

## **TURNOVER INTENTIONS OF MALAYSIAN HOTEL EMPLOYEES: THE ROLE OF HUMAN RESOURCE MANAGEMENT PRACTICES AND TRUST IN ORGANIZATION**

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*Although numerous studies on turnover intentions have been undertaken in the past, none have systematically investigated the relationships between employees' perceptions of HRM practices, their attitude towards the organization (trust in organization), and their behavioral intentions (turnover intentions). Thus, the objective of this study is to investigate the impact of employees' perceptions of their organization's human resource management (HRM) practices on their turnover intentions. The influence of trust in the organization as a mediator in the proposed relationship is also examined. Survey data were gathered from operational employees attached to large hotels in Malaysia. 380 usable questionnaires were used in the statistical analyses. The results indicated that the hypothesized linkage between HRM practices and trust in organization as well as between HRM practices and turnover intentions were partially supported. The mediating role of trust in organization was also partially supported. Implications and limitations of the findings are specified. Finally, directions for future research are suggested.*

*HRM practices, trust, hotel, turnover intentions*

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### **INTRODUCTION**

The tourism business today is perhaps the most important industry in the world. It accounts for at least 6% of the world's GDP and employs about 127 million people around the world (Holloway, 2002). This industry has been making significant contributions to the economic development of many countries around the world. In Malaysia, the tourism industry has been performing extremely well in the Malaysian economy due to the influx of tourists to the country. Specifically, the number of tourists to Malaysia has increased from 7.93 million in 1999 to 13.90 million in 2004 (Annual Tourism Report 2004). In terms of foreign exchange earnings, tourism has moved from fifth position (amounting to Ringgit Malaysia 5.2 billion) in 1994 to second position in 2003 (amounting to Ringgit Malaysia 21.3 billion) (Annual Tourism Report 2004). Its contribution to the nation's GNP has also expanded from 4.7% in 1994 to 7.2% in 2003 (Annual Tourism Report 2004). The influx of tourists to the country has also resulted in an increase in the number of hotels. For instance, in 1993, there were 1,090 hotels as

opposed to 1,989 in 2003 (Mid-Term Review of the Eighth Malaysia Plan 2001-2005). Despite the various environmental challenges such as the slowdown in the global economy, the uncertainties arising from the September 11, 2001 terrorist attack, the wars in Afghanistan and Iraq, the SARS outbreak, the bird flu threat, and the tsunami catastrophe, tourism-related activities have continued to grow in Malaysia.

The rise of globalization and technological advancement has increased inter-firm competition. Together, these forces have heightened the need for organizations to outperform their competitors. In its bid to outperform its competitors, hotels, like any other service providers, have to deliver high quality services to its customers in a cost-efficient manner. Since hotels have been noted to possess labor-intensive characteristics (Mullins, 1992), seeking ways to maximize their employees' capability and talents would be required. One avenue where service organizations, like hotels, can add value to their customers' service experiences would be via their employees' positive attitudes and willingness to stay longer in the organization. This line of thought is in tandem with the argument made by Go and Pine (1995) that the quality of services provided by hotels is determined to a large extent by the attitudes and behaviors of the people producing the services. Hence, hotel workers particularly those front-liners, play a very critical role in delivering high quality services to their customers.

