



DECLARATION

I hereby declare that the project is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at USM or any other institutions.

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DATE : 10TH JULY 2009

**THE ROLE OF EMPLOYEE TURNOVER BETWEEN
EMPLOYEE JOB SATISFACTION AND COMPANY PERFORMANCE
IN THE PENANG AUTOMATION INDUSTRY.**

By

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Table of Contents

	ACKNOWLEDGEMENTS	iii
	TABLE OF CONTENTS	vi
	LIST OF TABLES	viii
	LIST OF FIGURES	ix
	LIST OF APPENDICES	x
	ABSTRACT	xi
	ABSTRAK	xii
Chapter 1	INTRODUCTION	1
1.1	Background	1
1.2	Problem statement	1
1.3	Research Objective	2
1.4	Research Question	2
1.5	Rational of Study	2
1.6	Limitation of Study	3
1.7	Terminology	3
	1.7.1. Automation	3
	1.7.2. Employee Turnover	4
	1.7.3. Job Satisfaction	4
	1.7.4. Company Performance	5
1.8	Significance of the Study	6
1.9	Organizing the Thesis	7

Chapter 2	LITERATURE REVIEW	8
2.1	Introduction	8
2.2	Job Satisfaction	8
2.3	Employee Turnover	9
2.4	Employee Turnover and Job Satisfaction	11
2.5	Company Performance	12
2.6	Job Satisfaction, Employee Turnover and Company Performance	14
2.7	Underlying Theories	15
2.7.1.	Job Matching Theory	15
2.7.2.	Firm Specific Human Capital Theory	15
2.8	Theoretical Framework & Hypotheses	16
2.9	Summary	17
Chapter 3	Research Methodology	18
3.1	Introduction	18
3.2	Research Design	18
3.2.1	Type of study	18
3.2.2	Unit of analysis	19
3.2.3	Population, Sample Size and Sampling Technique	19
3.3	Variables	20
3.4	Population	20
3.5	Procedures	20

3.6	Measurement	21
3.7	Data Analysis	21
3.7.1	Descriptive analysis	21
3.7.2	Factor analysis	21
3.7.3	Reliability analysis	22
3.7.4	Correlation analysis	22
3.7.5	Hierarchical regression analysis	22
3.8	Summary	22
Chapter 4	Results	23
4.1	Introduction	23
4.2	Profile Of Respondents	23
4.3	Good ness of Measures	26
4.3.1	Factor analysis	26
4.3.2	Reliability analysis	29
4.4	Descriptive analysis for major variables	29
4.4.1	Correlation	30
4.4.2	Regression Analysis - Regression Assumption	31
4.5	Hypothesis Testing	32
4.5.1	Hierarchical Regression	34
4.6	Summary of Results	37

Chapter 5	Discussion and Conclusion	38
5.1	Introduction	38
5.2	Recapitulation of the Study Findings	38
5.3	Discussion	39
5.4	Implications	40
5.4.1	Theoretical Implication	40
5.4.2	Practical Implication	41
5.5	Answering Research Question	41
5.6	Limitations	41
5.7	Future Research	42
5.8	Conclusion	42
	References	43
	Appendix	48

List Of Table

Table 4.1	Profile of respondent	24
Table 4.2	Rotated Component matrix for the level of satisfaction	27
Table 4.3	Rotated Component matrix for the company performance	28
Table 4.4	Results of the Reliability Test	29
Table 4.5	Descriptive Statistic for Major Variable	30
Table 4.6	Intercorrelations of the Major Variables	30
Table 4.7	Regression Results for Satisfaction	33
Table 4.8	Regression Results for Satisfaction	33
Table 4.9	Hierarchical Regression Results	36
Table 4.10	Results of the Analyses	37

List Of Figures

Figure 2.1	Theoretical Framework	16
Figure 4.1	The mediating role	35

List Of Appendix

Appendix A	Cover Letter & Questionnaire	48
Appendix B	Frequency Analysis	54
Appendix C	Factor Analysis	57
Appendix D	Reliability Analysis	65
Appendix E	Descriptive Statistic	68
Appendix F	Correlation Analysis	68
Appendix G	Regression Analysis	69

Abstract

The semiconductor and electronics industries are the leading manufacturing sectors in all industrialized and industrializing countries of the world. Automation is a vital part of these industries. Automation is becoming a must for a country to focus in if they wanted to be involved in semiconductor or electronics industry. There are many automation companies in Malaysia which belong to either Malaysian or foreign investors.

