too much problem in the company they leave behind.

Additional factor

There is one other factor which one manager believed would also restrain a departing employee from showing negative organizational behaviour. It is the fear of repercussions such as reducing the likelihood of getting a favourable letter of reference and the risk of creating a bad reputation in the industry.

Means of detection and prediction

No concrete suggestions were given by the respondents when asked whether there were any means or methods by which the staff turnover intention could be detected or predicted. Some suggested that workshops could be used to give the employees an avenue to air their grievances and work out solutions. When they were asked specifically about the use of staff performance appraisal sessions as a vehicle of establishing open dialogues with the employees, most respondents did not think that it would bring about the desired results. One manager went even further to say that an open dialogue may turn into a complaint session. However, most respondents believed that a better way of sensing the pulse of the employees is to make continuous efforts to establish close rapport with the staff over time and gain their trust and confidence in the management.

Management's response

Comments regarding the management's reactions to the issues of staff turnover intention and eventual turnover are summarised below.

1. When the turnover intention of a staff member has been detected in his or her behaviour and attitude, the management will first assess the impact of the staff member's departure on the company. Only if the departing staff member was worth retaining, would remedial actions be taken.
2. When faced with the real possibility of losing a valued employee to another organization which offered substantially higher pay, the management would try to highlight the intangible benefits in dollar terms to show that the remuneration package of the current company is in fact superior to the one being offered.
3. The company must act fast when a staff member's intention to quit is detected, otherwise any measure to counter the threat would be futile when the intention to quit has turned into action.
4. Staff who are head hunted seldom give the management time to develop a counter strategy. The offers are usually very attractive and well beyond the financial capability of the company to match. Fortunately, this category of staff is usually highly responsible and professional and as such the adverse impact of their departure on the company could be minimized.
5. If staff are unhappy with the company, there is no point in trying to keep them.
6. It may not be necessary to invest management time in getting to know the staff better, because when an irresistible job offer comes along, they will leave anyway.
7. Management should not expect the employees to work for the company for life; rather the management should be pragmatic about it and try to get the most out of employees while they are still with the company accepting the reality that they will go one day when the right offer comes along.
8. A certain amount of turnover is good for the fast moving IT industry. Turnover ensures inflow of new blood into the company which may be what the company needs.

DISCUSSION AND CONCLUSION

The question of whether employees who have the intention to quit would exhibit any signs of change in their behaviour and attitude at work did not yield an absolute answer. The findings of this study have indicated that employees act out their intentions to quit quite differently. Some employees demonstrate their dissatisfaction by behaving negatively towards their work, while others show no noticeable signs of change in their attitude and behaviour at work. The consensus among the respondents was of the opinion that there are factors such as reasons for the turnover intention, the psychological profile of the individual and position held which influence the way an individual reacts. For example, the managers believed that if an employee plans to leave the company because he or she is not happy with the company, he or she is more likely to change his or her behaviour and attitude towards work and colleagues. Generally, the individual tends to become less conscientious about work, slacking in work moral e.g. punctuality and absenteeism, and less enthusiastic in company organized group activities. On the other hand, if the individual's intention to quit was prompted by the desire to get a better job, the individual is less likely to change his or her behaviour or attitude in the work place.

The managers also believed that an individual's level of education, moral standards, job function and position in the company, either acting singly or in combination, will have significant influence on the way the individual reacts to environmental and emotional stimuli. Employees who hold responsible positions in the company are more inclined to remain responsible and maintain their professionalism even when they nurse the intention to quit the company. On the other hand, junior staff with tenure of less than three years have been found to be highly volatile and have a greater tendency to exhibit negative attitudes towards work when they have plans to leave the present employment.

A majority of the respondents believed that these changes in behaviour and attitude are detectable among individuals who have the propensity to be demonstrative. However, they were also of the opinion that it is not reliable to assess and predict an individual's motives by observing just one singular or isolated behaviour manifestation. It is believed that individuals would most likely respond to stimuli with multiple behaviour from an entire repertoire of possible responses such as

being absent, missing company meetings, handing in sub-quality job work and other negative organizational behaviour (Hanisch 1995). As noted by Hanisch and Hulin (1990), knowing that an employee is dissatisfied with some aspect of his or her work is not sufficient to predict which specific behaviour, if any, he or she will exhibit. It is through the observation and assessment of broad behavioural families that one can begin to understand the attitude and behaviour shown by the individuals and predict the outcome of these manifestations. For example, when a staff member who normally does not take long leave suddenly applied for an extended leave of absence it may be construed as wanting to use up all available leave entitlements in anticipation of quitting the company. But then it could be possible that his wife has been pestering him to take a shopping trip to Hong Kong. Contrary to belief, most respondents reported that generally they were not overly concerned about staff leaving as replacements are readily available in the present job market. There are, however, exceptions. Companies requiring very specialized knowledge or skill sets to provide customized solutions to their clients are fighting very hard to keep the head hunters away. Unfortunately, these companies are not winning due to the nature of the threat. It comes swiftly and without warning. By the time the management knows about it, it is already too late to act. Almost all respondents agree that once the employee has handed in the letter of resignation, the chances of making him change his or her mind is close to zero.

Although only a very few companies interviewed did make some effort in detecting signs of turnover intention among their employees, most of the respondents agreed that knowing the employees' intention to leave helps to alleviate the pressure on the management to come up with a quick solution and give the management time to assess the impact and formulate remedial actions.

As to whether an instrument can be developed to detect these manifestations, most respondents did not offer a definitive answer. They tend to believe that, in general, establishing a rapport with the staff put the management in a better position to understand the emotional needs of the staff. The result does not seem to lend support to Doran et al.'s (1991) belief that the level of satisfaction with the performance evaluation system could accurately reflect the turnover intention of the staff reviewed, i.e. the higher the level of satisfaction with the performance evaluation system the lesser will be the staff member's intention to leave the company.

Notwithstanding the viability of designing devices for an early detection of employee turnover intention, the most effective strategy to minimize the impact of the loss of key personnel,

especially in a project environment, is to have a contingency plan to every key position in the project team, supported by a systematically structured knowledge database and a comprehensive documentation of the project implementation status.

LIMITATIONS

Although this study provides some insight into the association between turnover intention and change of attitude and behaviour of employees, the limitations inherent in this study should be noted. First, the sample was taken exclusively from the member companies of PIKOM which is the professional association of the computer and multimedia industry of Malaysia. Any attempt to generalize the findings to other industries will be untenable. Second, more than 90% of the respondents were middle managers and above and the opinions expressed represent largely the perspectives of the management. It is possible that other levels of employees may feel quite differently with regard to how they would have behaved if they had the intent to part with the company. Finally, the survey was conducted at the time when the unemployment rate was high and the job opportunities continued to contract and it could have an influence on the company's staff retention strategies.

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APPENDIX I

Survey Questionnaire

Appendix I

Survey Questionnaire ☐

1. Company Profile

a) Company operation:

i. Ownership: ☐ local ☐ joint ☐ others _____

ii. Type: ☐sole proprietor ☐partnership ☐private limited ☐branch
☐others _____

iii. Extent of business operation: ☐single location ☐national
☐regional ☐international

iv. Core business _____

b) Staff information

i. Staff size: Total _____

Management: full-time_____, part-time_____, contract _____.

Technical: full-time_____, part-time_____, contract_____.

Sales: full-time_____, part-time_____, contract_____.

Admin & finance: full-time_____, part-time_____, contract_____.

ii. Level of education

	Non-degree	Professional	Degree	Post graduate

		qualification		qualification
Management	%	%	%	%
Technical	%	%	%	%
Sales	%	%	%	%
Admin. & Finance	%	%	%	%

iii. Source of human resource: domestic _____%, regional_____%, international_____%

iv. HR Manager: ☐yes ☐no.

2. Remuneration Package:

a) Philosophy

* Does your company have a company-wide standard remuneration package?
Elaborate _____
_____

Does your company pay special attention to keep your valued staff?
Elaborate _____

What is your company's staff retention strategy?
Elaborate: _____

b) The package

Salary: i) Basic pay: ☐company's own pay scale
☐external benchmark against companies in the same industry
☐recruits based on last drawn salary

ii) Increment: ☐yearly ☐half-yearly ☐quarterly
☐ad hoc ☐automatic

Basis: Performance of:-
☐Company ☐Department ☐Individual ☐Project/Group

- Other cash payments

	All	Manager.	Technical.	Sales	Admin. & Finance.
Commission					
Overtime					
Housing allowance.					
Transport all.					
Parking fee					
Others					

Benefits

	All	Manager	Technical	Sales	Admin & Finance
Company Housing					
Company Car					
Medical benefits					
a) General					
i. Self					
ii. Spouse					
iii. Family					
b) Specialist					
i. Self					
ii. Spouse					
iii. Family					
c) Medical check-up					
i. Self					
ii. Spouse					
iii. Family					
Insurance					
i. Life					
ii. Accident.					
Loans					
i. Car					
ii. House					
iii. Comp.					
iv. Others					
Club					
Education					
i. Work related					
ii. General					
Training					
i. Work related					
ii. General					
Bonus based on:-					
i. company					
ii. department					
iii. project group					
iv. individual					
v. others					
Others					

Compassionate Leave

Bereavement	Marriage	Pregnancy	Study	Examination	Others

3. Management Perception of staff salary and benefits

i) How do you compare your company's pay scheme with others in the industry?

Much higher	Slightly higher	At par	Slightly lower	Much lower

ii) How do you compare your company's **benefit scheme** with others in the industry?

Much higher	Slightly higher	At par	Slightly lower	Much lower

iii) Does your company have programmes that support and encourage staff to have a balanced work life?

