

## The Relationship Between High Performance Work System and Turnover Intention: A Generation Gap Study

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### ABSTRACT

*This research examines the relationship between factors of high-performance work systems (HPWS), which is element flexibility of HPWS among high skill contractor sector firm employees in Sabah. This is important in examining the effectiveness of human resource management practices in facilitating employee to sustain in the organization. The results showed that element flexibility of HPWS have the significant relationship with the turnover intention. In addition, the study also attempts to determine the differences in the turnover intention based on demographic study, which is generation gap or variables (age). The study also hypothesized that there are significant differences in the turnover intention of private sector employees in the states of Sabah, Malaysia at different age and length of service and there is a dominant factor influencing turnover intention among employees in the construction organization. Questionnaire method has been used as a research instruments to obtain the data. A total of 107 respondents were randomly selected as a sample of study. The data was analysed using "Statistical Package for Social Science" (SPSS Window) Version 12.0 as well as Smart PLS. The result of element flexibility of HPWS and turnover intention generally support the hypothesis. These findings show that this element HPWS factor should have given attention to retain employees in the organization. Some suggestions have been recommended for the contractor sector organizations and for future research to be more complete and comprehensive.*

## INTRODUCTION

Extending from the perspective and literature of strategic human resource management, this study investigated the possible relationships among high performance work system and employee turnover intention among Generation X and Y high skill employees. First purpose of this study is to understand the relationship element Flexibility in high performance work system and employee turnover intention in the contractor firms. A large literature emerging during the last three decades has identified a range of antecedents of turnover intention and actual turnover, including individual characteristics, employee attitudes, organizational conditions, and managerial practices. Limited research has been done on the impact of employee turnover as a multifaceted managerial approach on turnover options in the construction company sector in Sabah.

Second purpose of this research paper is to examine the association between Gen X and Gen Y who are currently working in construction company Sector field and their intention to leave their organizations. Different generational members have different generational characteristics as well as individual differences and failure by managers to understand the generational and individual differences can result in misunderstandings, miscommunication and conflict. By providing managers with the necessary knowledge to understand employees Gen X and Y criteria to measure effective application of element HPWS can be designed and implemented. In order to understand better their intention, research adopts one of the bundles selected of HR-practices namely flexibility as a variable to test the relationships between the two generations and their voluntary turnover intention in Sabah. This study has utilized quantitative research in order to test the hypotheses said in this research as well as a research questionnaire was designed based on the questionnaire developed from the past studies to represent the independent

variables, dependent variable and moderator. Expected outcome is this element of HPWS could reduce turnover intention among Gen X and Y employees.

## THEORITICAL BACKGROUND

### High Performance Work System

High Performance Work System is conceptualized as a set of distinct but interrelated HRM practices that together select, develop, retain and motivate a work force (Way, 2002; De Menezes & Wood, 2006) in a superior manner (Kerr et al., 2007) leading to enhanced organizational outcomes. In general, they are characterized by a set of managerial practices that serve to enhance the involvement, commitment and competencies of the employee (Ostermann, 2006) by transforming employees from mere workers into partners of the employers in realizing company goals (Casperz, 2006).

### Turnover Intention

Tett and Meyer (1993) in Rumery (1997), stated that when the workers are conscious and deliberately want to leave the organization, it is called as turnover intention. Meanwhile, Mobley (1997) explained that turnover intention as the cognitive process of thinking, planning, and desiring to leave a job. Turnover intention is when a person has put an intention to quit the job.

### Flexibility

Flexibility is commonly taken to mean those family-friendly work practices that enable workers to balance their family and work responsibilities (Napoli, 1994). Moreover, according to Raabe (1996) flexibility is concerned with enabling workers with family responsibilities to engage equally in the paid workplace and valuing the diverse work patterns that emerge within the organizations as workers balance their work and family.

## **Generation X**

Born between 1965 and 1980. Generation X has strong ties to the Baby Boomers but grew up in more prosperous times. During childhood, this generation was busy playing outside with their friends. To them home was a place for dinner and sleep. They share a sense of respect and duty similar to their older counterparts, and also prefer to keep home and work matters separately. (Huichun & Miller, 2005).

## **Generation Y**

These techno-natives were born between 1981-2000 (Karia & Ahmad, 2000) and grew up with laptops at home and at school. This group of workers is newcomers in the workplace and therefore their influence at this time is yet to be felt. They represent the most technologically adept. They are fast learners and tend to be impatient (Zemke et al., 2000).

