

**The influence of organizational culture-related factors  
on voluntary turnover in SMEs**

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# ABBREVIATIONS

AVE	Average Variance Extracted
CP	Composite Reliability
KSAs	Knowledge, Skills and Abilities
LR	Logistic regression
MLR	Multiple Linear Regression
PLS	Partial Least Square
SEM	Structural Equation Modelling
SMEs	Small and Medium size Enterprises
SWEC	New York Social Work Education Consortium
VIF	Variance Inflation Factors



# ABSTRACT

Literature reveals a strong link between organizational culture and the motivation of employees (including their commitment to the firm). By building a positive organizational culture which facilitates the involvement of employees in teamwork, innovation and proficiency, a company is said to be able to retain their skilled workers more effectively (Shim, 2010). This study partially replicates and extends the work of Shim (2010) to New Zealand SMEs (small and medium sized enterprises).

The study explores the influence of the five organizational culture-related factors used by Shim (2010) on the staying intention of employees in SMEs. The five factors used in the study involve teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation. Data was collected using an online survey (Google online survey). PLS modeling was used to analyze the data to determine the impact of each factor on staff intentions to either stay or leave their job.

Similarly to Shim (2010), the findings of this study highlight the significant role of organizational culture-related factors on voluntary turnover. Therefore, managers can build a positive environment in accordance with the five factors in order to better retain the firm's workforce. Furthermore, by examining the strength of the impact of each factor, this study predicts that teamwork orientation has the strongest influence on the staying intention while innovation orientation is predicted to have a slightly weaker effect. Given that not all SMEs are able to invest in the five factors simultaneously, by determining the strength of the impact of each factor, the study gives them the chance to focus on factors with the greatest relevance for them.

By replicating and extending the study of Shim (2010) in New Zealand SMEs, this study contributes to existing SMEs literature (which is not abundant due to the low attraction to scholars) (Cassell, Nadin, Gray & Clegg, 2002) by emphasizing the important role of organizational culture on employees' intention to stay or leave. However, a low response rate to the survey and the prediction-oriented characteristics of PLS modeling adversely influence the generalization of the finding of this study to a larger population. Areas for further

research are suggested (e.g. research about the interconnection between factors, the use of qualitative method).

# 1. INTRODUCTION

## 1.1. Introduction

In today's changing world, human resource has increasingly become an important resource that organizations must rely on to survive in the market. Various practices have been developed (e.g. both via recruitment and evaluation) to further extend human resource as an element of competitive advantage (Barney & Wright, 1998). Among these practices is the fact that companies are faced with the challenge of retaining their skilled workers since organizations today are not only in a competitive labor market (employees are free to move to alternative firms) but they need to also bear in mind the goals of their human resource management (e.g. cost effectiveness, organizational flexibility, long-run agility) when implementing such practices (Boxall & Purcell, 2007; Macky, 2008; Slack, Chambers, & Johnston, 2010). Scholars, such as Fineman, Gabriel and Sims (2010), Knights and Willmott (2007) argue that a strong organizational culture (held and shared among a majority of employees) has a clear link to individual behaviors which can impact employee decisions of whether to stay or leave the firm. "Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations" (Robbins, Millett, Cacioppe, Waters-marsh, 2001, p. 555). By influencing the beliefs and values of employees at work, a positive organizational culture (which focuses on employees' engagement at work, and customer orientation, for instance) (Knights & Willmott, 2007, p.356) facilitates workers' positive expectations regarding the firm's operations; thus, organizational culture can improve employee motivation and nurture the constructive behavior of staff (Fineman, et al., 2010). Therefore, in addition to most conventional methods to retain employees such as salary increases and job promotions, a firm can build a culture where employees feel motivated to commit to the work. This can be achieved by creating a culture where employees are engaged in the decision making process (Knights & Willmott, 2007) or by building a culture where employees feel they belong to a winning team (Fineman, et al., 2010); thus, they are less likely to voluntarily leave the workplace (i.e. employee initiated).

Existing research has discussed the relationship between organizational culture and the staying intention of employees (Chuang, Church, & Zikic, 2004; Glisson, 2007; Maertz & Griffeth, 2004; O'Reilly III, Chatman, & Caldwell, 1991). Initially, by studying the influence

of eight motivational forces on workers' turnover, Maertz and Griffeth (2004) argued that there are a variety of motivational forces affecting the withdrawal and motivation of employees; for instance, constituent forces (the attachment of an individual to a team or a firm), behavioral forces (psychological effects occur when an employee considers quitting his/her current job) and calculative forces (the rationalization process regarding the pros and cons of the decision to switch to a new job) (p. 669). By emphasizing the role of such motivational forces on the voluntary turnover of employees, Maertz and Griffeth (2004) demonstrated that study of the motivation of employees can generate insights into staff turnover. In terms of individual motivation for staying or leaving the firm, this is also influenced by the organizational culture. By shaping the values, beliefs and expectations of employees, the organizational culture can enhance their motivation at work (Knights & Willmott, 2007; Lin, 2007; Ruan, Hong, & Jin, 2010). Hence, by building a positive organizational culture, managers can better manage their workforce.

With regard to the relationship between organizational culture and the staying intentions of employees, other scholars focus on cultural dimensions, such as innovativeness (a culture fostering innovation), stability (a culture emphasizing the importance of reducing uncertainty at work) and attention to detail (a culture focusing on the detail of practices). Scholars such as Chuang, et al. (2004); O'Reilly III, et al. (1991); Shim (2010) found a strong link between these dimensions and employees' voluntary turnover and concluded that organizations can utilize such elements to retain their employees. Nonetheless, most scholars focus only on the positive aspects of each factor. Indeed, the negative aspect of a strong organizational culture is that it can cause resistance to change and adaptation (Denilson & Mishra, 1995). This negative side may impact the effectiveness of the organization and the ability to retain its workforce (Thatcher, Liu, Stepina, Goodman, & Treadway, 2006). By focusing on the positive influence only of organizational culture, scholars' conclusions regarding the influence of those factors on employee turnover are found to be inconsistent. In addition, while some use a combination of these organizational culture-related factors in their research, (Maertz & Griffeth, 2004; Shim, 2010), others concentrate on limited aspects such as intra-group conflicts, innovation, collaboration (Chuang, et al., 2004; Glisson, 2007). This raises the question of how these organizational factors influence the staying intention of employees, the extent to which these factors impact the staying intention, and which factors have the strongest correlation with voluntary turnover. Furthermore, according to Cassell, Nadin, Gray, and Clegg (2002), the number of studies of small and medium sized enterprises (SMEs)

is quite modest. Yet SMEs are also considered to be vital drivers of growth in most economies (Cassell, et al., 2002). According to the New Zealand Ministry of Economic Development (2011), “SMEs are defined as enterprises with 19 or fewer employees. They are generally managed and operated by the owner” (p. 5). In contrast, regarding the definition of SMEs by the European Commission Enterprise and Industry (2005), SMEs are defined as “enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro” (p.5). Most of the studies cited above referred to large organizations. Indeed, SMEs are not a “scale down” version of large firms with some distinctive features (e.g. they do not have HR specialists, they are too small to make a powerful influence in the market) (Hill & Steward, 2000). Hence, whether or not those findings are applicable in SMEs is still controversial. Due to the lack of research in this area for SMEs, there is a need to further explore how organizational culture can influence worker turnover within SMEs; that is to examine if the cultural dimensions (e.g. innovativeness, attention to detail) can be used by SMEs. Bearing in mind the difference between large organizations and SMEs (Hill & Steward, 2000), theories relevant to large firms may not translate directly to SMEs.

Given the gap in the literature concerning the influence of organizational factors on the staying intention of employees in SMEs, this dissertation aims to answer the following research question: “To what extent do organizational culture-related factors impact on the voluntary turnover of employees in SMEs?”

To address the research question, this study employs a model developed by Shim (2010) which focuses on cultural dimensions in relation to the staying intentions of employees in large firms. In his research, Shim (2010) used the five main organizational culture-related factors developed by O'Reilly, et al. (1991):

- Teamwork orientation,
- Innovation orientation,
- Supportiveness,
- Proficiency,
- Reward orientation

He then combined these five factors into his model consisting of three main organizational components:

- achievement/innovation/competence (AIC),
- cooperation/supportiveness/responsiveness (CSR),
- emphasis on rewards (ER).

After testing the model based on data collected in the US child welfare industry, Shim (2010) concluded that the three organizational culture-related components have a strong influence on the staying intention of workers. Shim's (2010) study produced some initial insights around how these five factors influence voluntary turnover. By building a positive culture based on the three components, Shim concluded that large organizations can retain their workforce more effectively. This study will seek to partially replicate and extend this research in the context of New Zealand SMEs. A search of published studies relating to this topic in this context indicates that there has been little or no research in this area to date. This study aims therefore to examine the influence of organizational culture factors on the staying intention of employees specifically in the New Zealand SME context.

## **1.2. Aims and objectives**

The aim of this study is to examine the impact of the five organizational culture-related factors developed by Shim (2010) on voluntary staff turnover in New Zealand SMEs. In order to pursue this, the study focuses on the following two specific objectives.

### **1.2.1. Aims and objectives**

The first objective of this study is to examine the influence of the five organizational culture-related factors on the staying intention of employees. Shim (2010) shows that a combination of the five factors has a strong impact on voluntary turnover; thus, by examining the correlation between each factor (rather than the combination of them) and the staying intention, this study will contribute to the current understanding, particularly in the context of small firms.

The second objective of this study is to determine the strength of the impact across the five factors. Despite concluding that organizational culture-related components have a strong

effect on the staying intention of employees, Shim (2010) did not examine the relative importance of the effect of each component. By examining the relative strength of individual components, this will help those firms who are unable to develop all the five factors simultaneously to focus on the one (or ones) that are likely to make the most difference. Also, by extending Shim's (2010) study in this way, the findings of this study will contribute to the existing literature on employees' staying intentions and voluntary turnover.

### **1.2.2. Scope of the study**

This study uses Shim's (2010) model which discusses the influence of organizational culture on the worker's intention to leave. In their research, O'Reilly, et al. (1991) defined eight main factors relating to the organization and person fit. However, only five of these eight factors had a significant correlation with leaving intentions. As previously stated, the five factors were: teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation. Based on the work of O'Reilly et al (1991), this study in conjunction with Shim (2010) employs these five organizational culture-related factors for further exploration.

Unlike Shim (2010) who focused on a combination of these factors, this study retains the status quo according to the findings of O'Reilly, et al. (1991). By retaining the status quo, this study will explore the influence of each factor among the five main organizational culture-related factors on the leaving intention of employees; thus, providing the basis for future research to add more factors to Shim (2010) as suggested in his study. Furthermore, whilst O'Reilly et al. (1991) focused on measuring the correlation of each factor on employee turnover, they did not verify them in a specific context (i.e. organizational size, type, location or sector). Moreover, their data is now dated and the applicability to SMEs is questionable. This study will explore the five factors and consider their applicability in the specific context of New Zealand SMEs. Similarly, regarding the relationship between organizational culture and leaving intention, Shim (2010) used the data collected by New York State Social Work Education Consortium (SWEC) in 2002 and 2003 concentrating on large organizations to verify his hypotheses. This study utilizes Shim's (2010) model and verifies the hypotheses in the context of New Zealand SMEs. Shim's (2010) study is therefore extended by retaining the five organizational culture-related factors and discussing their influence on the staying

intention of employees in a different country and organizational (i.e. New Zealand SME) context.

Through replication, this study applies the same approach as used by Shim (2010), based on his model as well as his quantitative methodology. In extending Shim's study, this study develops and tests a set of hypotheses in another context.

Due to limitations of time in relation to this degree, this study does not examine the inter-connections between the five organizational culture-related factors, i.e. it does not consider any changes in one factor made by other factors. Additionally, unlike Shim (2010) who focused both on organizational culture and organizational climate, this study only concentrates on exploring the relationship between organizational culture and the staying intention of employees.

### **1.3. Structure of the dissertation**

This dissertation is divided into six sections which are outlined as follows:

Section Two reviews current literature regarding the topic, followed by an explanation of the three key constructs for the study used by Shim (2010): organizational culture, voluntary turnover and SMEs.

Section Three discusses the five organizational culture-related factors that impact on the staying intention of employees (Shim, 2010) and develops five hypotheses that frame the model to be tested in this study.

Section Four describes the methodology of the research. Within this section, information about sampling techniques is discussed, as well as how data was collected and how it was analyzed.

Bearing in mind the research question, Section Five presents the findings of the data analysis. This includes demographic information about the sample, measurement validation and results for the main constructs (i.e. the influence of the five factors on voluntary turnover).



Section Six links the data analysis to the five hypotheses and discusses the findings in relation to the research question and the literature reviewed in Section Two.

Finally, implications as well as limitations of the study and suggestions for further research are presented in Section Seven.

## **2. LITERATURE REVIEW**

In this section, a brief review of Shim's (2010) study follows an overview of the literature on voluntary turnover and provides the basis for the present research. After the review, a link between person-organization fit and strategic human resource management is examined before the three main aspects of the topic (organizational culture, voluntary turnover and SMEs) are discussed.

### **2.1. Employee – culture fit**

Organizational culture is divided into two main categories: a constructive culture and a defensive culture (Shim, 2010). In a constructive culture, people have a high level of knowledge and skills and they tend to help each other to meet the common goals of the team or firm (Glisson, 2007, O'Reilly III, et al., 1991). By contrast, people in a defensive culture have the tendency to protect their status quo, resist change, or target their individual achievements (Glisson, 2007; O'Reilly III et al., 1991). There is no type of culture which fits all circumstances. Depending on factors such as the national culture, founder/leader of the firm or the technology level, a culture which is successful in a particular context might not be useful in another context (Knight & Willmott, 2007). Also, scholars (Ambrose, Arnaud, & Schminke, 2008; Sheridan, 1992) have found a relationship between organizational culture and the positive performance of the company. When the organization–person fit is aligned people are more satisfied at work; thus, they commit more to the firm's operations and are less likely to leave the company (Mitchell, Holtom, Lee, Sablinski, & Erez, 2001). Similarly, when talking about the influence of organization culture, scholars also argue that by using a proper socialization strategy (Mitchell, et al., 2001), or by managing the motivational forces

within the organizational culture (Maertz & Griffeth, 2004), a company can retain their employees more effectively.

Literature finds congruence between the adaptability of a person to a culture and the possibility that he or she will stay at the firm (O'Reilly III, et al., 1991; Sheridan, 1992). In assessing this person-culture fit, O'Reilly III et al. (1991) discuss an instrument called Organizational Culture Profile (OCP) which consists of a number of value statements which characterize an organization and a person at work. By calculating the match between person values and firm values, OCP reveals how well a worker fits in his or her workplace. There are eight culture-related factors covering the majority of these value statements. Amongst these, scholars find that only five factors have a statistically significant correlation with the staying intentions of employees, namely: teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation (O'Reilly III, et al., 1991).

Based on the results of O'Reilly III, et al. (1991) above, Shim (2010) discusses the impact between organizational culture and organizational climate on the turnover intention of child welfare employees in the US. With regard to organizational culture, Shim (2010) combined the relevant aspects of the five organizational culture-related factors above into three main components: achievement/innovation/competence (AIC), emphasis on rewards (ER) and cooperation/supportiveness/responsiveness (CSR). AIC consists of behavioral expectations and norms relating to the development of skills and behaviors, the skills acquired to do the jobs effectively. On the other hand, CSR involves behavioral expectations and norms relating to the need to receive support as well as the willingness to give support, and the responsibility to serve customers. By examining the link between AIC, ER and CSR with the leaving intention of employees, Shim (2010) argued that organizational culture-related components are strong predictors of the leaving intention of employees.

While Shim's model is useful when assessing the person-culture fit in large organizations in the US, by combining the relevant aspects of the five factors, he did not illustrate how each individual factor influences the staying intention of employees. Similarly, since Shim (2010) focuses on large organizations in the US, whether his theory is applicable within SMEs is questionable.

Given the need to explore the influence of organizational culture on the voluntary turnover of SMEs, the three aspects (organizational culture, voluntary turnover and SMEs) are discussed in the following sections.

## **2.2. Person–organization fit and human resource management**

In discussion on the relationship between human resource management and person–organization fit, Wright, Donford and Snell (2001) argue that a proper strategic human resource management approach is necessary to improve the fit between employees and the organization. High involvement practices, for instance, have been shown to increase such person–organization fit. Indeed, through a proper recruitment and selection process (choose the candidates who fit the firm environment), or having a work design which fosters autonomy of employees, a company increases the possibility of the employee to fit with the current organization (Batt, 2002; Boxall & Purcell, 2007). Sharing a similar approach, Lau and Ngo (2004) demonstrate that a certain alignment of different HR practices which facilitate person–organization fit (e.g. high involvement work system and competitive remuneration system can motivate employees at work) will bring about a positive influence on the firm’s performance. By exploiting the pool of human distinctive skills and supportive human behavior, the company can build a competitive advantage which rivals are unable to imitate (Wright, et al., 2001). In addition, by facilitating the person–organization fit, the firm’s attractiveness is also enhanced in the labor market. Job seekers used to pay attention to the image of potential employers. Public actions, such as practices to facilitate person–organization fit, will lead to a job seeker’s awareness of a respected and employee-centered firm. In these cases, the firms can attract talented employees for future operations (Turban, Lau, Ngo, Chow & Si, 2001). Clearly, literature shows a strong relationship between person–organization fit and strategic human resource management.