4) Communication

a) Internal organizational communication

i) Frequency of company staff meeting: _____
Purpose of the meeting: _____
_____

ii) Frequency of departmental meeting: _____
Purpose of the meeting: _____
_____

iii) How accessible is management to the employees?

iv) Does the departmental head involve his staff in the department's planning process?
Explain _____

v) Do you have regular meetings with your staff to discuss their progress, problems and concerns?
Response _____

b) Counselling

i) Does your company provide career counselling to employees?

- Yes. - When?
  - Where?
  - Emphasis:
- No. Why not ?

ii) Do you think that through counselling you will get to know your staff better?
Explain _____

iii) To what extent will knowing the staff better help to reduce turnover?
Explain _____

5) Turnover track record

i) Turnover record and trend

Last couple of years

	High	Moderate	Low
Management			
Technical			
Sales			
Admin. & Finance			

Current

	High	Moderate	Low
Management			
Technical			
Sales			
Admin. & Finance			

Next year

	High	Moderate	Low
Management			
Technical			
Sales			
Admin. & Finance			

ii) Among the employees who resigned how many of them do you consider valued employees?

R a t e	Manager	Technical	Sales	Admin.	Others
Current					
Last year					
Previous					

iii) Which job positions appear to be scarcer, and how are they compensated?

iv) What were the effects on the company?

v) Why do you think your key staff left your company?

vi) Did you expect any of the employee resignations?

☐Yes, How do you know?

Explain_____

☐No, Why not _____

_____

vii) If the answer to question (vi) was YES, could anything have been done to prevent it?

Explain _____

viii) What are the outcomes?

Elaborate _____

ix) Do you think it is a good practice to counter a competitor's offer in order to retain your staff?

Explain _____

6) Turnover intention manifestation

i) Among those who have the intention to leave the company, which categories of staff are more likely to exhibit changes in behaviour and attitude toward work?

ii) From your experience do you think that an employee's intention to quit is manifested in:

a) Changes in the employee's job performance?
Comment _____

b) Changes in the employee's attitude toward:

i) Work?
Comment _____

ii) Management or organization?
Comment _____

iii) Immediate superior?
Comment ____
_____

iv) Subordinates?
Comment _____

v) Peers?
Comment _____

vi) Customers?
Comment _____

c) Any changes in the employee's attitude towards absenteeism and punctuality etc?

i) Absenteeism
Comment _____

ii) Punctuality
Comment _____

iii) Changes in leave taking pattern
Comment _____

iv) Changes in communication quality with superior or colleagues
Comment _____

v) Changes in interpersonal engagements
Comment _____

vi) Any other noticeable changes
Comment _____

7. Staff performance appraisal system
   a. Does your company have a standard staff performance appraisal system?
      □ Yes
         i) Frequency □yearly □half-yearly □quarterly □others

         ii) How is it conducted?
         Elaborate _____

      □No
      Why? _____

   b. Do you make use of the staff performance appraisal process to allow the staff an opportunity to air their perceptions of management with respect to salary, benefits, staff welfare and development?
   Comment _____

RESEARCH PAPER 3

Compensations and Employee Retention – A Case Study of an Employer of Choice

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Compensation and Employee Retention – A Case Study of an Employer of Choice

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ABSTRACT

Employee turnover among ICT organizations has always been a problem. Compensation plays a pivotal role in attracting and retaining employees in an organization and is a major component of human resource practices to implement business strategy. Compensation packages are structured to steer the efforts of the employees towards the achievement of company business objectives through rewards and incentives-for-performance contingency in conjunction with other human resource practices.

The aims of this research are to (i) identify the contributing factors for the success of the compensation programme adopted by the case company, (ii) assess the role of turnover intention in the overall retention strategy, and (iii) to find out how much of the staff compensation package design was based on management theories.

The research method used in this study was a single qualitative case study. A company with an exemplary record of staff retention was selected among member companies of the Association of Information Technology and Multimedia organizations in Malaysia (PIKOM) for the study. The analysis of data showed that pay and benefits were not the strength of the company's compensation package. The principal factors that made it possible for the case company to keep its key employees appeared to be the demographic characteristics of the workforce and the non-monetary aspects of the package. The non-monetary contributors were a caring management, relaxed and congenial work environment, and good vertical and horizontal communication. Data

were collected from internal documents, and interviews. The results showed that the role of turnover intention played no part in the overall retention strategy. Any pre-emptive measure taken by the management to prevent the loss of key personnel was done when the staff had already sent in the letter of resignation. The success rate of such attempts was reported to be close to zero. Finally, the design of the compensation package was based mainly on the practitioner's wisdom gained through years of management experience. There were some points of convergence between theory and practice nonetheless.

INTRODUCTION

Employee turnover of key personnel has been a major problem for ITC companies for decades. Even at the time when the commercial world was facing economic slowdown at the turn of the century, ITC companies still had to compete for top calibre talents. This phenomenon was the outcome of a growing demand for ICT technical staff as organizations were increasingly dependent on information systems and state of the art communication infrastructures to achieve strategic organizational goals (Garner & Weldon 1998). The tight market for ICT talents has made traditional retention methods that use pay and benefits to deter employees from leaving the company less and less effective (Cappelli 2000). It is because pay-based incentives can easily be matched by other companies which are prepared to pay premiums to employees whose expertise is in short supply and more importantly crucial to their companies (Bradford 2001). As a result, many employers are developing new retention plans and strategies to retain their people in this increasingly competitive market. Many of these retention packages have gone beyond the offer of high pay and liberal benefits such as medical, dental, pension plan and paid vacation time (Hannay & Northam, 2000). While the practicing managers are busily designing new ways of compensating and keeping staff, the management researchers are reacting to the new challenges with more research. More research generates more theories. One of these theories states that compensation systems are means by which the company steers the efforts of the employees towards achieving company business objectives through rewards and incentives for performance. For example, Gerhart and Milkovich (1975) viewed compensation as an inter-related bundle of benefits and incentives that were exchanged for employees' contributions, while Naughton-Travers and Jardine (2001) presented a holistic view of a compensation strategy which went beyond the preoccupation with the issues of employee attraction and retention to include the need to link employee rewards to overall organization objectives in collaboration with other

human resource functions. Other theories presented new approaches to packaging the compensation plans in which the emphasis was shifted from the tangible to the intangible aspects of the plans. A great number of more current researchers (Bradford 2001; Melvin 2001; Stahl 2001; Thibodeau 2001) believed that in addition to the tangible rewards, intangible factors such as respect, recognition, congenial work environment, autonomy and effective interpersonal communication were important in keeping employees. Communication such as giving employees a voice, talking openly with employees, and maintaining an open door policy in an organization can contribute towards the reduction of turnover and the increase of employee retention rates (Abelson 1986; Helmer & McKnight 1989; Jenkins 1988; Mercer 1988; Peters & Kegel 1988; Woods & Macaulay 1989). Brunner (2000) went even further to say that keeping the lines of communication open among employees, particularly between supervisors and their staff, was key to staff retention

The purpose of this research is to investigate the use of staff behavioural change manifestation to predict turnover intention in the case company, and to determine the degree of match between theory and practice. To achieve the aforementioned objectives, the following research questions were pursued:

Principal research question

What are the factors that contribute to the success of the case company's human resource programme in attracting and retaining high performers?

Secondary-research questions

1. How do non-pecuniary compensation measures influence the perception of the recipient about the company?
2. Does the employer of choice expect loyalty from employees?
3. Are the tenets of human resource management reflected in the policies relating to employee compensation and retention?
4. Does the knowledge of employees' intention to quit contribute to the success of the retention programme?
5. To what extent can the findings be generalized to other companies in the industry?

The utilitarian aspect of this study, however, is to provide an insight into the rationale behind the design of a successful staff retention programme and how this knowledge could help other companies to achieve their staff retention objectives.

THEORETICAL FRAMEWORK

The frequently quoted theories pertaining to the design of pay and incentive systems are a) Psychological Contract Theory, b) Foa and Foa's Resource Theory, c) Incentives and Motivation Theory, d) Equity and Justice Theories, e) Expectancy Theory, f) Agency Theory and g) Prospect Theory. The review of these theories serves two purposes. Firstly, the exposition of the theories provided a better appreciation of the rationale behind them; secondly, the theories formed the guidelines for the design of interview investigation and questionnaire. These theories are briefly discussed below.

a) Psychological Contract Theory

The relationship between an employee and his/her employer is formalized in an agreement which spells out specifically the commitments each has made to the other. Such an agreement does not necessarily embody complete mutuality, and evidence has .shown that organizations can function despite varying degrees of disagreement between the parties concerning the terms of the exchange relationship (Guzzo, Noonan, & Elron 1994). The divergence in the understanding of the terms of exchange is due primarily to the differing cognitive processes in interpreting the dynamics and subjectivity of the content of the psychological contract (Rousseau 1995). Kahneman and Tversky (1979) explained that each party to the agreement has its own self-serving biases that render each party to focus on and hold fast to the terms of the agreement which serve its own interests best. March and Simon (1958) added bounded rationality as another factor that generates non-mutuality. Bounded rationality sets cognitive limits on one's ability to comprehend the full implications and ramifications of the details of employment conditions. The development of a cognitive status quo is the next process which is crucial to apprehend the employment agreement. A cognitive status quo is formed by the initial experiences an employee has with the principal during the process of recruitment and orientation as well as the social environment in the work place. The employee's initial organizational experiences have enduring effects on their subsequent beliefs with respect to both the organizational culture (Gundry & Rousseau 1994) and the commitments made between the employee and the organization (Rousseau 1995). Welch Larson (1994), a contemporary of Rousseau, added that human beings engage in a cognitive process to seek meaning of their experiences to promote understanding, predictability, and efficiency in information processing. Therefore, it is important that any misunderstanding and misinterpretation of the terms of the contract should be minimized by

instituting a rigorous recruitment process which can have significant influence on the post-hire attitudes of the recruits toward the job and the organization. Hence, this theory leads to the following proposition:

Proposition 1: A rigorous recruitment process can have significant impact on the post-hire attitudes of the recruits toward the job and the organization.

b) Foa and Foa's Resource Theory

A conceptual framework for understanding how an individual derives meaning from the exchange relationship between employer and employee is provided by Foa and Foa's Resource Theory (Foa & Foa 1974) which enumerates six categories of resources which are:

Money	- any medium of exchange that is accepted as payment for goods or services such as pay, tuition fees, or benefits.
Goods	- tangible manufactured articles, consumable products or materials.
Services	- activities people do for themselves or for other people to satisfy their wants such as exercise or sports facilities for staff Information - advice, facts, opinions, enlightenment and knowledge.
Status	- evaluative discernment that conveys prestige, esteem, respect or self-worth.
Love	- expression of affection, regard and kinship as executives refer to the work place as a family.

