# JOB EMBEDDEDNESS, WORK ENGAGEMENT, AND ETHICAL WORK CLIMATE ON TURNOVER INTENTION OF ACADEMIC STAFF IN PRIVATE HIGHER EDUCATIONAL INSTITUTIONS

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## JOB EMBEDDEDNESS, WORK ENGAGEMENT, AND ETHICAL WORK CLIMATE ON TURNOVER INTENTION OF ACADEMIC STAFF IN PRIVATE HIGHER EDUCATIONAL INSTITUTIONS

by

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### TABLE OF CONTENTS

## Page

Acknowledgement	ii
Table of Contents	iii
List of Tables	viii
List of Figures	ix
Abstrak	x
Abstract	xii

### **CHAPTER 1 - INTRODUCTION**

1.0	Introduction	1
1.1	Background of the Study	5
1.2	Problem Statement	
1.3	Research Objectives	12
1.4	Research Questions	
1.5	Significance of the Study	13
	1.5.1 Theoretical significance	13
	1.5.2 Practical significance	17
1.6	Definition of Key Terms	19
1.7	Organization of Remaining Chapters	21

### **CHAPTER 2 - LITERATURE REVIEW**

2.0	Introduction	22
2.1	Turnover Intention	22
2.2	Development of the Study on Turnover and Turnover Intention	25
2.3	Turnover Intention in Malaysia	29
2.4	Consequences of Turnover Intention	32

2.5	Job Embeddedness and Work Engagement as Determinants of Turnover	33	
	Intention		
2.6	Job Embeddedness	34	
	2.6.1 Consequences of job embeddedness	44	
2.7	Work Engagement	47	
	2.7.1 Approaches of engagement	50	
	2.7.2 Consequences of work engagement	53	
2.8	Ethical Work Climate	55	
	2.8.1 Moral sensitivity	60	
	2.8.2 Moral judgment	62	
	2.8.3 Moral motivation	63	
	2.8.4 Moral character	64	
	2.8.5 Comparison between Victor and Cullen's model and Arnaud's	66	
	model		
	2.8.6 Consequences of ethical work climate	66	
	2.8.7 Ethical work climate as a moderator	68	
2.9	Underlying Theory	71	
2.10	Research Gap	74	
2.11	Theoretical Framework	78	
2.12	Hypotheses Development	79	
	2.12.1 Job embeddedness and turnover intention	79	
	2.12.2 Work engagement and turnover intention	81	
	2.12.3 Moderation effect of ethical work climate	82	
2.13	Chapter Summary	84	

## **CHAPTER 3 - METHODOLOGY**

3.0	Introduction	86

3.1	Popula	ation and Sample	86
3.2	Questionnaire Distribution		90
3.3	Resear	rch Design	91
3.4	Pilot 7	'est	94
3.5	Data (	Collection Procedures	96
3.6	Instru	nents	97
	3.6.1	Job embeddedness scale	100
	3.6.2	Work engagement scale	101
	3.6.3	Ethical work climate scale	101
	3.6.4	Turnover intention scale	103
	3.6.5	Demographic variables	103
3.7	Data A	Analyses	104
	3.7.1	Descriptive statistics	104
	3.7.2	Test for common method bias	105
	3.7.3	Smart Partial Least Squares	106
	3.7.4	Validation of formative and reflective measures	107
	3.7.5	Assessment of measurement model	110
	3.7.6	Assessment of structural model	111
	3.7.7	Assessment of moderation effect	113
3.8	Chapte	er Summary	113

## **CHAPTER 4 - RESULTS**

4.0	Introduction	115
4.1	Demographic Profile of Respondents	116
4.2	Common Method Variance	117
4.3	Goodness of Measurement Model	117
	4.3.1 Assessment of measurement model	120