Nonetheless, the hotel industry is faced with the challenge of personnel shortage. Part of the problem is due to the high turnover rate that has been reported around the globe (Woods, 1997). Excessive employee turnover results in negative repercussions such as lost business opportunities for the organization, increased administrative burden, and demoralization of those who remain employed (Hom & Griffeth, 1995). Besides, since the quality of services offered by a hotel is influenced by the quality of its employees (LaLopa, 1997), the hotel's authorities should focus their attention on retaining capable, motivated, and committed workers. One of the key factors that employing organizations should be concerned with is their human resource management (HRM) practices. According to Huselid (1995), an organization's HRM practices are able to create the platform for inducing employees' motivation and commitment, which in turn, enhance their retention resulting in high organizational performance. In a social exchange relationship (Blau, 1964) where the norm of reciprocity (Gouldner, 1960) is central, the presence of HRM practices signaling care and concern about employees' well-being and development may induce these workers to reciprocate by increasing their trust toward the organization and displaying a willingness to remain with the organization. Although numerous studies on turnover intentions have been undertaken in the past, to the researchers' knowledge, none have systematically investigated the relationships between employees' perceptions of HRM practices, their attitude towards the organization (trust in organization), and their behavioral intentions (turnover intentions). Similarly, several studies involving hotel employees in Malaysia have been conducted (for instance, Hemdi, 1996; Hemdi, Nasurdin, & Ramayah, 2003; Nasurdin, 2001; Nasurdin & Ahmad, 2001; Nasurdin, Ahmad, & Wafa, 2001; Nasurdin & Ramayah, 2003; Songan, Abang Othman, & Jerry, 2003). The focus of these studies varies covering areas pertaining to motivational preferences, commitment, and citizenship behavior. Again, turnover intentions were not examined as a criterion variable. Therefore, the two objectives of this study are: 1) to investigate the linkage between HRM practices and turnover intentions among hotel employees, and 2) to examine whether trust in organization serves as a mediator in the proposed relationship.

## **LITERATURE REVIEW**

### **Turnover Intention**

Tett and Meyer (1993) referred to turnover intentions as a conscious and deliberate willfulness to leave the organization. It has been conceptualized as the last in the sequence of withdrawal cognitions, which consists of thinking of quitting and intent to search for alternative employment. Although

turnover intentions need not necessarily lead to actual turnover, Bluedorn (1982) found that turnover intention was highly correlated with actual turnover behavior in thirteen out of fourteen empirical studies. In fact, studies on turnover have shown that turnover intention is the best immediate predictor of voluntary turnover (Griffeth, Hom, & Geatner, 2000; Lambert, Hogan, & Barton, 2001; Price, 2001). A meta-analysis undertaken by Steel and Ovalle (1984) confirmed that intentions were more predictive of turnover than attitudes such as job satisfaction or organizational commitment. The turnover intention – turnover relationship is supported by the attitude-behavior theory (Fishbein & Ajzen, 1975), which holds that one's intention to perform a specific behavior is the immediate determinant of that behavior. Since significant positive relationships have been found between turnover intentions and actual turnover (Bluedorn, 1982; Mowday, Porter, & Steers, 1982; Steel & Ovalle, 1984), turnover intentions have been recommended as a proxy in measuring actual turnover (Price, 2001; Price & Mueller, 1981).

### **Trust in Organization and Turnover Intention**

Trust has been defined as the willingness of one party to be vulnerable to another party and involves a degree of uncertainty and risk (Mishra, 1996; Mayer, Davis, & Schoorman, 1995). Rousseau, Sitkin, Burt, and Camerer (1998) defined trust as a psychological state comprising one's intention to accept vulnerability based upon positive expectations of the intentions or behavior of another. Mayer et al. (1995) added that this attitude is derived from the trustor's perceptions and attributions about the trustee's perceived trustworthiness of ability, benevolence, and integrity. Martins (2002) used the words honesty and fairness to define similar constructs of ability and integrity as in Mayer *et al.*'s (1995) trust dimensions. On the other hand, Mishra (1996) used the termed competency, openness, concern for other's interest, and reliability to reflect aspects of trustee's trustworthiness. These dimensions additively and collectively contribute to the development of one's trust in organization.

Trust in organization has been reported to have a negative impact on turnover intentions. In other words, the higher employee's trust in organization, the less likely he or she will leave the organization. Schnake and Dumler (2000), for example, reported that trust in organization was negatively and significantly related to turnover intentions. A meta-analysis conducted by Dirks and Ferrin (2001) showed that trust acts as a significant predictor of an individual's intent to quit. Similarly, recent findings by Connell, Ferres, & Travaglione (2003) indicate that employees' turnover intentions were significantly reduced when employees had more trust in their top management. Bijlsma and Koopman's (2003) meta-analysis also confirmed that a trustful relationship between workers and their employing organization led to an increase in one's loyalty and a decrease in one's intention to leave the organization.