## **High-skilled Worker**

Highly skilled worker is any worker who has special skill, training, knowledge, and (usually acquired) ability in their work. A skilled worker may have attended a college, university or technical school. Or, a skilled worker may have learned their skills on the job. Examples of skilled labour include software development, paramedics, police officers, soldiers, physicians, crane operators, drafters, painters, plumbers, craftsmen, cooks and accountants. These workers can be either blue-collar or white-collar workers, with varied levels of training or education (Franck Diivell, 2004).

## **The Relationship between HPWS and Turnover Intention**

Huselid (1995; in Mohsin et al., 2011) argued that HPWS practices have a direct impact by lowering employee turnover, raising productivity, and improving financial performance. Furthermore, HPWS also shown in various study to have the positive link

to individual wellbeing such as decreasing turnover and impact to the job satisfaction. Besides that, it also supported by Schiemann (2011), If HPWS is good then it will decrease the level of intention to turnover and intention to quit.

## **The Relationship between Generation Gap and Turnover Intention**

Solnet et al., (2012) state that Generation Y have the power to transform the labour force and employers struggle to retain Generation Y employees. Additionally, Generation Y reported to have high level of turnover intention as compared to Generation X.

Generations X and Y co-workers suggested that attitudes towards commitment had indeed changed with the advent of the Millennials as these employees seemed less dedicated to their employers and more likely to leave when conditions were less than perfect (Lipkin & Perrymore, 2009).

Younger employees are more prone to develop turnover intentions (Chiu & Francesco, 2003; Jacobs, 2005). Numerous research studies conducted in diverse occupational settings and countries confirm this notion (e.g. Beecroft et al., 2008; Chang et al., 2013; Cho et al. 2012; Lehong & Hongguang, 2012; Pitts et al., 2011; Sun et al., 2013). Data collected by the Talent Edge 2020 survey (Deloitte, 2011) revealed that 26 per cent of Millennials were planning to leave their organisation in the following 12 months. Of all generational groups, they were the most likely to test the job market and develop turnover cognitions. Generation X (21 per cent) and Baby Boomers (17 per cent) were more likely to stay with their current organisation. In addition, the research findings highlighted the negative relationship between employee tenure and turnover intention. The longer employees have been appointed within an origination, the less likely they are to explore alternative employment opportunities. Eighty-five per

cent of employees with more than five years' tenure planned to stay with their current organisation. As anticipated, 34 per cent of employees who have been employed for only

two years or less indicated that they did not plan to stay with their employer longer than the next 12 months (Deloitte, 2011).

### RESEARCH HYPOTHESIS

H1: There is a significant negative relationship between flexibility and turnover intention.

H2: Generation gap moderate the relationship to Turnover Intention.