Foa and Foa's Resource Theory differentiates whether the resources are particularistic or universalistic. In the particularistic context the value of a given resource may be influenced by a particular person such as a manager, or it may be unvarying regardless of the participants in the exchange. The source of particularistic resource may convey a certain meaning that causes the recipient to reject or accept it. For instance, an employee would not accept a transfer to another work group when he/she perceives the transfer as an act of retaliation. It, therefore, implies that particularistic resources can be given and accepted only when there is trust between the participants. In contrast, universalistic resources can be exchanged in any form of relationship between the employee and the organization. The theory also divides resources into qualities: viz. concrete and symbolic. Concrete resources are expressed in the form of tangible entities such as pay, whereas, symbolic resources are mainly expressed in gestures and words such as title, praises and appreciation. This theory leads to two propositions:

Proposition 2a: Set pay level at or above par with the market and show genuine concern over the welfare of the employees.

Proposition 2b: An effective compensation programme will have an apposite blend of tangible or monetary and symbolic rewards.

c) Incentives and Motivation Theory

Deci and Ryan (1985) believed that extrinsic rewards used as incentives may undermine intrinsic motivation with reference to task enjoyment and goal achievement. In the more recent intrinsic motivation studies, Eisenberger and Cameron (1996) found that when the extrinsic and tangible reward was contingent on performance, intrinsic motivation was not negatively affected. This proposition lends support to Deci and Ryan's belief that pay for competency can enhance intrinsic motivation. They further found that attitudes were enhanced when reward was verbal and when the tangible reward was dependent on performance. However, Bandura (1997) argued that if employees conceived the conditions for rewards to be beyond their ability to meet, the rewards would be ineffective. Specifically, the Incentives and Motivation Theory suggests the following propositions:

Proposition 3a: Employees should be given a certain degree of work autonomy so that they have greater opportunity for creative thinking and innovation.

Proposition 3b: Verbal recognition of employees' contributions or good work reinforces motivation.

Proposition 3c: Tangible rewards should be dependent on performance quality.

Proposition 3d: Clear goals enhance motivation

Proposition 3e: Criteria for rewards must be achievable

d) Equity and Justice Theories

Research on organizational justice has shown that employees made two judgments about fairness of treatment by their employer, namely, distributive justice and procedure justice (Folger & Greenberg 1985; Folger & Konovsky 1989). Distributive justice refers to the fairness which employees perceive with regard to the amount of pay they receive, whereas, procedure justice refers to the fairness which employees perceive regarding the manner or method used to determine their pay level. Fairness perceived either from the distributive or procedural perspective, is central to pay satisfaction. The outcome of pay satisfaction is significantly related

to organizational commitment, trust in management, turnover intention, and stress (Lane 1993). Thus equity and justice theories lead to three propositions:

Proposition 4a: Treat staff members fairly and equitably, without favouritism. (Justice in the work place).

Proposition 4b: A compensation system should exhibit consistency within the organization with respect to pay levels and salary ranges for the various positions, i.e. "internal" consistency.

Proposition 4c: A compensation system should reflect competitiveness with market pay levels and ranges, i.e., "external" consistency.

e) Expectancy theory

Vroom (1966) and Porter and Lawler (1968) maintained that when people decided on a course of action, they expected their efforts to lead them to a certain level of performance, which in turn would lead to a positive outcome that they valued. Incentive schemes that are clearly structured and readily understood, and the efforts needed to achieve the desired outcome are lucidly laid out, will yield optimal results. The theory of expectation leads to four propositions:

Proposition 5a: Organizational performance (as measured by net profit) is higher when pay-for-performance or reward-for-performance plan is used.

Proposition 5b: Organizations that offer more annual incentives and a long-term incentive plan have a better chance of building commitment and loyalty.

Proposition 5c: Incentive plans must be clearly structured, easily understood, unambiguous and achievable to be effective.

Proposition 5d: Comprehensive pay information should be communicated to employees.

f) Agency Theory

Jensen and Meckling (1976) emphasized that compensation systems must be designed to align the interests of employees with the employer through some form of behavioural monitoring or performance-based reward system. According to the Agency Theory, an agency (employee) relationship with the principal (employer) focuses on issues associated with conflict of interest, and the costs involved in monitoring the behaviour of the agent.

The divergence of interest that may occur between the principals and agents (Eisenhardt 1989; Milgrom & Roberts 1992; Sappingtom 1991) is succinctly demonstrated in the following statement. The employer wants to get the most out of the employee at minimum cost, whereas, the employee wants to do the minimum to get the highest possible wage.

The problem of risk distribution forms the basis of contention between the parties entering into a contractual relationship in which the agent and principal hold different attitudes toward risk. Given the subjective nature of the problem, Agency Theory proposes two types of employment contracts. They are behaviour-oriented contract and outcome-oriented contract. In behaviour-oriented contracts, the principal bears the risk and compensates the agent for his/her work with a salary. Additionally, the principal sets up a monitoring mechanism to ensure that the agent do not act against his/her interest. Outcome-oriented contracts, on the other hand, transfer the risk to the agent who will only accept a contract when the rewards commensurate with the degree of added risk. This theory suggests the following three propositions:

Proposition 6a: Risk-bearing compensation schemes will only work when the compensation premiums (such as commissions, gain-sharing and bonuses) commensurate with the degree of risk.

Proposition 6b: Use behaviour-based contracts when the outcomes are difficult to measure and use outcome-based contracts when performance can be measurable.

Proposition 6c: Alignment of owner (principal) and employee interests is associated with high organizational performance.

g) Prospect Theory

Prospect Theory postulates that individuals cope with risk situations differently. Kahmeman and Tversky (1979) noted that risk situation could be presented as a possible gain or loss. When possible gain is presented, the benefits inherent in the situation are emphasized, conversely, when possible loss is presented, the potential risk of loss inherent in the situation is highlighted. According to the theory people respond to the two situations differently because people tend to be risk-averse in situations where they run the risk of incurring a loss and tend to be risk-seeking in situations where they stand a chance of making a gain. Prospect theory has direct relevance to compensation issues because of the way possible gains and losses are framed may affect the way

employees perceive and react to potential rewards. This argument leads to the following proposition:

Proposition 7: Risk-bearing pay schemes will only be effective when applied to employees with a strong sense to achieve.

METHOD

For the purpose of the present study, we follow the definition of Yin (1994, p. 13) of case study research: 'an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident'.

This study is to investigate the staff retention strategy of an ITC organization which has achieved outstanding results in retaining valued or key employees . The adoption of the qualitative case study as a research methodology is influenced by its unique strength in providing a format to understand the dynamics of a situation, link content, processes and outcomes, making it possible for the researcher to see the research topic from the perspective of the interviewees, and to understand how and why they arrive at a particular viewpoint.

Additionally, as the researcher did not include the participation of the staff who have left the company, the information gathered would consist of solely the perceptions, understandings and interpretations of the managers of the reasons for their decision to severe relationship with the company. Therefore, the study requires the researcher to get close to responding managers to penetrate their internal logic and interpret their subjective understanding of reality. Consequently, justification for the adoption of a qualitative paradigm was further enhanced. (Eleanor 1999)

Selection of case

This study was undertaken with the cooperation of PIKOM. PIKOM was formed in August 1986 with the objective of creating an environment that is conducive to the health, prosperity and competitive nature of the ICT industry. The total number of PIKOM corporate members' stands at 410.

The selection process commenced with the identification of PIKOM corporate members that have confirmed interest to participate in the earlier survey undertaken in April 2003. This group of companies formed the sampling frame for this study. Member companies from this sampling

frame were matched against a set of selection criteria listed below. Companies that met the selection criteria were identified and approached for consent to be the subject of the case study. The first company that gave its consent was selected for the case study.

Sample selection criteria are:

- a member organization of PIKOM
- a private limited company registered in Malaysia
- a staff size exceeding 30
- more than 5 years in operation
- located in Kuala Lumpur
- an exemplary record for retention of key employees (average turnover rate of less than 5% in the last four years)

The case company

The selected case company not only satisfied the criteria stated above, but also was "rich" in data pertinent to understanding the research problem (Marshall & Rossman 1995).