## **2.3. Organizational culture**

The definition of organizational culture varies among different businesses and disciplines. In an organization, each member shares similar views, attitudes and beliefs (Shim, 2010).

Organizational culture involves a dominant culture (which is adopted by a majority of the organizational members) and sub-cultures (cultures in smaller divisions, such as departments or project teams). An organizational culture is considered strong when a vast number of members intensively hold and share the same values (Robbins, et al., 2001).

Organizational culture has various roles within an organization, which can be divided into two main groups: external adaptation and internal integration. In terms of external adaptation, organizational culture creates the distinction between different organizations. It also shapes the values, beliefs and the vision of a company as well as the methods that members of a company will choose to achieve the company goal. With regard to internal integration, organizational culture conveys a collective identity for each member, in which individuals share the same identity within such firms. Organizational culture also influences the way individuals communicate and work together (Robbins, et al., 2001; Schermerhorn, Hunt, & Osborn, 2008). Overall, organizational culture plays an important role within organizations with regards to retaining staff.

Organizational culture consists of three hierarchical aspects (Knights & Willmott, 2007) which include observable culture, shared values and underlying assumptions respectively. Among them, underlying assumptions plays the most important role in influencing the values and beliefs of an organization's members in contrast to the modest impact of observable culture (Knights & Willmott, 2007; Schermerhorn, et al., 2008). The first level of the hierarchy refers to the observable culture or "the way we do things around here". By observing employees performing their tasks, listening to stories, attending organizational rituals (e.g. a formal speech, a dinner for employees), a new staff member will learn and take on the organization's culture. The second level of organizational culture relates to its shared values. Here, individuals are told about the importance of the organization's cultures and values. Although some of the values might not fit well with new members, they still acknowledge the existence of such values and try to adapt to them. At the deepest layer of organizational cultural hierarchy stands the most complex aspect of organizational culture, which is the underlying assumption. At this level, members share the same taken-for-granted truths and act accordingly. This level explains the nature of humans and the relationship between humans. Such assumptions are hard to change and they may even contradict the beliefs of some individuals. In such cases, individuals would have to accept them and change accordingly (Knights & Willmott, 2007; Schermerhorn, et al., 2008). This reveals the

ultimate power of culture. As the most complex aspect, underlying assumptions have a strong influence on shaping the values and behaviors of an organization's members (Schermerhorn, et al., 2008).

As an important component of an organization, organizational culture impacts on staff from the very beginning of their career at a firm. When an employee starts a job in an enterprise they will be involved in a process of organizational socialization, which contains three stages: anticipatory socialization, accommodation and role management (Ivancevich, Konopaske, & Matteson, 2007). In the first stage (anticipatory socialization), the employee will seek to acquire as much information as possible about the organization, their department within the firm, and in particular, information about the job role. The employee will also have some initial indication as to whether or not they will fit into the job and the firm. Then, through various activities (e.g. performing tasks, attending rituals, participating in the firm's training programs) in the accommodation stage, the employee will actively immerse themselves in the organization, become an important part of the firm and perform their job based on the organization's identity, i.e. its key values, beliefs and vision. After adapting to the culture of the organization, the new employee may then be faced with various conflicts at the final stage. These conflicts can stem from work-life balance or conflict between work groups. It is at this stage, if the employee cannot manage such conflicts effectively, voluntary or involuntary turnover is likely to occur (Ivancevich, et al., 2007).

As mentioned above, organizational culture is important for any organization. An organization paying little or no attention to developing its organizational culture will face a number of challenges in their operations, particularly in retaining its employees. Learning how to integrate organizational culture effectively, therefore, is vital for the organization to stabilize its workforce, achieve its goals for development, and gain success in the marketplace (Ivancevich, et al., 2007; Schermerhorn, et al., 2008).

## **2.4. Voluntary turnover**

Apart from organizational culture, employee turnover is another matter that a number of firms take into consideration in order to achieve sustainable development (Boxall & Purcell, 2007; Macky, 2008). Being defined as a negative indicator of intention, voluntary turnover

(employee initiated) occurs at the end of the voluntary leaving process. This voluntary process commences from the first mismatch between the employee's image and particular events (e.g. negative surroundings caused by a company merger) which might occur on a day-to-day basis. A high voluntary turnover rate (where employees themselves initiate the decision to leave the firm) causes a number of disadvantages to the firm (e.g. high replacement costs, the adverse influence on the co-worker loyalty). In comparison to any other types of turnover such as unpreventable (e.g. due to illness, family issues) or involuntary turnover (e.g. due to an employee's incompetence), voluntary turnover causes even more harmful effects (e.g. loss of human capital, negative labor productivity) on the operations of organizations (DiMeglio et al., 2005; Shaw, Delery, Jenkins, & Gupta, 1998; Shim, 2010).

#### **2.4.1. Voluntary turnover process**

There are several causes for voluntary turnover which jointly create a voluntary turnover process. Lee, Holtom, McDaniel and Hill (1999) propose that the voluntary leaving process consists of the following three steps below.

The first step involves a "shock" (Lee, et al., 1999, p. 451). This is a particular event which can occur at any time in the work day. For example, it can be a change in tasks or a merger between firms. When a "shock" happens, an employee compares the impact of the "shocks" on themselves and their own image, such as their individual values and beliefs. Where there is an incompatibility between the impact of the "shocks" on employees and their own image, the thought of leaving the firm/organization/company occurs.

The "shock" is then linked to a "script" which refers to a past experience or social expectation (Lee, et al, 1999, p. 451). If there is a match between the "shock" and what happened before, the "shock" is deemed to be appropriate and therefore the employee will find ways to accept it. However, if the recall of past experience shows a mismatch with the "shock", the employee will find dissatisfaction with the work. This leads to the following step of voluntary leaving. Should the employees continue to experience this mismatch during their employment, they will get an "image violation" (Lee, et al., 1999, p. 451) in which they

believe the current job will not provide the intellectual, motivational and material benefits to meet their expectations. The next path of the voluntary leaving process then occurs.

The third stage involves employees seeking opportunities to change their job. This may include any job offers the workers have in hand, as well as employment opportunities the workers believe they could get after leaving the current position. The workers will then evaluate both the benefits and drawbacks of leaving at this stage. When there is a good opportunity outside, they are likely to leave their current organization.

Understanding the three step voluntary leaving process is necessary for the firm's managers to better manage their staff. Indeed, by assessing which are the causes of employee dissatisfaction (which step of the voluntary leaving process they are in) or when this happened, a manager can anticipate the future consequence (the next step of the process). Together with the appropriate human resource practices, such as career counseling or work feedback, they can intervene in the process; thus, obstructing the leaving intention of employees (Lee, et al., 1999). Nevertheless, if managers fail to initiate proper intervention into the voluntary leaving process, their organizations are likely to be faced with the negative impact of a high turnover rate, which will be discussed in the following section.

#### **2.4.2. Issues with high turnover rates in organizations**

As mentioned above, a company with a high turnover rate would face a number of challenges to remain competitive in the market. According to Ferguson and Brohaugh (2009), there are four key issues the company should take into consideration when they face a high voluntary turnover rate issue, including the decline of organizational performance, the replacement cost, customer relationships and co-worker loyalty.

Firstly, organizational performance will be adversely affected when an experienced employee leaves. Best practices and experience accumulated for a long time are lost to the firm with the departing employee, whereas with new employees who have no experience in relevant fields, old mistakes may reoccur (Ferguson & Brohaugh, 2009). Even if an employee has a slight intention to leave the firm, his/her low commitment and dissatisfaction could also harm his/her productivity (Arnold, 2005). The effectiveness of a firm is, therefore, unlikely to

remain when there is high voluntary turnover. In addition, voluntary turnover causes the loss of skills and information the employees have acquired, which is particularly important in industries such as child welfare, and information technology (Curry, McCarragher, & Dellmann-Jenkins, 2005; Sandhya & Kumar, 2011). According to the resource-based view, an organization can lead the market when it retains competitive advantage. Without unique resources (e.g. tacit knowledge, workers' skills), the firm will meet various difficulties to gain such advantage; thus, the firm misses the chance to beat their rivals (Barney & Wright, 1998). Overall, for those companies with a high turnover rate, they not only find it hard to gain competitive advantages to compete with their rivals, but also their work operation may no longer be as efficient.

Replacement costs consisting of both the amount of money and the amount of time to retrain another in the firm's operations (which also involves the tasks of the voluntarily-left-staff) is the second issue a high-turnover-rate company should take into consideration. These costs range from the cost relating to the decrease of organizational performance to the cost occurring when the company recruits, hires and trains a new employee for the vacancy (Chapman, 2009). The latter impact will vary until it is seen that the new worker can fit well in the position (e.g. if the new employee does not cope effectively with the work, the firm should continue replacing him/her); thus, such cost might be considerable if the firm fails to recruit a skilled employee soon. Another cost could arise with the extra burden on current staff since they have to carry out additional tasks until the vacancy is filled by a new worker. Studies have estimated that the replacement cost may comprise as much as a third to a whole first year salary of an employee (Arnold, 2005; Sandhya & Kumar, 2011). Undoubtedly, high voluntary turnover causes the loss of money and time in the effort to stabilize the firm's performance.

Another key issue is that a change of employees may lead to a change of customers. As mentioned above, company performance would reduce when the vacancy is initially filled by a new worker. Poor service is an antecedent for further consequences, such as disappointment of customers or the possibility some of them may switch to the firm's competitors. As a consequence, customers are less likely to remain with the company. Additionally, brand loyalty is also influenced since the loyalty towards the firm's brand is not as reliable as the relationship between customers and the leaving employees who directly worked with them (Ferguson & Brohaugh, 2009). Due to the low effectiveness at work after an experienced



worker has left, and the high level of customer's loyalty to the leaving employees, the brand loyalty of a high turnover rate company may not stabilize.

The final key issue refers to the loyalty of co-workers. When an employee leaves his position, his co-workers will have to carry out his tasks until the vacancy is filled with a new worker. However, such additional responsibilities might lead to several issues, such as stress due to overload or conflicts within compensation policy. If these issues are not addressed consistently, the co-workers' satisfaction and commitment to the firm would reduce (Sandhya & Kumar, 2011). In turn, low employee commitment can cause further leaving intention for current employees (Sheridan, 1992).

In summary, high voluntary turnover puts the firm in a difficult situation. Without a strategy to manage the issue, a firm will find it hard to retain their quality of operations, reduce replacement cost, as well as retaining their customers; thus, they are vulnerable to competing rivals in the marketplace. Understanding the above key factors that influence the staying intention of employees is therefore important if they are to maintain their competitive market position.

## **2.5. Small and medium-sized enterprises**

In spite of their increasing contribution to a variety of economies (Idrus, Salahudin, Baharin, & Adbullah, 2009; New Zealand Ministry of Economic Development, 2011), SMEs are still considered less important to researchers compared to large firms (Cassell, et al., 2002). As a consequence, the emphasis of study on them is quite modest (Cassell, et al., 2002). Therefore, further research about SMEs is required in order to provide them with the tools to survive in the marketplace.

The definition of small and medium sized enterprises (SMEs) varies (New Zealand Ministry of Economic Development, 2011; European Commission Enterprise and Industry, 2005). Some of the criteria used by scholars to determine SMEs include "the number of employees, total net assets, sales and investment level" (Ayyagari, Beck, & Demirguc-Kunt, 2007). Among these, employment is the most popular criterion that differentiates SMEs from large firms (Ayyagari, et al., 2007). By contrast, Hill and Steward (2000) argue the "uncertainty" in

strategy building is an important characteristic to make this distinction (p.107). While large organizations are faced with internal uncertainty in operations due to the issues with enormous structures, hierarchy and formal procedures, the problem with SMEs comes from external uncertainty in which they are too small to gain a considerable power and influence on the whole market (Hill & Steward, 2000). This uncertainty also links to the voluntary turnover of employees. Compared with SMEs, due to the bigger size and market power, large firms are able to offer skilled workers a larger salary increase and more specialist competencies (e.g. skill training). Thus, there is evidence that employees tend to shift from small size enterprises to a larger category (Hjalager, 2003). Moreover, it is noted that SMEs are “not a ‘scale-down’ version of a large firm” (Hill & Steward, 2000, p.107); consequently, not all practices applied to large organizations will be applicable in SMEs. The tendency of moving upward in the firm size category as well as the fact that not all practices applied to large organizations can be used within SMEs makes managing their workforce effectively somewhat difficult.

As mentioned above, since SMEs involve distinctive characteristics, their human resource practices are quite different to large firms. Large firms are better able to fund operational expenditure across departments, including funding HR practices. With more HR expertise, large firms can enhance the involvement of employees at work (Cassell, et al., 2002). By contrast, bearing in mind the relatively small investment level, SMEs tend to focus on production and marketing rather than on human resources (HR). As a consequence, within most SMEs, a number of HR issues have occurred, such as the training and development process which is quite ad hoc, or the fact that there is no apparent evaluation on HR performance (Cassell, et al., 2002). SMEs also tend to adopt the best practice of large firms into their own enterprise, but with little or no formal planning, implementing and evaluating. This means if what happens in large firms is assessed and becomes the norm of the industry, SMEs will reflect it in an informal way (Hill & Steward, 2000; Massey, 2004). Without a consistent investment in HR practices, SMEs are more disadvantaged than large organizations in retaining their employees.

In relation to employee turnover, a study by the New Zealand Ministry of Economic Development (2011) estimated that for the period between 2008 and 2011, the annual employee turnover rate (including voluntary turnover) for New Zealand showed an increasing trend (from 11.4% to approximately 15%). Reasoning behind this increase comes from the

content of the job itself in which employees reported in the study (2011) that they had to work in an environment with demanding jobs, physical exertion and job dissatisfaction. Moreover, it is notable that the vast majority of firms in New Zealand are small, with SMEs accounting for 99% of all firms employing up to 50 staff and just over 43% of all employees, according to the New Zealand Ministry of Business, Innovation and Employment (MBIE) (New Zealand Ministry of Economic Development, 2011). Without a good strategy to cope with such issues, it is almost impossible for SMEs to reduce their high turnover rate (Idrus, et al., 2009).

Overall, how to retain skilled workers is important for any organization, including SMEs. By developing a favorable organizational culture which motivates employees at work, the literature suggests that firms can manage such issues more effectively (Shim, 2010). Based on the literature reviewed in this section, a conceptual framework for the study is presented next.

### **3. CONCEPTUAL FRAMEWORK**

As mentioned above, this study focuses on the main five organizational culture-related factors (teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation) from Shim (2010) study. The influences of these factors on voluntary turnover are discussed in the following sections. Each factor will be discussed separately with regard to its effect on staff retention, including both positive and negative effects.

Since this study does not combine factors as Shim (2010) did, rather than having the same hypotheses as Shim (2010), the hypotheses made within this study are generated from the review of the literature of the five organizational culture-related factors.

#### **3.1. Teamwork orientation**

As a dynamic process involving more than two people with common goals, open communication and information sharing, good teamwork is currently a dominant philosophy in a number of disciplines (Xyrichis & Ream, 2008). Scholars, such as Matther and Bakas

(2002), Matzler and Renzl (2006), Valle and Witt (2001) argue that teamwork orientation can enhance trust between organizational members, make the work easier, and increase the individuals' understanding of the organizations. Hence, teamwork orientation brings great benefits to the firm. By contrast, the drawbacks of teamwork are also demonstrated by other scholars (Cox, 2003; Rafferty, Ball, & Aiken, 2001). In spite of the undeniable role, teamwork orientation is also the cause of intra-conflict between co-workers (Cox, 2003) as well as the reduction of individual autonomy (Rafferty & Aiken, 2001).

### **3.1.1. Positive influence of teamwork**

A culture that focuses on teamwork is likely to have a number of positive impacts on the staying intention of employees such as enhanced mutual trust, improved communication, enhanced understanding of the company, heightened interest in the job and the fostering of organizational learning (Droege & Hoobler, 2003; Griffin, Patterson, & West, 2001; Kalisch, Lee, & Rochman, 2010; Park, Henkin, & Egley, 2005; Valle & Witt, 2001).

Firstly, through enhancing mutual trust between co-workers and between employees and employer, the firm creates a barrier that discourages an employee from voluntarily leaving the position. Indeed, an environment that is considered to be a “family” is positively related to job satisfaction (Park & Kim, 2009, p.24). Any efforts to improve such an environment must take into account the influence of factors such as respect, co-worker relationships and a proper leadership style from the manager (Kalisch & Begeny, 2005; Park & Kim, 2009). Since respect is strongly related to interpersonal trust, enhancing the “family” aspect of the organizational culture also increases such interpersonal trust. Thus, teamwork orientation can nurture trust between employees. In addition, there is no doubt that where interpersonal trust is promoted, employees feel free to express their ideas, are involved in the decision-making process and resolve the difference between opinions (Park, et al., 2005). In such teams, cooperation is strengthened, conflicts are reduced while organizational commitment is increased; thus, reducing the chances of attrition (Park, et al., 2005). As a result, by emphasizing teamwork, employee commitment to the organization is enhanced. In addition to the importance of trust, the types of trust also count. Interpersonal trust not only refers to the relationship with management but also the trust between peers (Matzler & Renzl, 2006). As for employer-employee proximity, trust mediates the link between leader behavior and job

satisfaction. Trusting behavior affects task performance as well as mutual satisfaction (when both partners of the relationship are satisfied), thus, directly and indirectly influencing the staying intention of workers. Regarding peer trust, employees are expected to act benevolently, which involves the willingness to be vulnerable and interdependent. By interacting within the group, employees are discouraged from leaving the position (Matzler & Renzl, 2006).