	4.3.1.1 Assessment of formative indicators	121
	4.3.1.2 Assessment of reflective measures and measurement model	123
	4.3.2 Discriminate validity	125
4.4	Structural Model Results	
4.5	Moderating Effects: The Two-Stage Approach	
	4.5.1 Interpreting moderating effects	131
	4.5.2 Determining the strength of moderating effects	134
4.7	Chapter Summary	137

## **CHAPTER 5 - DISCUSSION AND CONCLUSION**

5.0	Introdu	action	139
5.2	Recapitulation		139
5.3	Discus	sion of Findings	141
	5.3.1	The relationship between job embeddedness and turnover	141
		intention	
	5.3.2	The relationship between work engagement and turnover intention	143
	5.3.3	Moderation effect of ethical work climate on job embeddedness	144
		and turnover intention	
	5.3.4	Moderation effect of ethical work climate on work engagement	145
		and turnover intention	
5.4	Implic	ations of the Study	149
	5.4.1	Theoretical contributions	149
	5.4.2	Practical contributions	152
5.5	Limita	tions of the Study	158
5.6	Directi	ons for Future Research	159
5.7	Conclu	ision	160
REFE	CFERENCES		162

## APPENDICES

Appendix A	Ethics and Confidentiality Statement	188
Appendix B	Questionnaire	190
Appendix C	Cover Letter	196
Appendix D	Output of Data Analyses	197

### LIST OF TABLES

		Page
Table 2.1	A Summary of Respresentative Studies on Turnover and Turnover	28
	Intention	
Table 2.2	Conceptualization of Work Engagement	53
Table 3.1	List of Private Higher Educational Institutions in Malaysia (2014)	88
Table 3.2	Distribution of Questionnaires	91
Table 3.3	Survey Schedule	91
Table 3.4	Amendments to the Questionnaire after Pilot Test	95
Table 3.5	Summary of the Instruments Employed in the Present Study	99
Table 3.6	Items for Demographic Variables	104
Table 3.7	Nature of Measurement Model for Constructs	109
Table 4.1	Response Rate	116
Table 4.2	Respondents' Profile	116
Table 4.3	Cronbach's Alpha and Composite Reliability	118
Table 4.4	Descriptive Statistics	119
Table 4.5	Collinearity Statistics for Formative Measures	122
Table 4.6	Measurement Model Results	124
Table 4.7	Latent Variable Correlations	125
Table 4.8	Loadings and Cross Loadings	126
Table 4.9	Path Coefficients	129
Table 4.10	Path Coefficients with Moderation Effect	133

## LIST OF FIGURES

## Page

Figure 2.1	Theoretical Framework	78
Figure 4.1	Structural Model (Direct Effect)	130
Figure 4.2	Structural Model (Moderation Effect)	131
Figure 4.3	Interaction Plots	135

# PERIKATAN KERJA, PENGLIBATAN KERJA DAN PERSEKITARAN KERJA BERETIKA ATAS NIAT TUKAR KERJA DALAM KALANGAN STAF AKADEMIK INSTITUSI PENDIDIKAN TINGGI SWASTA

#### ABSTRAK

Institusi pendidikan tinggi swasta (IPTS) menghadapi masalah kadar pertukaran kerja yang tinggi dalam kalangan staf akademik. Kajian ini bertujuan mengkaji pengaruh variabel perikatan kerja dan penglibatan kerja serta persekitaran kerja beretika atas niat tukar kerja staf akademik IPTS. Kajian ini amat diperlui kerana dapatan kajian lepas menunjukkan hubungan yang lemah atau tidak konsisten antara variabel perikatan kerja dan penglibatan kerja dengan niat tukar kerja. Tambahan lagi, kebanyakan kajian lepas dilaksanakan di negara Barat, dalam industri lain dari sektor pendidikan, yang mempunyai sifat demografi yang sangat berbeza berbanding Malaysia. Data dikutip secara purposif dari 276 staf akademik yang bekerja di IPTS melalui soal selidik. Instrumen yang digunakan dalam kajian ini ialah skala Perikatan Kerja yang dibina oleh Mitchell et al. (2001), skala Penglibatan Kerja Utrecht yang disedia oleh Schaufeli dan Bakker (2003), serta skala Persekitaran kerja beretika yang dihasil oleh Arnaud (2006). SPSS versi 20 dan SmartPLS versi 2.0 digunakan untuk menganalisis data. Beberapa ujian, termasuk Ujian Satu Faktor Harmon telah dibuat untuk memastikan kesahihan data yang dikutip. SmartPLS Dua Peringkat digunakan untuk membuat analisis data, iaitu, Peringkat Pertama untuk menguji model asas, dan Peringkat Kedua untuk menguji model penuh. Hasil kajian menunjukkan bahawa perikatan kerja dan penglibatan kerja adalah signifikan dalam mempengaruhi niat tukar kerja staf akademik IPTS.