The case company has been in the ICT business for more than a decade. It has substantial software development and system integration experience, and is one of the most sought after e-Commerce solution builders and suppliers in the marketplace. The company has a pool of expertise with highly developed skill sets that make it possible for the company to deliver top quality solutions to their customers. Their services extend from architectural designs of extensive corporate networks that leverage on the internet as the most cost effective delivery channel to building high transaction, high performance and highly secure B2B and B2C e-Commerce application strategies and solutions for their customers in Asia.

Sources of data

Data were collected from three sources, namely documents, interviews and questionnaire (Yin 1993):

i) Employee handbook

Detailed information relating to terms and conditions of service is contained in this handbook. The handbook is periodically updated to reflect current situation.

Archival records

Archival records relating to employee recruitment, appointment, turnover, announcements of human resource policy changes, changes in pay system implementation and other staff compensation issues were studied. Other historical documents such as circulars, notices and announcements to track compensation system change over the last five years were also examined (Robson 1994).

ii) Interviews

Face-to-face interviews were conducted at two levels. At the first level, the Chief Executive was interviewed on policy issues, whereas at the second level, managers were interviewed on policy implementation experience (Lucas 1997).

Chief Executive

The chief executive is the primary source of information on current company policies. He is in a position to provide reasons why certain policies were formulated and explain how the policies are expected to be implemented.

Verbal responses of the Chief Executive to the open-ended questions were written down and subsequently transcribed off-site later in the day (Stake 1994, Yin 1993).

The interview was scheduled to end within an hour.

Managers

The managers are policy executors. They are the direct link between the staff and the management. Their daily interactions and close contacts with the staff make them a valuable source of information on how the staff perceive the management and its policies.

Responses to a series of semi-structured, open-ended questions from the managers were written down instantly and transcribed later in the day to fill in gaps in the original notes (Lucas 1997; Stake 1994, Yin 1993).

The interview was also scheduled to end within an hour.

iii) Questionnaire response

The questionnaire is an effective tool for collecting information from a great number of individuals. Non-managerial staff were requested to fill in a short self-explanatory questionnaire which could be completed within 15 minutes. Responses to the set of

questions in the questionnaire provided information pertaining to the respondents' perceptions of the compensation system. It also provided a means to triangulate other two sources of information. In addition to other substantive data related to the company compensation package, demographic data of employees such as gender, age, education level achieved, job status, years with present company and number of other companies worked for were also collected (Weber 1990;.Cavanagh 1997}.

The data collection procedure

In the design of the data collection instruments, special attention was paid to the framing of questions both for the interviews and the questionnaire so as to minimize ambiguity, bias, and inaccuracy (Walsh 1996; Conger 1998; Kind etal. 1994; Lucasey 2000). Wherever appropriate open-ended questions were used to allow the informants to give their own version of the issues investigated (Stake 1994, Yin 1993). In the interviews, the use of a tape recorder was avoided because the presence of a tape recorder would usually make the informants more cautious of what they say and prone to give answers that are socially and politically right.

The data collection process consisted of three parts or phases, namely the study of internal documents, the interview with the Chief Executive and managers, and the administration of questionnaires to the non-managerial staff.

i) The study of internal documents

The data collection process commenced with the study of the employee handbook, and then followed by the search and examination of turnover records, HR policies and procedures as well as employee turnover records for the last four years. After the completion of this phase of data collection, one day was devoted to preliminary analysis of the findings. This process involved data coding, classifications and tabulations. The results of the analysis were also used as a basis for formulating questions for the interviews, and questionnaire (Silverman 1993; Robson 1994; McCane et al. 2001).

ii) The interview of Chief Executive

On the third day of the study, the Chief Executive was interviewed on policy issues. At this level, the emphasis of the investigation was on staff compensation and retention policy. Questions soliciting rationales and expressed objectives (the how and why) of company human resource policies were asked. Some of the prepared policy-capturing

questions were modified and additional ones framed at site as new information and perceptions emerged from the interview (Kvale 1987).

Notes were taken during the interview without tape recording (Hoddinott 1997). The notes were subsequently elaborated into field notes which consisted of: i) what was said, ii) the informant's perceptions, reactions and thoughts, iii) the interviewer's understanding of, perceptions and reflections on what were said. The interview lasted for almost two hours, an hour longer than scheduled.

iii) The interview of managers

On the same day, the managers of the organization were interviewed. The interview was conducted at the office. At the start of the interview, the interviewer ensured the managers that their participation was entirely voluntary, and they reserved the right not to answer any questions if they found them inappropriate or irrelevant (Walsh 1996). At this level, managers were interviewed to obtain their perception of employee compensation and retention in practice. Therefore, the main thrust of the questioning was on the effectiveness of the company's human resource policies, the role they played in the formulation of employee compensation programmes, the discrepancies between policy and practice, and the strengths and weaknesses of the company compensation programmes (Yin 1994).

Due to time constraint, the managers were not interviewed individually as was originally planned. They were interviewed collectively in a single session. This arrangement has positive outcomes as well as negative implications. The positive aspect of this arrangement is efficiency in terms of time, and the set back is the loss of opportunity to listen to divergent views from the managers as colleagues tend to avoid contradicting each other in the presence of an outsider (the interviewer). This arrangement may affect the quality of the data. Three participating managers were senior managers and five were managers. They were responsive, cooperative and sat through the session. The interview was completed in one and a half hours.

iv) The administration of questionnaire to non-managerial staff

The non-managerial staff constitute more than 75% of the employees of the company. In order to evaluate the effectiveness of the company's compensation and retention strategy, the opinion and perception of this group of employees must be sought as they are the primary beneficiaries of the compensation package.

The main focus of this questionnaire survey was to get an insight into what these functional groups of employees think of the company compensation package and the working environment and why they chose to stay with the company. Self-explanatory questionnaires were distributed to all functional staff at the office at that time, and the completed questionnaires were also collected on the same day (Aldrich 1989; Birley et al. 1990). An explanatory note was attached to assure them that there was nothing on the questionnaire that would reveal the identities of the respondents, and participation was voluntary (Walsh 1996).

The questionnaire contained questions which sought the employee's opinion about the compensation and benefits package and factors that made them want to remain with the company.

More than 50% of the questionnaires were returned and collected the researcher on the same day.

Analysis of data

According to Yin (1994 p.102) the analysis of a case study is "especially difficult because the strategies and techniques have not been well defined". This study adopted the use of "within" and "cross" case analysis advocated by Yin (1994) and Eisenhardt (1989). "Within" case analysis entails recording detailed descriptions of each of the interviews. "Within" case analysis is consistent with the techniques employed in all qualitative studies. The process of analysis begins with the description of the interview data which is rich in details and personal interpretations of a phenomenon. "Cross" case analysis entails contrasting and matching of evidence cross data collected from different sources i.e. documents, interviews and questionnaire (Rogowski 1995).

The data analysis started with the process of data collection (Marshall & Rossman 1995). The need for early and ongoing data analysis was the possibility of making adjustments to the data collection process, modifying the line of questioning and amending content as new ideas, perception and understanding emerged during the interviewing phase (Eleanor 1999). As interviewing continued, new ideas and additional perspectives were cross-analyzed and compared with findings from the documents and responses from the questionnaire. If they were consistent, they were added as supporting evidence to the conceptual understanding of the research issues. If not, these contradictory ideas and perceptions will be put aside for further analysis. Once interviewing was completed, the perception of the managers regarding the company compensation package and the degree of divergence from the policies were recorded and grouped into a coherent conclusion.

The analysis continued after the data collection phase has been completed. In order to make sense of the data collected from various sources, templates that facilitated data analysis were designed and used to aid data coding and tabulation. Extensive field notes and filled questionnaires were read, re-read, and cross-referenced to capture any emerging convergence or detect any contradictory evidence from various data sources (Glazer 1967; Patton 1987; Eleanor 1999). The three different data sources provided a plausible means of triangulation.

Background Information

The results of this study came from three sources, viz, documents, interviews and questionnaires. The results derived from documents consisted of tables of demographic characteristics of employees and turnover rates, and the enumeration of policies governing the human resource management. The results of interviews were summarized and salient points emphasized. The analysis of data from questionnaires yielded the prevailing views of the non-managerial staff on each of the key elements of the compensation package.

1) From inspection of documents

The employee handbook was the main source of information concerning the conditions and terms of the employment contract. Policy and procedural information such as the structure of the prevailing pay system, benefits and incentives, regulations on probation period and confirmation, and promotion and dismissal were recorded in these documents. Other human resource management information was found in staff circulars and memos. The results were later used in the analysis as a basis for comparison and consolidation with results obtained from the other sources of information, viz, interviews and questionnaires.