The second benefit that teamwork brings to the firm is that it increases work efficiency (Mather & Bakas, 2002). When working in a team, employees have to communicate with others. Through the communication process, information, resources and skills are shared. The employees will determine clearly what the responsibilities they deal with are. Similarly, they are aware of the tasks of their colleagues. Hence, they can collaborate to use their strengths to fulfill the entire workload. As a result, the team as a whole would make fewer mistakes than individuals (Amos, Hu, & Herrick, 2005; Baker, Day, & Salas, 2006; Park, et al., 2005). Additionally, when working in a team, employees are willing to help their peers when they are in difficult situations due to the expectation of reciprocation in the future. These reciprocations include material benefits (e.g. money) or emotional benefits (e.g. the compliment, help in the future). The greater the team orientation, the higher reciprocation employees expect to receive. Hence, their ties to the team as a whole are stronger (Chang, Ma, Chiu, Lin, & Lee, 2009; Kalisch, et al., 2010). By contrast, when employees feel the lack of communication and support from colleagues, they find it hard to determine their own responsibilities. Again, their weakness might result in adverse results at work. This is likely to cause work dissatisfaction and the leaving intention of such employees (Mather & Bakas, 2002; Pennington, Scott, & Magilvy, 2003). Teamwork is a reliable approach to improve such communication.

Thirdly, teamwork is an effective tool to leverage the team concept for strategic purposes. Involvement in a team provides each member additional information about their roles, their co-workers and the entire company. When the workers are aware of the required values and support of the firm, they are likely to gain a better understanding of the organization (such as organizational value or organizational structure) and enjoy more control at work. Such understanding and control not only allows them to place trust in the firm but also moderate their perception of organizational politics and their expression of satisfaction (Valle & Witt,

2001). As a consequence, employees commit more at work and therefore reduce their intention to leave.

The fourth advantage is that the introduction of the team also produces more chances to re-assign workers' responsibilities. Job enrichment is fostered through a variation in tasks and particularly the autonomy of employees at work (Griffin, et al., 2001). Some practices such as rotation programs allow employees to share tasks, reduce repetitive jobs and lead to more job enjoyment. Autonomy, which refers to the sense of choice and discretion that employees experience in their work, has an important impact on an employee's satisfaction levels (Griffin, et al., 2001). Moreover, it is also evident that employees in teamwork environments also score in high levels of autonomy as well as the involvement in decision-making processes (DiMeglio, et al., 2005). Thus, encouraging teamwork will result in employees' enjoyment and consequently employees' satisfaction at work.

Finally, teamwork can enhance the retention of workers by facilitating an organizational learning culture. Learning capacity depends on the social ties and the loyalty of members within a company's social structure. In order to share tacit knowledge, employees are encouraged to get involved in the communication process (Droege & Hoobler, 2003). By doing that, their interpersonal relationships will be tightened and this in turn discourages any leaving intention. Furthermore, those centrally located in a team network are privileged to have access to some specific job-related information. A team leader, for instance, might be involved in the evaluation process with the managers. The team leader will have the opportunity to voice his/her opinions about some particular issues, and these opinions are respected. Thus, they are more likely to commit to the organization (Freeley, Hwang, & Barnett, 2008). Likewise, by gaining knowledge when working in a team, workers are not only able to improve their job performance but also increase their opportunities for advancement as well as their chances for rewards. As long as the company treats them appropriately, their satisfaction is likely to increase which reduces their turnover intention (Egan, Yang, & Bartlett, 2004).

Overall, by enhancing interpersonal trusts, increasing the effectiveness of the organizational works as a whole, leveraging team concepts, reassigning more appropriate work responsibilities between co-workers, and fostering an organizational learning culture, teamwork has an important influence on the workers' staying intention. This advantage is likely to reduce the voluntary turnover within companies.

### **3.1.2. Drawbacks of teamwork**

In contrast to the benefits teamwork can bring to organizations, it also includes a number of drawbacks that are discussed in the following paragraphs.

One of the first issues relating to teamwork is that teamwork does not mean co-locating people together. Simply assigning organizational members who are not willing to collaborate towards a common goal will impact negatively on the organizational operations. Indeed, successful teamwork must consist of “a set of interrelated KSAs (knowledge, skills and abilities) that facilitate coordinated, adaptive performance” (Baker, et al., 2006, p. 1578). Thus, if team members do not hold complementary KSAs, the effectiveness of the team is questionable. In some specific disciplines (e.g. the healthcare industry), employees are even required to anticipate and adjust to other members’ actions to ensure the entire performance is properly coordinated (such as a person anaesthetizes the patients while his/her colleague prepares the instruments for the surgery) (Baker, et al., 2006). Without a coordinated approach, it is unlikely that a teamwork orientation can generate consistent working consequence for the team as a whole. The second disadvantage that teamwork can bring about is the impact on the role of supervisor support. The role of supervisor is crucial in teamwork since he/she models the teamwork, settles the rules for the team to be effective as well as providing salient information regarding the support from the broad organization. There is evidence that managers’ support is closely linked to the team performance and the satisfaction of team members (Griffin, et al., 2001). Nonetheless, when working in a team, employees share all the tasks; thus, they can leverage their strengths as well as facilitate each other to overcome difficulties. As a consequence, they will require less involvement from their managers in dealing with their tasks (Griffin, et al., 2001). In addition, since greater autonomy at work is gained for workers in a team, the team would change towards a more flexible and self-disciplined structure; thus, the role of manager support is likely to reduce. Since there is a strong link between employee satisfaction and support from the supervisor, the reduction of the supervisor’s role in supporting the team operation might bring negative consequences to the team, including their low commitment (Griffin, et al., 2001).

Another negative issue pertaining to the introduction of teamwork is the question of whether the co-operation regarding within-team orientation or large organization orientation has a

greater impact on the commitment of employees (Carson, Carson, Yallapragada, & Roe, 2001). According to Carson, et al., (2001), large firm cooperation seems to dominate the role of within-team cooperation. When team members communicate sufficiently with other colleagues across departments and different teams, their socialization and enculturation into their jobs is enhanced. They will be less likely to face role difficulties or inequitable justice at work. Furthermore, since they have the cooperation of colleagues across the firm, they can eliminate any perceptions regarding competition, task imbalances or unfairness. As a result, those committing to the entire company are more likely to feel satisfied at work (Carson, et al., 2001). If the company only fosters within-team collaboration, they will fail to gain the maximum benefits of teamwork.

A final shortcoming is that there is evidence that the relationship between teamwork and autonomy, the size of team and the intra-group conflict, are some typical problems that a firm should pay attention to. Referring to the relationship between teamwork and autonomy, when working in a team, members are expected to share resources, skills and responsibilities. Vulnerability and interdependence are some typical characteristics associated with teamwork, which may reduce the autonomy of employees. However, teamwork will be ineffective if team members are at the low level of discretion to do their jobs. Failure to promote both teamwork orientation and autonomy for employees may lead to an inefficient performance which relates to job dissatisfaction (Rafferty, et al., 2001). Apart from the balance between teamwork and autonomy, team size also matters. Members in smaller teams are more satisfied than in large teams because intrinsic reward will have more significant impacts on employees in a small team than in a large team (Griffin, et al., 2001). Finally, intra-group conflict, referring to the conflict between members within a group, is an issue that impedes the satisfaction of team members. Such conflict includes the conflict between employees in terms of the common goals, the leadership style or task structure, and it could also include interpersonal conflict. Intra-team conflict can occur any time on a day-to-day basis. When team members are working together, conflict can be a source of stress that might adversely influence the performance and the mind of employees. Without a reasonable strategy to cope with such stress, workers are likely to feel dissatisfied with their job (Cox, 2003).

Overall, the influence of a teamwork orientation on the staying intention of employees is apparent. With an effective strategy, a company not only facilitates the strength but also



eliminates the weakness of teamwork orientation on employee commitment (Baker, et al., 2006). Thus, a hypothesis is proposed:

*H1: By moderating teamwork effectively in organizational operations as a whole, an SME can achieve a low rate of worker turnover.*

### **3.2. Innovation orientation**

Innovation orientation is “an intentional and calculated plan or strategic intent that provides direction toward an organization-wide commitment to more and faster innovation” (Siguaw, Simpson & Enz, 2006, p. 559). Innovation is of great importance as it leads to a number of outcomes for a firm, such as product quality or employee behavior (Siguaw, et al., 2006). Innovation orientation also has both positive and negative impacts with regards to its effect on the retention of workers.

#### **3.2.1. Advantages of innovation orientation**

In order to understand the relationship between innovation orientation and turnover, it is necessary to look at employee motivation since motivation has a strong impact on the way staff behave or act at work (Cadwallader, Jarvis, Bitner, & Ostrom, 2010).

Motivation is the primary determinant for work-related behaviors, technology adaptation or knowledge transfer. It is also an important indicator of worker retention (Lin, 2007, p.137). Two types of motivation regarding the positive role of innovation orientation are discussed in this section, including the intrinsic and extrinsic motives. While extrinsic motives reveal goal-driven reasons (e.g. rewards, promotion), intrinsic motives focus on the pleasure and inherent satisfaction of employees towards an activity (Lin, 2007).

First and foremost, internal motivation is among the important factors that influence employees at work. For some, internal motivation is placed above any other employee motivations. Employees are motivated by innovation since they like to see their ideas go from the brainstorming stage to fully developed fruition (Shah, 2006). Many of them are also

involved in the exposure process where they gather feedback from customers, and disseminate information regarding the innovation at seminars or meetings. Such exposure makes them feel like they are doing important work; thus, they would like to repeat the process. By encouraging innovation, a firm can enable and sustain their members' intrinsic motivation; thus, they are more likely to remain at work (Hebda, Vojak, Griffin, & Price, 2007; Ruan, et al., 2010).

Similarly, employees are intrinsically motivated in those activities where they are competent. When they feel they have innovative ability, they are interested in activities which exploit their innovativeness (Fairbank & Williams, 2001). It is evident that employees working in an innovative environment such as information technology would perceive their jobs as meaningful not only for themselves but also for others. Since they find such enjoyment at work, they judge their jobs positively, which enhances their job commitment and reduces their leaving intention (Kalmi & Kauhanen, 2008; Thatcher, et al., 2006).

Apart from the enjoyment brought by the nature of the job itself, innovation also brings greater autonomy to employees. Autonomy here is understood as the employees' right to choose tasks and approaches (Sauermann & Cohen, 2010). Employees not only require a consistent level of autonomy to do their job in a flexible and effective manner, but also are motivated by task selecting opportunities that interest them or relate to their particular competence. Since innovation deals with uncertainty, bureaucratic control should be replaced by the delegation of authority to employees and therefore innovation orientation increases workers' intrinsic motives (Sauermann & Cohen, 2010). Furthermore apart from the enjoyment, discretionary effort does not mean workers have to work harder. In an innovative environment, staff are encouraged to work creatively and extensively by applying their knowledge throughout the production process. If employees have the appropriate skills, as well as receiving adequate support from the organization, they enjoy applying their skills under a high level of autonomy to do the jobs more efficiently. Hence, the discretion effort also increases employees' intrinsic rewards, retaining them at work (Kalmi & Kauhanen, 2008).

External motivation refers to the expectation of organizational rewards or reciprocal benefits (such as high pay, job security). The employee's motivation is high when they receive such benefits from the organization (Sauermann & Cohen, 2010). According to Kalmi and

Kauhanen (2008), in order for employees to adopt innovation, they should be involved in some specific training programs. Some of the skills employees acquire during the training process may be transferable to alternative work practices or may even be unique to the current work. It is clear that training prior to innovation adoption increases the value of employees to the firm. Employers in an innovative environment should consider enhancing their employees' job security in order to elicit their extra effort and the ideas they contribute. This is of great importance to any staff since safety at work and job security is their first and foremost need at their work (Kalmi & Kauhanen, 2008; Stum, 2001). Working in an innovative firm is likely to improve employees' sense of job security.

In addition to job security, rewards are what employees expect to receive at work (Stum, 2001). Organizational rewards range from monetary incentives (e.g. bonus) to non-monetary incentives (e.g. promotional opportunities). Similar to job security, compensation and benefits are fundamental needs that must be satisfied before higher needs (e.g. work-life balance) are taken into consideration by employees. Thanks to the training programs, employee values are enhanced. Thus, in order to increase the commitment of employees towards innovation, which is particularly important to turn the innovation into implementation (Husted & Michailova, 2002), the firm should pay attention to such reward systems (Lin, 2007; Stum, 2001). The role of reward systems will be discussed further in a later part of this section, Section 3.5).

Ultimately reciprocal behavior plays an important role in shaping the external motivation of employees in an innovative environment. Like rewards, reciprocal behavior also involves both monetary resources (e.g. money, goods) and non-monetary resources (e.g. status, trust). When working in a changeable environment, employees are expected to work together and share resources. They also exchange knowledge and help each other to jointly adopt innovation. Thus, employees gain reciprocal benefits during this process. Such reciprocal benefits enhance the external motivation of employees; thus, retaining them at work (Lin, 2007).

As discussed above, innovation orientation provides an environment where employees obtain their intrinsic and extrinsic motivations. These motivations in turn will have significant effect on the staying intention of employees.

### **3.2.2. Disadvantages of innovation orientation**

In spite of an important role of innovation orientation on the staying intention of employees, innovation orientation also contains some issues which could influence their leaving intention. These disadvantages which refer to employee motivation can be divided into two groups: problems with intrinsic and extrinsic motivation.

With regard to problems regarding extrinsic motivation, there is a concern about the job security of employees at work when innovation is implemented (Kalmi & Kauhanen, 2008). When productivity increases due to the adoption of innovation (e.g. process innovation), the demand for labor is likely to reduce. Machines, for instance, can replace humans at various stages of the manufacturing line; thus, only a few workers are needed to run the machine. This possibility depends on the position of the firm (e.g. industries, product market power) in the market. In addition to this for some organizations flexibility is a must. In order for that to happen, they must consider restructuring their production process to achieve this target. Some jobs might be cut while some employees may be required to work on tasks they are unfamiliar with. The restructure puts employees' job security in danger. Additionally, those who maintain their jobs after reconstruction are still faced with other risks of job security. Depending on the implementation approach, the firm may use "intensification" or "involvement" when adopting process innovations. The "intensification" approach is designed to increase employee workloads while reducing costs. However, this can increase work stress, reduce job satisfaction (Kalmi & Kauhanen, 2008). The "intensification" endangers job security of employees.

Another issue related to external motives is the cost of employees in coping with innovation. The introduction of "innovation" can make current knowledge obsolete and entails employees' efforts to undertake training in order to work better with the changes (Kalmi & Kauhanen, 2008). Time, effort and money must be invested before innovation (including both process innovation and product invention) can be implemented. However, since innovation is associated with uncertainty, the firm may not always succeed when applying new knowledge and employees may not be compensated for the time, effort and money they invest to acquire

such information. As a consequence, innovation orientation not only confuses the employees but also consumes their resources (e.g. time, effort) without a clear idea on the returns (Zwick, 2002). This will pose a question as to their commitment towards those firms applying high innovation orientation.

Turning to intrinsic motivation, there are several reasons to explain why employees may feel reluctant to change (Husted & Michailova, 2002). Firstly, there is evidence that organizational members are being increasingly forced to adapt to innovation (e.g. new process, new product) in the innovation implementation stages. Such phenomenon occurs when employees are left with limited choices to deal with specific issues at work; hence innovation becomes the only way out. Employees may resist innovation due to reasons of low tolerance for change or the lack of prior consultation. Such resistance may harm the relationship between employer and employees leading to their dissatisfaction (Cho & Chang, 2008; Harrison & Laberge, 2002). Another reason for resistance comes from the uncertain nature of innovation. Changes are often unusual and unprecedented, thus, changes are typically associated with role ambiguity and complexity (Monsen & Boss, 2009). The ambiguity of identification (such as the identification of work responsibilities in innovation) leads to a higher possibility of voluntary turnover. Furthermore, since staff do not perceive this ambiguity phenomenon as an isolated individual but as a member of a social group (where knowledge and experience is exchanged at work), his or her perception may represent the perception of the entire group. In this case if an employee fails to find the right fit between him or her and the innovation, it is likely that the group fails to adapt to the change (Monsen & Boss, 2009). Thus, attrition may occur in high volume which harms the organization.

Irrespective of the possible drawbacks relating to innovation, employees seem to benefit more from an innovative workplace than a “traditional” environment (Kalmi & Kauhanen, 2008). By studying and integrating innovation-based strategies sufficiently (e.g. centralized collective bargaining, high degree of trust), an organization can nurture the staying intention of its workers (Kalmi & Kauhanen, 2008). The following hypothesis is stated thus:

*H2: An innovation orientation by an SME plays an important role in retaining employees in their job.*

### **3.3. Supportiveness**

The third factor that should be taken into consideration when evaluating the influence of organizational culture on the retention of workers is supportiveness. Several studies have shed light on this area, as supportiveness can be further divided into two main groups, namely empowerment and how to cope with stressors (Harris, Wheeler, & Kacmar, 2009; Thompson & Heron, 2005; Yankeelov, Barbee, Sullivan, & Antle, 2009). Such groups will be discussed in the following section.