### **HRM Practices and Trust in Organization**

Delery and Doty (1996) conceptualized HRM practices as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives. From the employees' point of view, HRM practices are considered as the organization's efforts in supporting and enhancing their career development. Thus, these practices reflect the organization's concern for the well-being of its workers. According to Guest (1997), the more positive the HRM practices experienced by employees in their employment, the more satisfied they become, and the better their psychological contract. Although there has been a lack of consensus regarding a universal set of HRM practices, in many cases, certain practices such as realistic job preview, orientation program, compensation systems, job security, performance appraisals, training and development, and career advancement, were more frequently identified as HRM practices (Allen, Shore, & Griffeth, 2003; Delery & Doty, 1996; Huselid, 1995). Given that the hotel jobs have been

described as having low skill, low pay, limited chances of training and career opportunities, long and unsocial working hours, and uncertain job security (Woods, 1997), it is timely to investigate the impact of the above-mentioned HRM practices (such as realistic job previews, job security, compensation systems, and training) on the turnover intentions of hotel employees.

Realistic job previews (RJPs) is conceptualized as providing positive and negative aspects of the job, organization, and industry to potential job seekers. Buckley *et al.* (2002) revealed that overstated organizational attributes and inflated expectations tend to create an environment that is not conducive to optimal employee socialization process. Unmet goals and expectations may lead to subsequent dysfunctional organizational outcomes such as dissatisfaction, disloyalty, absenteeism, and turnover. Meglino, Ravlin, and DeNisi (2000) argued that even though RJPs describe a job in less favorable ways, the accuracy of the information contained in the RJPs is likely to cause newcomers to view the organization as more trustworthy. Job security is conceptualized as the degree to which an employee could expect to stay in his or her job over an extended period of time (Delery & Doty, 1996). Many scholars agree that effective assurances of employment security are particularly important in influencing employees' attitudes and behaviors (Lawler, 1986). Employees' perception of job security has been shown to have a direct impact on employees' attitudes and behaviors such as job satisfaction, trust in organization, and organizational commitment (Ashford, Lee, & Bobko, 1989). A recent study by Parnell and Crandall (2003) confirmed that perceptions of job security had a strong negative relationship with turnover intentions. Compensation is a form of reward that organizations used to motivate their workers. A major issue in designing a compensation structure is perceived equity (Milkovich & Newman, 1999). Milkovich and Newman's (1999) study revealed that perceptions of distributive equity often influence employees' deviant attitudes and behaviors at work. Reward systems based on seniority provides an incentive for longer-tenured employees not to voluntarily resign from the institution (Delery & Doty, 1996). Employee training and development refers to strategies, tools, and procedures aimed at improving the ability and capability of organization's members. Lam, Lo, and Chan's (2002) study on new hotel employees confirmed that commitment and turnover intentions were significantly related to training. Considerable empirical support suggests that investments in training produce beneficial organizational outcomes (Delany & Huselid, 1996; Huselid, 1995). For instance, Delany and Huselid (1996) discovered that firms with higher investment in training exhibits greater productivity levels compared to firms with lower training investments. Similarly, Becker and Gerhart (1996) discovered that the results of training on organizational outcomes include higher productivity, enhanced creativity, increased employee confidence, and reduced involuntary turnover. Thus, it can be argued that perceptions regarding the availability and extensiveness of training programs will induce employees' trust in their employing organization.

From the above reviews, the following hypotheses are proposed:

- H1: *HRM practices (realistic job preview, job security, compensation systems, training and development) will have a direct and positive effect on trust in organization.*
- H2: *Trust in organization will have a direct and negative effect on turnover intentions.*
- H3: *Trust in organization will mediate the relationship between HRM practices (realistic job preview, job security, compensation system, training and development) and turnover intentions.*

## **METHODOLOGY**

### **Subjects and Measures**

Participants in this study consisted of operational employees attached to 22 large (5-star) hotels located in the state of Selangor, Kuala Lumpur, and Penang, Malaysia. A total of 22 hotels agreed to participate in the study. A total of 628 questionnaires were distributed to the respondents with the

help of the hotels' human resource managers. The "drop-off" and "pick-up" method was employed. Respondents were given two weeks to answer the questionnaires. In all, 380 usable questionnaires were returned and analyzed, representing a response rate of 60.5 %.

