

THE RELATIONSHIP BETWEEN HIGH-PERFORMANCE WORK SYSTEM, EMPLOYEE ENGAGEMENT AND TURNOVER INTENTION: A GENERATION GAP STUDY

Asrul Effendy bin Ismail^{*1} and Arsiah Bahron^{*1}

¹Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah,
Kota Kinabalu, Sabah, Malaysia

***Corresponding author's email:**

asruljpp@yahoo.com; bharsiah@ums.edu.my

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ABSTRACT

This study examines the relationship between the High-Performance Work System (HPWS), employee engagement and turnover intention. It is to determine factor career development and high involvement of HPWS have the relationship to employee engagement and turnover intention among employees of Gen X and Gen Y firm sector in Sabah. It is important to study the effectiveness of human resource management practices in facilitating to engage and retention Gen X and Gen Y employees within the organization. The results indicate that HPWS's career development and high engagement factors have no significant direct relationship with turnover intention. However, HPWS's career development and high involvement factors have been mediate to employee engagement. The questionnaire method was used as a research instrument to obtain data. A total of 160 respondents were randomly selected as the study sample. Data were analyzed using the "Statistical Package for the Social Sciences" (SPSS Window) Version 12.0 and Smart PLS. These findings indicate that the career development and high involvement of the HPWS factors should give pay attention to engaging employees in the organization. This study is believed to contribute to the increase in theoretical and management implications. It has shown the importance of applying for HPWS in organizations to engage employees. It also contributes to the field of future managers who may consider understanding the best way of managing their relationships with their multigenerational subordinates.

INTRODUCTION

This study investigates the possible relationship between high-performance work systems, employee engagement and employee turnover intentions between Generation X (Gen X) and Generation Y (Gen Y). The first objective of this study was to understand the key relationship factors related to career development in the High-Performance Work System (HPWS), employee engagement and employee turnover intention among Gen X and Gen Y contractor firm employees in Sabah. The emerging literature has identified a variety of turnover intentions antecedent, including individual characteristics, employee attitudes and management practices.

The second purpose of this research paper is to examine the mediator (employee engagement) relationship of HPWS career development factors with employee engagement on turnover intention. Providing managers with the knowledge needed to understand Gen X and Gen Y employee criteria to measure the effective implementation of HPWS factors can be planned and implemented. To better understand their intentions, the research adopts one of the chosen bundles of HR practices, namely career development as a variable to test the relationship between employee engagement and turnover intention among Gen X and Gen Y employees in Sabah. This study has used quantitative research to test the hypotheses in this study as well as research questionnaires designed based on questionnaires generated from previous studies to represent independent variables, dependent variables and mediators. The result is that this HPWS element can enhance employee engagement toward to reduce turnover intention among Gen X and Y workers.

LITERATURE REVIEW

High-Performance Work Systems

High-Performance Work System is conceptualized as a set of interrelated HRM practices that collectively select, develop, maintain and motivate the workforce (Way, 2002; De Menezes & Wood, 2006) in a superior way (Kerr et al., 2007) to improve organizational outcomes. Generally, they are characterized by a set of management practices that enhance employee engagement, commitment and efficiency (Ostermann, 2006) by turning employees from employees into employers' partners in realizing toward company goals (Casperz, 2006).

Turnover Intention

Tett and Meyer (1993) in Rumery (1997), state that when employees are consciously and intentionally leaving the organization, they are referred to as turnover intentions. Meanwhile, Mobley (1997) describes turnover intentions as the process of thinking, planning, and wanting to leave work. The purpose of a turnover intention is when someone has set a desire to quit.

Career Development

Career development is a series of the process developing one's career over a lifetime. This involves moving to higher job responsibilities, making career changes in the same organization, moving to another organization, or starting a business of your own. (Dessler, 2012).

Employee Engagement

According to Towers Perrin (2003), emotion and rationality are key characteristics of employee engagement. At the emotional level, it helps to understand the personal satisfaction of the individual at work. Engagement is also an ongoing process, depending on the job experience.

Generation X

Generation X, born between 1965 and 1980, has a strong relationship with Baby Boomers but grew up in more prosperous times. During childhood, this generation was busy playing outside with their friends. To them, a house is a place for dinner and sleep. They share the same respect and duty with their older friends, and also prefer to keep the house and work separate (Yu & Miller, 2005).

Generation Y

Generation Y (born 1981 to 1999) is the youngest generation cohort, replacing the older generation in the workforce. This generation is characterized by economic prosperity, rapid technological advances through the internet, social networks, and globalization (Cennamo & Gardner, 2008; Smola & Sutton, 2002; Twenge, 2010).

The Relationship between HPWS and Turnover Intention

Huselid (1995; in Mohsin et al., 2011) argues that HPWS practices have a direct impact on lowering employee turnover, increasing output, and improving financial performance. Besides, HPWS has been shown in various studies to have a positive relationship with individual well-being such as declining

turnover intention and the positive impact on job satisfaction. It is also supported by Schiemann (2011), if HPWS is good then it will reduce the level of intention to turnover.