#### **3.3.1. The influence of empowerment on voluntary turnover**

Empowerment is associated with the degree of power employees may have regarding their jobs and their workplace. Empowerment is important to employees since they need autonomy to fulfill their responsibilities (Kalmi & Kauhanen, 2008). It is evident that a consistent level of delegated work authority will raise employee satisfaction while high-turnover-rate organizations report a low level of discretionary effort at their workplace (Chu, Hsu, Price, & Lee, 2003; Yankeelov, et al., 2009).

For some industries (e.g. nursing), authority is one of the most important motivations that employees seek at their work (Zangaro & Soeken, 2007). Workers in such areas have a clear expectation of their role in the organization, have the abilities to cope with work tasks and are motivated to seek challenges. Those who gain sufficient knowledge as well as experience, and become an expert and authority in their fields, will have a higher level of demand for empowerment related to their expertise (Susan, 2000; Zangaro & Soeken, 2007). Empowerment can be seen as a motivator to “energize, direct and sustain the employee behaviors” which are associated with their turnover retentions (Harris, et al., 2009, p. 373). Whether or not they are able to access the work authority, as well as receiving support regarding their decision making, will influence their perception of the firm’s commitment to them. In the case where an employee experiences disempowerment, he or she may develop greater dissatisfaction at work. If the lack of empowerment is not compensated by a consistent relationship between employees and employers, workers will be de-motivated to continue working at the firm; thus, turnover is likely to occur (Harris, et al., 2009).

Empowerment also derives from the characteristic of the job given by the manager. Employees in high technology sectors, for instance, tend to look for jobs that use their skills and talent. This not only enhances their intrinsic motivation when they find enjoyment and the feeling of self-worth (that they are contributing to the organization) at work, but also keeps them motivated by extrinsic motivation with the chance to learn or exchange information within the firm. Moreover, since they are doing the tasks which are a good fit with their competence, their self-efficacy will be improved (Yankeelov, et al., 2009). As a consequence, their commitment to the organization hypothetically should increase. In contrast, working in environments with repetitive or disempowering work, workers are less likely to experience the above intrinsic and extrinsic motivations; hence, they are discouraged from remaining in their jobs for long (Dockel, Basson, & Coetzee, 2006).

In order for discretionary effort to be taken into account, fairness at work should be paid attention to. Two types of justice within the workplace are distributive justice (rewards and compliments relating to the performance of employees), and procedural justice (rights are applied universally to all employees within the firm) (Chu, et al., 2003). There is no doubt that when both distributive and procedural justice is implemented, job satisfaction is likely to remain high while turnover intention conversely reduces (Chu, et al., 2003). Furthermore, jobs which provide the workers with a feeling of personal development progress and meaningfulness are positively associated with their job satisfaction (Seo, Ko, & Price, 2004). Since job satisfaction is associated with worker retention (Sheridan, 1992), employees will commit to the firm where fairness is implemented appropriately

Generally speaking, empowerment is an important aspect that organizations should pay attention to when seeking to motivate their workers. By fostering authority as well as fairness at work, organizations are likely to maintain their workforce.

### **3.3.2. Coping with stress**

In addition to empowerment, employees are also looking for support to deal with increasing work stress. Without receiving consistent support from the organization, workers are faced with a number of issues such as work overload or interpersonal conflict which leads to absenteeism as well as turnover intention. There is evidence that communication between co-

workers and between employer and employees is likely to buffer the stressors; hence, companies may consider encouraging such support practices at work (Barak, Nissly, & Levin, 2001; Harrisson, Loisel, Duquette, & Semenik, 2002).

According to Rafferty and Aiken (2001), job content is decided through customization and negotiation. Most professional work includes dependent, interdependent and independent elements. Through negotiation between colleagues, all formal and public mandates for a group of workers are “translated” into individual’s local and specific practices in daily operation (Rafferty & Aiken, 2001, p. ii33). The clarification of tasks through negotiation helps to reduce uncertainty – as an antecedent of stress - which is then associated with a number of positive outcomes, such as better performance or lower turnover (Rafferty, et al., 2001). Furthermore, through co-worker interaction, employees gain better control as well as greater awareness over their stressors in the workplace. Advice or support during work is more effective than outside of work, and employees are closer to others within the network. Therefore, those who are located at the center of the network (in terms of quantity and quality of relationships) are more likely to be better placed to deal effectively with workplace stress and less likely to leave the firm (Earle, 2003; Freeley, et al., 2008).

In addition to the closeness between employees at work, communication can foster useful feedback between colleagues (Zhou & George, 2001). Firstly, feedback is conducive to a worker’s activities. Feedback directs the employee’s intention towards job improvement as well as fostering his/her learning and skill development. This is of great importance when an employee is thinking of whether to switch to a new job, with all the uncertainty accompanying such a change, or change to fit with new job requirements. Secondly, feedback also creates a feeling that employees are likely to receive support from their peers when they are doing their tasks. Through this type of peer support, employees are more encouraged to continue their tasks. Thirdly, by receiving feedback from co-workers, followed by shared expertise and encouragement, employees feel more confident at work; thus, they enjoy and feel motivated to continue in their jobs (Zhou & George, 2001).

With regards to the relationship between employer and employees, communication brings the same benefits as those of their peers above. Through interaction with the managers, employees can manage their work and their stressors better; thus, they will be less likely to be dissatisfied in their job. Similarly, since employees increasingly care about self-development,



they apply more knowledge at work, do their jobs independently and prefer frequent communication with their managers. Feedback from managers who have reliable knowledge in their relevant fields can boost positive attitudes of employees towards the organization as well as prevent any negative consequences, including intentions to leave (Li, Zhao, & Liu, 2006; Thatcher, et al., 2006). Similarly, feedback from management can also be seen as recognition of the contribution of employees. A feeling of self-worth will be likely to retain employees at their work (Dockel, et al., 2006).

Another aspect of dealing with stressors is work-life balance. Work-life balance refers to an individual's ability to cope with work and family commitments as well as any other non-work responsibilities. Work life balance is of great importance, particularly for women or parents (Parkes & Langford, 2008). A good work-life balance leads to positive physical and mental health, consistent work performance and an expansion of one's social network, which is associated with job satisfaction. When people are unable to cope with issues at work, they will seek alternative solutions to achieve balance, including reducing their working hours, increasing absenteeism or changing their jobs (Pocock, 2005). If a company fails to manage such problems, they will find it hard to retain their skilled workers.

Both communication and work-life balance are important for any organization to manage their workforce effectively, therefore, organizations should bear in mind the tasks relating to building an environment where staff are free to communicate and build strong networks as well as giving adequate support for their employees to cope with work-life balance.

### **3.3.3. The negative side of supportiveness**

Similar to teamwork orientation and innovation orientation, supportiveness is a double sided coin, i.e. there are certain issues that the company needs to be aware of. First and foremost, the individualistic component in itself brings differences to the perception of fairness discussed above; various people have different psychological contracts (the expectation between employees and the firms at work) with the company, hence, they also have a different perception of fairness. While some may place more weight on distributive concern as pay and rewards are more motivating for them, others seek to be treated with dignity and respect which refers to procedural justice. The diverse emphasis on fairness requires a

manager to close the gaps between him/her and his/her employees to understand their needs and satisfy them accordingly (Thompson & Heron, 2005). Secondly, in spite of the undeniable role of work support, some workers, particularly the highly experienced ones, feel reluctant to receive certain support (e.g. compliments, clarification about current tasks) at work. Compared with junior workers who demonstrate the collaboration with their peers due to their ambiguity at work, senior employees are less influenced by co-workers and are more internally motivated. Thus, providing this type of support (guide from other colleagues) to senior workers may not enhance their motivation since they need a high level of autonomy (Curry, et al., 2005). The final issue of supportiveness is the number of support lines. According to Freeley, et al. (2008), with different shifts and different responsibilities, a large number of support lines can bring more availability and flexibility to workers than a small number of close relationships. Employees can seek support from their colleagues across a large company; thus, they can fulfill their tasks more effectively than relying on limited support from a small team network. Employers should foster a more open communication and interaction between employees across their firms in order for them to build high quality networks.

As discussed above, in spite of a few drawbacks, the positive influence of supportiveness is quite important. Therefore, the following hypothesis is proposed:

*H3: With a consistent level of investment in supportiveness, particularly in terms of autonomy and how to cope with stress, SMEs will stabilize their workforce.*

### **3.4. Proficiency**

Proficiency refers to the degree to which the company pays attention to satisfying customers as well as equipping employees with the competence needed to do their tasks effectively. There is evidence that the higher the proficiency score, the higher the rating of the organization's quality of service and workforce retention (Glisson, 2007). The two aspects relating to customer orientation and employee competence are discussed below:

#### **3.4.1. Customer orientation**

Customer orientation is an aspect of proficiency that a company should take into consideration when they want to retain their employees, particularly their customer service staff. According to Donovan, Brown and Mowen (2004), customer orientation is defined as “an employee’s tendency or predisposition to meet customer needs in an on-the-job context” (p. 129). Such aspect is influenced by personality traits (the characteristics of a person which influence the way he/she thinks and behaves), and in return, it affects individual performance (Donavan, et al., 2004).

Empirical research makes it quite evident that there is a positive link between job satisfaction and customer orientation where those employees with high levels of customer relationship skills reveal more job satisfaction (Donavan, et al., 2004). One of the reasons comes from the natural characteristics of customer service jobs themselves. Service workers deal directly with customers’ needs and try to satisfy their requirements. Since workers may receive less support when working in those organizations which have a low level of customer orientation, they find it hard to cope with their jobs; hence, their job satisfaction is adversely affected. Secondly, due to a close relationship with customers, employees working in high customer orientation firms are more likely to satisfy customers’ needs; thus, employees are a better fit in their jobs than those without such good relationships. As a result, they commit more to their companies (Donavan, et al., 2004; Moncarz, Zhao, & Kay, 2009).

The association between customer orientation and the retention of employees is also confirmed by Piercy, Harris and Lane (2002). When studying the antecedents and consequences of market orientation, Piercy, et al. (2002) found that customer orientation which is part of market orientation promotes a sense of belonging to the organization aiming to meet and exceed the needs and expectations of the market. Customer orientation also reduces role stress (conflict and ambiguity), enhances employee flexibility at work and improves employee productivity; thus, it leads to positive outcomes, including positive employee attitudes, trust in super-ordinates and commitment to the firm. Similarly, customer orientation also boosts team spirits and team cohesion; hence, as mentioned above, customer orientation positively affects the commitment of an employee towards his/her organization (Piercy, et al., 2002).

### **3.4.2. Competence**

Apart from customer orientation, companies also need to nurture employee competence in order to retain them at work. Nurturing competence can be done through training and learning orientation (Hoffmann, 1999) which is discussed in the following sections. In terms of personal development, there is an association between a proper training program and the retention of workers. Human resource practices to improve the competence of workers are likely to enhance productivity and customer satisfaction. As mentioned above, when employees have good relationships with their customers they are likely to enjoy their jobs; thus, voluntary turnover is less likely to occur (Moncarz, et al., 2009). Furthermore, for companies with training and learning orientation, employees have a sense of personal progress and job meaningfulness. The learning environment requires employees to exchange information as well as working together to increase their knowledge. Acquisition of new knowledge and the continuity of education will play an important role when employees are considering a job since such improvement potentially links to their career growth. Learning and training orientation can also lead negatively to voluntary turnover (Seo, et al., 2004). Nevertheless, D'Amato and Herzfeldt (2008) found that learning orientation only brings long-term benefits to employees when they participate in developmental activities. If employees find such participation can generate a personal and job-related career, the degree of participation is likely to increase. Employees who have expectations of developing in their job roles will appreciate such opportunities and report higher levels of learning orientation. Given that organizations are developing their human resources for their own interest, various career paths would be presented to employees. Learning orientation as well as commitment from organizations will be rewarded by the loyalty of employees (Benson, 2006; D'Amato & Herzfeldt, 2008). As training and learning orientation nurture competence (Hoffmann, 1999), a culture with a high focus on competence improvement facilitates an individual's development; thus, such an orientation is likely to retain employees.

Apart from personal development, learning culture also enhances the commitment of employees to their companies. According to Lee-Kelly, Blackman and Hurst (2007), the link between job satisfaction and the retention of workers is clear. Job satisfaction is multifaceted and based upon a variety of factors such as comfort, challenge and reward. Learning and the utilization of knowledge can be seen as one facet of job satisfaction; thus, fostering a learning

environment is a requisite in some firms. Moreover, learning as a culture can bind other job satisfaction elements which lead to how workers perceive the job satisfaction facets (e.g. how they perceive supervisor support, how they perceive the comfort they have at work) within their companies. By managing the learning environment, employers can shape such employee perception in a manner that helps them to retain their employees effectively (Lee-Kelly, et al., 2007). Using a different approach, Stovel and Bontis (2002) studied two kinds of training, including on-the-job training and off-the-job training. While off-the-job training aims to advance the skills of employees at work, on-the-job training allows workers to work within the enterprise as well as learn about the job and the entire organization. For the first type of training (off-the-job training) this will enhance employees' confidence by equipping them with the most up-to-date skills and knowledge. As mentioned above, this improves their productivity and their commitment at work. The influence of the latter type (on-the-job training) is more subtle. Through interaction with managers at work (on-the-job training), employees can receive helpful feedback and develop their own skills. Consequently, their loyalty to the firm is likely to rise since they would recognize that the firm is facilitating them in achieving their career goals (Action & Golden, 2003; Stovel & Bontis, 2002). Undoubtedly, high focus on competence improvement through learning orientation provides organizations with a better chance to retain their employees.

Additionally, there is a strong correlation between learning environment and teamwork. Learning organizations require employees to continuously exchange information; hence, this process is also associated with the improvement of communication skills. Communication and responsibility sharing are requisite for group cohesion which creates a sense of belonging within a bigger organization. As a result, the learning environment is an effective tool to increase the involvement of workers (DiMeglio et al., 2005). On the other hand, teamwork is among the key actions for a learning organization. A learning strategy without the target of encouraging collaboration, fostering collective meaning and value, or stimulating inquiries and dialogue is thought unlikely to be effective (Joo & Lim, 2009). Due to the significant relationship between teamwork and worker retention as discussed above, correlation between competence (learning orientation) and teamwork means that a focus on competence development helps firms to maintain their skilled workforce.

### **3.4.3. Negative side of proficiency**

In spite of the importance of customer orientation and competence through learning orientation, proficiency also contains shortcomings relating to the retention of workers.

Firstly, despite the importance of customer orientation, over-focus on customers will bring adverse effects to employees given that customer needs may dominate the needs of organizational members. Indeed, customers will only be satisfied if the employee satisfaction and motivation are achieved. The company should bear in mind that their staff are also internal customers. Therefore, improvements based on low satisfaction items (improvements based on what the firm can provide rather than what the employees require to do their tasks) without addressing employee dissatisfaction is not considered a trustworthy strategy. Satisfaction of both customers and employees should be considered when firms follow customer orientation so that the effectiveness of this orientation will be achieved (Chen, Yang, Shiau, & Wang, 2006; Piercy, et al., 2002).

Secondly, in contrast to conventional thinking, education and training increase the turnover rate by providing employees with opportunities to leave. Through training processes, employees' skills are improved, new networks between employees and outside parties (e.g. teaching providers from other companies) are made. Employees might also perceive some incompatibility between the value of current firms and their own. Thus, they will leave the firm when they have a chance. Accordingly, the training program would only succeed if it is designed to upgrade organization-specific skills aiming to bring economic and status benefits within the firm, or those skills that are non-transferable to jobs outside the company (Dockel, et al., 2006). However, an emphasis on training will not replace the influence of a comprehensive staff retention program strategy. Human resource practices (e.g. remuneration, hiring) should be carried out in conjunction with competence development to achieve the effectiveness of workforce retention (Curry, et al., 2005). A consistent awareness of the importance of training in relation to the retention of workers is required so that its role is neither underestimated nor overestimated.

Similar to the relationship between supportiveness and voluntary turnover, the benefits of proficiency are quite visible. The following hypothesis, hence, is proposed:

*H4: In order to retain employees, SMEs need to pay close attention to proficiency, particularly in relation to customer orientation and employee customer service competence development.*

### **3.5. Reward orientation**

Reward orientation also has significant influence on the commitment of employees at work. Reward orientation refers to “employee behavioral expectation and norms related to being well paid for their performance and having their job fit with their life” (Shim, 2010, p.849). Employees would never work for no salary and reward; thus, the firm should always take into account this factor if they want to retain their employees.

