UNIVERSITI PUTRA MALAYSIA

INDIVIDUAL CHARACTERISTICS AND THEIR INFLUENCE ON EMPLOYEE RETENTION IN THE MALAYSIAN TOURISM INDUSTRY

NURUL AQILAH BINTI AHMAD

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By

NURUL AQILAH BINTI AHMAD

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfillment of the Requirements for the Degree of Master of Science

December 2016
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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the Degree of Master of Science

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By

NURUL AQILAH BINTI AHMAD

December 2016

Chairman: Dahlia binti Zawawi, PhD
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The purpose of this study is to examine the effects of individual characteristics; personal values, competencies and role perceptions as personal factors that influence organisational commitment and retention of employees in Malaysia’s tourism industry. This research intends to affirm the importance and effectiveness of individual characteristics in improving retention amongst employees in the tourism and hospitality industry of Malaysia.

As organisational factors were mostly investigated by previous scholars, this is one of the few research to study individual factors in employees’ retention. This study extends the body of knowledge of personal values, competencies and role perception as individual factors of retention as there were limited researches being done in examining its antecedents. The Social Exchange Theory and the Job Characteristics Model were applied in supporting the proposed relationships and a total of eight hypotheses were proposed.

The mixed method is used in analysing the effects of personal values, competencies, and role perception on organisational commitment and retention. The quantitative method is used in analyzing the data collected through questionnaire and the qualitative method is used in analyzing the data collected through two focus group discussions. The multistage sampling method was applied in the selection of respondents. For the qualitative data, there were two rounds of focus group discussion that were organized in June 2014 and February 2015. The first and second rounds of focus group discussion were participated by both management and operational level of employees. While for quantitative data, 474 employees from hotels, travel agencies and restaurants in the Klang Valley, Pahang, Johor and Penang participated in questionnaire survey. The data screening was carried out to eliminate missing values and outliers in the data collected. The reliability, multivariate assumption tests, and
descriptive data analysis were conducted as well. A multiple regression analysis was employed to analyse the data and test the hypotheses in this study.

The results of this study show that six out of eight hypotheses were supported. The findings show that personal values do not have significant relationships with retention and competencies do not have significant relationships with organisational commitment. However, personal values, competencies and role perception are found to be predictors of employees’ retention mediated by employees’ organisational commitment. The mediator effect of organisational commitment for the relationships between personal values, competencies and role perception; and retention were found to be statistically significant.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains

**CIRI-CIRI INDIVIDU DAN PENGARUHNYA KE ATAS PENGEKALAN PEKERJA DALAM INDUSTRI PELANCONGAN MALAYSIA**

Oleh

**NURUL AQILAH BINTI AHMAD**

**Disember 2016**

Pengerusi : Dahlia binti Zawawi, PhD
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Tujuan kajian ini adalah untuk mengkaji kesan ciri individu; nilai peribadi, kecekapan dan peranan persepsi sebagai faktor peribadi yang mempengaruhi komitmen terhadap organisasi dan pengekalan pekerja dalam industri pelancongan di Malaysia. Kajian ini bertujuan mengesahkan kepentingan dan keberkesanan ciri individu dalam meningkatkan pengekalan dalam kalangan perkerja dalam bidang pelancongan dan hospitaliti industri di Malaysia.

Faktor organisasi telah banyak dikaji oleh penyelidik sebelum ini, kajian ini adalah salah satu daripada bilangan kecil penyelidikan yang mengkaji faktor individu dalam pengekalan pekerja. Kajian ini meliputi pengetahuan tentang nilai peribadi, kecekapan dan persepsi peranan sebagai faktor individu pengekalan kerana terdapat kajian terhad yang dilakukan dalam mengkaji faktor individu ini terhadap pengekalan pekerja. **Social Exchange Theory** dan **Job Characteristics Model** telah digunakan dalam menyokong hubungan yang dicadangkan dan sejumlah lapan hipotesis telah dicadangkan dalam penyelidikan ini.

dikumpul telah diteliti untuk menyingkirkan kes yang mempunyai nilai yang hilang dan data yang terpencil. Ujian reliabiliti, ujian andaian multivariat dan analisis data deskriptif telah dijalankan juga. Analisis regresi berganda telah digunakan untuk menganalisis data dan menguji hipotesis dalam kajian ini.