As of November 2003.the documents revealed the following information

a) Demographic characteristics of employees

Table 1

Distribution of category of staff

	Number	Percentage
Senior Managers	10	17%
Managers	8	14%
Executives	31	52%
Non-executive Staff	10	17%
Total	59	100%

Table 2

Gender distribution

	Male		Female		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Senior Managers	8	80%	2	20%	10	17%
Managers	6	75%	2	25%	8	14%
Executives	17	55%	14	45%	31	52%
Non-executive Staff	3	30%	7	70%	10	17%
Total	34	58%	25	42%	59	100%

Table 3

Gender/marital status

	Male				Female			
	single		married		single		married	
Senior Managers	0	0%	8	100%	0	0%	2	100%
Managers	3	50%	3	50%	0	0%	2	100%
Executives	7	41%	10	59%	4	29%	10	71%
Non-executive Staff	2	69%	1	33%	3	43%	4	57%
Total	12	35%	22	65%	7	28%	18	72%

Table 4

Staff distribution by category , by tenure,

Key: X = the number of years with the company

	Number of staff				
Category	$X \leq 1$	$1<X\leq3$	$3<X\leq5$	$5<X\leq8$	$8<X$
Senior Managers	0	0	0	0	10
Managers	0	0	2	6	0
Executives	4	7	13	7	0
Non-executive Staff	0	3	5	2	0
Sub-Total	4	10	20	15	10

Table 5

Age distribution

Category/age in years		<21		21-30		31-40		41-50		>50	
		No.	%	No.	%	No.	%	No.	%	No.	%
Senior Managers	Male	0	0%	0	0%	2	25%	2	25%	4	5%
	Female	0	0%	0	0%	0	0%	0	100 %	2	0%
Managers	Male	0	0%	3	50%	3	50%	0	0%	0	0%
	Female	0	0%	0	0%	0	0%	2	100 %	0	0%
Executives	Male	0	0%	17	100 %	0	0%	0	0%	0	0%
	Female	14	100 %	0	0%	0	0%	0	0%	0	0%
Non-executive Staff	Male	0	0%	3	100 %	0	0%	0	0%	0	0%
	Female	0	0%	4	57%	3	43%	0	0%	0	0%
Total	Male	23	0%	23	67%	5	15%	2	6%	4	12%
	Female	14	56%	4	16%	3	12%	4	16%	0	0%

Table 6

Education level

Category / education level		Secondary		University		Professional		Others	
		No.	%	No.	%	No.	%	No.	%
Senior Managers	Male	0	0%	6	75%	0	0%	2	25%
	Female	0	0%	2	100%	0	0%	0	0%
Managers	Male	3	50%	3	50%	0	0%	0	0%
	Female	0	0%	2	100%	0	0%	0	0%
Executives	Male	7	41%	6	35%	0	0%	4	24%
	Female	5	36%	8	57%	0	0%	1	7%
Non-executive Staff	Male	3	100%	0	0%	0	0%	0	0%
	Female	7	100%	0	0%	0	0%	0	0%
Total	Male	13	38%	15	44%	0	0%	6	18%
	Female	12	48%	12	48%	0	0%	1	4%

b) Turnover rates

Table 7

Employee attrition rates

		2000	2001	2002	2003
No. Resignation	Key Staff	0	0	1	0
	Non-key Staff	17	14	8	6
Total staff resignation (a)		17	14	9	6
Total Staff	Beginning of year (b)	82	65	52	61
	End of year (c)	65	52	61	59
Yearly Average (YA) YA = a ÷ ½(b+c) x 100		23%	24%	15%	10%

Table 8

Cohort wastage rate

	1998	1999	2000	2001
Number of leavers in the cohort (*N*)	6	7	9	10
Number in the original cohort (*Li*)	25	25	25	25
Cohort wastage rate= $\frac{Li}{N}$ x 100	24%	28%	36%	39%

c) Human Resource policies

i) On recruitment.

The company carried out at least one recruitment every year and these recruitments were specifically targeted at individuals with the appropriate skills and right work attitudes. Unlike other companies in the industry the company did not emphasize tertiary qualifications. The rationale, as alluded to by the Chief Executive in the interview, was that recruits, who had only secondary education tend to be more eager to learn, more dedicated, less demanding and more committed to the company.

Documents also showed that graduates with experience were also recruited from time to time for non-entry level positions and the size of the cohorts varied. These individuals were recruited for either managerial or executive positions.

There was no record of any senior manager being recruited over the last five years. Records also revealed that six of the ten senior managers were founding members of the company and the remaining four were promoted from within.

ii) Pay increment criteria

Basically, pay increments were based on performance and anniversary of employee's service with the company. The quantum of the increment was determined by factors such as individual performance in the year of assessment, and company financial performance as measured by the net operating profits before tax. Although the variables for the pay increment assessment were documented and conveyed to the employees, the documents did not mention how these variables were measured.

iii) Dismissal criteria

Documents indicated clear guidelines on the circumstances under which an employee would be or could be dismissed. The dismissal guidelines are as follows:-

- Persistent poor performance, breach of ethics and violation of terms of employment contract
- Three warning letters preceding dismissal
- One month notice of dismissal or pay in lieu
- Immediate departure of dismissed employee after receipt of severance letter

iv) Overtime

Entitlement to overtime was restricted to non-executives only and was computed by the following formula.

- Hourly rate = Monthly salary ÷ 26 ÷ 6 × number of hours
- Rates doubled on weekends and tripled on public holidays

Those who were not entitled to overtime would be compensated by replacement leave equal to the overtime spent on account of the company.

v) Promotion

The company considered promotion as an important component of the employee incentive scheme.

The management would first look within the company for individuals who had the prerequisites to fill key positions just created or left vacant. Only when the required expertise was not found within the company, would the company consider outside talents.

vi) Business travel

All expenses incurred by employees while travelling on official business either by air or road were born by the company. Staff could take cash advance from the company and submit travel expense claims after their return from the overseas or outstation business trips. Excess from the advance was returned to the company and deficits reimbursed.

vii) Bonus

The company did not pay guaranteed bonus. Bonus payment was based on company profitability and was paid on a yearly basis. Company profitability was defined as the net operating profit before tax for the accounting year. The quantum of bonuses is directly related to the level of company profitability. However, documents did not show how the bonus was computed. For example, there was no mention of the percentage of the profit that was distributed to staff as bonuses and how much each individual employee would get.

viii) Retention strategy

The company did not subscribe to an overall retention strategy. It advocated selective retention. Therefore, special attention was paid to the group of staff who were considered vital to company profitability or whose absence would cause great set backs to the company's long term objectives.

The company strategized to retain staff by offering visible promotion opportunities, special bonus incentives for special projects and subsidizing employee sport club activities, group outings and social activities.

Other staff retention endeavour such as periodic talks on motivation company direction and business outlook in the region by the Chief Executive was undertaken from time to time.

2) From interviews

The data collected from the interviews and the questionnaires are set out with respect to a number of research questions and their associated propositions.

I. Chief Executive's response

i. Employees as assets or costs

Research question: Will the company human resources management philosophy underscoring the relationship between the employees and the organization influence staff influence staff retention?

Proposition: Employees should be deemed as assets to be developed which will underpin the Company long term objectives.

The Chief Executive was asked whether he considered employees as assets to be developed or as costs to be minimized and directed primarily towards achieving the objectives of the company. He replied that the concept of treating employees as assets to be developed for the benefit for both the employees and company was theoretically right and ethically plausible. In fact, the company subscribed tenaciously to such a philosophy in the early years of operation. He added that as the business environment and employment market in the world, including Malaysia, changed, the concept of investing large amount of financial and human resource to develop employees with promising potential and to expect them to remain with the company long enough to bring equitable returns was no longer viable. He went on to explain that more often than not these well trained and internally groomed employees became the target for companies that have immediate need for their expertise. Often, these companies were in a position and were prepared to offer substantially higher salary and benefits to get trained staff because i) they had not invested any time and money in developing these individuals, ii) they could immediately put these well trained employees to work to generate revenue.

To solve this problem, the chief executive revealed that the company has developed a special in-house training programme (APPENDIX III). "This programme", he explained, "imparts knowledge and skills that are closely related to the range of products marketed by the company. Such skills are not readily transferable to serve the needs of other companies. As a result, the company has succeeded in reducing the risk of losing them to other companies in the industry."

He was convinced that the training programme had contributed to the stability of the company workforce. He attributed its success to the following factors:

a. a continuous supply of internally trained expertise
b. strategic trainee selection criteria
c. the specificity of the skill sets

To substantiate his claim he revealed that many of the first two batches of trainees who have successfully completed the training course are now holding managerial positions in the company as well as in a number of client organizations.

When asked whether there was any other way of solving staff retention problems, he said that in recent years there was a pool of experienced foreign IT professionals from India who were prepared to accept employment on a contract basis for specific projects. This avenue of acquiring technical and project management skills offered local ICT companies a very viable staffing alternative.

ii. Employee loyalty

Research question: Does the employer of choice expect loyalty from employees?

Proposition: Employee loyalty is not dead.

On the question of employee loyalty, he believed that loyalty was not dead in Malaysia. Generally, employees still had a great sense of loyalty towards the company. But there was also a limit beyond which the thread of loyalty would snap. He cited an incident in which an employee who had been with the company for years and been given company stock options and treated more like a partner than a salaried employee, left for a much larger ICT company which offered him a substantially higher salary, and immediate stock options.

iii. Management participation

Research question : Do the managers have a part to play in instituting staff remuneration policies.

Proposition : Managers participate in the remuneration policy decision process.

With regard to the degree of senior managers' participation in the decision process of the establishment of company remuneration policies, he emphatically said that managers

were consulted on these issues and in most cases their input was given due consideration. He strongly believed that inputs from the managers were highly relevant to the issues at hand as they were in close contact with their staff during the working hours. They were in the best position to know potential grievances and expirations of their subordinate staff.

At the close of the session, the chief executive was asked how he perceived his company compensation package in relation to other companies in the industry. He believed that generally the pay and benefits offered by the company was at least at par with the industry norm. He added, "The staff are pretty happy with the work environment and the people-oriented company culture which is characterized by the various programmes aimed at providing staff welfare and career advancement." He went on to say that the management did not believe in putting unnecessary stress on the employees in the form of sales quota for the staff to achieve.

In conclusion, he alluded to the need to review the company's employee compensation and retention strategy and to make necessary modifications in the compensation programme to adapt to the changes in the current business environment.

II. Managers' responses

The responses from the managers were recorded in writing and arranged under headings of the issues investigated.

a) Participation in formulating employee compensation programme

The consensus of the managers was that they did not have a decisive role in the formulation of employee compensation programmes.

