



Influencing Factors to Job Satisfaction and Organizational Commitment in Manufacturing Organization, Affect to Turnover Intention: A Context of Thai Fashion Industry

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Abstract

High employee turnover rate is a crucial problem in many organizations. This research study focuses on determining the internal and external collaboration link through job satisfaction and organizational commitment to influence on turnover intention among unskilled employee in Bangkok area for fashion industry. The study employed self-administered questionnaires to collect data from 330 unskilled employees with based on Structural Equation Modeling (SEM). The findings indicate that: (i) Job satisfaction was affected by task value, co-worker, job enrichment and leader-member exchange (ii) Pay satisfaction, leader-member exchange and job satisfaction have significantly influenced on organizational commitment. (iii) Intention to leave was affected by job satisfaction and organizational commitment. Finally, employee's acceptance and alignment with organizational goals would increase greater organizational commitment and reduce employees' intention to leave the organization.

Keywords : Structural Equation Modeling , Turnover Intention, Job Satisfaction, Organizational Commitment

INTRODUCTION

As we always know, the survival of businesses critically depends on the ability of the managements in creating and maintaining the competitiveness of their organizations. To build up the business competitiveness, many firms in the past decades paid most of their attentions to improve their productivities. Production management, such as the use of new technology and innovation for production, therefore became the first priority among the other business functions (Panuwatwanich et al., 2008). However, when the time goes by the business competition has become more aggressive. A certain firm cannot win over the others by relying solely on its high productivity. The other functions of the business, which



used to receive less attention from the management, then now also become the critical parts of the firm's success which the management cannot overlook.

Because human resource is perceived as the valuable asset of the company with an increasing value over time, human resource is today considered one of the most crucial factors of the business success and has received increasing attention from the management. A number of organizations have currently built up their competitive advantages by concentrating on the integration between human competency and organization development (Macris et al., 2008). How to develop and continually improve the skill and knowledge of the firms' employees as well as, most importantly, how to maintain those the valuable persons with the business have become the key of today's business success (Antoncic & Antoncic, 2011).

Employee turnover rate can be used as one indicator of the business competitiveness. The high turnover rate can cause the business to lose their cost competitiveness. High turnover rate generates a significant amount of costs to the company including costs arising during the recruiting process, training costs, and opportunity costs such as work delay during the recruiting and training process. The prior study shows that in some labor intensive industries, the companies have to spend on average 3-6 months in training the new-hired employees, depending on the work difficulty (Vakola, et al., 2007).

A skilled employee is one who has comprehensive [knowledge](#) and [ability](#) in their [work](#). An unskilled employee is one who does operations that involve the performance of simple duties. Unskilled employee often have high turnover due to can get a new job easily. In fashion industry, there are two employee classes, unskilled employee and skilled employee. There are many different characteristics between this two groups such as training period, work's objective and other substantial factors. Since the performance of skilled and unskilled employee are the key success in this industry, the employee retention strategy should be designed to support and challenge the business objective. (Antoncic & Antoncic, 2011). Identifying intrinsic and extrinsic motivational variables influenced the retention and reduction of employee turnover in both skilled and unskilled employee is beneficial to every business. According to this research, we only examine the content on the unskilled employee in fashion industry sector to improve the effectiveness of human resource management.

This research aims to explore factors affecting the staff retention through job satisfaction and organization commitment. Since the fashion industry is a large business sector in Thailand, the lacking of employee is interacted with the potential capacity.



With the globalization, to lower the production cost and improve the production capacity, a number of businesses from many developed countries have relocated their production bases to the other counties especially emerging countries where the labor costs are relatively cheaper. Thailand has been one of the major countries where the businesses from many countries want to relocate their productions to as shown in the master development plan for Thai industries during 2012-2031 which shows that the textile industry is considered as one of the high earning industries. In addition, Thailand has been also projected to be one of three major fashion capitals of Asia and Thai textile industry has been expected 8% of annual export growth or at least 2,400 million US dollars earning by the year 2016 (www.thaitextile.org)

Although Thai fashion industry has increasingly become one of the most important national industries, many businesses in this industry has still been struggling with the staff issue such as the lack of skilled labor, training and retaining the current workers. Staff retention in Thai fashion industry is therefore one of the most important issues which is needed more attention from the researcher and management. Especially unskilled jobs that need the strict regulation to control e.g. labor law, static working procedure etc. , so unskilled employee can switch his job easier than skilled employee.