Hasil kajian ini menunjukkan bahawa enam daripada lapan hipotesis telah disokong. Hasil kajian telah menunjukkan bahawa nilai peribadi tidak mempunyai hubungan yang signifikan dengan pengekalan dan kecekapan tidak mempunyai hubungan yang signifikan dengan komitmen organisasi. Walau bagaimanapun, nilai peribadi, kecekapan dan peranan persepsi didapati meramal pengekalan pekerja dengan kehadiran komitmen organisasi sebagai pengantara. Kes komitmen organisasi sebagai pengantara untuk hubungan antara nilai-nilai peribadi, kecekapan dan peranan persepsi; dan pengekalan ditemui ketara secara statistik.
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I would like to thank my parents for their unconditional love and support in choices I have made in my life. They grant me huge freedom in my years of growing up. I would like to share this joyful and special moment with them. I am very much indebted to the love that they have given to me.

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Last but not least, my gratitude for my husband for being extremely patient and thoughtful in keeping me optimistic. You are the one who is always there for me and always wanting to cheer for my success.
I certify that a Thesis Examination Committee has met on 22 December 2016 to conduct the final examination of Nurul Aqilah binti Ahmad on her thesis entitled "Individual Characteristics and their Influence on Employee Retention in The Malaysian Tourism Industry" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science.

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CHAPTER 1

INTRODUCTION

This chapter starts with the background of the study that serves as the platform for this research endeavour. The next section talks about the tourism industry of Malaysia. This chapter also discusses the practical and theoretical problems this study intends to address. Several objectives are outlined for this research to achieve. This chapter also includes the significance of the study from both the theoretical and practical perspectives. The chapter ends with an overview of how this thesis is structured. Finally, definitions for the main concepts used are briefly explained which will serve as a guide throughout the entire thesis.

1.1 Background of the Study

Retention of employees in organisations is often argued as amongst the most critical workforce challenges for the immediate future. There is no single recipe for keeping employees loyal with a company as retention is believed to be a complex concept (Sinha, 2012). Generally, retention is defined as an organisation’s effort to keep their desirable workers in order to meet business objectives (Sinha, 2012; Frank, Finnegan, & Taylor, 2004). Several studies have pointed that retention is goaded by various factors, which include: organisational culture, communication, strategy, pay and benefits, flexible work schedule and career development systems (Logan, 2000).

Similar to turnover of employees, which aimed at determining factors that endanger employees to quit (Griffeth, Hom, & Gaertner, 2000), employees’ retention is also known for the factors that oblige employees to sustain. Maertz and Campion (1998) noted that little turnover studies have concentrated on how an employee decides to remain in an organisation and what determines the attachment. The researchers also added that retention processes should be studied along with the quitting processes.

Authority (2009) indicated factors of retention that incorporate the needs and desires of employees to enhance the level of loyalty and commitment. Cunningham (2002) found that employee recognition, flexibility and training have been ranked by employees to be main priorities for extending employee job tenure. While, Walker (2001) and others stressed on establishing a supportive learning working climate to improve retention rates. Furthermore, career development (Boomer Authority 2009), communication (Gopinath & Becker, 2000) and superior-subordinate relationship (Zenger, Ulrich, Smallwood, 2000) are also the factors known to lengthen the stay of the employees in the organisation.

On the management side, a shortage of highly-skilled employees causes problems for organisations to retain quality employees and will be left short-staffed. A less qualified manpower will eventually prevent an organisation’s ability to continually competitive
(Rappaport, Bancroft, & Okum, 2003). On top of that, managers will face serious challenges in motivating and retaining the employees in situation of high uncertainties (Mitchell, 2002).

