

Mediating Effect Of Employee Empowerment In The Relationship Between Communication And Retention

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Abstract: Employee retention is when the employees are feeling happy, committed and obliged to stay in the organization. A primary concern for the management in the organization is sustaining employees in the organization, and it is hard for management to deal with because many factors do influence an employee's retention. However, voice or power of employees influenced employee retention. The purpose of this study is to determine employee's communication, empowerment that influence employee retention. With the presence of empowerment, it increases the chance of employee to stay in the organization. A quantitative design was applied, using structural equation modelling. The result shows all significant relationships and predictions. This research contributes the body of knowledge in human resource field where human resource managers can re-engineer the working environment where it can enhance employee voice and empowerment, thus leading to employee retention, while in the literature context the competency of communication in the organization is something important that organization need to focus.

Index Terms: communication, internal communication, co-worker, top management, organizational system, empowerment and retention.

1. INTRODCUTION

Employee retention is vital in an organization. Recent research on the effect of communication and engagement was outdated [1] and needed further investigation in current environment. However, human resource practices were highly associated with employee retention[2]. Recent organization threats not only facing the turbulences but also managing employee retention [3]. The conditions are worse in the hotel sector as the employee turnover rate is high due to personal career advancement through moving from one organization to another [4]. This issue highlights that the element of employee retention is a serious issue in current situation. Although vast researches have been done in the field of employee retention, however lack research pertaining social factor and individual factor that affecting on employee retention. Thus, this research focuses on the element of communication and individual empowerment that influence employee retention.

2. TWO LITERATURE REVIEW

2.1 Employee Retention

Employee retention is encouraging employees to remain in the organization for an extended time [3]. However it is a challenge for most of human resource practice to retain the best human capital in the organization, and it is strategies for most of the organization to retain its best employees[5]. Human resources practices, working environment, co-workers are the factors that can lead to employee retention [3]. Meanwhile, the degree of employee intention depends on the factors itself as organizational factors, and job factors can affect employee retention differently[6]. In this study, it highlighted the factor of communication toward employee retention as previous research shows that the effect of employee voice does matter towards employee retention [1], and it is not something new, but communication is an essence for management to ignite employee motivation, however it can also be a means to raise employees dissatisfaction. The satisfaction and dissatisfaction are depending on the individual employee. Personal resource of everyone is varied. Therefore, this research also focusses on the element of employee feeling of empowerment, which enhances the relationship

between communication and retention. The existence of empowerment will strengthen the relationship communication and retention as empowerment is a personal resource that helps employee to think positively which then lead to stay longer in the organization.

2.2 Employee Communication

Communication is critical in organization. It works similarly as hygiene factor. Hygiene as mention by Herzberg two factor theory [7], is the element that should exist, which its necessities and substance for employees to work, but it does not change the motivation state. Communication is the exchange of ideas or concepts for purposes of information, command and instruction, influence and persuasion [8]. Communication in organization is in good state if the employee feels that they are involved in the issue directly. Employees are well informed and welcomed in open communication ambience are better in mood, satisfaction and engagement. Research shows that communication was highly associated with employee retention rates [1]. An employee who feels being treated fairly in terms of distribution information is highly satisfactory and intent to stay longer in the organization [9]. It is because communication is a medium that connects the people, which made employees perceived it either positive or negative [10]. Receiving and perceptive a positive signal will lead a positive outcome such as motivation, engagement and commitment [11]. Meanwhile, negative perceiving negative signals of communication lead to counterproductive, dissatisfaction, low motivation, having intention to leave the organization[12]. Therefore, it is essential to study the element of communication toward employee retention..

2.3 Employee Empowerment

Employee empowerment is the sense of freedom in making a decision, throwing ideas and suggestions provided with responsibility and accountability. Employee empowerment can be in many forms, such as through work delegation[13], making decision, throwing ideas and suggestions in the meeting. Empowerment also leads to employee's creativity, learning and motivation as the means to empower employees

are by giving them accountability and responsibility. Individual learning shows a significant relationship towards employee retention and has been looking like a vital factor for organization to retain its employee[14]. Empowerment is also a personal resource that could enhance employee commitment, retention and engagement. According to Job-Demand Resource Theory[15], personal resource is a unique inner force that ignites and improves the relationship between independent variables and dependent variable. The empowerment construct in this study is used as an element to improve the relationship between communication and employee retention. Hence, with the present of empowerment it strengthens the relationship between employee communication and employee retention.

3 RESEARCH METHODOLOGY

The questionnaire was constructed, and pre-test gaining the expert view, and the pilot test was done. Reliability analysis was performed using SPSS before distributing to the actual population. Self-administered questionnaires were given to the respondents and 60 was returned. The results of reliability analysis indicate Cronbach Alpha value is >0.75, which is satisfactory level. The scope of the study in this research is in hotel sector, employee the hotel sector was chosen because the rate of turnover is high [4], because the nature of working environment in hotel sector is high volatility [16]. Meanwhile, sampling technique in this study is purposive sampling, which indicates the data is not normally distributed. With this condition, the structural equation modelling is better in explaining non-normal data.

4 RESULTS AND DISCUSSIONS

Using structural equation modelling, Smart PLS 3.0 was used to test the relationship between employee communication, employee empowerment and employee retention. In this research, the measurement model and structural model used to analyze and answer the objective of the study. The indicators are in reflective form for exogenous and endogenous variables. Therefore, for measurement model is looking at the loading, composite reliability and average variance extracted. Table 1 indicates the result of the measurement model.