When we discuss on the issues faced by automation companies, turnover will be the first in their issue list. Even though turnover is a common issue in many industries but it does play an important role and gives a big impact on the downfall of a company in the automation industry.

This study was conducted to find out the role of low employee turnover between job satisfaction and company performance. Structured questionnaire was used in this study. It was distributed to 200 employees of the four automation companies. The data collected was statistically analyzed using SPSS software (Statistical Package of Social Science). The results showed that there are positive relation between low employee turnover, job satisfaction and company performance.

Understanding all these factors can help the management team especially the Human Resource department to strategize their planning for low employee turnover in order to improve company performance.

Abstrak

Industri semikonduktor dan elektronik merupakan industri yang penting di negara yang maju dan yang sedang membangun. Sektor Automasi merupakan sektor yang berkait rapat dengan industri elektronik dan semikonduktor. Maka wajarlah bagi sesebuah negara yang ingin dan sedang melibatkan diri di industri semikonduktor turut memfokus dan beri keutamaan untuk menguasai bidang automasi. Terdapat banyak kilang automasi di Malaysia yang dimiliki oleh usahawan tempatan dan juga pelabur asing.

Kehilangan atau kekurangan tenaga mahir merupakan masalah yang serius di sektor automasi. Masalah tersebut tidak menjadi serius di kebanyakan industri tetapi di industri automasi pula ia memainkan peranan penting dan menentukan kemajuan atau kemerosotan organisasi tersebut.

Kajian ini dikendalikan dengan matlamat untuk memahami peranan pertukaran pekerja dengan kepuasan pekerja dan kemajuan organisasi. Soalan soalan bestruktur digunakan dalam kajian ini. Ianya diedar kepada 200 pekerja dari empat buah firma automasi. Data yang diperolehi dianalisis dengan menggunakan program SPSS (Statistical Package of Social Science). Keputusannya menunjukkan kadar pertukaran pekerja yang rendah mempunyai hubungan terus dengan kepuasan pekerja dan kemajuan organisasi.

Memahami kesemua fakta tersebut dapat membantu pihak pengurus dan pihak sumber manusia untuk bertindak dengan strategik bagi mengurangkan pertukaran pekerja demi menentukan kemajuan organisasi.

Chapter 1 : INTRODUCTION

1.1 Background

The automation and electronics industries are among the leading manufacturing sectors in industrialized and industrializing countries of the world. Automation is becoming necessary for semiconductor manufacturing companies.

There are three main departments in automation companies namely designing, assembling and field servicing. These three departments directly or indirectly deal with customer problems. All automation companies provide after sales service and do offer warranty periods for their machines for a certain number of years. Therefore, it is very important for automation companies to keep their skilled workers. Customers prefer the former equipment designers compared to new ones when making enquiries, project improvements and enhancements. Most of the customers are unhappy whenever a skilled worker is replaced because such replacements would affect the company performance.

1.2 Problem statement

In a growing competitive environment sustaining success in business, especially in advanced technologies as well as demanding customer requirements, it is no longer a matter of only selling the products but services provided by the supplier to its customer after the selling.

Employee turnover is a common issue in any company in industry around the world. Employee turnover does play an important role in automation industry. Industry week November 8, 2006. which was posted online clearly explain that employee turn over playing an important role in automation Industry. In automation industry maintaining experienced skill workers is an opportunity to increase company

performance. So, we may conclude that failure in maintaining skill workers with vast knowledge and experience in automation industry may lead to the downfall of the company.

1.3 Research Objectives

The main objective of this research is to investigate the problem statement mentioned in Section 1.2 above, which is to find out the relation of employee turnover between employee job satisfaction and company performance.