The Relationship between Career Development and Turnover Intention

According to and McElroy (2012), both career development and its impact on job commitment and turnover intention. According to research, dimensions of career development related to turnover intention and affective work commitment have been found to mediate their relationships. Furthermore, the conceptual career development comprises four factors: career goal development, professional capacity development, promotion speed, and reward growth. The dimension of career development is negatively associated with turnover intention.

The Relationship between Career Development and Employee Engagement

Employees should feel that organizations have a long-term view and provide good training and development opportunities for employees (Robinson, Perryman, & Hayday, 2004). According to Harter, Schmidt, and Keyes (2002), employees feel more secure when organizations provide employees with opportunities for career advancement and development (Harter et al., 2002).

Research Model and Hypothesis

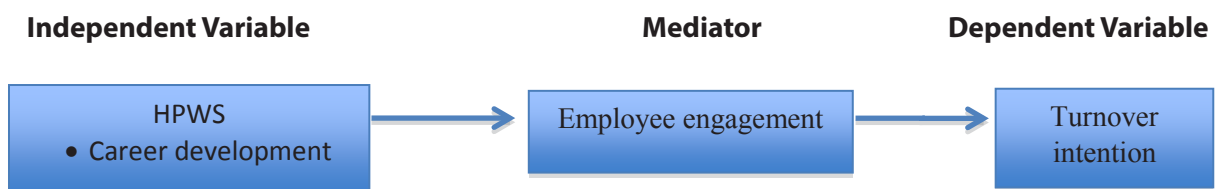


Figure 1 Conceptual framework

- H1: There is a significant negative relationship between career development and turnover intention.
- H2: Employee engagement mediates the relationship between career development and turnover intention

METHODOLOGY

Primary data study with quantitative research. It covers all relevant research methodology and frameworks. The research design, methodology and proposed framework used in this study covered the research framework, research questions, hypothesis development, research design, population, instruments, data collection, data analysis, validity and reliability of the data. Next, this study hypothesises that independent and dependent predictions of the mediator variables are formulated. The most important thing to be explored in this research framework is that it can guide this study directly to the main ideas and objectives of this study.

This study uses a cross-sectional survey design to analyze relationships between independent variables, dependent variables and mediator. This study used questionnaire method, which was developed using structured questions to collect primary data. This study obtained only primary data as the primary source of data without interviewing.

Target Population

Gen X and Gen Y employees at the G7 Construction Company in Sabah as a data distribution site.

Sample and Sampling Procedure

Method convenience sampling was chosen for each company in the research's target population have been identified and possess equal chances to be chosen as the target respondent. Employees will select from Gen X and Y categories for identifying and given a questionnaire.

The effect size that this study set in G*Power was (0.15) (medium) (Hair, Hult, Ringle, & Sarstedt, 2016) with alpha (α) value of 0.05 as well as the power of $(1 - \beta)$ 0.80 (minimum) based on two predictors, a predictor independent variable and a predictor moderator. Therefore, the total sample size for this study is 160 respondents base on calculating G*Power 3.1 software.

Data Analysis

Smart PLS M2 Version 3.1.0 Software is used in this study to analyse the data obtained.

ANALYSIS AND RESULT

Profile of Respondent

Table 1 Profile of respondent

Demographic variables	Category	Frequency	Percentage (%)
Age	37 and below	88	55.6
	38 and above	72	44.4
Gender	Male	108	67.5
	Female	52	32.5
Education	Certificate	47	29.4
	Diploma / STPM	62	38.8
	Degree	49	30.6
	Master's degree	2	1.3
Previous working experience	1 > 10 years	119	74.4
	11 > 20 years	31	19.4
	21 > 30 years	8	5.0
	31 > 40 years	2	1.3
Working experience in existing company	1 > 10 years	145	90.6
	11 > 20 years	12	7.5
	21 > 30 years	3	1.9
	Total	160	100

Model Assessment using SmartPLS (PLS-SEM)

Based on the hypothesis, through SmartPLS software, partial least square approach (PLS) was used to develop the model and in turn testing the hypothesis. This study utilizes PLS-SEM to analyse research model using SmartPLS 3.2.7 software. Data analysis in SEM is split into two stages which are measurement model and structural model (Ramayah, 2014). In the measurement model, the assessment of reliability and validity of the items is carried out while for the 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 uses average variance extracted (AVE) while to test construct reliability, this study uses 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.

Table 2 Measurement model

		Loading	CR	AVE
Career development	CD1	0.876	0.687	0.868
	CD2	0.832		
	CD3	0.776		
Turnover intention	TI1	0.867	0.671	0.91
	TI2	0.875		
	TI3	0.669		
	TI4	0.845		
	TI5	0.822		

Notes: Delete CD4 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 is using 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 constructs. While none of the HTMT value of construct is lower than 0.9 (refer to Table 4). Overall, the reliability and validity test performed on the measurement model showed the 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

	Career development	Turnover intention
Career development	0.829	
Turnover intention	-0.01	0.819

Table 4 HTMT

	Career development	Turnover intention
Career development		
Turnover intention	0.102	

Structural Model

The next stage after the measurement model is a structural model. In this stage, proposed hypotheses would be tested (Table 5), coefficient of determination (R^2) [Table 7] and predictive relevance (Q^2) are obtained by running the PLS algorithm, bootstrapping (5,000 samples and 107 cases) and blindfolding (Ramayah, 2014; Hair et al., 2016).