The objective of the paper is to study the factors affecting employee turnover through job satisfaction and organization commitment. Specifically, we study on the following issues:

1. Determinants of job satisfaction which affects to employee turnover
2. Determinants of organization commitment which affects to employee turnover.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Turnover is defined as the “individual movement across the membership boundary of an organization” (Price, 2001: p. 600). Employee turnover is the rotation of workers in the labour market; among firms, jobs and occupations (Abassi et al. 2000). Labor turnover is one of the most significant causes of declining productivity and disruption of the production process. Higher job turnover is leading to higher costs associated with recruitment, selection, job training and cost of training including supervisory time spent in formal training.

The theory of voluntary employee turnover proposed by March and Simon (1958) argues that employee turnover results from the individual’s perceptions about the perceived desirability of movement and ease of movement. March and Simon model concluded that labor turnover are mainly two factors namely “perceived



desirability of movement” which is influenced by job satisfaction, internal organization and “perceived ease of movement” which is influenced by opportunity extraorganizational. Then, Mobley et al. (as cited in Staffelbach, B. ,2008) expanded model concluded that decision to quit are namely job satisfaction, expected utility of alternate roles in organization, expected utility of alternate role outside organization and non-work value and roles. And Sheridan and Abelson (1983) The ‘Cusp-Catastrophe’ model shown the complexity of intrinsic properties of turnover phenomenon. First, abrupt change when they feel that cannot stay. Second, called ‘hysteresis zone’ representing a state of disequilibrium between from retention and termination. Third, bifurcation plane which is very small change (job tension, job dissatisfaction and job stress) between retention plane and termination plane.

Organizational Commitment

Bateman and Strasser defined commitment as “multidimensional in nature, involving an employee’s loyalty to the organization, willingness to exert effort on behalf of the organization, degree of goal and value congruency with the organization, and desire to maintain membership” (p.95).

Organizational commitment was defined by Allen and Meyer (1996) as a psychological link between the employee and their organization can take three quite distinct forms. Three-component view of commitment consist of affective , continuance and normative (Allen & Meyer, 1990) . Affective commitment refers to an employee’s involvement in, identification with and emotional attachment to the organization .This means employee stays with an organisation because he wants to. He believes in and identifies himself with the organisation. Continuance commitment refers to commitment based on costs that employee recognition is associated with leaving the organization , remain with the organization because they have to do so. Finally, normative commitment refers to commitment based on a feeling of obligation to stay with the organization because they feel they ought to do so. From the study by Weibo at et. (2010) concluded that Allen and Meyer approach is the leading centre of organizational commitment research.

This is due to the various studies which have found a correlation between commitment to the employing organization and intention staying or leaving. Employees with lower levels of commitment were more likely to leave from organizational (Porter et al ,1974).

Job satisfaction

Organizational commitment was defined by Greenberg and Baron (1997) as an individual’s cognitive, affective, and evaluative reactions towards his or her job. And a commonly accepted job satisfaction definition is offered by Locke (1976) as the



pleasurable emotional state resulting from the perception of one's job as fulfilling or allowing the fulfillment of one's important job value.

Job satisfaction is one of the widely discussed topics of employees behaviors at work. Satisfaction of employees is a concern for organizations as it leads to higher productivity, low turnover, reduced absenteeism, increased moral and many other positive returns. In this research, job satisfaction and/or dissatisfaction is a function of two classes of variables named motivator and hygiene factors of Herzberg's two-factors.

Based on conceptual framework developed in this research and findings of the previous research, we hypothesize a positive correction the following :

- H1: Task value has a positive effect on Job satisfaction.
- H2: Goal orientation has a positive effect on Job satisfaction.
- H3: Job enrichment has a positive effect on Job satisfaction.
- H4: Job enrichment has a positive effect on organizational commitment.
- H5: Co-worker has a positive effect on Job satisfaction.
- H6: Leader-member exchange has a positive effect on Job satisfaction.
- H7: Leader-member exchange has a positive effect on organizational commitment.
- H8: Career opportunity has a positive effect on organizational commitment.
- H9: Pay satisfaction has a positive effect on organizational commitment.
- H10: Job satisfaction has a positive effect on organizational commitment.