#### **3.5.1. Positive impact of reward orientation**

Compared with other factors (e.g. teamwork orientation, innovation orientation), reward orientation has a direct impact on motivation (Stum, 2001). Reward is the entitlement of any worker to receive what is required to satisfy their primary needs of survival. Indeed, reward orientation targets the base of Maslow’s pyramidal hierarchy of needs – an individual’s physiological needs. If such needs have not been addressed effectively, higher needs of the hierarchy (e.g. esteem or self-actualization needs) which are functions of other cultural factors (e.g. autonomy in innovation orientation, collaboration in teamwork orientation) are unlikely to be met (Knights & Willmott, 2007). To begin with, compensation and benefits have been viewed as the first and foremost motivation for employees. If a company fails to provide a sufficient level of financial reward to meet the basic living needs of employees, the firm would find it hard to retain them, regardless of whether other offers they give to their staff are attractive (Stum, 2001). Moreover, compensation provides an opportunity for autonomy, security and a feeling of self-worth. Thus, an increase in the reward positively leads to a rise in the commitment of workers and a decline in employee turnover (Dockel, et al., 2006).

Reward is not only an entitlement; it is also a motivator which can improve employee performance. There is evidence that employee motivation is low if work requirements are

high and their efforts to fulfill them are not appreciated. Indeed, motivation is high when employees believe that their contribution is associated with positive reward outcomes. The stronger they perceive such an association, the stronger their motivations are (Crickmer, 2005; Fairbank & Williams, 2001). In addition, Kalisch and Begeny (2005) have identified five primary categories of rewards that a firm can use: consumables (e.g. meal tickets), status symbols (e.g. trophies, parking spots, monetary rewards, coupons, vouchers), social acknowledgement (e.g. compliments) and job opportunities (e.g. job rotation). While some categories are relating to temporary needs (e.g. consumables, monetary rewards), others such as job opportunities (e.g. for promotion) illustrate the future value of the rewards. For some specific positions (e.g. middle managers), future rewards (e.g. promotion) have a greater influence on job satisfaction than temporary options (e.g. coupons or monetary rewards) (Chu, et al., 2003; Seo, et al., 2004). Thus, a company is not bound by a limited number of motivational choices but can be flexible in utilizing the reward options which best fit their strategies and context.

Clearly, reward orientation is not only an entitlement but also a motivator which helps employees commit to the job. For this outcome, reward orientation becomes a key component of organizational culture to which a firm should pay sufficient attention when they want to retain their employees.

### **3.5.2. Negative impact of reward orientation**

Apart from the benefits of reward orientation, an over reliance on reward orientation can also be problematic for organizations.

Despite the fact that reward orientation is an entitlement, salary or monetary rewards alone are not a sufficiently strong enough motivation for employees to remain in their jobs. According to Dockel, Basson and Coetzee (2006), high salaries are not essential, but “good” and “fair” salaries can be a strong external motivator for employees. Indeed, for some workers who place a great deal of focus on internal motivation, they stay in the company because they are engaged and challenged by the work rather than from money alone. As long as the financial rewards are competitive enough, such employees will feel discouraged from finding alternative opportunities outside the firm (Carleton, 2011; Dockel, et al., 2006). To



support such an argument, Kalisch and Begeny (2005) state that monetary rewards contain a variety of motivational limitations, such as being costly, and reward inflation may occur. Financial motivation does not have staying power since employees become habituated to this type of motivation and they will discount it when their primary needs are met. Since an excessive monetary reward could only enhance “money motivation” rather than “good work motivation” (Kalisch & Begeny, 2005, p.555), reward orientation based on monetary reward does not enhance the commitment of employees within the job (Kalisch & Begeny, 2005). Another concern with monetary rewards is that since it targets the primary needs of employees, it fails to differentiate between firms which satisfy employees solely based on pay and benefits, and those who put employees at the centre of their development. As a consequence, firms that fail to satisfy a wide range of employee needs will find it hard to attract, retain and motivate talented individuals (Rumpel & Medcof, 2006). Instead the company must consider a more comprehensive approach by using various categories of reward to satisfy employees rather than relying on a few conventional options (such as monetary rewards). In addition to the role of monetary rewards, there is also a problem with the pay process. When considering the retention of workers, the pay process is more important than the amount of money the company offers to employees. This point of view consolidates the argument above by illustrating that an increase in the amount of pay does not necessarily lead to higher effectiveness or commitment of workers. Employees want to know how the remuneration system works as well as how their rewards can be increased (Dockel, et al., 2006; Mulvey, LeBlanc, Heneman, & McInerney, 2002). Thus, the company should make sure that their distributive justice (the degree to which rewards and punishments are related to the individual’s performance) are not only implemented properly but also are explained clearly to each organizational member.

Another controversial issue with regard to reward orientation is the choice of individual reward and a team-based reward system. According to McClurg (2001), despite teamwork being an important target for reward orientation, there are at least two reasons why a number of firms still maintain their individual based rewards regardless of whether they employ a team based reward system. Firstly, individuals need to be complimented and rewarded for their efforts. They will become demotivated if their contributions are not recognized due to the unreliable performance of the entire team. By keeping such an individual based reward system, the company can encourage their employees to improve their skills and build more commitment at work. Secondly, many companies, particularly SMEs, report that the

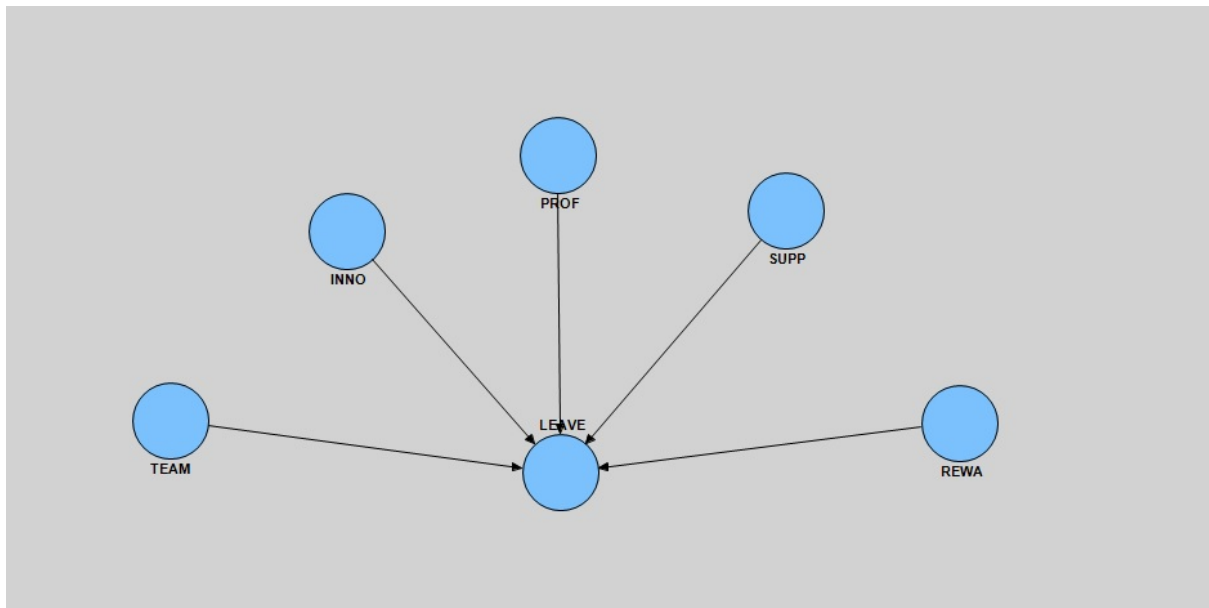
complexity of a team reward system really challenges them. Since a team will often consist of diverse people, it is difficult to determine the rewards that both satisfy each individual (individual reward) and motivate them to work together (team reward). It is even more difficult to determine a proper reward system due to issues with some complicated firm contexts, such as organizational strategies, operating costs or the practicality of offering rewards (Rumpel & Medcof, 2006). Due to such complexities, not many companies build a purely team based reward system. Instead, they modify the system by requiring their employees to share some of the same incentives. For this system, there is no reward dedicated for specific staff; in fact, the incentive will satisfy the need of a group of workers who share the same task focus or interest (McClurg, 2001).

Despite reward orientation not being the most important influence on employee retention, a company cannot retain its workers effectively without considering this factor. A fifth hypothesis is proposed accordingly:

*H5: An organizational culture based on a reward orientation helps an SME to better manage its workforce.*

As discussed in this section, the five organizational culture-related factors (teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation) are expected to have a strong influence on the retention of workers in SMEs. The following model is proposed and tested in subsequent sections of the study.

**Figure 1 – A proposed model of the influence of five organizational culture-related factors on the staying intention of employees**



## **4. METHODOLOGY**

This section describes the methodology used for this study to test the five hypotheses generated from the Literature review and proposed in Section 3. Methodology involves the theoretical explanation of the research approach, as well as the research design, and including the process of data collection and data analysis (Collis & Hussey, 2003). For the study a survey method was employed to collect primary quantitative data while PLS modeling was used in the data analysis section. These aspects are discussed in the following sections.

### **4.1. Sample size and sampling technique**

This dissertation replicates and extends Shim's (2010) research. While basically retaining the methodological approach adopted by Shim (2010), the dissertation also makes some modifications to his methodology. The reasons for such modifications are discussed in the following paragraphs and relate to measurement of the influence of the five cultural factors, and sample size, while adopting Shim's use of the survey method for data collection

Shim (2010) suggested that further research may consider adding more organizational culture-related factors into his model. These factors can be found in the work of O'Reilly III et al. (1991). However, since Shim (2010) combined the original factors, this study instead examines each factor separately.

Shim (2010) used quantitative data collected in a study of the New York State Social Work Education Consortium (SWEC) conducted between 2002 and 2003. Using the same approach as Shim (2010), this study also uses quantitative data obtained from a survey relating to employee intention to stay or leave their current employment.

Shim's (2010) survey was administered to all employees working in child welfare agencies within 25 counties out of 62 counties in New York State, thus yielding a large sample suitable for conducting regression analysis.

This study explored the applicability of theories relating to worker retention and voluntary turnover to SMEs in New Zealand. As mentioned above (referring to section 1.1), SMEs in New Zealand "are defined as enterprises with 19 or fewer employees" (New Zealand Ministry of Economic Development, 2011, p. 5). In particular, any New Zealand companies which meet the criteria of less than 20 workers (New Zealand Ministry of Economic Development, 2011) were the targets of this research.

The data was generated using the Kompass directory database. Organizations in 18 regions within New Zealand with the number of employees ranging from 1 to 20 were identified. A total of 10,000 companies was generated, with contact details (e.g. email addresses) of key staff in each firm.

Due to time and financial limitations as well as the very large size of the total SME population, this study was unable to approach all SMEs in the Kompass database. Therefore, a random sampling technique was employed. In random sampling, each population member has equal probability of being selected. For this research, each company was coded with a number, from 1 to 10,000. With the support of an online random number generator (named Psychic Science), 400 code numbers were generated, with each code number assigned to a company to be randomly selected for the next stage of the research.

Employees from each company were then chosen for data collection. For some companies who had more than one employee's contact detail listed, only one staff member was randomly selected using the above random generator tool.

Ultimately, the prior-data collection process resulted in a list of 400 employees, each with an email contact.

## **4.2. Data collection**

As indicated in section 4.1, this study used a primary quantitative data collection method. The following sub-sections describe this process, including questionnaire design, data analysis technique, and ethical considerations.

### **4.2.1. Data collection method**

“A questionnaire is a formalized set of questions for obtaining information from respondents” (Malhotra, 2010, p. 303). The function of a questionnaire is to measure. It is used in this study to measure a variety of quantities, including working behavior and future intentions, as well as the various respondents' characteristics (Feinberg, Kinnear, & Taylor, 2008; Malhotra, 2010). Questionnaires receive great attention from scholars since it is a cost-effective method for collecting data, quick to administer, reduces harmful face-to-face interaction and is convenient for the participants to respond to (Bryman & Bell, 2007). Among various forms of questionnaire, an online survey is one of the preferred methods used by scholars. This method also provides benefits including rapid deployment, real-time reporting and ready personalization (McDaniel & Gates, 2012). As Shim (2010) adopted a survey method for his research, this study also utilizes this approach for primary data collection.

However, this study utilized an online survey method to collect the data. The Google online survey method was recruited due to its low cost and customer-friendly characteristics as well as the capability to integrate advanced functions (e.g. Google online excel, Google online storage) in order to administer and gain an improved final result.

#### **4.2.2. Questionnaire**

The questionnaire used in this study was based on the survey used for the SWEC research conducted in 2002, part of which was used by Shim (2010). The original SWEC questionnaire contained five sections, including characteristics of the job, employees' future plans, work experience, comments on current supervisors and demographic questions. For Shim's (2010) study, only data from questions relating to the two organizational culture and organizational climate components as well as demographic characteristics were chosen to predict how such components influence the employees' leaving intentions. Thus, among the five sections of the original questionnaire, Shim (2010) focused on the characteristics of the job and future plans, whereas this study focused only on the organizational culture aspects.

Similar to Shim (2010), the questionnaire used in this study retained items relating to the two constructs discussed above (organizational culture and organizational climate). Also, a fourth section (the expectations of employees at work) was added to examine participants' attitudes concerning the five main organizational culture factors used in the study: teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation.

In the first section of the questionnaire for this study, questions were asked about employee expectations at work. Such questions were based around four factors: organizational support, teamwork, innovation and remuneration (Griffin, et al., 2001; Kalmi & Kauhanen, 2006; Harris, et al., 2009; Dockel, et al., 2006). The majority of the questions (five out of seven questions) were open-ended where participants answered in their own words. This section would lead the participants to the five organizational culture-related factors in the following section. The second question focused on the current working situation of employees. There are 33 multiple-choice closed questions built around the five factors that are the focus of this study: teamwork, innovation, support, proficiency and remuneration (8 questions relating to teamwork, 7 questions about innovation orientation, 8 questions regarding supportiveness, 5 questions about proficiency and 5 questions about remuneration). Participants were required to match the questions with their current working situation.

In the third section of the questionnaire participants were then asked about their intentions. Participants were asked if they were happy and eager to remain in their current job or were thinking of switching to a new job. They were also asked about factors they may consider if they were to decide to leave their current firm.

In the final section, 8 demographic questions (age, gender, ethnicity, educational levels/qualifications) were developed to examine the impact of employee characteristics on the organizational culture-related variables.

#### **4.2.3. The data collection process**

The data collection process commenced with an email sent to all participants. With the email was an invitation to participate in the study, indicating the due-date for responses as well as the link to the online questionnaire. Respondents were also advised that approximately 15 – 20 minutes were required to complete the survey.

The online survey does not require the participants to reveal their identity. Therefore, apart from general demographic information, the researcher was unable to determine who gave answers and who did not. This helped to ensure that confidentiality and anonymity were adhered to, in accordance with AUT's ethical requirements.

After three weeks, a reminder email was issued to all 400 company employees to remind the participants of the questionnaire and its due-date. Those who had not completed the survey again received the link to the online questionnaire. This was a second request for participants to participate in the survey.

From a sample size of 400 participants, the data collection process resulted in 60 usable responses, yielding a response rate of just 15 percent. While disappointingly low, a response rate of this size is not unusual for surveys conducted among businesses in the New Zealand context. One reason explaining this low response rate may be the timing when the survey was carried out. The survey was conducted in October which is close to the end of the fiscal year. Due to the busy nature of businesses at this time of the year (Oyer, 1998), employees did not have much time to become involved in the survey. Thus, the response rate was adversely affected. However, due to the resistance to bias of the random sampling technique employed in this study, the data collected represent the entire population.

### **4.3. Data analysis**

With 60 usable responses, the study could not use the same data analysis method as that used by Shim (2010) (logistic regression). An alternative approach – PLS modeling – was recruited due to its ability to work with small sample sizes. The methodology choice and the process of PLS modeling are discussed in the following section.

#### **4.3.1. Data analysis method**

Shim (2010) employed logistic regression to predict the leaving intentions of employees in relation to the influence of organizational culture. Similarly, he used logistic regression to determine if control variables such as age, gender and geographical location would have an impact on leaving intentions. However, due to the low response rate of this study, logistic regression was not appropriate. Therefore a data analysis method was required that would be specifically suited to small sample sizes.

Structural equation modeling (SEM) was instead employed which is a typical choice for dealing with dependency relationships between constructs (Monecke & Leisch, 2012), which makes this method particularly well-suited to addressing the research objectives for this study. SEM is a combination of linear multiple regression and confirmatory factor analysis. Thus, it provides a number of advantages, such as the reliability of measurement due to error-free measurement, the flexibility to examine complex relationships between latent variables and the ability to use dependent variables to predict measurement structure in the model (Reisinger & Mavondo, 2007; Ullman & Bentler, 2003).

Among a variety of SEM methods, partial least square (PLS) has been receiving a great deal of attention in research (Rosipal & Kramer, 2006). “PLS is a method for constructing predictive models when the factors are many and highly collinear” (Tobias, 1995, p.1). Unlike covariance-based SEM which reproduces the covariance matrix, PLS maximizes the variance of dependent variables. In a PLS model, three components can be found, including a structural portion (the independent variables and dependent variables), a measurement component (the dependent variables and their indicators) and the weight relations (to estimate case values) (Haenlein & Kaplan, 2004).



There are a number of reasons explaining the rise in popularity of PLS in research (Pirouz, 2006; Vinzi, Chin, Henseler, & H.Wang, 2010). Compared with other SEM methods, PLS offers researchers a “soft” modeling technique which has a close relationship to distributional assumptions. PLS maintains the ability to model multiple dependent and independent variables, it can be applied to small samples, the method can work with both reflective (measurement indicators) and formative (cause indicators) latent variables, and it also handles multi-collinearity (Monecke & Leisch, 2012; Pirouz, 2006; Vinzi, et al., 2010). Because of its ability to cope with small sample sizes, PLS modeling is the data analysis method used in this study.