Manakala untuk model penuh, dimensi keputusan moral dan motivasi moral persekitaran kerja beretika mempunyai kesan signifikan atas hubungan perikatan kerja dan penglibatan kerja dengan niat tukar kerja staf akademik IPTS. Implikasi dapatan kajian secara teori dan praktik dibincang, berserta batasan kajian dan cadangan untuk kajian masa hadapan. Kajian ini menyumbang kepada perkembangan teori berkaitan dengan niat tukar kerja kerana ia menunjukkan bahawa persekitaran etika kerja berupaya mempengaruhi tahap perikatan kerja dan penglibatan kerja dan seterusnya mengubah tahap niat tukar kerja pekerja. Ia juga memberi faedah kepada para pentadbir IPTS kerana kajian ini berjaya mengesan variabel baru yang boleh digunakan dalam pengurusan sumber manusia untuk memastikan staf akademik kekal dengan institusi tempat kerja.

# JOB EMBEDDEDNESS, WORK ENGAGEMENT, AND ETHICAL WORK CLIMATE ON TURNOVER INTENTION OF ACADEMIC STAFF IN PRIVATE HIGHER EDUCATIONAL INSTITUTIONS

#### ABSTRACT

The private higher education institution (PHEI) faces high turnover rate among its staff. The main objective of this study is to investigate the relationship among job embeddedness, work engagement, ethical work climate and turnover intention of academic staff in PHEI in Malaysia. There is a need to conduct the study because of inconsistency or weak relationship between job embeddedness and work engagement with turnover intention. Additionally, previous studies focus mainly in the Western context and in industries other than education sector, where the demographic profile varies greatly from that of Malaysia. This research uses purposive sampling and survey method to collect data from 276 academic staff of PHEI. The instruments used in this study were Job Embeddedness scale by Mitchell et al. (2001), Utrecht Employee Engagement scale by Schaufeli and Bakker (2003), and Ethical Work Climate scale by Arnaud (2006). A number of tests, including Harmon's Single Factor Test was performed to void the data of the influence of common method bias. Data analyses were done using SPSS version 20 and SmartPLS version 2.0. A two-stage PLS was carried out to obtain the results of the study. The findings revealed that in the original model, both job embeddedness and work engagement were found to have significant and negative impact on turnover intention of academic staff. In the full model, results demonstrated that moral judgment and moral motivation had significant impact on the direct paths. This

means that the moral motivation and moral judgment influenced the relationship between job embeddedness and turnover intention, as well as between work engagement and turnover intention. Theoretical and practical implications of the study were discussed, and limitations of the study, as well as suggestions for future research were given. All in all, this study has enriched the existing literature on turnover intention, and is helpful to existing policy makers and administrators of PHEI to improve their efforts in retaining their academic staff.