The relationship between organizational commitment and turnover Intention according to many studies previously conducted, it was concluded that there is a statistically significant relationship between organizational commitment and turnover intention. For example, Gellatly (1995) found that the relationship between organizational commitment and turnover intention was significantly negative. In this study it is hypothesized that

- H11: Job satisfaction has a negative effect on turnover intention amongst Thai fashion employee.
- H12: Organizational commitment has a negative effect on turnover intention amongst Thai fashion employee.



RESEARCH METHODOLOGY

This study will be conducted both management levels and operation levels in a context of Thai fashion industries which locate in Bangkok. Using the conceptual framework adopted, the survey utilized a sample survey approach to gather necessary data from 330 unskilled employees. All items measured in Likert scale with 1 to 5 values; 1 strongly disagree or the least satisfaction and 5 stands for strongly agree or the most satisfaction dependent upon construct contexts.

Data was analyzed through Structural Equation Modeling (SEM) to determine model causality using PLS-Graph 3.0 software (Chin, 2001). The SEM consists of the following structural equation linking latent variables:

$$\eta = B\eta + \Gamma\xi + \zeta$$

where η is the endogenous variable and ξ is the exogenous variable. ζ signifies the margin of error. The measurement model for the exogenous variable in each block was

$$X = \Lambda x\xi + \delta x \text{ or } E(X|\xi) = \Lambda x\xi$$

X was the indicator of ξ and Λx was the loading factor indicating the influence of latent variable ξ on indicator X .

The measurement model for the endogenous variable was

$$Y = \Lambda y\eta + \varepsilon y \text{ or } E(Y|\eta) = \Lambda y\eta$$

Y was the indicator of η and Λy was the loading factor indicating the influence of latent variable η on indicator Y .

The Quality of Model and Measures

On the basis of Table 1, it can be seen that the model displayed a value of R2 between 0.3244 and 0.4546. The mean was 0.3874, which was higher than 0.20. This means that the structural equation had predictive quality at an acceptable level. The structural equation satisfied the fit index; that is, Goodness of Fit (GoF) was equal to 0.5314 (GoF = 0.3874 * 0.7289 = 0.5314). This indicates that the model displayed predictability at a moderate level. The value of Average Communality was equal to 0.7289. This means that the construct, on average, reflected their nature through their indicators at a rather good level.

Convergent Validity

On the basis of Table 2, it was found that loading was greater than 0.737 thresholds for all values. This means that indicators in all blocks could be accurately



measured. From Table 2, all constructs displayed a composite reliability (CR) at a high level, between 0.876 and 0.964, which was higher than 0.60. The average variance extracted (AVE) was between 0.622 and 0.842 which was higher than 0.50 thresholds. This means that each construct has very well reflective indicators and could be used for accurate measurement in its own domain.

Table 1. Performance indices

Construct	R2	Average Commun	Average Redund
VTV		0.6869	
VGO		0.7512	
VCW		0.7093	
VJE		0.7795	
VLMX		0.8422	
VCO		0.7324	
VPS		0.7186	
VJS	0.3244	0.7018	0.2277
VOC	0.4546	0.6225	0.2841
VTI	0.3831	0.7445	0.2852
average	0.3874	0.7289	0.2657
GoF	0.5314		

VTV = Task value, VGO = Goal orientation, VCW = Co-worker, VJE = Job enrichment, VLMX = Leader-member exchange, VCO=Career opportunity, VPS= Pay satisfaction, VJS=Job satisfaction, VOC=Organizational commitment, VTI=Turnover intention

Table 2. Loading factor, composite reliability (cr) and average variance extracted (AVE)