One of the greatest disadvantages with PLS, however, is the lack of ability to test the model. Thus, PLS is employed for prediction-oriented purposes rather than to find casual mechanisms (Pirouz, 2006; Vinzi, et al., 2010). In comparison to logistic regression used by Shim (2010) in his study, and while PLS modeling brings flexibility to the data analysis process, the findings resulting from this modeling technique are less reliable than those generated from a conventional regression method (e.g. logistic regression). Therefore, while Shim (2010) was able to reach some firm conclusions about the influence of organizational factors on employees’ staying intentions in his research, this study makes only predictions about this impact.

#### **4.3.2. Data analysis process**

In interpreting the data based on the PLS modeling technique, according to Hulland (1999), there are three steps to be carried out.

The first step refers to measurement validation. This step is to ensure that the constructs are reliable and valid before any conclusions are made in subsequent stages. The reliability and validity of the measurement model as well as the structural model are assessed. In order to do that, three measurements were taken into consideration including internal reliability (how underlying variables explain indicator’s variance), convergent validity (“the correlation between responses obtained by maximally different methods of measuring the same construct”) and discriminant validity (“the dissimilarity in a measurement tool’s measurement of a different construct”) (Vinzi, et al., 2010, p. 696). Firstly, internal reliability was used to

reveal if the shared variance was greater than the error variance. Internal reliability was measured by the loading of each item. A level of composite reliability which is greater than 0.7 is considered acceptable, while a low level of composite reliability (CP) might need to be interpreted with caution. In practice, it is common to find that a few items might have a low level of CP; however, if the model consists of a vast number of items with low levels of CP, the model will incur problems ranging from low reliability to poor content validity and non-generalizability of the item in different contexts. Secondly, convergent validity used “item loadings obtained within the nomological network (the network consists of constructs, indicators and the linkage between them)” (Hulland, 1999, p.199). Such item loadings were interpreted similarly with the composite reliability above in which 0.7 is an acceptable level. In addition to item loadings, AVE (average variance extracted) was also employed. A minimum requirement of 0.5 for AVE is to ensure the variables will cover at least 50% of the total indicators (Vinzi, et al., 2010). A failure in convergent validity leads to several adverse consequences, such as the impairment of the determinants of proper measures for the constructs or poor internal consistency. Thirdly, discriminant validity must be assessed to prove that the measurement of a given construct must differ from the measurement of other constructs in the model. To assess discriminant validity, the root square of AVE was employed. The measurement between a construct and its measures must be greater than any variances across the construct in the model (the squared correlation between two constructs). When a model passes these three measurement tests, its reliability and validity has been validated (Hulland, 1999). The next two stages of data analysis were then carried out.

In the second step, the construct-measurement relationships are discussed. Such relationships are divided into reflective indicators (measurement) and formative indicators (cause). While reflective indicators reflect an underlying construct, formative items are used to produce/form a construct. The distinction between the two forms is necessary because of the role of item weights (formative indicators achieve these weights bearing in mind the correlation with other constructs; reflective indicators use the weights to measure their related construct). Whichever form is chosen, care must be taken to ensure that the choice is appropriate and employed consistently (Vinzi, et al., 2010). The final step refers to the PLS model’s goodness-of-fit. In order to test this, path coefficients are interpreted, model adequacy is determined and a final model is selected from the available set of alternatives (Hulland, 1999; Vinzi, et al., 2010).

For the measurement model, the independent variables are teamwork, innovation, supportiveness, proficiency and reward. Two dependent variables are organizational culture and leaving intention. With regard to the independent variables, teamwork, innovation, supportiveness, proficiency and reward are constructed with 8, 7, 8, 5, 5 items from the questionnaire, respectively. The following table summarizes the constructs together with their items. These terminologies will be used to ease the interpretation of data analysis in section 5.

**Table 1 – The construct’s indicators (Shim, 2010)**

Construct	Items	Questions
Teamwork (TEAM)	T_rela	[1. I have good relationships with all employees and employers of the firm]
	T_work	[2. Working in a team is easier than working as an individual]
	T_char	[3. I always believe that I have honest, competent and reliable managers and teammates to work with]
	T_task	[4. When working in a team, I enjoy a variety of tasks within the entire team]
	T_lear	[5. I always want to learn from other colleagues at work]
	T_depa	[6. I have good relationships with staff from other departments/functions]
	T_auto	[7. When working in a team, I still have a lot of autonomy in doing the job]
	T_supp	[8. I appreciate co-workers’ support more than supervisors’ support]
Innovation (INNO)	I_reso	[9. The company provides new resources (e.g. computers, equipment) that make my job easier and better]
	I_atti	[10. There is a “can do” attitude among employees in the company]
	I_diff	[11. Workers are encouraged to make a difference at work]
	I_rewa	[12. I get rewards/compliments when using my initiative at work]
	I_inte	[13. I feel that my work is interesting when I am able to apply new initiatives (e.g. new ways of doing tasks, new equipment) at work]
	I_hard	[14. When applying new initiatives, I have to work harder]
	I_work	[15. When applying new initiatives, the company does not need as many workers to complete all tasks]

Supportiveness (SUPP)	S_resp	[16. My professional opinions are respected]
	S_feed	[17. I usually receive feedback from the organization (e.g. managers, peers) to improve my work]
	S_reso	[18. I have all the resources I need to do my job]
	S_skil	[19. There is a match between my required work and my skills]
	S_fami	[20. There is a good fit between my family life and my work life]
	S_comm	[21. Communication between departments and between staff is encouraged]
	S_burn	[22. I am doing my job well and never get burnout]
Proficiency (PROF)	S_rewa	[23. The reward is fairly distributed based on the contribution of workers]
	P_qual	[24. There is an emphasis on the quality of service rather than the number of clients being served at my firm]
	P_rela	[25. I have good relationships with a number of customers/clients]
	P_skil	[26. My work offers me the opportunities to improve my knowledge and skills]
	P_trai	[27. Training provided by the firm is helpful for my work]
Reward (REWA)	P_care	[28. Training supports my career goal]
	R_cons	[29. My contributions are recognized and rewarded consistently]
	R_conn	[30. There is a connection between my performance and the benefits I receive]
	R_team	[31. A proportion of my entire benefits come from my team performance]
	R_sala	[32. I am generally satisfied with my salary]
Leaving intention (LEAVE)	R_nonsala	[33. I am generally satisfied with my non-salary benefits]
	Look_for_a_j ob	Have you looked for a job within the last 12 months?

In addition to the measurement model, four control variables are taken into consideration, including age, gender, work status (full-time or part-time) and qualification. In order to test if there is multi-collinearity between the control variables, multiple linear regression (MLR) using SPSS was employed. The minimum sample size required by MLR is 10 cases for each

independent variable. With only four control variables included in this SPSS test, a sample of 60 participants is considered as acceptable (del Aguila & Benitez-Parejo, 2011). After completing the MLR test, all statistically significant variables (T value is greater than 2.0 while VIF is less than 5.0) were added into the original model (the model between five organizational culture-related factors and leaving intention) to see how such control variables influence the final result. At this stage, PLS modeling is utilized again to predict this effect.

SmartPLS is the software used for this data analysis. Except for the multi-collinearity test (which was carried out using SPSS), SmartPLS was used to generate all required measurements above, such as composite reliability, T-statistic, and path coefficients.

#### **4.4. Ethical considerations**

Ethical issues may arise at any stage of the research, ranging from the design to the collection and the reporting of the data. This section discusses briefly the ethical concerns relating to the conduct of research. According to Bryman and Bell (2007), there are four main ethical areas that a researcher should take into consideration when carrying out research, including the harm to participants, lack of informed consent, invasion of privacy and deception.

The first issue refers to the requirement to cause no harm to participants. This study carried out an online questionnaire sent to all randomly-selected participants. Their answers were kept confidential and anonymous so that no-one (including their employers) would know who participated. The risks to participants were hence minimized. With regard to the second issue, each participant was provided with an information sheet exemplar as an attachment to the email, briefly mentioning the background of the topic and how they had been selected for the study. When a participant decided to complete the online questionnaire, he/she agreed to give consent to the researcher. Thirdly, in order to cope with invasion of privacy, a number of questions were optional, i.e. participants could choose whether to answer them or not, depending on how they felt and whether they deemed that question to be private. Furthermore, the entire questionnaire was voluntary. Participants could be involved or reject participation altogether. Since ethical approval was given by AUT University, the researcher was required to follow all the ethical instructions from the University when collecting or analyzing the data.

## **5. RESULTS**

In this section, the results generated from SmartPLS are presented. After describing the demographic characteristics of the sample, the results from PLS modeling, including the measurement validation and the structural model analysis are shown. Finally, four control variables are taken into account to test for significance regarding their impact on the findings. Discussion of the results follows in Section 6.

### **5.1. Demographic characteristics**

All participants were asked to provide details of their demographic characteristics including age, gender, work status, qualification, qualification field and income in the questionnaire. A summary of descriptive information is provided in the following table:

**Table 2 – Demographic characteristics**

Variables	Classification of variables	Frequency
n = 60 (participants)		
Age (years)	Less than 20	1
	Between 20 and 29	20
	Between 30 and 49	17
	50 and above	22
<b>TOTAL</b>		<b>60</b>
Gender	Male	33
	Female	27
Work status	Full-time	51
	Part-time	9
<b>TOTAL</b>		<b>60</b>
Qualification	Secondary school	10
	Tertiary qualification	25
	Postgraduate qualification	24
	Others	1
<b>TOTAL</b>		<b>60</b>
Qualification field	Social work	1
	Education, sociology	2
	Criminal justice	2
	Business	38
	Public administration	2
	Nature science	3
	Computer science	2
	Others	10
<b>TOTAL</b>		<b>60</b>
Income	Less than \$25000	6
	From \$25000 to \$29999	3
	From \$30000 to \$34999	1
	From \$35000 to \$39999	1
	From \$40000 to \$44999	8
	From \$45000 to \$49999	7
	\$50000 and above	34
<b>TOTAL</b>		<b>60</b>

**Table 3 – The length of time employees stay with their current jobs**

Descriptive Statistics (Months)					
	N	Minimum	Maximum	Mean	Std. Deviation
7. How long have you been in your present job?	60	3	396	77.53	81.500
Valid N (listwise)	60				

According to Table 2, there is almost no difference between age and gender of respondents. In terms of age, only one participant is younger than 20 years old, while the numbers of participants in each of the other age ranges are quite evenly distributed. Similarly, there is little difference in the responses between male and female participants, with 55% and 45% participants respectively.

On the other hand, there is a considerable difference in the remaining four demographic variables. In work status, the large majority of the participants are full-time workers while only 15% of all participants work part-time. With 25 participants holding tertiary qualifications and 24 participants having postgraduate qualifications, New Zealand workers within the sample are equipped with a high level of knowledge and skills. More than half of the participants studied business for their qualification (63.3%) while the number of participants who studied other majors in their qualification (such as social work or computer science) is quite modest with less than 5% each. Last but not least, the total income of an employee shows how well they are paid at work. More than half of the participants reported an income of \$50,000 or more while the number of participants declaring a low income (less than \$30,000) was only 9 (15% of the total sample). Income earned by the majority of participants in the sample is relatively high compared with the median income of New Zealanders working at New Zealand SMEs who earn approximately \$30,000 annually (New Zealand Ministry of Economic Development, 2011). Within the sample, employees in these New Zealand SMEs are relatively well-paid, which is consistent with the relatively high level of qualification among these respondents.

Referring to Table 3, the minimum length of staying time for employees stands for only 3 months while the maximum length of staying is 396 months (equivalent to 33 working years) with the mean of 77.53 months (equivalent to approximately 6.5 years). Due to this length of staying with current jobs, employees might be familiar with the company; thus, they are able to deal with all the tasks efficiently. This might explain why their income is quite high within the sample.



## 5.2. Measurement validation

As mentioned in the data analysis process above (described in section 4.3), the first step in PLS analysis is to evaluate the model which focuses on reliability, convergent validity and the discriminant validity of the items used in the model. A descriptive table follows showing the mean and standard deviation of all main variables (refer to Table 1 for interpretation of codes used in this table and section)

**Table 4 – Descriptive statistics of main variables**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
TEAM	60	1.13	3.13	1.8771	.56537
INNO	60	1.29	3.14	1.9524	.52252
SUPP	60	1.38	2.88	1.9604	.52303
PROF	60	1.40	3.00	1.9867	.58323
REWA	60	1.40	3.00	1.9467	.51138
LEAVE	60	0.00	1.00	0.3700	.48600
Valid N (listwise)	60				

With regard to Table 4, standard deviation values of main variables are close to their mean. This high standard deviation indicates that values of most of the main variables are spread out within the sample.

### 5.2.1. Reliability

In order to determine if all the items in the model are reliable, composite reliability scores are taken into account. The composite reliability ranges from 0 to 1 where a minimum score of 0.7 is considered as acceptable (Vinzi, et al., 2010). All latent variables (Hair, Ringle & Sarstedt, 2011) in the model have internal composite reliability greater than 0.7 (refer to Table 5). This indicates that all constructs have high reliability.

**Table 5 – Composite reliability**

<b>Variables</b>	<b>Composite Reliability</b>
INNOVATION	<b>0.89</b>
PROFICIENCY	<b>0.86</b>
REWARD	<b>0.80</b>
SUPPORT	<b>0.89</b>
TEAM	<b>0.91</b>

### **5.2.2. Convergent validity**

In contrast to internal reliability which focuses on items within a construct, convergent validity requires a comparison between constructs. There should be a high correlation between an indicator and its hypothesized construct. To test convergent validity, loadings and cross loadings of each indicator must be examined. These loadings are shown for indicators whose T-value is greater than the minimum requirement of statistical significance of 2.0 (Gefen & Straub, 2005).

**Table 6 - Cross loading (refer to Table 1 for interpretation of codes)**

	INNO	LEAVE	PROF	REWA	SUPP	TEAM
I_atti	<b>0.8353</b>	0.7534	0.6882	0.7583	0.7357	0.6568
I_diff	<b>0.7562</b>	0.7108	0.6381	0.7094	0.6971	0.6741
I_hard	<b>0.5016</b>	0.4915	0.4549	0.5113	0.4823	0.4195
I_inte	<b>0.8442</b>	0.7574	0.6687	0.7019	0.7623	0.6591
I_reso	<b>0.805</b>	0.6546	0.603	0.6654	0.6861	0.5655
I_rewa	<b>0.5473</b>	0.5039	0.4693	0.4583	0.5065	0.4512
I_work	<b>0.6765</b>	0.6717	0.6903	0.6318	0.6615	0.6366
Look_for_a_job	0.9129	<b>1</b>	0.9405	0.954	0.9594	0.9308
P_care	0.6469	0.6763	<b>0.7533</b>	0.6935	0.6347	0.6174
P_qual	0.7279	0.7471	<b>0.7928</b>	0.757	0.7466	0.6681
P_rela	0.4956	0.6107	<b>0.6192</b>	0.5765	0.6065	0.5682
P_skil	0.6159	0.732	<b>0.7484</b>	0.6763	0.7097	0.71
P_trai	0.6264	0.7063	<b>0.777</b>	0.6781	0.7252	0.6888
R_conn	0.5543	0.6485	0.6314	<b>0.676</b>	0.6315	0.6538
R_cons	0.7593	0.7744	0.7392	<b>0.7994</b>	0.7171	0.7157
R_nonsala	0.6316	0.6244	0.5986	<b>0.7009</b>	0.6265	0.6337
R_sala	0.6371	0.7388	0.6926	<b>0.7887</b>	0.6957	0.7093
R_team	0.576	0.5907	0.5862	<b>0.5725</b>	0.6324	0.4954
S_burn	0.4795	0.6109	0.6147	0.5508	<b>0.6172</b>	0.6339
S_comm	0.656	0.6711	0.673	0.6214	<b>0.6962</b>	0.6551
S_fami	0.5226	0.5816	0.5595	0.5984	<b>0.6172</b>	0.5371
S_feed	0.6368	0.6773	0.6306	0.6806	<b>0.6883</b>	0.6192
S_reso	0.5354	0.5165	0.494	0.4933	<b>0.5505</b>	0.5327
S_resp	0.8376	0.8471	0.8084	0.8128	<b>0.8846</b>	0.776
S_rewa	0.7353	0.7143	0.6811	0.6979	<b>0.759</b>	0.5864
S_skil	0.7218	0.7928	0.772	0.7813	<b>0.8285</b>	0.7536
T_auto	0.5944	0.6711	0.6692	0.6658	0.6404	<b>0.782</b>
T_char	0.537	0.6706	0.6511	0.6051	0.6492	<b>0.7269</b>
T_depa	0.6681	0.7313	0.6526	0.7299	0.7202	<b>0.7565</b>
T_lear	0.6465	0.7408	0.676	0.6708	0.709	<b>0.7848</b>
T_rela	0.705	0.778	0.6912	0.7868	0.7393	<b>0.8261</b>
T_supp	0.5658	0.6649	0.6603	0.701	0.634	<b>0.7099</b>
T_task	0.6645	0.7134	0.7367	0.7245	0.7236	<b>0.7746</b>
T_work	0.5446	0.6511	0.5925	0.5882	0.6111	<b>0.6829</b>

In addition to loadings and cross loadings, AVE (average variance extracted) is employed to measure the variance of indicators captured by their underlying variables. A reliable AVE

score of 0.5 is required to show that the construct covers at least 50% of all indicators (Gefen & Straub, 2005; Vinzi, et al., 2010).