# CHAPTER 1

### INTRODUCTION

#### **1.0 Introduction**

Organizations always try to retain their best employees due to its substantial costs related to voluntary turnover. As noted in Lucas (2012) jobs that pay under \$50,000 per year, the cost of voluntary turnover per employee is approximately 20% of an employee's annual salary. In addition, turnover may result in both direct and indirect costs (Ali, 2009). Direct costs are those related to the cost of recruitment, selection, induction, and training of new employees. Indirect costs are costs related to reduced morale, work pressure on existing employees, and loss of social capital such as loss of reputations and goodwill, customer loyalty, and reduced branding trust. Furthermore, studies revealed that those who turnover are usually the most talented employees (Abassi & Hollman, 2000). Therefore the primary concern of organizations is to keep their talented workers and minimize voluntary turnover

In the education industry in Malaysia, the average turnover rate is reported as around 29.28% between July 2010 to June 2011 (Kelly Services, 2011), being the third highest rate after IT/communication sector (75.12%) and hotel/restaurant sector (32.4%). Most of the turnover in the education industry occurred within the private education institutions, such as private higher education institutions (Jantan, Shahnon, Chan, & Sibly, 2006; Morris, Yaacob, & Wood, 2004).

Traditional models of turnover proposed that both job attitudes and alternative employment opportunities are the best predictors of turnover intention (Mobley, 1977). They argued that employees left their organizations because they are not happy with their jobs, and alternative employment opportunities are available. However, the relationship between job attitude and job alternatives to turnover was found to be consistent but weak in several studies (Griffeth, Hom, & Gaertner, 2000; Hom & Griffeth, 1995). Mitchell, Holtom, Lee, Sablynski, and Erez (2001) proposed an alternative theory that includes work and non-work aspects as antecedents for intention to stay with the organization. They suggested that job embeddedness, which is situational aspects of an individual's life space, will help individuals to remain with the organization. Mitchell et al. (2001) posited that job embeddedness predicts turnover intention above and beyond job satisfaction and organizational commitment. It determines the extent to which social, personal, and economic forces bind a person to a job. It is the psychological forces that act "like a net or a web in which an individual can become stuck" (Mitchell et al., 2001, p. 1104). Since most researches focus on attitudinal influences on turnover intention, it is interesting to examine how job embeddedness impacts on turnover intention. Around the same time, the concept of work engagement came into being.

Work engagement is noted to bring about positive organizational outcomes, such as job satisfaction, lower turnover, as well as higher individual and group performance (Bakker, Demerouti, & Euwema, 2005; Harter, Schmidt, & Keyes, 2002). Work engagement refers to the extent to which employees are physically, emotionally, and cognitively committed to and satisfied in the organization (Saks, 2006). It is a motivational concept that involves the active allocation of personal resources towards work, and comprises of features such as high involvement, affective energy, and self-presence at work (Sonnentag, Mojza, Binnewies, & Scholl, 2008). It ensures that employees are highly involved, both affectively and physically, at work (Sonnentag et al., 2008). Both embeddedness and engagement are found to have negative relationship with turnover intention. Since most research on turnover

intention in Malaysia focus mainly on the attitudinal variables found in the turnover studies, it is interesting to examine the relationship between these two comprehensive constructs, and examine how they influence turnover intention of academic staffs in private higher educational institutions in Malaysia.

Business ethics became a popular topic after corporate scandals such as Enron, Tyco, and WorldCom were disclosed. Organizational ethical climate is found to have a strong influence on employees' behavior (Treviño, Weaver, and Reynolds, 2006, p. 951). As explained by Victor and Cullen (1987), who coined the ethical climate construct, ethical climate is "the socio-cultural environment, organizational form, and organization" of a company (Victor & Cullen, 1988, p. 101). It is "the shared perception of what is correct behavior and how ethical situations should be handled in an organization" (Victor & Cullen, 1987, p. 51). Ethical climate is determined by the organization's value system (Denison, 1996), and the top management is responsible for the generation of the ethical climate (Deal & Kennedy, 1982; Schein, 1985), which is presented in the form of codes of conduct to influence employees' ethical decision-making (Hegarty & Sims, 1979).