1.4 Research Question

The Research questions will be :-

1. Does employee job satisfaction in an automation company affect company performance?
2. Does employee turnover play the mediating role between employee job satisfaction and company performance?

1.5 Rational of Study

The study is vital for an automation company to understand the importance of maintaining low turnover and keeping skilled workers. If the workforce management is not done properly to create job satisfaction then the company may face declination in the company performance. It may jeopardize the actual goal the company is trying to achieve via customer satisfaction.

1.6 Limitation of Study

The study is limited to the automation companies whose clients are semiconductor companies operating in Penang.

1.7 Terminology

For the purpose of this study the following definitions will be used.

1.7.1 Automation

Ancient Greek word which means self dictated, roboticization or industrial automation or numerical control is the use of control systems such as computers to control industrial machinery and processes, reducing the need for human intervention. In the scope of industrialization, automation is a step beyond mechanization. Whereas mechanization provided human operators with machinery to assist them with the physical requirements of work, automation greatly reduces the need for human sensory and mental requirements as well. Processes and systems can also be automated (Kruglinski, 1998)

Automation is the replacement of man power with machine power, as man would no longer be needed to run it as there are machines that can do a man's job for no pay, and therefore save a boatload of money. Delmar S. Harder, a plant manager for General Motors, is credited with first having used this term in 1935.

1.7.2 Employee Turnover

Turnover, in a human resources context refers to the characteristic of a given company or industry, relative to rate at which an employer gains and loses staff. This was enlighten by Bureau of Labor Statistics in their research "Job Openings and Labor Turnover Survey", 2008.

If an employer is said to have a high turnover, it most often means that employees of that company have a shorter tenure than those of other companies in that same industry. Similarly, if the average tenure of employees in a particular sector is lower than that in other sectors, that sector can be said to have a relatively high turnover. An employee decides to quit when there is more negative aspects than positive in his/her company (Lucy Firth et al. 1998)

1.7.3 Job satisfaction

Generally job satisfaction describes how content an individual is with his or her job. The happier people are within their job, the more satisfied they are said to be. Job satisfaction is not the same as motivation, although it is clearly linked. Job design aims to enhance job satisfaction and performance, methods include job rotation, job enlargement and job enrichment (Locke et.al, 1976).

Job satisfaction also has been defined pleasurable emotional state resulting from the supports, benefits and treatments from the management towards one's job (Cranny et.al, 1992). This definition suggests that employee form attitudes towards the jobs by taking into account of feelings, beliefs, and behaviors (Weiss, 2002)

1.7.4 Company performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development (Kanter, 1972).

According to the studies by “Oak Ridge Associated Universities”, Many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as:- financial performance (e.g. shareholder return); customer service; social responsibility (e.g. corporate citizenship, community outreach) and employee stewardship.

Most performance measures can be grouped into one of the following six general categories. However, certain organizations may develop their own categories as appropriate depending on the organization's mission:

1. Effectiveness: A process characteristic indicating the degree to which the process output (work product) conforms to requirements. (Are we doing the right things?)
2. Efficiency: A process characteristic indicating the degree to which the process produces the required output at minimum resource cost. (Are we doing things right?)

3. Quality: The degree to which a product or service meets customer requirements and expectations.
4. Timeliness: Measures whether a unit of work was done correctly and on time. Criteria must be established to define what constitutes timeliness for a given unit of work. The criterion is usually based on customer requirements.
5. Productivity: The value added by the process divided by the value of the labor and capital consumed.
6. Safety: Measures the overall health of the organization and the working environment of its employees.

However, the following 8 items measure company performance for engineering service companies (Elizabeth Green 2002).

1. Quality of technical approach
2. Understanding of requirements
3. Effective and Efficient use of resources
4. Timeliness of Performance
5. Quality of performance/customer satisfaction
6. Business Behavior
7. Communication
8. Cost control

1.8 Significance of the Study

The study is vital for the automation company to understand the importance of creating employee job satisfaction and dealing with employee turnover in order to improve company performance.

If the employee is dissatisfied with the company then the company may face the risk of High Employee turnover. It may jeopardize the actual goal the company is trying to achieve via company performance.