**Table 7 – AVE for latent constructs**

	<b>AVE</b>
INNOVATION	<b>0.5199</b>
PROFICIENCY	<b>0.5487</b>
REWARD	<b>0.5074</b>
SUPPORT	<b>0.5086</b>
TEAM	<b>0.5726</b>

Tables 6 and 7 show that the model has achieved convergent validity.

### **5.2.3. Discriminant validity**

The last aspect of measurement validation is discriminant validity. To test the discriminant validity of the model, the square root of every AVE is taken into consideration. It is a requirement that for discriminant validity each latent variable's AVE square root must be greater than any correlations across constructs. These are shown in Table 8.

**Table 8 – Correlation of latent variables**

	INNO	LEAVE	PROF	REWA	SUPP	TEAM
INNO	<b>1</b>	0	0	0	0	0
Leaving intention	0.9129	<b>1</b>	0	0	0	0
PROF	0.845	0.9405	<b>1</b>	0	0	0
REWA	0.891	0.954	0.9162	<b>1</b>	0	0
SUPP	0.9103	0.9594	0.9272	0.9286	<b>1</b>	0
TEAM	0.8171	0.9308	0.881	0.9067	0.8988	<b>1</b>

The diagonal cells in the correlation matrix above (Table 8) show that all variables meet the requirement of discriminant validity.

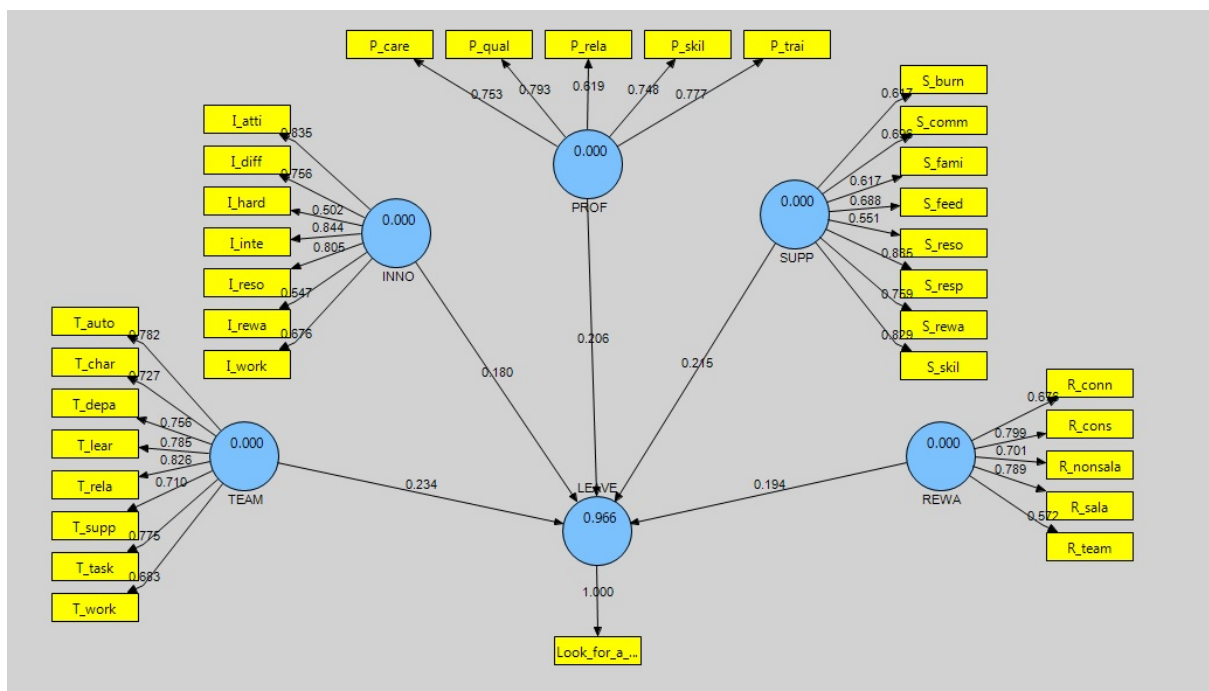
### **5.3. Structural model analysis**

The following figure reveals the result of testing the structural link of the research model using PLS analysis (see Figure 2). All constructs meet the recommended level, i.e. the loading of each construct is greater than 2.0, which are shown in Table 9 (loading of PROFICIENCY is close to 2.0; thus, it is still acceptable). The figure (Figure 2) includes indicator items and their loadings, latent variables, path coefficients and R-squared values for dependent variables.

**Table 9 – T-statistic of each path coefficient**

	T statistics
INNOVATION -> LEAVE	2.571
PROFICIENCY -> LEAVE	1.9082
REWARD -> LEAVE	2.4291
SUPPORT -> LEAVE	2.2972
TEAM -> LEAVE	2.2497

**Figure 2 – Result of data analysis (refer to Table 1 for interpretation of codes)**



According to Figure 2, the R-squared value of each dependent variable is shown, revealing how the dependent variable is explained by its measurement constructs. Similarly, path coefficients of each variable also indicate which construct has the strongest influence as well as which has the weakest impact on the dependent variables. These measurements are explained in the following sections.

### 5.3.1. Variance explained in dependent variables

Since PLS is a predictive tool, R-square becomes vital for endogenous constructs (dependent variables) (Vinzi, et al., 2010). According to the model, the R-squared value for variable LEAVE is 0.966. This indicates that 96.6% of the change in the leaving intention of employees is explained by the five factors. However, this exceedingly R-squared value might be also due to an “over-fitting” issue which adversely influences the predictive ability of the model (Gowen, Downey, Esquerre & O'Donnell, 2011). Indeed, an over-fitted model results from the low sample size and high variance between constructs (Faber & Rajko, 2007; Gowen, et al., 2011). In order to determine whether or not the five constructs actually influence the leaving intention of employees (thus, confirming the predictive ability of the model), estimating the variance between them is necessary. Thus ANOVA is employed (Gelman, 2005) to generate the following table showing how each construct impacts on the decision to stay or leave of employees.

**Table 10 – Analysis of variance between main constructs**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
TEAM	Between Groups	16.319	1	16.319	372.661	.000
	Within Groups	2.540	58	.044		
	Total	18.859	59			
INNO	Between Groups	13.312	1	13.312	276.042	.000
	Within Groups	2.797	58	.048		
	Total	16.109	59			
SUPP	Between Groups	14.822	1	14.822	652.116	.000
	Within Groups	1.318	58	.023		
	Total	16.140	59			
PROF	Between Groups	17.676	1	17.676	428.289	.000
	Within Groups	2.394	58	.041		
	Total	20.069	59			
REWA	Between Groups	14.013	1	14.013	574.044	.000
	Within Groups	1.416	58	.024		
	Total	15.429	59			

According to the Table 10, all F-values of five constructs result positively while p-values confirm the statistical significance of the test. Undoubtedly, the influence of each of the five constructs on the leaving intention is different. This difference indicates that the high variance components do not influence the predictive ability of the model.

Conversely, the R-squared value of the five factors (Teamwork orientation, Innovation orientation, Supportiveness, Proficiency and Reward orientation) stands at 0% because they are not explained by any variables.

### **5.3.2. Significance test - Bootstrapping**

This study employs a bootstrap technique to generate T-statistics in order to test the significance of the indicator loadings on the measured variables and the standard path coefficients. Bootstrapping is a typical solution in SEM (including PLS modeling) since it deals with statistical inference issues, including missing data which harms the strategic role of the method (Vinzi, et al., 2010).

During bootstrapping, a process of resampling (sampling with replacement from the original data) is carried out. A sufficient number of samples (in this study, a resampling of 500 times is chosen) is required in order to obtain a “normal” sample mean, followed by standard errors and confidence intervals (Hesterberg, Monaghan, Moore, Clipson, & Epstein, 2003).

Since all the constructs tested by bootstrapping were statistically significant, their path coefficients are discussed in the next section.

### **5.3.3. Standardized path coefficients**

Standardized path coefficients are typical in any regression methods. Such figures are employed to gauge the strength of the influence between different constructs. In order to validate the model, the path coefficients between each variable must be statistically significant. This is achieved by measuring the T-statistics of each influence. Since all indexes are greater than 2.0 (see Table 6), such validation is considered statistically significant.



There is almost no difference in terms of the influences on the leaving intention between each factor. Teamwork orientation ranks first in affecting the change in organizational culture ( $\beta=0.234$ ), followed by Supportiveness ( $\beta=0.215$ ). Proficiency proves to have a moderate influence with a path coefficient ( $\beta$ ) of 0.206 while Reward orientation follows close behind ( $\beta=0.194$ ). Finally, Innovation orientation is considered least important ( $\beta=0.180$ ).

#### **5.4. Control variables**

In the questionnaire, a number of demographic questions were asked regarding age, gender, work status and qualification. On the assumption that these four variables also influence the staying intention of employees, a linear multi-regression is employed to test their impact.

In this new model, there are four independent variables: age, gender, work status (part-time or full-time) and qualification, while the dependent variable is the leaving intention of employees. Among the four independent variables, only gender and work status are considered as dummy variables (each variable only contains 2 values, either 0 or 1). Age was recoded into three variables, including Age20 (a value of 1 for those whose age is older than 20), Age30 (a value of 1 for those whose age is older than 30) and Age50 (a value of 1 for those whose age is older than 50). Similarly, qualification is recoded with a value 1 for those holding a tertiary or higher qualification and a value of 0 for those who do not. The recoding process resulted in 6 new independent variables: age20, age30, age50, gender, work status and qualification (tertiary). The following table is generated using SPSS regression, as discussed in Section 4.3

**Table 11 –Coefficients of control variables**

<b>Coefficients</b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.931	.503		1.852	.070		
	Age20	-.331	.569	-.088	-.583	<b>.563</b>	.743	<b>1.346</b>
	Age30	-.139	.164	-.138	-.850	<b>.399</b>	.645	<b>1.552</b>
	Age50	.018	.159	.018	.113	<b>.910</b>	.674	<b>1.484</b>
	Gender	.069	.129	.071	.535	<b>.595</b>	.957	<b>1.044</b>
	Work status	-.296	.188	-.220	-1.578	<b>.120</b>	.876	<b>1.142</b>
	Tertiary	.071	.189	.055	.376	<b>.708</b>	.794	<b>1.260</b>

According to Table 11, all VIF numbers are less than 5, indicating that multi-collinearity is unlikely to occur; thus, the validity of the regression is achieved. Nonetheless, with all p-values greater than 0.05 ( $p > 0.05$ ), the SPSS regression indicates that no control variable influences the staying intention of employees in SMEs within the sample.

There are two reasons for using SPSS here:

Firstly, PLS is used when all constructs (e.g. main constructs of the study) are to be retained since PLS can ignore the existence of multi-collinearity and go directly to predicting the result. Regarding the control variables, not all of these need to be retained. Instead, the aim is to see if multi-collinearity occurs between some control variables; thus, those variables which are collinear can be deleted, allowing the overall analysis to focus on the remainder.

Secondly, the result generated from linear regression is more reliable using SPSS than from PLS modeling (since PLS modeling is prediction-oriented). Thus, where applicable (only a few predictors – in this instance 6 control variables) linear regression is preferable to PLS modeling.

To compare these results with Shim's (2010) study, this study shows different results regarding the role of control variables. In Shim's (2010) study, age, gender and educational level has a statistically significant influence on the staying intention of employees, whereas their impact is modest in this study. The other variable (work status) is not covered by Shim (2010); thus, there is no comparative data for this demographic variable (work status).

## 6. DISCUSSION

In this section, the results presented in Section 5 are discussed with regard to the interpretation of the findings, support for the hypotheses and the conceptual model developed in Section 3, and in relation to key literature reviewed in Section 2, including Shim's (2010) study.

### 6.1. Validating the hypotheses

With regards to the five hypotheses set out in the conceptual framework section of this study (Section 3), evidence is presented from the data analysis as to the level of support for each hypothesis. The five hypotheses are:

H1: *By moderating teamwork effectively in organizational operations as a whole, an SME can achieve a low rate of worker turnover.*

H2: *An innovation orientation by an SME plays an important role in retaining employees in their job.*

H3: *With a consistent level of investment in supportiveness, particularly in terms of authority and how to cope with stress, SMEs will stabilize their workforce.*

H4: *In order to retain employees, SMEs pay close attention to proficiency, particularly in relation to customer orientation and employee customer service competence development.*

H5: *An organizational culture based on a reward orientation helps an SME to better manage its workforce.*

From the data analysis, all five hypotheses are supported. The influence of each factor on the leaving intention through organizational culture was tested and found to be statistically significant.

All five culture-related factors (teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation) are shown to have positive influences on the staying intention of employees ( $\beta_1=0.234$ ,  $\beta_2=0.180$ ,  $\beta_3=0.215$ ,  $\beta_4=0.206$ ,  $\beta_5=0.194$  respectively).

The positive path coefficient shows that by facilitating teamwork, innovation, organizational support, proficiency and reward orientation a company can reduce the possibility of employees leaving and supports five hypotheses above: H1, H2, H3, H4 and H5. The moderate path coefficients of the factors also reveal that their importance should not be overestimated. This result highlights the drawbacks of each factor which have been discussed in the literature review section.

Given the ranking of the five factors based on their path coefficients, teamwork orientation is the most important factor a firm must take into account when they want to build a motivated organizational culture where employees feel encouraged to remain in their job. By contrast, the path coefficients indicate that investing in innovation is the least vital practice a company should employ when seeking to retain their workers.

## **6.2. Control variables**

None of the four control variables (gender, age, work status and qualification) has been shown to be statistically significant within the sample. With regard to gender, women may, according to the literature, be more inclined to leave their jobs for family- or workplace-related reasons than their partners or male colleagues (Barak, et al., 2001; Griffeth, Hom, & Gaertner, 2000; Huang, Lin, & Chuang, 2006). However, this argument is not supported by the data analysis of this study. The explanation for this might come from greater fairness in treatment between men and women in New Zealand (Goose, 2002); thus, there is no apparent difference between them with regard to the likelihood of them quitting their jobs.

Similar to gender, according to the literature, the difference between young and older workers on staying intention is significant. Staff members working in a position for a long time are likely to be deeply embedded in the firm's operations, or they might hold a high position within the company. Additionally, the older the employees, the harder it may become for them to seek alternative jobs. Hence, they may be less likely to leave as they age (Bal, de Lange, Ybema, Jansen, & van de Velde, 2011; Griffeth, et al., 2000). Again, this argument is not supported by the data analysis of this study. The explanation for this might stem from the fact that in New Zealand, workers are treated fairly regardless of their age (age is among 13 grounds for protection from discrimination under New Zealand Human Rights Act 1993)

(Goose, 2002); thus, while workers may become more stable in their jobs as they age, possibly due to factors relating to lifecycle stage, the data suggests that there may be other factors that influence their decision to stay or leave.

Unlike age and gender, according to literature review, the relationship between work status (full-time or part-time worker) and leaving intention is not evident (Jacobsen, 2000). The commitment of part-time workers to the company is similar to those working full-time. This might be explained by the possibility that part-time workers may experience less stress than full-time workers since they may be better placed to balance their jobs and lifestyles, and thus have higher motivation. However, their benefits (e.g. financial benefits) will also be less than those available to their full-time peers. Provided the organization's treatment of them, relative to their full-time colleagues, is not significantly different, they are no more likely than the full-time workers to exit the firm (Jacobsen, 2000; Thorsteinson, 2003). With regard to the data analysis, the study finds that there is no statistically significant difference between part-time employees and their full-time colleagues. Thus, the findings from this study are consistent with this literature.

The last control variable refers to the educational level of the employees. According to Jones, Jones and Prenzler (2005), the difference between tertiary qualification holders and non-tertiary qualification holders in turnover intention is quite modest. Scholars (e.g. Jones et al., 2005) argue that when procedural and distributive justice is implemented at work, both groups feel they are treated well. Due to this perception of fairness, employees, regardless of their difference in educational level retain their motivation at work. As a result, employees in such firms are less likely to look for alternative jobs (Chu, et al., 2003). Furthermore, among tertiary qualification holders in Jones et al's (2005) sample, not all had jobs that matched the fields of their degrees; hence, having a tertiary qualification might not result in better job opportunities for all employees. Thus, with reference to the influence of qualification, those holding a tertiary qualification are no more likely to seek out a new job compared with their non-tertiary qualified colleagues (Jones, et al., 2005). For these reasons, it can be concluded from the literature such as that highlighted in Jones, et al. (2005) that qualification has no significant impact on leaving intention. This conclusion is supported by the data analysis of this study. Indeed, data in this study show that educational level (qualification) does not significantly influence the perception of employees towards the five organizational culture-

related factors. Hence, the intention of employees to stay or leave is unlikely to be influenced by this control variable.