Measures for HRM practices, were adopted from various authors. RJP was measured using 4 items adopted from Tsur and Lin (2003). Job security was measured using 5 items taken from Delery and Dotty (1996). A 7-item measurement adopted from Uen and Chien (2004) and Tsui et al. (1997) was utilized to gauge respondent's perceptions concerning compensation systems. Finally, training and development was measured using 6 items adopted from Delery and Dotty (1996). Trust in organization, on the other hand, was measured using 7 items derived from Mishra (1996) and Mayer and Davis (1999). Finally, turnover intentions were measured using an index comprising of 5 items taken from Hom and Griffeth (1991) and Wayne et al. (1997). Responses to all the items were made on a 7-point Likert scale (*1 = strongly disagree to 7 = strongly agree*).

### **Method of Analysis**

Factor analyses were initially undertaken for the study variables. Next, means, standard deviations, reliability coefficients, and intercorrelations for each factor were computed. Hypotheses were subsequently tested using hierarchical regression (Cohen & Cohen, 1975). Given that age, gender, education, marital status, and organizational tenure may influence turnover intentions as noted by previous scholars (for example, Bluedorn, 1982; Lum, Kervin, Clark, Reid, & Sorola, 1998; Ghiselli, LaLopa, & Bai, 2001; Tepeci & Bartlett, 2002), these five variables would be controlled in the statistical analyses.

## **RESULTS**

### **Profile of Respondents**

Gender distribution of the respondents was slightly higher for males (57.1%). A majority of the respondents (61.1%) were unmarried. In terms of ethnicity, Malays constitute almost 70% of the sample. Regarding education, 70% of the sample did not have tertiary qualifications. This relatively low education level is consistent with the entry qualification for operational employees. In terms of organizational tenure, 31.8% of the respondents have been with the hotel for more than 5 years. The respondents were almost equally represented in terms of their work departments: Front Office (23.2%), Food Production (24.7%), Housekeeping (27.1%), and Food & Beverage Service (25.0%). Finally, the sample can be considered relatively young considering the fact that the mean age was 28.1 years (*SD = 7.09* years).

### **Factor Analyses of the Study Variables**

Principal component factor analysis with varimax rotation was conducted to validate whether the HRM practices are conceptually distinct. Items with loadings greater than or equal to .50 were chosen (Igbaria, Iivari, & Maragahh, 1995). On the other hand, a cut-off point of .35 is observed for cross-loadings (Igbaria *et al.*, 1995). The criterion used for the number of factors to be extracted is the value of latent roots or eigenvalues of greater than one. Table 1 shows the results of factor analysis on HRM practices. This hotel consistently reviews and updates its compensation systems to meet the needs of factor analysis on HRM practices.

As can be seen in Table 1, a four-factor solution was obtained explaining 56.94% of the total variance in HRM practices. Two items were dropped because of its low loading whilst another five items were excluded due to their high cross-loadings. The Keiser-Meyer-Oklin (KMO) measure of sampling

adequacy was 0.827 indicating sufficient intercorrelations, while the Bartlett's Test of Sphericity was significant (Chi square = 1309.84,  $p < .01$ ). These factors were named training and development (5 items), compensation system (3 items), job security (4 items), and realistic job preview (3 items) respectively. A similar factor analysis was undertaken to unveil the dimensionality of the mediating variable (trust in organization). Table 2 provides the results of factor analysis of trust in organization.