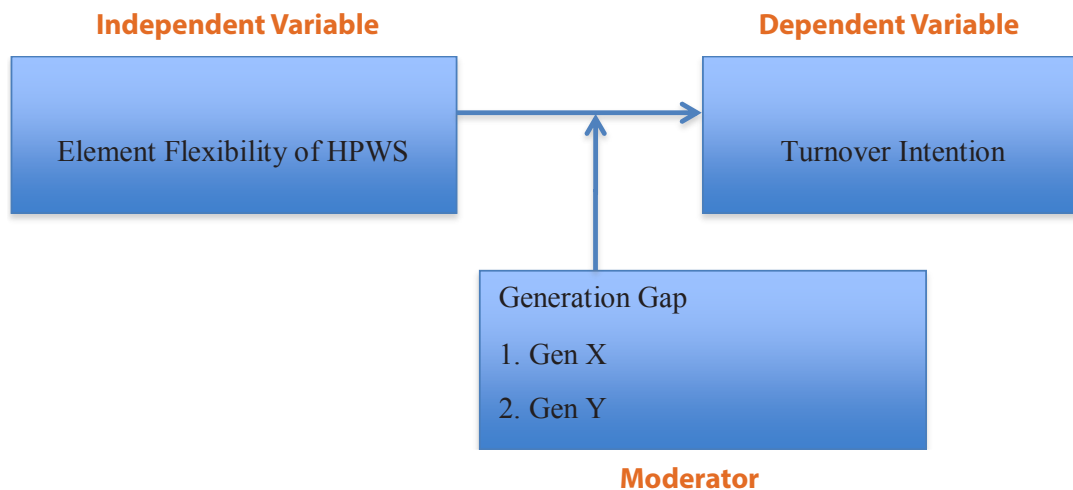


Figure 1 Conceptual framework

### METHODOLOGY

The primary data studies with quantitative research. It covered all the relevant research methodology and framework. Research design, methodology and proposal framework use in this study. What covered here are research framework, research question, hypothesis development, research design, population, instrument, data collection, data analysis, validity and reliability of the data. Next, the hypothesis of this research in which the predictions of independent and dependent also moderator variables are formulated. The most important thing to be revealing within this research framework so that it will guide this research directly to the main idea and objective of this study.

This study used a cross-sectional survey design to analyze the relationships between the independent variables, the dependent variable, mediator and the moderator. This study employed a questionnaire method, which is developed by using structured questions for collecting primary data. This study only obtained primary data as its main data source with no interview session.

#### Target Population

The high skill employees in Construction G7 Company in Sabah target as a site for data distribution.

#### Sample and Sampling Procedure

Method Simple random sampling was chosen for each company in the research's

target population have been identified and possess equal chances to be chosen as target respondent. Employees will select from Gen X and Y categories for identifying and given a questionnaire. The purpose of this research is to get high skill workers responses from participants with diverse background.

The effect size that this study set in G\*Power was (0.15) (medium) (Hair et al., 2014) with alpha ( $\alpha$ ) value of 0.05 as well as the power of  $(1-\beta)$  0.80 (minimum) based on two predictor which one predictor independent variable and one predictor moderator. Therefore, total sample size for this study is 107 respondents base on calculating G\*Power 3.1 software.

## RESULT

### Profile of Respondents

**Table 1** Profile of respondents

Demographic Variables	Category	Frequency	Percentage (%)
<b>Age</b>	37 and below	59	55.1
	38 and above	48	44.9
<b>Gender</b>	Male	78	72.9
	Female	29	27.1
<b>Education</b>	Certificate	29	27.1
	Diploma / STPM	42	39.2
	Degree	34	31.8
	Master's degree	2	1.9
<b>Previous working experience</b>	1 > 10 years	86	80.3
	11 > 20 years	16	14.9
	21 > 30 years	3	2.8
	31 > 40 years	2	1.9
<b>Working experience in existing company</b>	1 > 10 years	92	86.0
	11 > 20 years	12	11.2
	21 > 30 years	3	2.8
	<b>Total</b>	<b>107</b>	<b>100</b>

### Model Assessment using SmartPLS (PLS-SEM)

Based on the hypothesis that was mentioned in Chapter 3, through SmartPLS software, partial least square approach (PLS) was used to develop the model and in turn testing the hypothesis. This study utilize PLS SEM to analyse research model using SmartPLS 3.2.7 software. Data analysis in SEM is split in two stage which are Measurement model and Structural Model (Ramayah, 2014).

In measurement model, assessment of reliability and validity of the items is carried out while for structural model to check relationships between variables (Ramayah, 2014; Hair et al, 2016).

### Measurement Model

Based on Hair et al. (2016), convergent validity and discriminant validity are two types of validity were measured in the measurement model. To measure convergent validity, this

study use average variance extracted (AVE) while to test construct reliability, this study use composite reliability (CR) (Ramayah,

2014; Hair et al., 2016). According to Hair et al. (2016), Loading must be more than 0.60 or higher, AVE must be 0.50 or higher and CR must be 0.70 or higher.