### **6.3 Summary**

The results of this study differ from Shim's (2010) study on which this dissertation has been based. One of the most visible differences between Shim's (2010) results and this study refers to the significance of control variables. In Shim's (2010) study, all demographic factors (age, gender, salary, educational level) were significantly correlated with the leaving intentions of employees, whereas in this study no control variable was predicted to have an impact on the staying intention of the workers. A possible reason accounting for this difference may come from the large sample size in Shim's (2010) study with 733 participants. Such a feature of Shim's model leads to a low level of inter-correlation between the control variables, thus decreasing the standard errors and increasing the reliability and validity of the result. However, this study shares Shim's (2010) findings regarding the influence of the five main factors on the staying intention of employees. By encouraging teamwork, innovation, supportiveness, proficiency and reward orientation, a company is more likely to retain its skilled workforce. Overall, the five hypotheses generated from the literature review have been tested and the extent to which they are supported has been discussed in this section. All the five hypotheses measuring (H1) teamwork, (H2) innovation, (H3) supportiveness, (H4) proficiency and (H5) reward are supported by the findings. These five factors (teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation) are demonstrated as important in retaining key staff in an SME context.

## **7. CONCLUSION**

### **7.1. Conclusion**

#### **7.1.1. Conclusion**

Based on Shim's (2010) research, this study employed the same five organizational culture-related factors (teamwork orientation, innovation orientation, supportiveness, proficiency and

reward orientation) to examine the relationships between these components and the staying intentions of employees in SMEs. However, since it did not combine factors as did Shim (2010), the study generated a new set of hypotheses based on the review of the literature rather than replicating the same hypotheses as Shim. These hypotheses were then tested and the results presented in the data analysis section (Section 5). Overall, the results of the study show that all of the factors are predicted to have a strong correlation with the intention to stay or leave of the employees in the sample. Among the five components, teamwork orientation is predicted to have the strongest link with staying intention followed by supportiveness and proficiency, whereas innovation orientation and reward orientation are slightly weaker in relation to voluntary turnover.

With regard to supportiveness, there is consistency between the literature reviewed in Section 2 (e.g. Chu, et al., 2003; Barak, et al., 2001) and the sample analysis from this study which indicates that the role of supportiveness is important in retaining employees. Similarly, both the literature review and the study's results confirm a consistent role for proficiency in retaining employees in SMEs. In relation to teamwork orientation and innovation orientation, Kalmi and Kauhanen (2008) and Park, et al., (2005) contended that despite the positive influence both factors have on workers' staying intention, these elements also have drawbacks that may impact negatively on a firm's efforts to retain skilled workers. Therefore, managers of SMEs should be aware of these potentially negative aspects when developing incentives designed to retain their workers. This viewpoint from the literature is confirmed by the data which predicts that teamwork orientation and innovation orientation may not, on their own, offer the best solution for maintaining a workforce. Nevertheless, the roles of these two factors are important; thus, a firm can include them in building their organizational culture to help retain its workforce.

Finally, reward orientation is the aspect to which employers should pay least attention as a factor influencing employees' staying intentions. Indeed, as discussed in the literature review, in spite of reward being necessary in meeting the very basic needs of employees, the importance of reward-based solutions is minor compared with other aspects in motivating the staff (Kalish & Begeny, 2005; Dockel, et al., 2006). This is also demonstrated by the data from this study which indicates that reward orientation plays only a minor role in keeping employees in the firm.

Overall, the study is consistent with Shim (2010) regarding the influence of organizational culture components on the staying intention of employees. However, Shim's (2010) study did not examine the relative strength of each component, and he did not emphasize which of the components is more important in influencing staying intention. By comparison, this study has demonstrated that teamwork orientation is the strongest factor in building an organizational culture that is conducive to retaining employees, while innovation orientation is predicted as being the least influential of the four factors.

### **7.1.2. Implications**

In general, this study has several implications for managers of SMEs who want to maintain their human resources. The three main implications are discussed below.

Firstly, by understanding the relationship between organizational culture and voluntary turnover, SMEs can identify organizational culture-related factors which have a strong correlation to staying intention and learn how to utilize these factors to retain key staff. By doing this, SMEs are not only able to reduce turnover rates but also can meet the organization's missions and goals through linking a strong organizational culture to employee motivation.

Secondly, by examining their organizational culture, SMEs can be made aware of how to improve their working environment. Among the five components examined in this study, teamwork orientation, supportiveness and proficiency have a relatively strong impact on voluntary turnover intention while the influence of reward orientation and innovation orientation is relatively weaker. Accordingly, investing in teamwork can help the firm to retain their workers.

Finally, the study confirms that organizational culture is one of the most important factors linking to a strong workforce. There is a strong argument in the literature showing that organization-person fit will have a significant influence on job attitudes (e.g. Ambrose, et al., 2008). Thus, regarding other human resource management (HRM) practices, such as recruitment or performance evaluation, managers should bear organization-fit in mind as an important aspect of building and maintaining a competitive workforce.



## **7.2. Contributions, limitation and further research**

### **7.2.1. Contributions**

The study contributes to the literature in the following three ways:

Firstly, the study further develops the relationship between organizational culture and the retention of skilled employees by modeling key elements that impact on workers' motivation to stay or leave their job. The study confirms arguments regarding the importance of organizational culture in relation to the staying intention of employees (O'Reilly III, et al., 1991; Shim, 2010). The study also highlights drawbacks relating to over-emphasizing some elements of organizational culture development in the literature review, such as the inter-conflict and intra-conflict that a teamwork orientation might bring (Baker, et al., 2006; Cox, 2003), the resistance of employees to innovation orientation (Kalmi & Kauhanen, 2008; Cho & Chang, 2008), the diverse requirements of organizational support which might not be easy for the firm to meet (Thompson & Heron, 2005), the opportunity to find alternative jobs when proficiency is over-demonstrated (Curry, et al., 2005; Dockel, et al., 2006), and reward alone which does not equal retention (Rumpel & Medcof, 2006). However, such drawbacks are not strong in the findings of this study. Further research might explore these areas and verify these drawbacks in specific contexts. Furthermore, despite this study demonstrating the important role of teamwork orientation, supportiveness and proficiency on the decision of employees to remain their jobs, the drawbacks identified in the literature review (Chapter 2) regarding these factors are unlikely to be especially significant for developing an organization strategy aimed at worker retention. Importantly for this study, this finding may be a unique characteristic of SMEs. Unfortunately, the strength of the factors' impacts was not covered by Shim (2010); thus, it is impossible to conclude from his findings that such characteristics are applicable only to large organizations. Further research should seek to study the strength of the influence of organizational culture-related factors in large firms and compare these with smaller firms to verify this potential difference.

More importantly, the study highlights factors (teamwork orientation, supportiveness and proficiency) which are more important than others (innovation orientation) in stabilizing a firm's workforce. The model developed in this study provides additional insights that add to

the existing literature on employee retention with regards to the key factors that may also have particular relevance to SMEs, thus the model has added insights on voluntary turnover as well as contributing to the SME literature.

Secondly, by discussing the theories in relation to New Zealand SMEs, the study suggests what SME managers should focus on when they are formulating a strategy to retain their employees.

The findings of this study have met the two objectives stated at the beginning of this dissertation (Section 1.2.1). The first objective refers to the influence of the five organizational culture-related factors on the staying intention of employees. In replicating Shim's (2010) research, the study aimed firstly to examine this influence within New Zealand SMEs. The study has confirmed Shim's (2010) finding that all five factors have a positive influence on the staying intention of employees.

Regarding the second objective (the strength of the impacts among the five factors), the study also aimed to examine the relative importance of each of the five factors with regard to their influence on voluntary turnover. With regard to this objective and Shim's (2010) research this study contributes to theory by predicting the relative importance of each factor in which teamwork orientation is the strongest while innovation orientation is the weakest in its impact on voluntary turnover.

This study supports Shim's (2010) findings relating to the influence of the five organizational culture-related factors on the staying intention of workers. Differences between the two studies include the effects of control variables on the model. While age, gender and educational level are considered to have a strong influence on the final result in Shim's (2010) research, neither factor was found to be significant in this study.

### **7.2.2. Limitations**

While the study makes a valuable contribution to both theory and practice, there are a number of limitations which need to be considered.

Firstly, the low response rate might adversely influence the reliability and validity of the research findings. Responses might therefore be biased so caution should be exercised in attempting to generalize the results of this study within the entire New Zealand SME population. The low response rate could also be related to the nature of the online questionnaire (Fincham, 2008). Indeed, an online survey does not physically exist on a participant's "desk"; thus, the survey does not attract the attention of the participants. Similarly, survey is in "waiting phase" and can be discarded easily. Thus, without reinforcements (e.g. calling), the response rate of an online survey would remain low (Yun & Trumbo, 2006). In spite of approaching a large number of participants, the motivation for SME employees to participate in the survey was not high. Some indicated lack of time and being too busy operating the business to participate. Since the survey was anonymous, follow-up of non-responses was limited; reminder emails were sent to all firms in the sample after one month, with a negligible increase in response rate. In addition, there are typical issues with survey research in New Zealand since the country with its small population is over-researched, which is commonly associated with a low response rate. This may be exacerbated within SMEs, especially those with small numbers of employed staff who may be reluctant to disclose their employment intentions (Bryman & Bell, 2007; Fincham, 2008).

A second limitation relates to the nature of the PLS modeling technique. Due to "soft" requirements, PLS modeling is able to handle various "difficult" samples, including small samples, which makes this method suitable for analyzing the data in this study. The small sample size is also the reason why this study was unable to employ conventional methods, such as linear regression or confirmatory factor analysis. However, "soft" requirements make PLS modeling a predictive tool rather than a testing tool (Pirouz, 2006; Vinzi, et al., 2010). Thus, findings from PLS modeling may not be able to be generalized. While Shim also made predictions from his findings, this may be because he did not explore the causal link leading to the leaving action (mentioned in his discussion on the limitations of his study); thus, he could not be certain if his theories would lead to actual turnover. A predictive approach is a less risky way to discuss the findings. Nonetheless, in the data analysis, Shim used logistic regression (LR) which is more reliable than PLS modeling since LR has higher requirements (in terms of sample size, multi-collinearity, etc.). Indeed, LR can be used to verify/falsify hypotheses. Thus, while Shim (2010) states that "employees with higher values of organizational culture and organizational climate have less intention to leave than those with lower values" (p.853), for instance, he does so with confidence. In this study, PLS modeling

is purely a predictive tool and cannot be used to make a strong argument. By implementing PLS modeling, this study has, however, achieved several predictions which meet the objectives of the study. Nevertheless, caution should be used regarding interpretation of the findings.

Based on the implications and limitations highlighted above, suggestions for further research are outlined in the following section.

### **7.2.3. Further research**

Firstly, as stated in the Objectives section (Section 1.2), this study does not cover the interconnection between organizational cultural components. Such interconnections may exist and could have an influence on the staying intention of employees. If they are interconnected, SME managers cannot implement one without the others as the change in one factor could lead to the increasing or decreasing role of other factors in influencing employees' staying intentions. Further research is required to explore this matter to determine which factors have the strongest influence. Managers can then emphasize those factors which are likely to have the greatest influence on building a positive organizational culture that will attract and help retain key staff.

In addition to the four demographic factors (age, gender, work status and qualification) examined in this study, other factors (e.g. ethnicity) could be considered in further research. There are some biases in this sample (e.g. most participants have high qualifications, and most of them studied business). Thus, the control variables have not been fully examined. Further research could include more unqualified workers or those who gained qualifications in disciplines other than business, for instance, to examine the influence of educational level on voluntary turnover.

Thirdly, this study only focuses on the five culture-related factors, including teamwork orientation, innovation orientation, supportiveness, proficiency and reward orientation. However, there are other factors related to organizational culture (e.g. attention to detail, outcome orientation) that could also be considered for their influence on workers' leaving

intentions (O'Reilly III, et al., 1991). More factors could be added to the model to test whether or not the additional components are associated with voluntary turnover.

Fourthly, this study tested the hypotheses (the influence between organizational culture-related factors on the voluntary turnover of employees) within an SME context. According to the contribution of this study (section 7.2.1), there are some similarities and differences in the findings between Shim's (2010) work (focusing on large organizations) and this study (focusing on SMEs). Additionally, there are some findings from this study (e.g. the strength of the impact of each factor) that were not covered by Shim (2010), making it difficult to make comparisons between large firms and SMEs. Further research might replicate this study in both contexts (large firms and SMEs) and observe if there are significant differences between the two types of organizations regarding the influence of organizational culture on employees' intentions to stay or leave.

Ultimately, using a quantitative approach, the study may have revealed only some aspects relating to employee retention. In addition, participants might be reluctant to express their viewpoints in a survey. By adopting another approach, an interview (qualitative method) for instance, the researcher may be able to gain the confidence of employees so that they feel more willing to express their viewpoint (Sapsford & Jupp, 2006; Shim, 2010). Thus, further research could be carried out using a qualitative approach to explore the topic in more depth to provide further insight for theory and practice.

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## APPENDIX

### Appendix A - Questionnaire

#### **Section 1: Your present employment position**

How satisfied are you with your present jobs?

- ☐ 1. Very satisfied      ☐ 2.      ☐ 3.      ☐ 4.      ☐ 5. Very unsatisfied

1. What is the **MOST** important type of support that you are looking for from your company to fulfil your tasks?

Are there any other types of support that your company could provide for you to fulfil your tasks?

2. What is the **MOST** important thing to you when you are working in a team?

Are there any other important things for you when working in a team?

3. Are there changes that could be made to your job to make it more satisfying?

☐ Yes      ☐ No

*If Yes, please answer the following questions: (If No, please go to Section 2)*

4. What is the **MOST** important consideration for you when you are working in an innovative environment?

Are there any other important considerations for you when you are working in an innovative environment?

5. What is the **MOST** important expectation you have regarding your remuneration?

6. Apart from the issues above, are there any **OTHER** expectations you have at work?

#### **Section 2: We would like to ask you some questions about some characteristics of the current organization/job**

	Agree	Some- what agree	Some- what disagree	Disagree	N/A
1. I have good relationships with all employees and employers of the firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Working in a team is easier than working as an individual	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. I always believe that I have honest, competent and reliable managers and teammates to work with	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. When working in a team, I enjoy a variety of tasks within the entire team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. I always want to learn from other colleagues at work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I have good relationships with staff from other departments/functions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. When working in a team, I still have a lot of autonomy in doing the job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. I appreciate co-workers' support more than supervisors' support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The company provides new resources (e.g. computers, equipment) that make my job easier and better	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. There is a "can do" attitude among employees in the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Workers are encouraged to make a difference at work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. I get rewards/compliments when using my initiative at work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. I feel that my work is interesting when I am able to apply new initiatives (e.g. new ways of doing tasks, new equipment) at work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. When applying new initiatives, I have to work harder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. When applying new initiatives, the company does not need as many workers to complete all tasks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. My professional opinions are respected	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. I usually receive feedback from the organization (e.g. managers, peers) to improve my work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. I have all the resources I need to do my job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. There is a match between my required work and my skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. There is a good fit between my family life and my work life	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Communication between departments and between staff is encouraged	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. I am doing my job well and never get burnout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23. The reward is fairly distributed based on the contribution of workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24. There is an emphasis on the quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

of service rather than the number of clients being served at my firm					
25. I have good relationships with a number of customers/clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26. My work offers me the opportunities to improve my knowledge and skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27. Training provided by the firm is helpful for my work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28. Training supports my career goal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29. My contributions are recognized and rewarded consistently	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30. There is a connection between my performance and the benefits I receive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31. A proportion of my entire benefits come from my team performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32. I am generally satisfied with my salary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33. I am generally satisfied with my non-salary benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### **Section 3: Future plans**

1. Have you looked for a job within the last 12 months? ☐Yes ☐No

If yes, which of these steps have you taken?

- ☐I have thought about leaving
- ☐I have spoken with a friend/spouse about leaving
- ☐I have searched for a new job for a few times
- ☐I kept searching for a new job quite often
- ☐I have gone to an interview for another job
- ☐Others (please specify)

2. Regarding the question above, what is the **MOST** important reason why you have/have not looked for a job?

3. If you were able to revisit your decision to take your current job, would you make the same decision today? ☐Yes ☐No

Could you please tell us why/why not?

4. What are the **MAIN** criteria that you would use if you were planning to look for a new job?

5. Any additional comments?

#### **Section 4: Personal information**

1. Age:

☐ less than 20

☐ 21-29

☐ 30-49

☐ 50 and more

2. Gender:

☐ Male

☐ Female

☐ Other

☐ Do not wish to say

3. What is your ethnicity?

4. Are you working:

☐ Full-time

☐ Part-time (Number of .... Hours/week)

5. What is your highest level of qualification?

☐ Secondary School

☐ Postgraduate Qualification

☐ Tertiary Qualification

☐ Other (specify)

6. What was the main area of study in your highest qualification)?

☐ Social work

☐ Public administration

☐ Education, Sociology

☐ Natural science

☐ Psychology

☐ Nursing

☐ Criminal justice

☐ Computer science

☐ Counselling

☐ Other (specify)

☐ Business

7. How long have you been in your present job? .... Years/... months

8. What is your annual salary in your current job at this agency?

☐ Less than 25,000

☐ From \$40,000 to \$44,999

☐ From \$25,000 to \$29,999

☐ From \$45,001 to \$49,999

☐ From \$30,000 to \$34,999

☐ \$50000 and above

☐ From \$35,000 to \$39,999