Indicator	Mean	Loading	T-stat.	CR	AVE
VTV = Task value				0.898	0.687
The scope of present task is interesting.	3.79	0.854	33.429		
The content of present task is interesting.	3.75	0.857	40.429		
The present task is useful for the goal in future work.	3.83	0.815	29.628		
Indicator	Mean	Loading	T-stat.	CR	AVE
The present task is useful in future career planning.	3.60	0.786	25.981		
VGO = Goal orientation				0.900	0.751
Continuous improvement is successful to the task goal.	4.12	0.833	25.768		
Skilled task is successful to the task goal.	4.22	0.883	38.866		
Expert and skilled task in specific area are successful to the task goal.	4.12	0.882	38.860		
VCW = Co-worker				0.907	0.709
Co-workers encourage enjoying in task.	3.54	0.816	31.179		
Co-workers help each other.	3.54	0.892	51.597		



Good cooperation among each department.	3.40	0.815	30.102		
Co-workers help in problem solving	3.64	0.841	32.333		
VJE = Job enrichment				0.876	0.780
Free decision under own responsible task.	3.34	0.895	30.944		
Free to set up suitable task system under own responsible task.	3.65	0.869	20.923		
VLE = Leader-member exchange				0.964	0.842
Supervisor is faithful	3.65	0.934	93.411		
Supervisor is the person who enjoy to working with.	3.52	0.939	129.767		
To be willing to put best effort on work for supervisor.	3.61	0.897	54.377		
To impress on supervisor's knowledge and ability.	3.71	0.909	38.159		
To admire on supervisor's professional skill.	3.70	0.906	51.332		
VCO=Career opportunity				0.916	0.733
To easily when working with high competency co-workers	2.82	0.740	20.249		
To satisfy with clear position promotion system.	2.96	0.881	43.928		
Indicator	Mean	Loading	T-stat.	CR	AVE
To satisfy in the foreseen opportunity to be promoted.	2.85	0.901	66.486		
To have a chance to be promoted.	3.01	0.890	72.538		
VPS= Pay satisfaction				0.910	0.719
the pay is suitable with the work responsibility	2.90	0.852	45.107		
To have more allowance and benefit than identifying in labor regulation.	2.79	0.736	15.881		
Latest performance assessment is correct and fair.	2.82	0.879	49.002		
In general, to satisfy in current salary.	2.91	0.912	83.205		
VJS=Job satisfaction				0.876	0.702
To successful in work life	3.19	0.798	35.527		
To satisfy in working environment.	3.26	0.831	42.106		
To satisfy in job.	3.39	0.880	59.185		
VOC=Organizational commitment				0.908	0.622
To be happy in working with the current organization.	3.44	0.816	36.880		
To realize in being a part of organization.	3.52	0.819	45.704		
To realize in the commitment with organization	3.48	0.877	46.903		
en3: To have the loyalty with the organization.	3.49	0.850	44.446		
VTI=Turnover intention				0.936	0.745
To continue in working with the organization	2.54	0.793	32.337		
To always think to leave from the organization	2.71	0.799	23.221		
To find out a new job presently	2.56	0.896	55.693		
To look for a new job which more suitable than the present job.	2.57	0.919	95.103		
ti5: To plan to find out a new job in the next year.	2.55	0.897	66.211		

Discriminate Validity

As displayed in Table 2, it was found that AVE was the value of a number in the diagonal line (see Table 3) and had a greater value than the number in the same column. The value in any column (called column variable) showed cross construct



correlation. This correlation was a relationship between latent variables. This means that measurements for each construct can measure the variation in its own without having to measure the variation in other constructs as well.

Table 3. Effect of antecedents on depend variables

Variable	Effect	Antecedents						
		VTV	VCW	VJE	VLMX	VPS	VJS	VOC
VJS	DE	0.165	0.253	0.134	0.217	0.000	N/A	N/A
	IE	0.000	0.000	0.000	0.000	0.000	N/A	N/A
	Total	0.165	0.253	0.134	0.217	0.000	N/A	N/A
VOC	DE	0.000	0.000	0.017	0.115	0.154	0.487	N/A
	IE	0.080	0.123	0.065	0.106	0.000	0.000	N/A
	Total	0.080	0.123	0.082	0.221	0.154	0.487	N/A
VTI	DE	0.000	0.000	0.000	0.000	0.000	-0.170	-0.496
	IE	-0.068	-0.104	-0.064	-0.146	-0.076	-0.242	0.000
	Total	-0.068	-0.104	-0.064	-0.146	-0.076	-0.412	-0.496