**Table 1**  
**Results of Factor Analysis on Human Resource Management Practices**

Items	F1	F2	F3	F4
<b>FACTOR 1: Training and Development</b>				
This hotel conducts systematic analysis to assess the effectiveness of its training programs.	<b>0.81</b>	0.19	0.14	0.18
This hotel has an explicit policy requiring all staff to spend specified minimum period annually in formal training.	<b>0.72</b>	0.28	0.05	0.06
There are formal training programs (on and off-the-job training) to teach new employees the skills they needed to perform their jobs.	<b>0.71</b>	0.23	0.17	0.07
This hotel conducts systematic analysis to determine the need for training programs	<b>0.64</b>	-0.23	0.04	0.11
Training and development policy in this hotel is fair.	<b>0.63</b>	0.35	0.11	0.09
<b>FACTOR 2: Compensation System</b>				
Compensation administration in this hotel is fair.	0.23	<b>0.79</b>	0.04	-0.05
Compensation structure in this hotel is equitable.	0.1	<b>0.78</b>	0.08	0.14
This hotel consistently reviews and updates its compensation systems to meet the needs of employees	0.26	<b>0.58</b>	0.33	0.16
<b>FACTOR 3: Job Security</b>				
Employees in this hotel are certain to be able to keep their jobs in the next couple of years.	0.05	0.1	<b>0.76</b>	0.01
Employees can expect to stay in this hotel for as long as they wish.	0.03	0.1	<b>0.58</b>	0.32
It is difficult to dismiss an employee in this hotel.	0.19	-0.02	<b>0.56</b>	0.09
If this hotel is facing economic problems, I would be among the last to be retrenched.	0.06	0.1	<b>0.51</b>	-0.09
<b>FACTOR 4: Realistic Job Previews</b>				
In the hiring process, this hotel often informs potential employees the negative aspects of work in the hotel.	0.03	-0.19	0.03	<b>0.74</b>
This hotel deliberately uses realistic job previews during recruitment and selection of new employees.	0.08	0.33	-0.01	<b>0.64</b>
During the hiring process, potential employees are provided with a realistic picture of the of the negative and positive aspects of the job and the hotel.	0.27	0.16	0.12	<b>0.55</b>
Eigenvalues	4.2	1.38	1.31	1.2
Percentage Variance Explained	18.55	15.64	11.7	11.05
Total Variance Explained	56.94%			
KMO	0.827			
Bartlett's Test of Sphericity	1309.84**			

**Table 2**  
**Results of Factor Analysis on Trust in Organization**

Items	Factor Loadings
I trust top management in this hotel will keep the promise they have make to employees.	0.79
I trust top management openly shares information on matters affecting the interests of this hotel.	0.78
I trust top management in this hotel will always try to treat all employees fairly.	0.78
I trust top management in this hotel takes actions that are consistent with their words.	0.77
I trust top management in this hotel always honest and truthful.	0.76
I trust top management in this hotel is competent in performing their jobs.	0.76
I trust top management in this hotel care about my well-being.	0.74
Eigenvalues	4.12
Total Variance Explained	59.80%
KMO	0.9
Bartlett's Test of Sphericity	1179.04***

Note.  $N = 380$ , Bold loadings indicate the inclusion of that item in the factor;  
\* $p < .05$ ; \*\* $p < .01$ , \*\*\* $p < .001$

As can be seen from Table 2, a single factor solution emerged explaining 59.80 % of the total variance in trust in organization. The KMO measure of sampling adequacy was .901 indicating sufficient intercorrelations, while the Bartlett's Test of Sphericity was significant (Chi square = 1179.04,  $p < .01$ ). Finally, another factor analysis was carried out to confirm the dimensionality of turnover intentions. Table 3 presents the results of factor analysis on turnover intentions.

**Table 3**  
**Results of Factor Analysis on Turnover Intentions**

Items	Factor Loadings
I am seriously thinking about quitting my job.	0.87
I plan to leave my present employer as soon as possible.	0.83
I will actively looking for a new job in the next year.	0.8
I often think of quitting my current job.	0.77
As soon as I can find a better job, I will leave this hotel.	0.72
Eigenvalues	3.19
Total Variance Explained	63.70%
KMO	0.835
Bartlett's Test of Sphericity	842.11***

Note.  $N = 380$ , Bold loadings indicate the inclusion of that item in the factor;  
\* $p < .05$ ; \*\* $p < .01$ , \*\*\* $p < .001$

As can be seen from Table 3, a one-factor solution was revealed explaining 63.70% of the variance in turnover intentions. The KMO measure of sampling adequacy was .835 indicating sufficient intercorrelations, while the Bartlett's Test of Sphericity was significant (Chi square = 842.10,  $p < .01$ ).