The growth of private university colleges and private colleges in Malaysia has attracted many investors to invest in education. Some institutions operate the business in an ethical manner, while some is trying to reap as much as profit as possible from the students and participants. There are a number of complaints related to the unethical practices of some of the higher institutions of learning with regards to the courses offered, lecturers employed, and false information on accreditation of courses, provision of poor facilities, and the poor implementation of programs. For example, the Deputy Minister of Higher Education, Datuk Fu Ah Kiow, mentioned that the ministry has been receiving an average of 20 complaints a day, mostly about private institutions of higher learning. Some Higher educational institutions advertise themselves as "world-class" despite being nowhere near the required standards (New Straits Times, 2006 March 21). Parents were urged not to fall for false information from colleges (The Star, Nation news, 2014 March 26). The Malaysia Ministry of Education has been urging private higher educational institutions to follow and maintain standards set by Malaysia Quality Agency (The Star, Education News, 2014 February 23).

In addition, a number of studies (Baker, Demerouti, & Dollard, 2008; Hunt, Wood, & Chonko, 1989; Schwepker, 2001; Treviño, Butterfield, & McCabe, 1998; Valentine et al., 2006) had been carried out on the role of organizational ethics in the management of various employee responses. Unethical organizational environment is found to result in higher turnover intention among workers (Eisenberger, Stinglhamber, & Vandenberghe, Sucharski, & Rhoades, 2002; Peterson, 2002). Unethical issues tend to increase the level of conflicts within an organization, which leads to lower organizational commitment and higher turnover intent (Mulki, Jaramillo, & Locander, 2006). Studies by Pettijohn, Pettijohn, and Taylor (2008) revealed that if employees identify ethical inconsistencies in a company in organizations, their satisfaction level will be lower and this will lead to lower job satisfaction and higher turnover intention

There are many studies on attitudinal variables and its impact on turnover intention, but few studies investigate the effect of work and non-work factors on turnover intent of workers. Furthermore, researches on work engagement focus mainly on its antecedents and consequences. Most research on ethical issues examine the relationahip between organizational form, structure, and organizational climate, and the research concentrates mainly on the food, health and marketing sectors, neglecting the educational institutions. Additionally, ethical work climate is seldom investigated as a moderator in influencing the direct relationship of other variables. Most research on job embeddedness, work engagement, and turnover intention were carried out in the western societies where the dominant culture is individualistic. There is a need to examine the responses of respondents with collective orientation. Hence, the purpose of this research is to examine the relationship between job embeddedness, work engagement, and turnover intention of academic staff in private higher educational institutions, and the moderation effect of ethical climate on turnover intention of academic staff in private higher educational institutions.

#### **1.1 Background of the Study**

Private higher education in Malaysia experienced a phenomenal growth in the 1980s and 1990s (Tan & Raman, 2009). In the 1980s, the first two private colleges that appeared in the Malaysia scenario were Goon Institute and CYMA College, which offered semi-professional qualifications granted by City and Guilds of London and London Chamber of Commerce (Lee, 1991). By 2005, the number of institutions increased to 559, which consists of 11 private universities, 11 private university colleges, 5 foreign university offshore campuses and 532 private colleges (Malaysia Higher Education Division, 2006). The latest consensus carried out by the Malaysian Higher Education Division in 2014 showed that there are a total of 476 private higher educational institutions (PHEI); of which 23 PHEI with their 24 branches have university status, 5 foreign university offshore campuses, 21 PHEI with university college status, and 403 PHEI without university status. In 1985, the number of students enrolled in PHEI was 170,000, but the number had increased tremendously over the last 23 years, for example, the number of students in PHEI stood at 230,000 in 1990; 294,600 in 2002, and 730,000 in 2005 (Jantan, Chan, Shahnon, & Sibly, 2006). In 2010, the total number of enrolment in PHEI stood at 541,629, of which 478,924 were local student, and 62,705 were international student; compared to 462,780 enrolments at public universities in Malaysia (Malaysian Ministry of Higher Education, 2011). In fact, in 2002 the number of students enrolled in PHEI was already more than the total number of student enrolment in the public universities (Morshidi, 2004, 2005).