The most senior of the managers commented that managers did not actively participate in the design of employee compensation programmes. They were, however, asked to offer input. Concurring with her colleague, a lady manager said, "We also did not have much discretionary power in implementing the variable items of the compensation programme."

b) Discrepancies

When the question of whether there were any discrepancies between policy and practice in the implementation of employee compensation was raised, a manager asserted that there were no discernable differences between them. "If at all there were any, there were not substantive and usually easily revolved," he added.

c) Over-riding power

All managers agreed that they did not have any power to override their superior's decisions on employee compensation matters. They could only suggest changes and recommend modifications to improve the quality of the package; the final decision was made by the Chief Executive.

d) Quality of communication

Open communication between managers and staff as well as free flow of information and feedback up and down the corporate ladder, were cited by almost all the managers as important tools to dissolve misunderstandings and instil trust between staff and management. The inter-personal communication in the company was very good. "The quality of communication between managers and staff in this company is excellent. Our Chief Executive is very accessible; any staff who wishes to talk to him or seek his advice could do so without any fuss", said one of the senior managers.

e) Resolving grievances

All managers stressed that they always encourage staff to come forth with their grievances about their work, peers or superiors. The technical manager stressed that they would do what they could to resolve grievances brought forth by subordinates. In most cases, they needed and got the support of senior management. Despite the support given by senior management, the managers were not completely satisfied with the level and quality of help they could offer to their staff because of limited resources.

f) Signs of turnover intention

The managers were asked whether they had noticed any changes in attitude and behaviour of staff prior to their resignation. Half of the managers believed that when an employee who was seldom absent or late for work began to turn up late or not at all, this could mean that he or she was unhappy with some aspect of his or her work, work environment or the company. A system manager added, "Generally, when a staff is unhappy or dissatisfied with the company or the management, he or she would become sloppy in his/her work and reluctant to take on additional responsibility."

Having established the fact that deterioration in the quality of work and attitude were noticeable in some of the staff who have left the company, questions on the

relationship between attitudinal and behavioural change and turnover intention prediction were asked.

A female manager remarked that she usually received information concerning staff's attitude towards work and feelings about the company through the grapevine, and she had never conceived a systematic method to detect attitude and behavioural changes in the staff. But once she knew about it, she would try to identify the problems and map out remedial actions. Remedial actions were normally preceded by a fact finding session with the malcontent individual to find out the cause of his or her dissatisfaction.

To illustrate her assertion she cited two occasions in which the staff's intention to quit the company was averted through the process of finding and eliminating the cause of the problem.

On one occasion, one of her male subordinates was unhappy about having to face and serve customers. The customer support role had created so much stress on him that he decided to quit. Knowing the cause of his unhappiness the management promised him an immediate transfer to the system design department to do systems development work which did not require him to interact with customers. The change of job function had removed the cause of his unhappiness and he was visibly happy and motivated. This is clearly a case of gross misfit between personality and job function.

Another occasion concerned an employee who progressively felt that he was not well equipped with the skills needed to perform the job satisfactorily. He put the blame squarely on the company for not giving him the necessary training to acquire the needed skills to do the job well. Early detection of dissatisfaction made it possible for the company to rectify the oversight by enrolling him in a training programme conducted by the product manufacturer, and thus averted the departure of an apparently disgruntled staff who turned out to be a great asset to the company.

III. Data from questionnaire

Research question: Are the compensation schemes of companies with high staff retention rates significantly different from other companies?

Proposition: The success in staff retention lies in the soundness of the compensation schemes.

Analysis of the data collected from the questionnaires yielded the following results.

i) Pay

On the question of how the pay level of company compared with other companies in the industry, 100% of the female employees put it at least at par with, if not higher, than other ITC companies, but 86% of the male respondents disagreed.

ii) Benefits

None of the employees considered the company benefits were at par with or higher than the industry standards.

iii) Opportunity for career development

Only about 20% of the employees felt that the opportunity offered by the company for career development was inadequate. This group of employees was all university graduates, and although they did not think the company offered them as good an opportunity for career development as other companies, they continued to stay on with the company and the average tenure of this group of employees was less than five years. On the other hand, 43% of the respondents were satisfied with the career development opportunity and 90% of these respondents have been with the company for more than 5 years. The rest of the respondents were not sure.

iv) Learning environment

Close to half of the respondents agreed that the company provided a good learning environment while 40% of respondents were undecided. Only 12% of respondents felt that the learning environment in the company could not be considered good.

v) Control over one's work

More than 70% of the respondents felt that they had reasonable control over what they did. It was a positive factor for retention.

vi) Staff expectation

Only 21% of the respondents declared that their expectations of the company had been met. Of these respondents, two thirds of them were female with university degrees. In other words, the majority (79%) of the staff felt that their expectations were not met, and the rest were unsure.

vii) Transparency

On the question of transparency of the management, only 23% of the respondents felt that the management was candid and open in its dealings with the employees, 31% thought otherwise and the rest were uncommitted.

viii) Concern and care

Responses indicated that 38% of the staff believed that the company cared for their welfare while 23% of them did not. The remaining 39% of respondents declared they were not sure.

ix) Balanced work life

The responses were equally divided into three categories. Namely, about one-third of the respondents felt that the company did not provide a balanced work life, another one-third felt otherwise while the remaining one-third was undecided.

x) Free flow of information

Almost all respondents agreed that there was free flow of information in the company. Both vertical communication between employees and management, and horizontal communication among peers were rated as very good. This factor has a positive impact on retention.

xi) Work environment

An overwhelming majority liked the work environment while 14% of the respondents felt otherwise. The environmental factor is a major contributor to staff retention efforts.

xii) Fairness and respect

More than half of the respondents were of the opinion that the company treated them fairly and showed them due respect. Only 7% of the respondents felt otherwise while the remaining respondents were neutral.

DISCUSSION

The study was conducted to investigate the three areas of interest, namely the compensation package that attract and retain staff, using negative attitude and behaviour manifestation to predict turnover intention, and the match between theory and practice.

The first area of interest focused on the structure and composition of the compensation package that lured and kept employees in the company. The findings of the study indicated that the compensation package of the case company appeared to be quite standard and was largely based on the benchmark published in the report of the Total Remuneration Survey produced by Watson Watt (Malaysia) commissioned by the Malaysian ICT industry. Although the management believes that the company's pay and benefits package is at least at par with companies in the same industry, the majority of the non-managerial staff do not think so. However, this perceived unfavourable disparity in tangible rewards, such as pay and benefits has not resulted in excessive staff turnover as one might expect. In fact, the investigation showed that all the senior managers have been with the company for more than eight years and the majority of managers have tenures of between 5 and 8 years. To understand this phenomenon one has to look at the compensation package in its totality. Apart from the monetary incentives, there are other intangible components of the total package that might have compensated the inherent deficiencies in the package. For instance, the majority of the employees felt that the management was kind and considerate, work environment congenial, vertical and horizontal communication unrestricted and liberal and employees had reasonable control over their work. These favourable assessments of the intangible aspects of the compensation package might have been the redeeming features that helped keep staff in the company.

However, further analysis of the data revealed that there were other factors that might significantly impact staff retention. These factors are age, skill-sets and culture.

Age

According to the research conducted by Hannay & Northam (2000), older employees are less likely to voluntarily leave the organization than are younger ones. Many employers have

historically been reluctant to hire older employees, as they perceive that they are unable or less motivated to learn new skills, will be absent from work more frequently because of illnesses due to advancing age. (Hannay & Northam 2000). The findings showed that the employees' desire to leave the company diminishes as their age progresses (Exhibit A).

EXHIBIT A. Age and Employee *Retention*

Legend for Chart:

A - Age
B - Leave
C - Undecided
D - Stay
E - per cent(decided to leave)

A	B	C	D	E
20 to 30	23	13	12	48
31 to 40	22	11	40	30
41 to 50	11	13	25	22
51 to 60	1	1	10	9

Source: Adapted from Hanny & Northam (2000, Exhibit 2).

In the case company the average age of the management staff was about 50 years and the skill sets they possess are company specific and non-transferable. The combination of these features provided a strong reason for the high retention rate of the managers as individuals with these attributes will normally find it difficult to get an equivalent job in the open market. (Hannay & Northam 2000).

After having factored in the age of employees as an important determinant of retention, it may be necessary to divide the employees into two main groups, namely managers and executives, to get a more realistic turnover rate of the respective groups. The turnover rate of executives were found to be much higher than the average turnover rate, after the managers were taken out of the equation (APPENDIX VI). Therefore, it is fair to conclude that the retention programme worked well with managers but poorly with the executives.

Skill-sets

Skill-sets are generally labelled as skills which are required to perform a specific job. These job-related skills include technical capabilities and product knowledge. Cappelli (2000) extended the

range to include other non-job specific skills such as social skills, decision-making skills, problem-solving skills, and time-management skills. The ease of movement of employees from the organization is related to the individual's skill level (Lawler, 1990; Murray & Gerhart, 1998) The skill-sets of the possessed by the employees of the case company are largely firm specific relating to the promotion, sales and support of the lines of products, and as such it is not likely that other firms would find them valuable and desirable (Lawler, 1990).

Culture

Although ethnicity was not initially included in the study as a variable which influence turnover rates, its possible relevance to employee turnover have been alluded to by the CEO. He revealed, without being prompted, that the company had bad experience with the retention of the Malay staff. Although special efforts were to recruit, train and motivate them, they left the company for other companies anyway. Since a couple years the company has discontinued such a practice. This revelation suggested the existence of a relationship between ethnicity and turnover. The fact that employees of the case company were predominantly Chinese (95%) deserves a second look at ethnicity as a possible contributor to staff retention. According to Chang and Holt (1999) the Chinese concept of paying back and remaining loyal to those who have treated one well is a form of emotional debt and it plays an important role in staff retention. Such cultural values have been found to be prevalent in most Chinese societies outside China (Chang & Holt 1999; Wong 2000). It is therefore reasonable to expect that this cultural factor played a part in staff retention in the case company.