### Means, Standard Deviations, Correlations, and Reliability Coefficients

Table 4 indicates the means, standard deviations, reliability coefficients, and intercorrelations of the study variables.

**Table 4**  
**Means, Standard Deviations, Reliability Coefficients, and Intercorrelations of the Study Variables**

Variables	Mean	SD	1	2	3	4	5	6
1. Training & Development	4.68	1.2	-0.82					
2. Compensation System	4.28	1.14	.51**	-0.72				
3. Job Security	4.76	0.96	.31**	.31**	-0.5			
4. Realistic Job Preview	4.47	0.98	.31**	.25**	.23**	-0.5		
5. Trust in Organization	4.59	1.13	.58**	.51**	.28**	.24**	-0.88	
6. Turnover Intentions	3.87	1.38	-.30**	-.18**	-.13**	-0.03	-.50**	-0.86

Note:  $N = 380$ ; \* $p < .05$ , \*\* $p < .01$ ; Cronbach's alpha for each measure are in parentheses.

As shown in Table 4, the mean value for each of the four dimensions of HRM practices as well as trust in organization were slightly on the high side ranging from 4.28 to 4.76. The standard deviations for these variables ranged from 0.98 to 1.20. Turnover intentions for the sample were considered moderate with a mean score of 3.87. In terms of the correlation coefficients, HRM practices had significant positive correlations ( $p < .01$ ) with trust in organization. Similarly, three of the four HRM practices and trust in organization had significant negative correlations ( $p < .01$ ) with turnover intentions. All the reliability coefficients except for two of the HRM measures were acceptable since they exceeded the minimum recommended level of 0.60 (Sekaran, 2000). The job security and realistic job preview measurement scales had internal reliabilities of 0.50. Nonetheless, these two measures were accepted for the purpose of this study since they concur with the conceptualization of the HRM construct and meet the minimum acceptable level of 0.50 as suggested by Ary, Jacobs, and Razavieh (1996).

### Hypotheses Testing

To test for hypothesis 1, HRM practices were regressed on trust in organization. Table 5 presents the regression results of this analysis.

From Table 5, when the five control variables were entered into the regression equation, an  $R^2$  value of 0.01 was obtained. On adding the four HRM practices, the  $R^2$  value increased to 0.46 suggesting that 45% ( $R^2$  Change = .45,  $F$ -Change = 76.85,  $p < .01$ ) of the variance in trust towards organization is being explained by the HRM practices. Two of the four HRM practices were found to have significant and positive effects on trust in organization: training & development ( $\beta = .49$ ,  $p < .01$ ), and compensation system ( $\beta = .23$ ,  $p < .01$ ). Hence, hypothesis 1 is partially supported.

To test for hypothesis 2, trust in organization was regressed on turnover intentions. Table 6 shows the regression results of this analysis.

**Table 5**  
**Regression Results on the Impact of HRM Practices on Trust in Organization**

Predictors	Model 1	Model 2
	Std. $\beta$	Std. $\beta$
<b>Step 1: Control Variables</b>		
Gender <sup>a</sup>	-0.06	-0.01
Age	0.06	0.06
Marital Status <sup>b</sup>	-0.05	-0.07
Education	0.02	0.02
Organizational Tenure	-0.01	0.01
<b>Step 2: HRM Practices</b>		
Training & Development		.49**
Compensation System		.23**
Job Security		0.08
Realistic Job Preview		0.03
$R^2$	0.01	0.46
Adj. $R^2$	-0.01	0.45
$R^2$ Change	0.01	0.45
$F$ -Change	0.48	76.85**

Note.  $N = 374$ ; \* $p < .05$ , \*\* $p < .01$ ; Dummy Coded, <sup>a</sup>male = 0, female = 1; <sup>b</sup>single = 0, married = 1.