The phenomenal growth of private higher education sector in Malaysia is due to some regulatory enactment on higher education, such as the Private Higher Educational Act 1996 by Malaysian Parliament (Morshidi, 2005). Prior to 1996, delivery of higher education was monopolized by the public sector. Legislative changes in 1996 resulted in the coexistence and complementary relationship between public and private higher educational institutions.

The introduction of legislative amendments to higher education in Malaysia is linked directly to economic and social issues in Malaysia. The National Economic Advisory Council (2010) observed that Malaysia faces a number of economic and social problems, for example insufficient skilled labors, non-productive workers, and lack of innovation among the laborers. Organizations in Malaysia face difficulties in getting technical, supervisory and managerial level skilled workers (National SME Development Council, 2012). Many organizations in Malaysia reported vacancies for skilled production workers, and they have to wait for an average of four weeks' time to fill a vacancy (World Bank, 2009). Malaysia Ministry of Higher Education (2011) reported that 58% of Malaysian labor had studied only up to secondary school level, 13.2% studied up to primary level and another 2.6% had never entered the education system at all (OECD, 2013). In addition, about three-quarters (73.8%) of Malaysia

labor force were low-skilled. As a reesult, the National Transformation Framework was introduced in the 10<sup>th</sup> Malaysia Plan (2011-2015), through which the New Economic Model and the Economic Transformation Program were introduced into the Malaysian economy. Through strengthening the higher education sector, the Malaysian government hopes that quality education system can help to overcome skill shortages, and to develop a highly skilled, creative and innovative workforce.

Malaysia also aspires to be a leader for excellent transnational education and a major education provider in South-East Asia (National Higher Education Strategic Plan, 2007). As a result, the National Higher Educational Action Plan 2007-2010 was launched to transform the higher education sector in Malaysia. In August 2007, another comprehensive plan—the National Higher Education Strategic Plan was launched. These plans targeted foreign international students from every corner of the world as potential sources of Malaysia's foreign earnings. In 2007, Malaysia earned approximately RM50 million annually from foreign students in higher educational institutions (Uda Nagu, 2007). International students stood at 58,294 in 2009 and 62,705 in 2010, with students originating from China, Iran, Indonesia, Nigeria, Yemen, Libya, Botswana, Sudan, Saudi Arab, Bangladesh, Pakistan, Maldives and India (Statistics of Higher Education, 2010).

In general, there are two categories of PHEI, that is, non-university status, and university status. Non-university status PHEI are private colleges which offer mainly internal (home-grown) diploma level programs, and some basic degree or twining programs to students (Ministry of Higher Education Malaysia, 2013). Contraly, PHEI with university status can confer its own degree to students, and are made up of private institutions with university status, such as university colleges, branch campuses of PHEI, and branch campuses of foreign-owned universities. University colleges are former colleges, owned by private sector, and had been upgraded to the status of university and hence enjoy the same privileges of private universities.

In terms of funding, the PHEI can be divided into five categories: public sector funded universities and colleges (such as University Selangor and University Kuala Lumpur), universities funded by large public corporations (such as Multi-Media University, University Tenaga National, and University PETRONAS), big university colleges or colleges that are publicly listed (such as INTI, Taylor, Stamford, and University College Management and Technology), joint venture or foreign-owned universities (such as Sunway-Monash, Curtin, Nottingham and Reading), and other private colleges. This study focuses on PHEI with university status, that is, private universities, university colleges, branch campuses of privately-owned universities, and branch campuses of foreign-owned universities. These PHEI are bigger, more structured, and have better infrastructure and facilities.