The in-house training program

To evaluate the claim by the Chief Executive that the on-going in-house training programme was largely responsible for the company success in retaining employees, assessment should focus on the survival rates of executives and managers who hold only secondary school qualifications. Data from the documents showed that the number of managers and executives with secondary school qualification were 3 and 12 respectively (Table 5). These numbers imply that of all the 325 recruits (25 recruits x 13 years) between from 1988 to 2001, only 3 made it to managerial positions and 12 stayed with the company as executives. This is not an impressive survival rate. The low survival rate coupled with the relatively high cohort turnover rate from 1998 to 2001 (Table 7) do not convincingly support the belief that the training programme has contributed significantly to staff retention.

As regards the offer of opportunity for career development the findings indicate that there was little evidence to justify the perception of 43% of the respondents that the company offer the employees adequate opportunity for career development. Company record shows that out of ten senior managers six are founding members and only four were promoted from within the company. No manager was promoted to senior manager (Table 4) for the last eight years, and two executives were promoted to managers in the last five years. Therefore, judging from the promotion record, the opportunity for career development can hardly be described as adequate..

The second area of interest was to find out whether there was any evidence to show that the case company made use of attitudinal and behavioural change manifestation to predict staff's intention to quit. The findings suggest that the company did not make any effort to observe and detect staff's attitudinal and behavioural changes even though some managers mentioned that they had predicted the departure of a number of staff in the last couple of years. For the purpose of this study the use of staff's attitudinal and behavioural changes as predictors of intent to quit has not been incorporated into the company's staff retention strategy.

Finally, the analysis of the match between theory and practice produced the following results. From the review of internal documents, it was found that although the company may not have paid a lot of attention to the process of recruitment, some very specific candidate selection criteria was incorporated into the recruitment exercise. For example, only applicants who have just finished high schools and have not worked before were eligible to apply. These specific conditions were incorporated to serve a strategic purpose in its drive to sustain and improve staff retention. This practice is in line with proposition 1 (A rigorous recruitment process can have significant impact on the post-hire attitudes of the recruits toward the job and the organization) to the extent that the management believes that employees must be properly selected, trained and nurtured in order to serve the company objectives more effectively.

Whereas data from internal documents, interviews with managers and responses from the questionnaires confirmed that there was some divergence in the perception of staff pay level. While the management was of the opinion that the company was paying its staff at par with, if not in excess of equivalent companies in the industry, the majority of staff felt that the level of pay they were receiving was below industry standards. This difference in perception has never surfaced because there was no evidence to show that the management has ever sought the

perception of pay level from the staff. Therefore, Proposition 2a (Set pay level at or above par with the market and show genuine concern over the well-fare of the employees) was only conformed in spirit but not in substance. Although the company lacks the tangible elements of the compensation package such as pay and benefits, it offers family and social support such as subsidizing the employee sport club activities, group outings and social functions (staff birthday party, festive celebration, company dinner etc). The management's conscious efforts to blend tangible and intangible benefits in the compensation package echoes the essence of Proposition 2b (An effective compensation programme will have an apposite blend of tangible or monetary and symbolic rewards).

The analysis of data from the three sources revealed that the staff enjoyed a high degree of work autonomy, received due recognition for work well done and got incentives based on performance. There was, however, no evidence that specifically showed how the staff performance was measured. Therefore, in a general sense, congruity between the company compensation practice and the five components of Proposition 3 (Proposition 3a through Proposition 3e) related to Incentives and Motivation Theory, remains weak.

As regards staff reaction towards the treatment of internal and external consistency in the compensation package was mixed. Although the internal pay level consistency was somewhat maintained, external pay level consistency, according to a majority of the staff, has not been achieved. Despite the unfavourable rating given to the company pay and benefits, the management was perceived by a majority of the staff to have acted fairly in its treatment of staff in the workplace. The return of the questionnaire recorded a 98% endorsement with regard to justice in work place in line with Proposition 4a (Treat staff members fairly and equitably, without favouritism).and not Proposition 4b and Proposition 4c (.A compensation system should exhibit internal as well as external consistencies).

Based on internal documents and interview with the Chief Executive it was also obvious that the company used reward incentive to spur staff to better performance. Except for the sales staff who are rewarded by a well defined sales commission scheme, the other staff such as technical and administrative personnel were not given a clear mandate to achieve. There was, however, an across-the-board incentive scheme where all staff received a bonus at the end of the year if the company made an operating profit. Again, there was no evidence to show how the bonus was computed. Other long term incentive such as stock options to induce organizational commitment and loyalty has only been offered to one senior staff who joined the company in its inception. These observations indicate that the company performance-based incentive system deviates

substantially from all the propositions related to the Expectancy Theory. Therefore, it could be concluded that the company did not institute risk-bearing compensation schemes. The incentives were primarily meant to serve a motivational function with no punitive intent. The company aligned the employees' interest with that of the company, through the link between the staff year-end bonus and the company operating profit. This practice does not substantially comform to the three propositions derived from the Agency Theory as well as the Prospect Theory.

It should be noted that although the rationales behind the adoption of some of the staff compensation policies were theory driven, there was no evidence to suggest that the management got them from management literature. Rather, interviews with the Chief Executive and senior managers indicated that their wisdom with respect to staff compensation issues was almost entirely gained from years of experience.

CONCLUSION

In conclusion, the study showed that the staff, especially key staff, stayed with the company not because of the pay or benefits. Although other contributing factors such as a learning environment, the career advancement opportunities and humanitarian management philosophy have helped to influence the staff to stay with the company, the role of ethnicity cannot be neglected. Cole (1979) in his study on loyalty revealed that organizations in the West used similar familial managerial ideology to build staff loyalty. This ideology has an even stronger underpinning in the East. For instance, the Japanese perception concerning reciprocal responsibilities and commitments between employer and employee are the cornerstones of stable human resource management (Cole 1979). The Chinese too, according to Wong (2000) place great emphasis on cultural values concerning loyalty, relationships and reciprocity. In light of the research findings of Chang and Holt, 1999 and Wong (2000), the high contents of Chinese employees in the company could have significantly contributed towards the company success in imbuing loyalty among the key employees.

The use of manifestations of attitude and behavioural changes as predictors of turnover intentions has never been explored, and therefore it had no part to play in the retention strategy of the case company.

Finally, despite some level of congruity exist between theory and practice, the managers of the case company gain the wisdom of human resource management from years of experience and not from management research literature.

GENERALIZATION

Can the winning features of the compensation strategy of the case company be adopted by another ICT company and produce similar results? The answer is clearly no. Due to the dynamic nature of organizations and ever changing competitive business environments, a plan that yields competitive advantage today for a particular organization, may not promise the same result tomorrow or for another organization. Thus, the result of this case study can only serve the purpose of gaining a better understanding of why and how the case company can achieve the status of a company of choice, and not as a model to be applied or replicated by other organizations in the industry.

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APPENDIX II

PIKOM (Association of the Computer and Multimedia Industry of Malaysia)

Paper 2

Appendix II

PIKOM (Association of the computer and multimedia industry of Malaysia)

History

PIKOM was formed in August 1986 with the objective of creating an environment that is conducive to the health, prosperity and competitive nature of the ICT industry. In line with this, PIKOM aims to be a catalyst for the growth of the ICT industry in Malaysia.

Objectives

PIKOM's objectives are to:

- Spearhead, promote and coordinate development of resources, professional skills and programmes in the local ICT industry
- Represent the local ICT industry to the Government and private sector both locally and overseas.
- Provide a focal forum for solution providers to meet, discuss and solve common problems of the ICT industry and to advance programmes for its development.
- Foster high standards of conduct, service and performance throughout the ICT industry.
- Obtain, process and disseminate relevant information to the ICT industry.
- Provide industry and trade related services to members

Membership

PIKOM's Ordinary membership is open to all Malaysian companies which supply ICT products and services. However, non-ICT companies are also welcome to join PIKOM as associate members.

Activities

PIKOM member companies enjoy the following benefits:-

- Special interest groups (SIGs) have been set-up within PIKOM to enable exchange of information among the industry players and to discuss issues and opportunities for the SIG members.

  The SIGs formed include: Technopreneur, Communications, Open Source, Info-security, PC Industry, Standards and Accreditation as well as Education.

- Participation in Annual Dialogues with the Ministry of Finance (Budget Dialogue), Ministry of International Trade and Industry, Malaysian Royal Customs and

Excise Department, SIRIM Berhad, Ministry of Domestic Trade and Consumer Affairs, Ministry of Energy, Communications and Multimedia and many more. PIKOM's views are sought by the government. PIKOM acts as the advisory, consultative and coordination body to many government forums and agencies including the Malaysian Administrative Modernization and Management Planning Unit (MAMPU), Malaysian Communications and Multimedia Commission, Pembangunan Sumber Manusia Berhad (Human Resources Development Limited), Majlis Latihan Vokasional Kebangsaan (National Vocational Training Counsels), and Economic Planning Unit.