For the past few decades, employees’ retention has become an interest to researchers and employers in various fields. A number of studies (e.g. Gale Group, 2006; Feldman, 2000; Thomas, 2000) have come out with retention strategies that are related to salary package and compensation that embraced employee motivation to cater the diversity and long stay of the workforce in the organisation. On top of that, retention strategies has been proven to enhance the ability of organisations to adapt effectively to continuous organisational change (Yang, Wan, & Fu, 2012; Frank et al., 2004).

According to Mak and Sockel (2001), motivation theory is closely related to retention and has been proven to underpinning the issues of it. It is important to ensure that employees work towards the goal of the organisation. Three main theories that are commonly used to explain this situation are: 1) Maslow’s Hierarchy of Needs Theory, 2) Herzberg’s Dual Factor Theory and 3) Hackman-Oldham’s Job Characteristics Theory. These theories share the argument that the fulfillment of needs is central for motivating employees and increasing satisfaction needed to be attached to the job.

Apart from the study on organisational factors and strategies of employee retention, this study will focus on individual characteristics as a factor to influence organisational commitment and employees’ retention. Individual characteristics according to Perry (1996) in his Public Sector Motivation (PSM) theory, several conceptually distinct components, including: ability and competencies; individual's values and identity that respond to one's behaviour. Evidence has shown the importance of employee personality and characteristics in influencing their behaviour. Individual characteristics include employees’ personal values, employees’ competencies and employees’ perception on their work role. This study attempts to support the previous study by Kyndt, Dochy, Michielsen, & Moeyaert (2009) that consider both organisational and individual factors in influencing employees’ retention.

1.2 The Tourism Industry in Malaysia

Tourism relates to the activity of travellers on vacations outside their usual environment with a duration of less than one year (Impact, 2014; Pg. 15). The United Nations World Tourism Organization (UNWTO) mentioned that the definition of tourism implies that tourism consists of a broad range of activities which goes beyond common holiday activities. Hence, the tourism industry covers a wide range of activities which involves tourism consumption. Travel and Tourism Economic Impact Malaysia (2014) defined this tourism consumption as ‘tourism spending’. Tourism spending means ‘spending within the country by tourists for both business and leisure trips, including spending on transport’ (Impact, 2014; Pg. 15). According to this definition, the tourism industry includes several sub-sectors such as accommodation, transportation and distribution, restaurants, retail and attractions.
International tourism is one of the important contributors in Malaysian economy (Mazumder & Ahmed, 2009). The industry has become as the second largest foreign exchange earner after the manufacturing industry in Malaysia. Specifically, in 2012, there were 25.03 million tourist arrivals contributing to RM60.6 billion to the Malaysian economy. Consequently, receiving 60.3 million international tourists has ranked Malaysia as the top ten world’s destinations (UNWTO, 2012).

The tourism industry consists of a few sub-sectors, namely accommodation, food and beverages, retail stores, theme parks and attractions, and transportation and distribution. These five sub-sectors are included in the tourism industry as they are part of the tourism expenditure (UNWTO, 1995). Out of the sub-sectors of the tourism industry, scholars have found that the hospitality industry, which includes both restaurants and the lodging industry, has a high turnover rate in both developing and developed countries (Abdulah et al., 2010).

The high turnover rate in the hospitality industry including the food and beverage service industry of Malaysia has attracted the attention of scholars (e.g. Albattat & Som, 2013; Saad et al., 2012; Abdullah et al., 2010). Despite the importance of the tourism industry to the Malaysian economy, the high turnover rate of hotel industry in Malaysia obstructs the development of the tourism industry (Abdullah et al., 2010). This study will examine the tourism and hospitality industry under accommodation, food and service activities and support service activities (e.g. travel agencies).

1.3 Problem Statement

The tourism industry is the second largest foreign exchange earner after the manufacturing industry in Malaysia (Mazumder and Ahmed, 2009). Malaysia has successfully attracted tourism receipts which create the market rise of 16.1 per cent amounting to RM5.7 billion in 2016 compared to the previous year (New Straits Times Online, May 2016). According to the World Development Indicators in 2012, Malaysia was placed in the top ten countries with the highest international tourist arrivals. The income generated from the tourism industry has increased as much as RM65.4 billion in 2013 as compared to 21.3 billion back in 2003. However, high employee turnover rates and challenges on personnel shortage is a constant experience for the Malaysian tourism and hospitality industry (Hemdi and Nasurdin, 2006; Hemdi and Rahim, 2011). Employee turnover is often described as the unplanned loss of workers who voluntarily leave and whom employers prefer to keep in their organisation. Due to this, recruiting and retaining employees in the tourism industry has been highlighted as one of the most difficult challenges for organisations.