Table 5 Hypotheses testing (direct relationship)

	STD. Beta	STD. Error	t-value	Decision
Career development à Turnover intention	0.105	0.122	1.637	Not supported

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

Table 6 Indirect effect/ Mediator effect

	STD. Beta	STD. Error	t-value	Decision
CD à EE à TI	0.336	0.080	4.216	Supported

Note: t-value > 1.65* ($p < 0.05$); t-value > 2.33** ($p < 0.01$) ($p < 0.01$) (Hair et al., 2016)
 CD – Career development, EE – Employment engagement, TI – Turnover intent

Table 7 Coefficient of determination R^2

	R-Square
Turnover intention	16.1%

Table 8 Effect size f^2

Independent variables	f^2	Effect size
Career development	0.034	Small

As shown in Table 8, the effect size for the variables on turnover intention is as follows: flexibility ($f^2 = 0.034$). This study follows 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 effects. Therefore, in this study, only career development and flexibility have a small effect on turnover intention. While for the rest latent, career development has a small effect on turnover intention.

DISCUSSION

The Relationship between Factor Career Development of HPWS and Turnover Intention

Gen X and Gen Y workers' perceptions of career development toward turnover intentions in this study were found to be insignificant. The findings of this study are in line with Weston (2006), that Gen X and Gen Y workers generations have experienced low growth in careers and therefore believe that no jobs are guaranteed and as a result, Gen X and Gen Y workers do not see the benefits of their entire careers a single organization or at the expense of their whole career life for any employer. Besides, supported by Simons (2010) rather than being loyal to the organization, Gen X and Gen Y employees are loyal to their work and their colleagues, managers they work with, take jobs seriously but are not committed

to careers associated with one organization. Instead, Gen X and Gen Y workers move from place to place, stopping and starting again their career.

Gen X and Gen Y employees appear to work for better benefits, better opportunities for professional growth, and personal goals. Gen X and Gen Y thinkers which they can develop their skills and potential in future companies. The prospects and skills of Gen X and Gen Y workers companies to learn from their future jobs are the most important reason for these generations of workers to choose a job. This finding was supported by Tay (2011), Altimier (2006), Barford and Hester (2011) and Gursoy, Maier, and Chi (2008). Gen X and Gen Y employees are not afraid of future job prospects because Gen X and Gen Y employees are confident that they will get a higher position with higher pay for their next job.

Gen X and Gen Y luggage members are very committed and loyal to their professions and careers but are not loyal to their organization. Hard work is an indicator of their self-esteem, as long as work demands do not begin to change the balance between personal and family life (Weston, 2006; Patterson, 2007). Gen X and Gen Y employees want to grow in their jobs and learn new skills but do not plan to stay with one organization throughout their current career (Nienaber & Masibigiri, 2012).

The Relationship between Employee Engagements Mediates the Relationship between Career Development and Turnover Intention

The results for employee engagement mediating the relationship factors for HPWS career development with turnover intention are significant. This finding also supports Howe and Nadler's (2009) study, Gen X and Gen Y value generation of career development and expects employers to be given development opportunities that will ensure that they are marketable (Cole, 1990; Pitcher & Purcell, 1998).

A study by Price Waterhouse Coopers (2009) among Gen Y in South Africa found that career development was the most valuable benefit for this generation in the first few years of their work. Also, these workers are aware of the importance of developing their skills and pursuing opportunities to show what they are capable of (Burmeister, 2009). Therefore, employers need to provide opportunities to achieve measurable achievements and progress with a clear benchmark to retain the next generation of workers with professional skills.

This means that it has been proven that if employees (contractor employees) perceive more positive employee engagement factors for HPWS career development to reduce turnover intention. Career development proves to be a factor in meeting the needs of

Gen X and Gen Y workers to engage. According to Sayers (2007) and Gursoy et al. (2008), Gen X and Gen Y focus a lot on career development. Gen X and Gen Y employees are driven by the desire to enhance their professional skills to enhance their marketability for future career prospects. Besides, previous research has found that Gen X and Gen Y workers are satisfied with their job as older generations, and even report higher job satisfaction and more optimism about their career development (Kowske, Rasch, & Wiley, 2010). Opportunities for this growth have encouraged Gen X and Gen Y workers to work harder and achieve their goals as effectively as possible.

CONCLUSION

This study shows that HPWS factor career development is not directly related to turnover intention. However, career development factor has been the mediate relationship with employee engagement to reduce turnover intention. Therefore, further study is needed to prove the effectiveness of the HPWS element in promoting this practice among Gen X and Gen Y workers in the construction sector.

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