#### **1.2 Problem Statement**

Private higher education institution (PHEI) is identified by the Malaysian government as one major area that can help in the transformation of Malaysia (Education Development Blue Print, 2006-2010; Education Development Master Plan, 2015-2023). In an effort to turn Malaysia into an advanced nation by the year 2020, the Malaysian government proposes that the main duty of the education industry is to produce human capital with the right skills, knowledge, and attitude to bring Malaysia to success, and that the PHEI are to complement public higher educational institutions in achieving Malaysia's Vision 2020 (Education Development Blue Print 2006-2010).

In view of the vital role played by PHEI, it is essential that these institutions are staffed by academic staffs that are willing to perform and remain with PHEI. However, Raemah and Rosli (2013) indicated that the level of commitment of academic staff working in public and private universities in Malaysia varies significantly. Organizational commitment has been found to influence turnover intention among employees (Meyer & Allen, 1991). In addition, local PHEI have continued to face the problem of high turnover rate among its staff (Chong, Khor, Lee, Ooi, & Tan, 2013; Jantan et al., 2006; Nurul Nadia & Hafizal, 2010). The average turnover rate for all categories of PHEI was found to be 9.2% for academic staff with PhD, and 3.6% for those without PhD (IPPTN, 2004). Academic staff of private universities had the highest turnover rate, that is, averaged 12% for those with PhD (IPPTN, 2004). Another study on turnover intention of three public universities in Malaysia revealed that the turnover intention of academic staff in public universities had a mean of 2.48 out of 5 Likert scale (Khairunneezam, 2011). While a case-study on one of the private universities recently found that the mean of turnover intention is 2.85 (out of 5 Likert scale), which is higher than that of the public universities (Chong et al., 2013). In Nurul Nadia and Hafizal's (2010) study, it was observed that 9.4% of academic staff agreed that they often have intention to leave their jobs. On top of that, an alarming 20.31% of academic staff revealed that they will voluntarily leave the organization if family members ask them to do so. Approximately 29.7% of academic staff confessed that if they have a chance to work in other organizations, they will do so, and 28.1% of respondents daydreamed about what it would be like to work in other organizations. In the same study, approximately 13.3% of academic staff claimed that they will leave the organization voluntarily sometime within the next five years, while about half (49.2%) of respondents disagreed with the statement that they plan to stay in the organization forever. These results suggest that turnover intention issue of academic staff should be treated seriously, particularly in PHEI.

Overall, in the Malaysian education industry, the average turnover rate is reported as around 29.28% between July 2010 to Jun 2011 (Malaysia Employee Federation, 2011), being the third highest rate after Information Technology/communication sector (75.12%) and hotel/restaurant sector (62.4%). Most of the turnover in the education industry occurred within PHEI (Chong et al., 2013; IPPTN, 2004; Jantan et al., 2006; Morshidi, 2006; Nurul Nadia & Hafizal, 2010; Siti Aisyah, Azizah, Roziana, Ishak, Hamidah, & Siti Khadijah, 2012).

Factors affecting turnover of academic staff are found to be related to work environment (such as organization policies, academic climate/culture, compensation, and reward system), personal characteristics (such as demographics, achievement motivation, self-efficacy, locus of control, and self-esteem) and external environment (such as job market and reward system) (IPPTN, 2004). Many academic staffs are not satisfied with the limited career development and promotion opportunities in PHEI, unattractive remuneration, high workload, and inadequate support for research activities (Arokiasamy et al., 2009; Nurul Nadia & Hafizal, 2010; Siti Aisyah et al., 2012). Other determinants of the high rate of turnover intention are supervision, training opportunities and distributive justice (Chughtai & Zafar, 2006); job satisfaction (Mohd. Nasurdin, Ramayah, Abdullah Hemdi, & Seow, 2003); perceived external prestige of the organization (Fuller, Hester, Barnett, Frey, & Relyea, 2006) and procedural justice (Yusof & Shamsuri, 2006).

In addition, the changing nature of academic job has caused many academic staff to consider leaving the job (Nurul Nadia & Hafizal, 2010). In a case study in