A number of studies have come out with retention strategies for organisations to improve turnover and to keep the desirable employees such as training and career development programs (Yang et al., 2012), empowerment (Herman, 2005), HRM practices (Sinha, 2012) and stress management (Deery, 2008). It is also indicate that employees will stay when they have a strong relationship with whom they work (Clarke 2001). It has been proven that organisational practices such as a positive
learning environment (Dillich, 2000), encouragement of team building activities, project assignments involving work with colleagues and opportunities for interaction both on and off the job (Johns et al, 2001) lead to higher retention rates. Many of the previous studies have proven that organisational practices and efforts have no doubt influence retention of employees in organisations.

Furthermore, evidence from previous studies have suggested that organisational factors such as organisation practices and policies have high impacts on employees’ attitude and behaviour at the workplace (Kusluvan, Kusluvan, Ilhan, & Buyruk, 2010). People management practices in organisations such as recruiting, training, rewards, recognition and appraisal have been argued to be important on managing the human capital pool. This includes employees knowledge, skills and ability in order to achieve organisational outcome; psychological contract, job requirements and organisational citizenship. Previous studies have also found strong significant relationship between human resource practice and organisational success (Davidson & Wang, 2011; Burke & Ng, 2006; Collins & Smith, 2006; Science, 2002; Wright, Dunford, & Snell, 2001). There is no doubt that human resource plays an important role for today’s business organisations in achieving their objectives and goals. Despite the focus on organisational factors that influence employees’ retention (Yang et al., 2012; Sinha, 2012; Deery & Jago, 2009; Herman, 2005), little work has been examined on the individual characteristics that may trigger employees’ behavioral outcomes.

1.4 Research Objectives

The main objective of this research is to examine the effect of individual characteristics; personal values, competencies and role perceptions that influence the organisational commitment and the retention of employees in the Malaysian tourism industry. Based on the primary objective, this research aims to achieve these specific objectives:

1. To analyze the effect of individual characteristics; personal values, competencies, and role perception on organisational commitment.

2. To examine the effect of individual characteristics; personal values, competencies and role perception on retention.

3. To evaluate the relationship between organisational commitment and retention.

4. To investigate the mediating effect of organisational commitment on the relationship between individual characteristics; personal values, competencies and role perception; and retention.
1.5 Research questions

Based on the research objectives, this study attempts to answer the following research questions. These research questions will be answered through various analysis methods, namely Multiple Regression and Bootstrapping analysis.

1. Do individual characteristics; personal values, competencies, and role perception have an effect on organisational commitment?

2. Do individual characteristics; personal values, competencies, and role perception have an effect on retention?

3. Does organisational commitment have an impact on retention?

4. Is there a mediating effect of organisational commitment on the relationship between individual characteristics; personal values, competencies, and role perception, and retention?

1.6 Significance of the study

Despite the positive growth of the Malaysian tourism industry, the industry declared to be having difficulties in retaining employees due to the high turnover reported in the hospitality sector (Albattat & Som, 2013; Saad et al., 2012; Abdullah et al., 2010). The reasons for employees leaving their jobs in the tourism industry include job stress (Harris, Artis, Walters, & Licata, 2006) and therefore demotivated them in performing their work. The findings of this study will provide new information to the development of employees’ retention. Since organisational factors have been proven to result in employees’ retention, the importance of individual factors is going to be added to contribute towards retention as well.

Development of the tourism industry can be attained through enhancing enough supply and retain of well educated, skillful and experience employees. Findings of this study would contribute to identify specific skills and competencies of employees that should be incorporated in the curriculum that would later contribute in retaining them in organisations. The findings would contribute towards increasing the breadth and quality of organisation management based on the pursuit of continuous improvement of employees’ retention. It is significant that employees’ retention in the tourism industry to be investigated and recorded for future references, since the tourism industry is one of the main contributors to the Malaysian economy.