Besides that, the analysis of this study had been done among the employees of the automation companies by looking at the all level of the staffs. Many researches are focusing generally at manufacturing industry. The researchers believe that employee turn over does playing a role in determining company performance. However there are very few researches focusing specifically at automation industry.

1.9 Organization the Thesis

This thesis will be organized in the following manner;

Chapter-1 : Introduction – containing the Background, Problem Statement, Research Objectives, Research Questions, Rational of study, Limitation of Study and Terminology.

Chapter-2 : Literature Review – containing theories to support this research, previous studies related to this research topic, and the identification of variables for this study.

Chapter-3 : Methodology – containing the theoretical framework and hypothesis development, population and samples, methodology to collect data i.e. questionnaire, measurements and statistical analysis tool to be used in this research.

Chapter-4 : Results – containing the findings via statistical analysis

Chapter-5 : Discussion – containing the results discussion, conclusion, limitations of research, future research proposal and significance of study for concerned sectors.

Chapter 2 : LITERATURE REVIEW

2.1 Introduction

This section describes the review of prior literatures on the topics of employee turnover, job satisfaction and company performance. The theories supporting the relation between employee turnover and company performance had been identified. The research hypotheses on the relationship between the variables were also established

2.2 Job Satisfaction

Job satisfaction as definitions say is an individuals' feeling towards their work, which may consist of intrinsic factors such as motivation and extrinsic factors such as pay and performance. Creating satisfaction among employees is not straight forward as it involves much consideration on organizational culture, human attitude and environment. Thus, quite a number of factors had been developed as a way to create satisfaction. However, there is no one significant method or way to make an employee feel satisfied but depends on the employee himself and his situation as an employee and not only money itself as what many people are assuming in this world.

One of the earlier definitions was from Karl Marx (1869) who approached job satisfactions in terms of frustration and alienation to work, which states employers' exploitation as a denial to workers' needs. Blauner (1964) further described alienation in four dimensions namely powerlessness, meaninglessness, isolation and self-estrangement, in which all these factors create dissatisfaction among workers, mainly due to managements' own priority and interest.

Other more generics definitions follow. Job satisfaction refers to the individual's attitude towards the various aspects of the job and the job content itself

(Rogers, Clow & Kash, 1994). Balzer & Spector (1997) defined job satisfaction as a person's feeling about his/her job, whereby the person's emotional state reflecting an affective response to the job situation. It was emphasized by Hackman & Oldham (1980) that job satisfaction is influenced by psychological state of an individual, namely experienced meaningfulness, feeling of responsibility and knowledge of results. Similar description by Lawler (1973) and Locke (1969) also states that job satisfaction refers to individuals affective relation to their work and its' function of perceived relationship between what one wants from the job and what one perceives it may offer. Davis & Wilson, 2000 further stressed that earlier scholar, Morse (1953), viewed the strength of individual's desires of their level of aspiration in a particular area as an important factor for job satisfaction.

2.3 Employee Turnover

Employee turnover is a much studied phenomenon. There is a vast literature on the causes of voluntary employee turnover dating back to the 1950s. By developing multivariate models that combine a number of factors contributing to turnover and empirically testing the models researchers have sought to predict why individuals leave organizations. Many studies are based on only a small number of variables which often only explain a small amount of variability in turnover. Another criticism of turnover studies is that they do not adequately capture the complex psychological processes involved in individual turnover decisions. A recent study of turnover by Boxall et al (2003) in New Zealand confirmed the view that motivation for job change is multidimensional and that no one factor will explain it.

Aside from studies on the calculation of turnover rates and survival curves (e.g. Price, 1976; Van Der Merwe & Miller, 1971), the measurement of turnover has generally been approached in two distinctly different ways. Frequent approaches have shown turnover as an instance of motivated individual choice behavior to be predicted through models of various antecedents. The second approach has been to focus on the consequences of turnover for the organization. Research by Dalton, Krackhardt and Porter (1981) and Boudreau and Berger (1985a) is illustrative to this focus.