- Up-to-date information on Government policies, incentives, legislation and procedures.
- Regional and global business networking through overseas affiliations such as Asian-Oceanian Computing Industry Organization (ASOCIO) and World IT & Services Alliance (WITSA).
- Subsidized participation fee in PIKOM's IT Survey on Total Remuneration, reports and research studies.
- Complimentary listing in the annual PIKOM Membership Directory and website.
- Preferential rates in the participation of PIKOM PC Fairs, seminars, conferences, industry talks, exhibitions and trade shows, and other activities organized by PIKOM. (PIKOM Golf Open, PIKOM Annual Dinner), or activities co-organized by PIKOM.
- Preferential rates/priority in the participation of overseas trade delegation/ networking activities organized or co-organized by PIKOM.

APPENDIX III

The In-House On-Going Training Programme

Paper 3

Appendix III

The In-House On-Going Training Programme

Background

The company has been conducting the in-house IT training programme since 1988. The objectives of this training programme were to ensure a continuous supply of expertise needed for the support and maintenance of company products both internally and externally at the client sites. The programme was suspended in 2002 when the IT market experienced a big downturn.

Objective

The main objectives of the training programme were i) to ensure a continuous supply of fresh IT personnel to meet the needs of the company to support product sales and maintenance, ii) to supply suitably trained personnel for client organizations to augment its on-going in-house support capabilities for systems supplied by the company. To these ends, the company has developed a highly cost effective system of training where the cost of training per head is low and trainees who have successfully completed the training course are guaranteed post-course employment.

Student criteria

The criteria for trainee selection are targeted to attract candidates with the following qualifications:

1. High school graduates with a good grade in mathematics and the English language.
2. Have never worked before.
3. Are prepared to accept job assignments within or outside the employ of the company.

Course Duration

The duration of the course was three months. As the course was designed to serve the specific needs of the company, trainees who failed the course would not be given any extension and have to leave the company on the day the course results were announced.

Course Syllabus

The course syllabus, in addition to an introduction to the basics of ICT, covered company product knowledge, system development tools, systems installations and maintenance. Practical

workshop to complement theoretical knowledge constituted a key component of the training programme.

Remuneration

Trainees were not remunerated. They were paid an allowance to cover the cost of transport and meals.

Benefits

Trainees were not entitled to any benefits such as medical, loan or overtime.

Job Opportunities

Trainees were promised employment upon successful completion of the course at an entry salary in accordance with the existing company pay scheme. Time spent during training was not being taken into account in the computation of annual salary increment for salary review.

The company reserved the right to put the successful trainees under the employ of its client organization.

Exit

There was no official bond. Trainees who have successfully completed the training course were not bonded to serve the company and they are free to leave the company at any time.

APPENDIX IV

i) Survey Questionnaire For Non-Managerial Staff

ii) Sample of Survey Questionnaire Response Tally

Paper 3

APPENDIX IV
i) Survey questionnaire for non-managerial staff

Questionnaire for non-managerial staff
Questionnaire
1. Employee's characteristics
Mark item (a) to item (e) where applicable

a. Gender

Male	Female

b. Age group

20 - 30	31 - 40	41 - 50	51 - 60	Above 60

c. Education level

Pre-university	Professional	Technical	University	Others

d. Number of years with the present company (Y)

1 year or less	3 yrs or less	5 yrs or less	8 yrs or less	More than 8 yrs

e. Number of companies you have worked before the present one

Never worked before	One	Two	Three	four	More than four

2. Indicate how much you agree or disagree with the following statements

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
Your pay matches or exceeds the industry average					
The company benefits are above industry average					
The company offers good opportunity for career development					
The learning and development environment is good					
You have reasonable control over your work					
Your expectations of the company have been more or less met					
Degree of transparency in the company is					

high					
The company shows concern over staff overall welfare					
The management supports staff to have balance work life					
The management encourages free flow of information and feedback					
The work environment provides you a sense of overall job satisfaction					
The management treats the staff fairly and with respect					

3. How much do you agree with the following opinions expressed about an individual with the intention to leave the company?

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
He/she tends to be less enthusiastic about their work.					
He/she is less inclined to assume additional responsibilities.					
He/she, for a change, prefers to stay away from company sponsored activities.					
He/she tends to take longer tea break, coming to work late and/or leaving early.					
He/she becomes more reluctant to do overtime.					
He/she has less respect for and might even challenge authority					
He/she becomes less responsive towards his/her immediate superior.					
He/she becomes less supportive of and concern over his/her subordinates.					
Are there any other changes in the behavior or attitude of the employee intending to leave the company?					

4. List the factors that make you want to stay with the company.

Appendix IV
ii) Sample of Survey Questionnaire Response Tally

Questionnaire Response Tally

1. Employee's characteristics
   a. Gender

Gender	Frequency
Male	
Female	

b. Age group

	20 – 30	31 – 40	41 – 50	51 – 60	Above 60
Male					
Female					

c. Education level

	Secondary	University	Professional	Technical	Others
Male					
Female					

d. Number of years with the present company

	year ≤ 1	1 < years ≤ 3	3 < years ≤ 5	5< years ≤ 8	years > 8
Male					
Female					

e. Number of companies worked before the present one

	Never	1 company	2 companies	3 companies	4 companies	> 4 company
Male						
Female						

2. Indicate how much you agree or disagree with the following statements

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
Your pay matches or exceeds the industry average					
The company benefits are above the industry average					
The company offers good opportunity for career development					
The learning and development environment is good					
You have reasonable control over your work					
Your expectations of the company have been more or less met					
Degree of transparency in the company is high					
The company is concerned about staff overall welfare					
The management supports staff to have a balanced work life					
The management encourages free flow of information and feedback					
The work environment provides you a sense of overall job satisfaction					
The management treats the staff fairly and with respect					

3. Response from managers

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
He/she tends to be less enthusiastic about work.					
He/she is less inclined to assume additional responsibilities					
He/she prefers to stay away from company sponsored activities					
He/she tends to take longer tea breaks, coming to work late and/or leaving early					

He/she becomes more reluctant to do overtime	
He/she has less respect for and might even challenge authority	
He/she becomes less responsive towards his/her immediate superior	
He/she becomes less supportive of and concerned about his/her subordinates	
Noticeable changes in the behaviour or attitude of the employee who intends to leave the company	

4. List the factors that make you want to stay with the company.

	Tally
1. Fair pay & benefits	
2. Career growth, learning, and development.	
3. Exciting work and challenging work	
4. Meaningful work	
5. Kind , considerate & supportive boss	
6. Recognition for work well done	
7. Autonomy, a sense of control over one's work	
8. Good work environment	
9. Flexible work hours	
10. Good communication between managers and staff	
11. Concern over your overall welfare	

APPENDIX V

Samples of Analysis Tools for Verification and Cross-Checking Consistency of Data from Different Data Sources

Paper 3

Appendix V

Sample of the Analysis Tools used for Verification and Cross-Checking Consistency of Data from Different Data Sources.

Tangible Compensation items/ Sources of evidence				
	Sources of Evidence			
Compensation item	Documents/ Archive	Interviewing CEO	Interviewing Managers	Employee Questionnaire
Salary Basis for setting base salary level *New employees internal reference external reference * Incumbents seniority performance acquired job-related knowledge/experience Others				
Benefits				
Sales commission				
Overtime allowance				
Meal allowance				
Transport allowance				
Other cash allowances				
Company car				
Car loan				
Housing loan				
Personal loan				
Other loans				
Annual leave				
Medical leave				
Maternity provision				
Clinical plans				
Hospitalization				
Other medical benefits				
Health insurance				
Life insurance				
Accident insurance				
Other paid leave				

Retirement plan				
Employee education				
Club membership				
Professional membership				
Skill upgrade/training				
Children's education subsidy				
Children's education loan				
Incentives				
Bonus Fixed formulas Performance bonus Recruiting bonus Retention bonus				
Incentive plan, short term Financial Money: responsibility allowance, trips, Merchandise Incentive plan, medium term Profit sharing Incentive plan, long-term Stock option Current stock Deferred stock Restricted stock				

APPENDIX VI

Adjusted Turnover Rates of Executives

Paper 3

Appendix VI

Adjusted Turnover rates of executives

		2000	2001	2002	2003
Executive staff resignation (a)		17	14	9	6
Total executive Staff	Beginning of yr. (b)	43	34	27	32
	End of yr. (c)	34	27	32	31
Yearly Average (YA) YA = a ÷ ½(b+c) x 100		44%	47%	30%	19%

APPENDIX VII

CONSENT FORMS

CONSENT FORM

Project Title The Role of Turnover Intention in Employee Retention Strategies

Researcher's name: **Lum Chin Meng**

Supervisors' name: **Dr. Travis Kemp**
Dr. Leo Ann Mean

- The participating members of PIKOM have received information about this research project.
- The participating members of PIKOM understand the purpose of the research project and my involvement in it.
- The participating members of PIKOM understand that I may withdraw from the research project at any stage.
- The participating members of PIKOM understand that while information gained during the study may be published, they will not be identified and personal results will remain confidential.

Name of participant:
Members of the Association of the Computer and Multimedia Industry Malaysia (PIKOM)

Signed ..... **Date** 15th. April 2003

I have provided information about the research to the research participants and believe that he/she understands what is involved.

Researcher's signature **date:**

16th. April 3

CONSENT FORM

Project Title Compensations and Employee Retention – A Case Study of an Employer of Choice

Researcher's name **Lum Chin Men**

Supervisors' name **Dr. Travis Kemp**
Dr. Leo Ann Mean

- I have received information about this research project.
- I understand the purpose of the research project and my involvement in it.
- I understand that I may withdraw from the research project at any stage.
- I understand that information gained during the study and my identity will be kept strictly confidential.

Name of participant: Ong Kian Yew

Signed ..... **Date** 10th. Nov. 2003

I have provided information about the research to the research participant and believe that he/she understands what is involved.

Researcher's signature **date**

11th. Nov. 2003