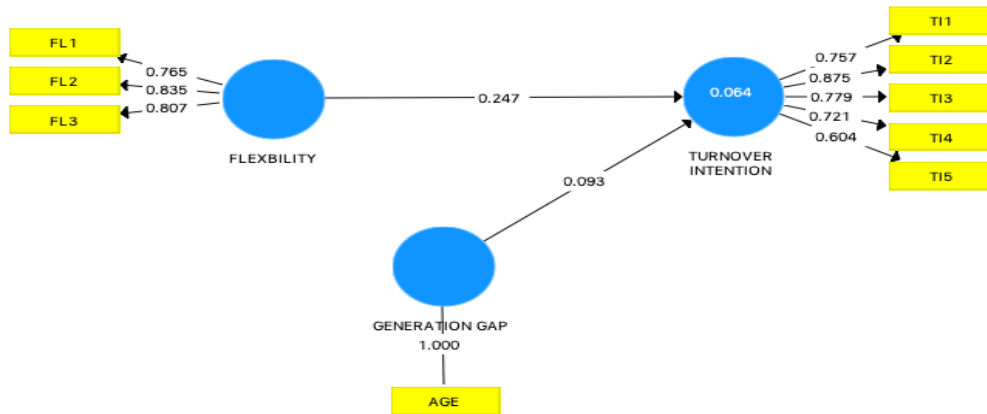


Figure 2 The measurement model

Table 2 Measurement model

		Loading	CR	AVE
Generation gap	Age	1	1	1
Flexibility	FL1	0.765	0.845	0.645
	FL2	0.835		
	FL3	0.807		
Turnover intention	TI1	0.757	0.865	0.566
	TI2	0.875		
	TI3	0.779		
	TI4	0.721		
	TI5	0.604		

Notes: delete FL4 due to loading below than 0.6.

The next to measure in measurement model after convergent validity and reliability is discriminant validity (Hair et al., 2016). To measure discriminant validity, this study are use Fornell-Larcker criterion and HTMT approach (Hair et al., 2016). Table 3 shows the Fornell-Larcker criterion that the square of the AVE for each construct is higher compare to other construct. While, none of the HTMT value of construct are higher than 0.9 (refer to Table 4). Overall, the reliability and validity test performed on the measurement model showed acceptable value and this would indicate that the measurement model for this

study is fit and valid to be used for parameters estimation in the structural modal.

Table 3 Fornell-Locker

	Flexibility	Generation gap	Turnover intention
Flexibility	0.803		
Generation gap	-0.111	1	
Turnover intention	0.236	0.066	0.752

Table 4 HTMT

	Flexibility	Generation gap	Turnover intention
Flexibility			
Generation gap	0.196		
Turnover intention	0.225	0.082	

### Structural Model

The next stage after measurement model is structural model. In this stage, proposed hypotheses would be test, coefficient of determination ( $R^2$ ) and predictive relevance ( $Q^2$ ) are obtain by running the PLS algorithm, bootstrapping (5,000 samples and 107 cases) and blindfolding (Ramayah, 2014; Hair et al., 2016).

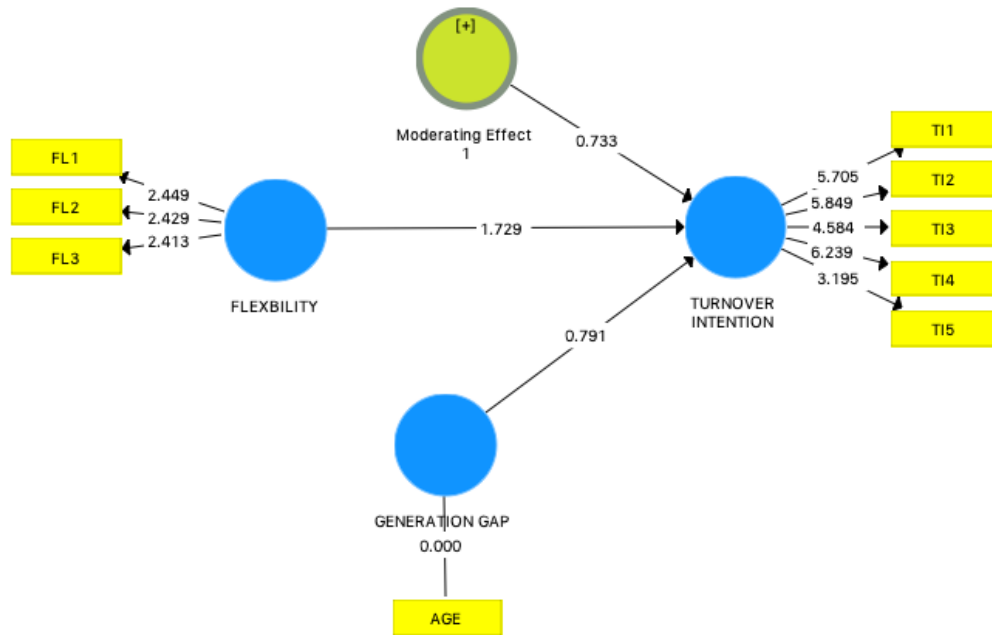


Figure 3 Structural model

Table 5 Hypotheses

	Std. Beta	Std. Error	T-Value	Decision
Flexibility -> Turnover Intention	0.235	0.136	1.729	SUPPORTED
Generation Gap* Flexibility -> Turnover Intention	0.12	0.163	0.733	NOT SUPPORTED