However, over time there have been a number of factors that appear to be consistently linked to turnover. An early review article of studies on turnover by Mobley et al (1979) revealed that age, tenure, overall satisfaction, job content, intentions to remain on the job, and commitment were all negatively related to turnover (i.e. the higher the variable, the lower the turnover). In 1995, a meta-analysis of some 800 turnover studies were conducted by Hom and Griffeth, which was recently updated (Griffeth et al, 2000). Their analysis confirmed some well-established findings on the causes of turnover.

As noted by several observers however, the consequences of turnover have received significantly less attention from researchers (Staw 1980, Mobley 1982, Glebbeek and Bax 2004). This lack of academic attention is particularly surprising given that industrial studies have estimated the cost of turnover of one employee earning \$8 per hour at \$3,500 to \$25,000.

2.4 Employee Turnover and Job Satisfaction

The relationship between satisfaction and turnover has been consistently found in many turnover studies (Lum et al, 1998). Mobley et al 1979 indicated that overall job satisfaction is negatively linked to turnover but explained little of the variability in turnover. Griffeth et al (2000) found that overall job satisfaction modestly predicted turnover. In a recent New Zealand study, Boxall et al (2003) found the main reason by far for people leaving their employer was for more interesting jobs available elsewhere.

Empirical work over the years has clearly established that the role of job satisfaction in predicting turnover is significant. Carsten and Spector (1985), in a meta-analysis of 47 studies, estimated a corrected correlation between job satisfaction and turnover of -0.26., although this relationship was significant (the 95% confidence interval did not include). The authors concluded that room for significant moderator effects existed. In fact, Carsten and Spector (1985) found that alternative employment opportunities moderated the relationship between job satisfaction and turnover. Based on Carsten and Spector's (1987) findings, the potential exists that other variables interact with job satisfaction in predicting turnover. Given the importance of turnover decisions to individuals and organizations (Dalton & Todor, 1979; Mobley, 1982; Staw & Oldham, 1978; Steers & Mowday, 1981), it is surprising that more research concerning potential moderators of the job satisfaction – turnover relationship have not been conducted widely.

2.5 Company Performance

One of the vital question in business was why some organization succeeded and other failed. Organization performance was important for every organization. It was even more important for managers to know which were the factors that influence an organization`s performance, so that managers could take appropriate steps to initiate them.

Performance had, indeed, quite different meanings to different people. From a process point of view, performance meant that transformation of inputs into outputs for achieving certain outcomes. From the economic points of view, performance was the relation between effective cost and realized output and achieved outcomes-which was effectiveness. Thus, according to Javier (2002) performance was equivalent to the famous 3E (economy, efficiency and effectiveness) of a certain program or activity.

The term performance was sometimes confused with productivity. According to Ricardo (2001) there was a difference between performance and productivity. Productivity was a ratio depicting the volume of work completed in a given amount of time. Performance was a broader indicator that could include productivity as well as quality, consistency and other factors.

However, Hamel and Prahalad (1989), and Doyle (1994), argued that profitability was the most common measurement used for organization performance in business organization. This view was supported by Nash (1993) who stressed that profitability was the indicator to identity whether an organization met its objectives. Other researches such as Galbraith and Schneidel (1993) supported the use of return on assets (ROA), return on equity (ROE), return on sales and profit margin as the most common measures of performance.

There are three major tasks of management as started by Peter Drucker in 1973 (in Nash,1984), which is “to decide the purpose and mission of the organization, to make work productive, and to manage social impact and responsibilities.” Peter Drucker says that organizations performed by making human resources productive and it accomplishes its performance through work. To put it in Perspective, the business of management is organizational performance.

Felkins, Chakiris & Chakiris (1997), defines performance “as a way-of being and a way-of doing within a system bounded by specific cultural norms and expectations for roles and actions. Performance is a joint process of interpretations that often involves an audience or customer”. In most cases, effective organizational performance is assessed through collectives interpretation of quality, trust, service and cooperation. This shared definition of performance is an important component of change management.