Table 1: Measurement model

Construct	Indicator	Loading	CR	AVE
Retention	DV1	0.804	0.921	0.702
	DV2	0.702		
	DV3	0.887		
	DV4	0.833		
	DV5	0.929		
Empowerment	EMP1	0.810	0.830	0.562
	EMP2	0.879		
	EMP3	0.782		
	EMP4	0.456		
Communication	COM1	0.592	0.884	0.607
	COM2	0.898		
	COM3	0.783		
	COM4	0.769		
	COM5	0.821		

Loading >0.7, AVE>0.5, (CR range 0.8-0.9) are all acceptable values

Figure 1 illustrated the measurement model. The measurement model explains convergent validity refers to the

degree to which two measures of constructs that theoretically should be related, and by looking at loading, CR and AVE. Table 1 explains that the loading is more than 0.7, composite reliability is more in the range of 0.8-0.9 which is acceptable and AVE more than 0.5. The results indicate that the model does not suffer from multicollinearity.

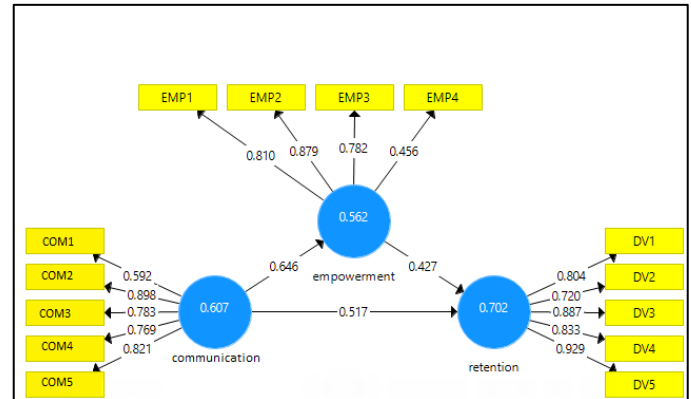


Figure 1: Measurement Model

Table 2: Path-Coefficient

	Original sample	Sample mean	Standard deviation	t-value	p-value
C→E	0.646	0.672	0.098	6.572	0.0001
C→R	0.517	0.513	0.176	2.935	0.0003
E→R	0.427	0.443	0.158	2.707	0.0007

Significant at $t > 1.649$, $P < 0.05$

Table 2 explain the path coefficient. There are direct effect between communication on employee empowerment ($\beta=0.646$, $t > 1.649$), communication on retention ($\beta=0.517$, $t > 1.649$) and empowerment on retention ($\beta=0.427$ $t > 1.649$). It shows that communication affecting on empowerment by increasing 1 standard deviation of communication will increase 0.646 of empowerment. Meanwhile, communication also affecting employee retention by increasing 1 standard deviation of communication will increase 0.517 of employee retention and lastly increase 1 standard deviation of empowerment will increase 0.427 employee retention. Meanwhile the direct effect of the relationship by looking at the path coefficient explains that beta value of communication is higher than empowerment in explaining employee retention. It also postulates that employee voice is very important in determining employee retention. It could be because the voice being heard is the best treatment that employees can get in the organization. Furthermore, in hotel industry, communication is crucial among its employees as it will affect employee's mood which later will have impact while delivering services to the customer [17]. Meanwhile, Q^2 value for both empowerment and employee retention is more than 0, it explains that the exogenous construct has a predictive relevance. Figure 2 explains the illustrated model of path coefficient model.

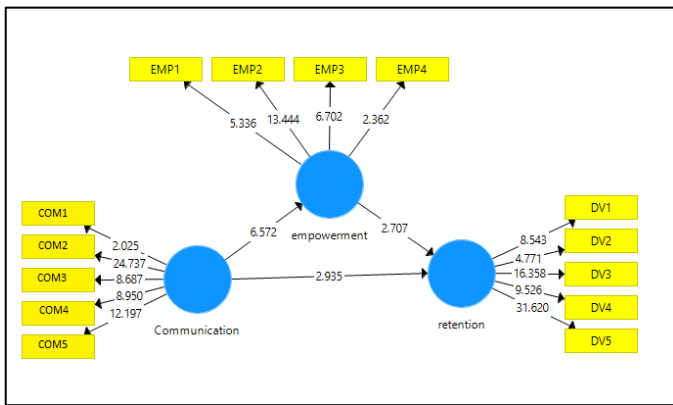


Figure 2: Path-Coefficient Analysis

Mediating Analysis

Bootstrapping was performed to determine the indirect effect. Table 3 explains the indirect effect of the relationship. The result shows that empowerment does mediate the relationship between communication and employee retention. The result of upper bound [0.089] and lower bound does not straddle 0 in the middle [0.591]. This indicates that the result is significant (P<0.005).

Table 3: Indirect Effect

	Original sample	Sample mean	Standard deviation	t-value	p-value
C→E→R	0.276	0.303	0.135	2.04	0.042

Significant at t>1.649, P<0.05

With the above results, this research finds that the element of empowerment among employee is essential because it is personal resource which drives the employee to think positively. Even though the communication in the workplace acts as hygiene factor, but if the employee possesses the feeling of empowerment, the chances for them to stick longer in the organization are there. Furthermore, employee who perceived empowerment as a reward and learning opportunity for them, then it is likely for them to have retention. These findings are aligned with previous researches [18][19].

5 CONCLUSIONS

Employee retention is significant for an organization to maintain its best employees. Retention will help organization to save cost of recruitment, instead investing more in training and development on employees. Further investigation of employee retention should explore more on personal resources and individual factors instead of focusing on the management style. The human resource manager can create environment that communicates transparency and equal information distribution as it would not raise employees' suspicion on the management which will cause the negativity outcome. Finally, this research will benefit organization to focus more on communication and empowerment especially in services industry as it will reflect the best services outcome towards customers.

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