Besides the contribution on the practical aspect, this study will also contribute to a new body of knowledge in Malaysia’s tourism industry and extend the body of literature in employees’ behaviour study.
1.7 Terms of References

| Retention | An obligation to continue to do business or exchange with a particular company on an ongoing basis (Zineldin, 2000) |
| Organisational Commitment | A ‘strong belief in and acceptance of the organisation’s goals and values, a willingness to exert considerable effort on behalf of the organisation, and a definite desire to maintain organisational membership’ (Porter, Steers, Mowday, and Boulian, 1974). |
| Personal Values | An enduring standard that have cognitive, affective, and behavioral components (Rokeach, 1973). |
| Competencies | Skills, abilities, and knowledge necessary to meet the challenges and tasks of one's profession (Zehrer & Mössenlechner, 2009a). |
| Role Perceptions | Encompass both activities (e.g., duties) and personal attribute (e.g., skills) requirements to provide more complete picture of possible antecedents of citizenship (Dier dorff, Rubin, & Bachrach, 2012). |

1.8 Organisation of the Thesis

The thesis is organised into six chapters which covers the following:

Chapter One: Introduction discusses the current research issues in the area of employees’ retention. It highlights some important information regarding this research. This involves employees’ retention in the Malaysian tourism industry, the nature of the research problem, the research objectives and questions, the significance of the study and key definitions of the terms used in this research. A summary of the chapter is also included in the chapter.

Chapter Two: Literature Review is based on the title of the research and it reviews the literature relating to various antecedents of organisational commitment and retention. It identifies support from three individual characteristics existing in the literature, personal values, competencies and role perception. In addition, it also reviews the past studies of organisational commitment and retention. The chapter also reviews the empirical relationships between the main variables involved in this research. A summary of the gaps is provided at the end of the chapter in the thesis.

Chapter Three: Research Framework and Hypotheses Development commences with a discussion of the Social Exchange Theory (SET) and Job Characteristics Model (JCM) as the focal theories of developing the research framework in this research. The chapter reviews the application of SET in organisational commitment and retention studies. It provides the justification of the relationships between the main variables that this research intends to adapt and expand making use of the theories. Essentially,
this chapter presents the conceptual framework, the hypotheses developed according to the theoretical justifications to examine the relationship between the main variables.

Chapter Four: Research Methodology starts with the philosophy of the research design of this research. It then proceeds to the research design and explains in detail how this research is carried out to achieve the research objectives highlighted in Chapter One. In this part, the justifications are provided for using the quantitative approach and questionnaire survey for this study. Most importantly, this chapter discusses the sample size determination and the sampling strategy that guide the researcher in getting the respondents. This chapter also includes a data collection storyline, a brief description of the questionnaire design and measurements. The final part of the chapter briefly delineates the pilot testing and reliability analysis, respectively.

Chapter Five: Results and Data Analysis looks at the important steps taken to derive the findings after the data collection. It begins with the data cleaning process, including missing value treatment, outliers and normality test. This chapter discusses demographic details of the respondents based on the information provided in the questionnaire survey. Then, the chapter provides the profile of the variables, reliability of measurements, multicollinearity test, regression analysis and mediation analysis. The final part of the chapter encompasses statistical findings for the hypothesised relationships.

Chapter Six: Discussion and Conclusion presents the discussion and justification for the findings after the data have been analysed. This chapter highlights the limitations of the thesis. Some directions for future studies in this area of research are proposed in this chapter. The chapter ended with a conclusion of the overall research conducted.

1.9 Chapter Summary

This research aims to investigate the effect of individual characteristics; personal values, competencies and role perceptions on organisational commitment and retention of employees in the Malaysian tourism industry. This chapter starts with a brief introduction of the tourism industry and how the retention of employees study contributes to better tourism growth. This chapter also includes the objectives of the study, problem statement, and followed by the significance of conducting it. The following chapter discusses the literature review pertaining to the study.
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