Findings

As exhibited in Figure 1 and Table 4, the result shows that job satisfaction was significantly determined by task value, co-worker, job enrichment and leader-member exchange. Leader-member exchange, pay satisfaction and job satisfaction have positive association with organizational commitment. Turnover intention has strongly influenced by organizational commitment and job satisfaction. From the analysis of factors effect toward the variables on Table 2, Co-worker and the leader-member exchange factors are found to be vitally important to job satisfaction. Especially, co-worker had the highest direct effect. The factors which had most effected toward organizational commitment was job satisfaction and leader-member exchange was the next effect. However, both organizational commitment and job satisfaction had high effect to turnover intention. And also organizational commitment had the highest direct effect to turnover intention.

The result also indicated that organizational commitment had more influence than job satisfaction to turnover intention. Then, organization should pay more attention to the factor which effected to organizational commitment.

Figure 1. Final PLS Path Model

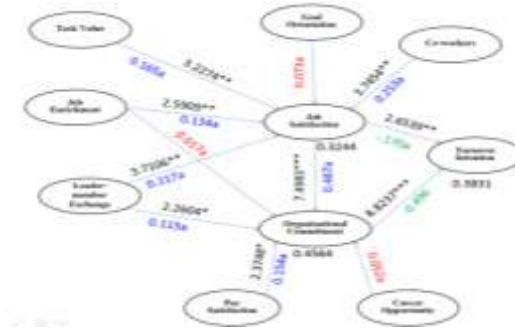


Table 4. Results from hypothesis testing

Hypothesis (path)	Path coefficient	T-test	Result
H1:Task value has positive effect on Job satisfaction	0.165	3.2174**	support
H2:Goal orientation has positive effect on Job satisfaction	0.073	1.391	Not support
H3:Job enrichment has positive effect on Job satisfaction	0.134	2.3526*	support
H4:Job enrichment has positive effect on Organizational commitment	0.017	0.3807	Not support
H5:Co-worker has positive effect on Job satisfaction	0.253	3..9167***	support
H6: leader – member exchange has positive effect on Job satisfaction	0.217	4.0403***	support
H7: leader – member exchange has positive effect on Organizational commitment	0.115	2.1212*	support
H8: Career opportunity has positive effect on Organizational commitment	0.052	0.9046	Not support
H9: Pay satisfaction has positive effect on Organizational commitment	0.154	2.8929**	support
H10: Job satisfaction has positive effect on Organizational commitment	0.487	8.7996***	support
H11: Job satisfaction has negative effect on Turnover intention	-0.170	2.7786**	support
H12: Organizational commitment has negative effect on Turnover intention	-0.496	9.0081***	support

*p≤0.05 **p≤0.01 ***p≤0.001

DISCUSSION AND IMPLICATIONS

The findings indicated that: (i) Job satisfaction was affected by task value, co-worker, job enrichment and leader-member exchange (ii) Pay satisfaction, leader-member exchange and job satisfaction had positively related to organizational commitment. (iii) Turnover intention was affected by job satisfaction and organizational commitment. (iv) Finally, employee’s acceptance and alignment with



organizational goals would increase greater organizational commitment and reduce employees' intention to leave the organization.

However, empirical data did not support the conclusion that job satisfaction was affected by goal orientation and job stress factors because the path coefficient did not exhibit statistical significance and thus did not affect job satisfaction. This study indicated that any operation of Thai fashion industries that purported to lead to efficient competition resulting in the growth of sales volume by their own employee. At the same time, in order to have high quality marketing performance involving in increasing sales volume, value of sales, larger market share, Thai fashion industries had to develop goods by having product innovation with possible low cost.

The findings of this research are able to apply to other business organizations so that the organization can improve their strength and effect to the whole country development in future. However, this research is specific on unskilled employees, the next research will differentiate on the comparison between skilled and unskilled employees by questioning them. Because of skilled employee has specific and technical industry skill relating to business for the production of goods. skilled employee can improve many different processes and create new product in a company depending on their expertise.

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