**Table 6**  
**Regression Results: Impact of Trust in Organization on Turnover Intentions**

Predictors Variables	Model 1	Model 2
	Std. $\beta$	Std. $\beta$
<b>Step 1: Controls</b>		
Gender <sup>a</sup>	-0.06	-0.01
Age	0.06	-.16**
Marital Status <sup>b</sup>	-0.05	0.02
Education	0.02	0.02
Organizational Tenure	-0.01	0
<b>Step 2: Model</b>		
Trust in Organization		-.28**
$R^2$	0.01	0.12
Adj. $R^2$	-0.01	0.01
$R^2$ Change	0.01	0.11
$F$ - Change	0.48	10.45**

Note.  $N = 374$ ; \* $p < .05$ , \*\* $p < .01$ ; Dummy Coded, <sup>a</sup>male = 0, female = 1; <sup>b</sup>single = 0, married = 1.

From Table 6, when the five control variables were entered into the regression equation, an  $R^2$  value of 0.01 was obtained. On adding trust in organization, the  $R^2$  value increased to 0.12 suggesting that 11% ( $R^2$  Change = .11,  $F$  – Change = 10.45,  $p < .01$ ) of the variance in turnover intentions is being explained by this independent variable. Trust in organization ( $\beta = -.28, p < .01$ ) was found to have a significant and negative impact on turnover intentions, thereby, providing full support for hypothesis 2.

To test for the mediating effect of trust in organization in the relationship between HRM practices and turnover intentions as required in hypothesis 3, a four-step procedure suggested by Baron and Kenny (1986) was undertaken. According to Baron and Kenny (1986), the following conditions must be present for mediation effects: (1) the independent variables (HRM practices) must significantly affect the mediator (Trust in Organization), (2) the independent variables must significantly affect the dependent variable (Turnover Intentions), (3) the mediator must significantly affect the dependent variable, and (4) the effect of the independent variables on the dependent variable shrinks upon the addition of the mediator to the model.

Table 7 provides the summary of the regression analyses to ascertain the mediation effects of trust in organization on the relationship between HRM practices and turnover intentions.

**Table 7**  
**Summary of Results of Mediated Regression**

Predictor Variables	Criterion Variable		
	Trust in Organization	Turnover Intentions	Turnover Intentions
	Equation 1	Equation 2	Equation 3
	Std. $\beta$	Std. $\beta$	Std. $\beta$
<b>Step 1: Controls</b>			
Gender <sup>a</sup>	-0.01	-0.01	-0.02
Age	0.06	-.16**	-.15**
Marital <sup>b</sup>	-0.07	0.02	0.02
Education	0.02	0.02	0
Organizational Tenure	0.01	0	0
<b>Step 2: Study Variables</b>			
Training & Development	.49**	-.28**	-0.07
Compensation Systems	.23**	-0.06	0.09
Job Security	0.08	-0.04	-0.02
Realistic Job Preview	0.03	0.09	.12**
<b>Step 3: Mediator</b>			
Trust in Organization			-.55**
$R^2$	0.46	0.12	0.31
Adj. $R^2$	0.45	0.01	0.29
$R^2$ Change	0.45	0.01	0.19
$F$ Change	76.85**	10.45**	95.39**

Note: \* $p < .05$ , \*\* $p < .01$ ; Dummy Coded, <sup>a</sup>male = 0, female = 1;

<sup>b</sup>single = 0, married = 1.

As shown in Table 7, of the four HRM practices examined, only training and development was able to meet the conditions for mediation. The effect of training & development ( $\beta = -.28, p < .01$ ) became insignificant ( $\beta = -.07, p > .05$ ) in the presence of trust in organization, thereby, implying full mediation. In other words, training and development has only an indirect effect