Note: t-Value > 1.65\* (p<0.05); t-value > 2.33\*\* (p<0.01)

Table 6 Coefficient of determination R2

	R Square
Turnover intention	6.4%

Table 7 Effect size F2

	Turnover intention
Flexibility	0.064
Generation gap	0.009

As show in Table 7, the effect size for the variables on turnover intention are as follows: flexibility ( $f^2 = 0.064$ ). This study follow Cohen (1988) guidelines for measuring effect size ( $f^2$ ). The effect size of 0.02, 0.15 and 0.35 respectively indicated small, medium and large effect. Therefore, in this study only career development and flexibility have small effect on turnover intention. While for the rest latent, no effect size on turnover intention.

## DISCUSSION

The Flexibility of High Performance Work System was found to be slight, almost negligible where the relation with turnover intention significant. The study reveals that all the dimensions of flexibility of HPWS were negatively linked with intention to quit. Hence it shown there is negative relationship between Flexibility of High Performance Work System and turnover intention due to the negative value for correlation coefficient. Thus,

when Flexibility of High Performance Work System is high, it will bring effect on turnover intention, so turnover intention will be low.

Based on the result, it has been proven that the more employees willing to stay where the Flexibility of High Performance Work System is given. This have been confirmed by Jenkins, 2007; Karp et al, 2002 where they aspire more than previous generations to achieve a balance between work and life. Similar to Gen X, The millennials value freedom and work-life balance more than Baby Boomers (Cennamo & Gardner, 2008; Smola & Sutton, 2002; Twenge, 2010). They also have high leisure work values, preferring a job that provides more vacation time than older generations (Twenge et al., 2010). Also, this generation is interested in balancing their personal, work and family lives, thus rather "working to live" or "working to have a life" (Downs, 2009). These individuals also value flexibility and studies have shown this to be an important motivational factor for members of this generation (Lieber, 2010).

Flexibility is considered to be among the most preferred work values for Gen X and Gen Y employees. Flexibility value is expressed in term of having balance between personal life and work, having flexible working hours, having independence on working alone and having autonomy at the workplace. This value is evident in the western or eastern countries. A work value among young workers has been empirically confirmed in a series of time lag studies, which are more rigorous than cross sectional studies (Twenge, 2010).

Hence, a flexible work arrangement has been considered a requirement for every employee at any organization. Aware of the negative impact due to greater time needed at the workplace, flexible work arrangements was suggested in order to have a better balance between work and family life. A contemporary management style like high performance work systems has suggested flexibility concept that suit flexible work arrangements

in the workplace. It also supported by Papalexandris and Kramar (1997) have found that work and family policies have been found to have positive impact on employees and on organizational outcomes.

As we can see there is significant relationship between flexibility and turnover intention among contractor employees. According to Chao (2005), flexibility or freedom of work have been argued to be extremely relevant to millennial employees career. In this case study, work flexibility and turnover intention are correlated. Thus, employee flexibility is important elements in element HPWS and is an extreme factor to Gen X and millennial high skill employees to sustain in Sabah Contractor Company.

### LIMITATION

As noted earlier in this research, high performance work systems in past studies have recognized several underlying practices or activities that represented this human resource practices. Nonetheless, only the most studied variables have been chosen to be included as independent variable. Keep in mind that most of the studies were done in Western situations and some Asian context like middle-east countries. Therefore, there is a high probability that the underlying practices may not be applicable to current situation or circumstances that had been adopted for this research situation. Besides, between one researcher to another there is no standard method in confirming the absolute practices that comprises the high performance work systems practices.

### FUTURE RESEARCH DIRECTIONS

The researcher would like to suggest that in order to further this study on high performance work systems, next researcher should include another sub-variable stated



under the high performance working systems and study this variable in a different setting of location or industrial background. As far as a high performance work system is concerned, besides the above suggestion, it is wiser to test other practices within the high performance working systems which suitable to generation X and Y apply. Thus, the main issue to address is what the preferred work values needed by Generation X and Y. It is because any unmet work values would exert an adverse influence on employees' attitude that is the intention to quit.

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