During the 1980`s and 1990`s, organizational performance was defined as the total contribution from both the individuals and system to accomplish the objectives of the organization (Lindsay & Petrick,1997). Literature strongly endorses the view that improved organizational performance will translate into higher profits, higher sales volume and increased market share (Hayes, Wheelwright & Clark, 1988). Commonly accepted dimensions of organizational performance are quality, cost, delivery, and flexibility (Wheelwright,1981). Apart from that, inventory, delivery, manufacturing cost and flexibility have also been used as organizational performance measure (Maani et. al.,1994). Powell (1995)states that financial performance, sales growth, profitability, revenue growth rate, BPR and TQM performance measures such as increase in productivity, improvement in competitors, are measurement of an

organization in relative to its competitors, are measurement of an organization's performance.

2.6 Job Satisfaction, Employee Turnover and Company Performance

The causes and consequences of customer satisfaction have become the focus of recent researches. Of special interest is the link between employee satisfaction and customer satisfaction. Heskett, Jones, Loveman, Sasser, and Schlesinger (1994) establish a framework in which internal service quality drives employee satisfaction, which, in turn, drives employee performance that generates service quality. Finally, service quality drives customer satisfaction that leads to company performance.

This framework was used successfully to improve organizational objectives at Sears Roebuck Co. (Rucci, Kirn, & Quinn, 1998). Similarly, Frederick Reichheld (2000) concluded that employee job satisfaction is essential to customer satisfaction, which, symbolizing company performance.

In fact, according to the company, many companies believe in conducting employee satisfaction surveys because they deem engagement to be the right path for getting the most out of the employees as well as boosting business outcomes. According to Denison, companies that are more concerned about boosting their business outcome should really focus on measuring and managing the organization as a system. "Those factors give leaders far more leverage and are far more likely to be a cause of organizational performance than just employee engagement alone. An organization's culture includes employee involvement and employee engagement, but also includes how the organization adapts to the business environment, focuses on its customers, implements a strategy, and builds global coordination," Denison says. The company has created employee surveys for diagnosing organizational culture and leadership, as well as predicting bottom-line company performance.

2.7 Underlying Theories

2.7.1 Job Matching Theory

Job matching theory established by Jovanovic (1979a; 1979b) and Burdett (1978). The key insight of this theory is that companies will search for employees and job seekers will search for companies until there is a good match for both parties. However, the conditions for an optimal matching may change over time, leading to continuous reallocation of labour. Thus, a worker will change the job until he/her satisfies with the job. The Job Matching Theory explains the relation between employee job satisfaction (independent variable) and employee turnover (mediating variable). This theory strongly supports the first part of this research model.

2.7.2. Firm Specific Human Capital Theory

Firm specific human capital (FSHC) theory, pioneered by Becker (1975). It is asserted that if companies need to bear the cost of training, their incentives to provide staff training will be lowered by high quitting rates. The incentive will be even weaker when company specific and general training are less separable, as employees have lower opportunity costs of quitting (Lynch 1993). Therefore, companies' productivity falls as turnover increases. Even if FSHC is bred through learning-by-doing, its accumulation remains positively related to employees' tenure. As a result, a higher turnover rate will still lead to poor company performance.

In addition to the direct loss of human capital embodied in the leavers, there are other negative impacts of turnover on productivity. First of all, a certain amount of output will be forgone during the vacant and training period. The administrative resources used in separation, recruitment and training could have been invested in other aspects of the production process. Moreover, high employee

turnover could adversely affect the morale of the organisation. Using a controlled experiment, Sheehan (1993) records that the leavers alter the perceptions of the stayers about the organisation and therefore negatively affect its productivity. As a consequence, warranted (from an employer's perspective) but involuntary job separation could trigger unwarranted voluntary employee departure – a snowball effect.

The Firm Specific Human Capital Theory explains the relation between employee turnover (mediating variable) with company performance. This theory strongly supports the second part of this research model.