## DISCUSSION AND CONCLUSION

The two objectives of this study were: 1) to investigate the linkage between HRM practices and turnover intentions, and 2) to test whether trust in organization serves to mediate the proposed relationship. The statistical results obtained in this study showed that employees' perceptions on HRM practices, particularly those relating to training and development, and compensation system have significant and positive effects on their trust in organization. Subsequently, trust in organization was found to have a significant and negative effect on turnover intentions. These findings are consistent with those of previous researchers (for instance, Connell *et al.*, 2003; Delany & Huselid, 1996; Delery & Doty, 1996; Dirks & Ferrin, 2001; Lam *et al.*, 2002). When employees perceive that their organizations show greater concern for their personal growth and welfare via the provision of adequate training and development, and equitable compensation system, they will experience a positive emotional state. In social exchange (Blau, 1964), the norm of reciprocity (Gouldner, 1960) would be bound to create an obligation for employees to reciprocate by displaying greater trust in their employing organization. Similarly, trust in organization was found to be negatively related to turnover intentions. This finding is in tandem with previous researchers (for example, Bijlsma & Koopman, 2003; Dirks & Ferrin, 2001; Schnake & Dumler, 2000). When employees have faith in their organization, they are likely to remain loyal and committed, resulting in lower turnover intentions. Additionally, trust in organization was found to mediate the effects of training and development on turnover intentions.

The findings from this investigation also have practical application specifically for hotel organizations. Given that employees are more willing to trust their organization when they perceive that the HRM practices of the organization are able to take care of their welfare, fostering a supportive HRM practices would be beneficial. Specifically, hotel authorities should continuously provide training and development to their employees. Proper trainings equip employees with the necessary knowledge and skills to perform their task effectively as well as enhance their promotional opportunities within the organization. Regarding training and development, results from this study suggested that hotels should: (1) provide continuous formal training programs (on and off-the-job trainings) for their employees (2) conduct a systematic analysis of the training needs and assess its training effectiveness, and (3) have a policy requiring all staff to undergo certain forms of training for a minimum period annually. One of the training programs is cross-training, where employees are encouraged to acquire multiple technical skills. For example, a cook could be send to undergo a certain months of training in waiting skills. Thus, he or she would be able to help or work in food service department when the necessity arises. To encourage long-term commitment, hotels may also want to provide management training programs for operational employees in order to develop their managerial skills for future promotions. Management skills such as preparing budget and forecasting revenue, supervision techniques, communication skills, and human relation skills should be conducted on a regular basis on operational employees to enhance their knowledge and for management to identify managerial talents. Results from this study have empirically shown that commitment by employers on employees' training and development can enhance employees' trust towards the organization and subsequently reduce their turnover intentions.

In addition, the compensation system adopted should be fair and lucrative. Results from this study suggest that employees formed greater trust towards their organizations when they feel that they have

been compensated fairly. Compensation benefit that take into account the employees' job category, skill, and performance can be implemented. For instance, cooks who are able to demonstrate certain unique skills or receptionists or waiters who are able to demonstrate innovative work procedures should be paid more. Further, since the job category of operational hotel employees (e.g. cooks, waiters, maids, and receptionists) is skill-based job, a multiskilled-based pay system may also be introduced. In a skill-based pay plan, employees are compensated for the different skills or increased knowledge they possess rather than for the job they hold in a designated job category. Skill-based pay also encourages employees to acquire additional trainings when new or updated skills are needed by the organization. Thus, through this pay scheme hotel managers could improved staffing flexibility to meet production or service demands and reduced the effects of absenteeism and turnover since managers can assign employees where and when needed.

In conclusion, the availability and extensiveness of training and development programs and the present of a fair and equitable fair compensation system convey the message to employees that they are being valued, supported, and cared for by the organization. Such positive feelings of well-being experienced by employees are likely to induce them to reciprocate by believing in the actions of their top management (reflecting actions of the organization), and a willingness to stay longer in the organization. Two limitations have been identified in the current research. First, given that trust is the basis for social exchange (Blau, 1964), reciprocal causation should be acknowledged. It is plausible that the level of trust experienced by employees may influence their judgments about HRM practices, instead of the other way around. Second, the HRM practices investigated in this study were confined to a selected few. Therefore, future researchers may need to widen the scope of the HRM practices to include activities like orientation programs, recruitment and selection, HR planning, performance appraisals, and career advancement. In addition, it is recommended that follow-up interviews be conducted on hotel employees who have resigned from their previous jobs to determine the actual reasons for leaving the organizations. This would confirm the reasons for their turnover intentions and provide a real indication for actual turnover.

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