2.8 Theoretical Frame work & Hypotheses

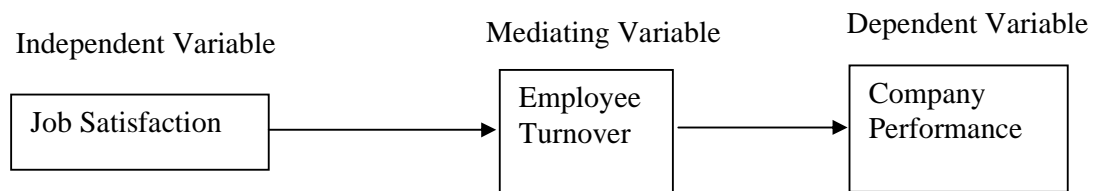


Figure 2.1. Theoretical Frame Work

Hypotheses 1 and 2 is based on Research Question 1

Hypotheses 1 : There is a positive relationship between employee satisfaction and company performance.

Hypotheses 2 : There is a positive relationship between low employee turnover and company performance

Hypotheses 3 is based on Research Question 2

Hypotheses3 : The employee turnover has mediate effects on relationship between
employee satisfaction and company performance

2.9 Summary

The theoretical framework of this study was described in this chapter. The role of Employee Turnover between Employee Job Satisfaction and Company Performance were identified and described. Then the hypotheses regarding the relationship between the variables were derived based on the literature reviews.

CHAPTER 3 : RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the methodology which will be used is highlighted. This chapter provides an explanation for research design, variables in this study, population or sample to be used, data collection method, and various analyses that will be utilized.

3.2 Research Design

Quantitative Research Design is used for this study. The research will be carried out using questionnaire for data collection purpose. The respondents will be from all level of employees of automation companies. The questionnaire will consist of questions regarding the outcome of job dissatisfaction, nature of the employee turnover and the degree of company performance. The respondent will be chosen from Automation companies in Penang. The respondents are given the assurance of the confidentiality of the data.

3.2.1 Type of Study

This research employs the method of descriptive study, which will be able to describe the characteristic of relationship between the variables (Sekaran, 2006). The study was conducted among the employees who are working in Automation companies in Penang. Hypotheses testing were tested to explain the variance in the dependent variables to predict relationship.

3.2.2 Unit of Analysis

The unit of analysis was employee of automation industry. The data was collected from all the level of staffs who work in the automation companies. Their role was as proxy to provide the required data on employee job satisfaction, employee turnover and company performance.

3.2.3 Population, Sample Size and Sampling Technique

The population of the study was referring to the employees of the automation companies in Penang. The general rule of thumb to determine the minimum number of observation to each variable analyzed was 5:1 ratio (Hair et al.,2006). A sample size of 30 to 500 was recommended by Sekaran (2006) as generally effective to describe the population. Coakes and Steed (2003) stated that a sample size of 100 was acceptable for running the factor analysis. In this study, 200 questionnaires were distributed to achieve the target sample size of 140 respondents with the assumption that about 70% of completed questionnaires are returned. The sampling frame for the study was taken from the employees of the companies engaged in the automation industry.

Convenience sampling method was used to conduct this study. Sekaran (2006) suggested that convenience sampling method can be used when collection of information from members of the population who are conveniently available to provide it. Convenience sampling is most often used during the exploratory phase of a research project and is perhaps the best way of getting some basic information quickly and efficiently.

3.3 Variables

Three variables are used in this study: one dependent variable, one independent variable and one mediating variable.

3.4 Population

The population of this study is taken from four automation companies located in Penang consisting of all level of workers, that is from management level to housekeeping level.

3.5 Procedures

Step 1: Questionnaire will be the instrument of data collection. The questions is adopted as below :-

1. Section B: “A contextual study of links between employee satisfaction, employee turnover, customer satisfaction and financial performance” by Rajiv D.Banker, 2000
2. Section C: “How can managers measure employee turnover” by Lucy Firth, David J. Mellor, Kathleen A. Moore, Claude Loquet, 2000.
3. Section D: “Measuring Company Performance” by Elizabeth Green, 2002

Step 2: After completion of the questionnaire, they were delivered to the 4 companies in Penang

Step 3: When the questionnaire were returned, data collection was conducted.

Step 4: After data analysis, report writing was done.

3.6 Measurement

For section A, the demographic variables were measured by using nominal scale. Meanwhile for section B, C and D, the variables were measured by using interval scale. The respondents were asked to indicate their level of satisfaction or dissatisfaction for each statement in section B; level of agree or disagree for the each statement in section C and level of company performance for each statement in section D using a 5- point Likert scale. All instruments were adopted from various literatures mentioned above.

3.7 Data Analysis

The data analysis was done using the Statistical Package of Social Science (SPSS) software version 16.0. The analysis was done by performing the descriptive statistic analysis, followed by factor analysis, reliability analysis, correlation analysis and hierarchical regression analysis.

3.7.1 Descriptive Analysis

The descriptive statistics analysis was executed to describe the population represented by the samples. The focus was on the demographic data of the samples. It described the information such as frequencies and percentage value of the samples.

3.7.2 Factor Analysis

Factor analysis was done to measure the validity of the data. It was used to reduce the number of variables to smaller sets of variable which summarized the important information enclosed in the variable (Coakes & Steed, 2003). Principle axis factoring and Varimax rotation were selected for analysis. The Kaiser-Meyer-Olkin (KMO), Barlett's test for sphericity and anti image correlation were also selected on SPSS for the factor analysis. The minimum acceptable value for anti-image correlation is 0.50 and the minimum acceptable KMO value is 0.60.

3.7.3 Reliability Analysis

Coakes and Steed (2003) mentioned that the reliability analysis was done by computing the Cronbach's alpha. This coefficient represents the average correlation of standardized items within the test. It was also known as correlation coefficient. This test was used to check the reliability of the items in the questionnaires. Generally, the acceptable Cronbach's alpha value is 0.7 and above. However, Sekaran (2006) suggested that Cronbach's alpha value of 0.5 can be considered as the lowest acceptable value.

3.7.4 Correlation Analysis

The Pearson correlation analysis was conducted to test the relationship between independent and dependent variables. In this analysis, the simple bivariate correlation test was performed to find out the linear relationship between the variables.

3.7.5 Hierarchical Regression Analysis

Hierarchical regression test was run to analyze the mediating effect of employee turnover between the employee job satisfaction and company performance.

3.8 Summary

This section defined the methodology used for conducting the research. The data was collected via questionnaires. Then, it was analyzed using SPSS. Finally, the hypotheses were tested. The results of the analysis were presented in Chapter 4.

Chapter 4 : RESULTS AND ANALYSIS

4.1 Introduction

This chapter presents the results of statistical analyses described in chapter three. It consists of profile of respondents, goodness of measures, descriptive statistics, and hypotheses testing using the hierarchical multiple regression analysis. A summary of findings will be provided at the end of the chapter.

4.2 Profile of Respondents

The total number of the questionnaire returned is 137. This gives a response rate of 68.5%. The demographic profile of respondents is presented in Table 4.1 below. It has been divided into 8 variables which include gender, age, race, marital status, educational level, position held, year of services and size of company.

Table 4.1

Profile of Respondent

Variables	Categories	Frequency	Percent
Gender	Male	71	51.8
	Female	66	48.2
Age	Below 21	4	2.9
	21 – 30	35	25.5
	31 – 40	77	56.2
	41 – 50	18	13.1
	above 50	3	2.2
Ethnic Group	Malay	17	12.4
	Chinese	40	29.2
	Indian	63	46.0
	Bumiputera Sabah/Sarawak	13	9.5
	Other	4	2.9
Marital Status	Single	42	30.7
	Married	86	62.8
	Divorced/Widowed	9	6.6
Education Background	Secondary School	20	14.6
	Diploma	51	37.2
	Degree	61	44.5
	Master / Doctorate	5	3.6
Current Position	General Worker / Technician	27	19.7
	Lower Management (Group Leader / Engineer / Executive)	82	59.9
	Middle Management (Manager / Asst. Manager / Section head)	25	18.2
	Upper Management (Director / GM / CEO / HOC)	3	2.2
Years of service in current position	< 3 years	25	18.2
	3-6 years	61	44.5
	7-10 years	40	29.2
	> 10 years	11	8.0
Company Size (total employees)	<100	36	26.3
	101-500	51	37.2
	501-1000	27	19.7
	> 1000	23	16.8