

MANAGERIAL COMMUNICATION AND INTENT TO REMAIN WITH THE ORGANIZATION: EXAMINING AN EMPIRICAL MODEL OF FACTORS AFFECTING RETENTION OF ISRAELI EMPLOYEES

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ABSTRACT

Workplace settings which are characterized with uncertainty, limited resources etc. are conducive for turnover and hence calls for a more proactive approach on the part of the employer—they should focus more on retention rather than understand the cause for turnover. Hence in the present study we proposed and empirically tested a research model which examined the factors affecting retention of Israeli employees. This multilevel model aimed at testing both organizational level factors—organizational commitment and managerial communication and individual/employee level factors—perceived organizational support, job satisfaction and job performance. Data was collected from employees working in the private sector of Israel. Overall, the research model demonstrated a good fit and provided evidence for a robust relationship between managerial communication and retention. Implications for organizations and future research are discussed.

INTRODUCTION

Israel is located in the Middle Eastern region, along the eastern shore of the Mediterranean Sea. As economies around the world are experiencing a revolution characterized by a collective process of globalization, development and competitiveness, Israel too, shares the range of possibilities and problems imposed by this pattern of events (Pindek, Koslowsky & Weinberg, 2010). Israel has transformed itself from an austere, collectivist, closed and homogeneous society to a more, open, diverse and liberal society. Furthermore, the ruling ideology has significantly changed and today tends to follow the American capitalist model (Sagie & Weisberg, 2001).

Presently companies in Israel are faced with managing a diverse set of employees who have varied cultural and work values. Add to those factors such as globalization, severe competition in a volatile environment marked with uncertainty. Such a workplace setting is conducive for turnover with employees having more job options. This definitely calls for a more proactive approach on the part of the employer. It is pertinent that companies change their focus—rather than attempting at understanding the cause of turnover they should focus taking steps for retaining their most valuable asset—the current employees.

Employee Retention and Research Model

Retaining top talent is a major concern for many companies. Companies that fail to retain highly skilled employees will lose valuable tacit knowledge and will be left with an understaffed, less qualified workforce that will hinder their ability to remain competitive (Rappaport, Bancroft, & Okum, 2003; Amah, 2009). There is a vast amount of literature on employee turnover, which identifies factors that cause employees to leave an organization (e.g. Girffeth, Hom & Gaertner, 2000), however little research has focused specifically on how an employee decides to stay and what determines this retention process

(Maertz & Campion, 1998). Thus, we know a lot about why people leave (turnover) but little about why people stay (retention). And, the reasons people stay with an organization may not always be the same as the reasons people leave an organization (Steel, Griffeth & Hom, 2002).

In summary, little research has examined employees' intentions to remain with an organization, particularly in the Israeli context. Based on the above discussion and the gap in the literature, in this study, we propose and test an empirical model of employee retention grounded in theory and past research (e.g. Eisenberger, et al. 1997; March & Simon, 1958; Mobley, Griffeth, Hand, & Meglino, 1979; Porter & Steers, 1973, Price & Mueller, 1981; Tubbs & Hain, 1979).

This multilevel model aimed at testing both organizational level factors—organizational commitment and managerial communication and individual/employee level factors—perceived organizational support, job satisfaction and job performance. Specifically we test the effect of managerial communication on intent to remain with the organization. Although the relationships between various combinations of these variables have been examined in past research, the specific direct and indirect relationship shown in Figure 1 and 2 have not been previously examined using a cross-sectional sample of Israeli employees.

Theoretical Framework and Hypotheses

Our model is a multi-level model testing the effect of both organizational and individual level variables with the focus of testing and providing evidence of the importance of managerial communication in retention. This is especially true in the Israeli context as employees greatly depend on the know-how and experience of their manager. Susskind, (2000) and later Stalcup and Pearson (2001) provided evidence for the central role of communication in the turnover literature. Our model not only provides evidence for the direct effects of managerial communication on intent to remain but takes into account other important variables chosen based on the extant literature. Specifically we proposed and tested organizational commitment, perceived organizational support, job satisfaction and job performance.

Managerial Communication

Managerial communication is a reflection of the culture of an organization (Tzafrir, Harel, Baruch & Dolan, 2004), suggesting that dimensions that promote retention among employees may be more organization specific, such as managerial communication and constituent attachments, are more important factors in employees' decisions to remain. Earlier survey work at General Electric and Hewlett-Packard in the 1980s provided evidence that employees preferred communicating with and receiving information from their immediate managers (Whitworth & Riccomini, 2004). Larkin and Larkin (1994) point to research from companies all over the world which indicates that managers are the most important information source for their employees.

Hypothesis 1: Managerial communication will have a significant and positive relationship with intent to remain with the organization in case of Israeli employees.

Organizational Commitment

Organizational commitment plays a crucial role in employee turnover—the more committed employees are the more they prefer to remain with their (Arnold & Feldman, 1982; Bluedorn, 1982; Cohen, 1993; Hollenbeck & Williams, 1986; Mowday, Porter, & Steers, 1982; Mathieu & Zajac, 1990; Randall, 1990; Sommers, 1993; Meyer & Allen, 1991; 1997). Deery and Shaw (1999) investigated the relationships between employee intent to remain with an organization and organizational culture. In this study, they argued that the employee's intent to remain is strongly influenced by organizational commitment,

employee values and norms and promotional opportunity. Hence we anticipated that organizational commitment will have positive relationship with intent to remain with the organization.

Hypothesis 2: Organizational commitment will have a significant and positive relationship with intent to remain with the organization in case of Israeli employees.

Perceived Organizational Support

Perceived organizational support (POS) has been found to indicate that the more the employee perceives himself/herself as being vital to the organization, and the more the employee perceives the organization to care about his/her well being, the better his/her performance is. Thus, organizational support theory assumes that POS fulfills a socio-emotional need which an employee perceives to be receiving from the organization. Moreover, Rhoades & Eisenberger (2002) observed that if managers were concerned about their employee's commitment to the organization, then employees would become more committed to their job and consequently to their organization. Thus, employees see their manager or supervisor as a representation of the organization, implying that managerial support could extract positive organizational orientations to the employee (Tan, 2008). Positive perceived organizational support will enhance the employee's job satisfaction and intent to remain with the organization, which leads us to the following hypothesis.

Hypothesis 3: Perceived organizational support will have a significant and positive relationship with intent to remain with the organization in case of Israeli employees.

Job Performance and Job Satisfaction

When studying employee retention, researchers emphasize performance specific differences because of the negative consequences associated with turnover among high performing employees (Hausknecht, Rodda, & Howard, 2009). Organizations must endure performance losses, talent shortages, and high replacement costs, all of which eventually destroy the organization's core leadership base (Staw, 1980). As a result, organizations hope to retain high performers and replace low performers with employees who bring better skills and abilities to the organization, which is consistent with earlier arguments introduced several decades ago by Dalton and colleagues on turnover functionality (Dalton & Todor, 1979; Dalton, Todor, & Krackhardt, 1982). Turnover functionality implies that turnover is functional when high performers stay and low performers leave and dysfunctional when low performers stay and high performers leave (Hausknecht, Rodda, & Howard, 2009). The extant literature reviews (e.g., Organ, 1988; Judge, Thoresen, Bono & Paten, 2001) did not agree with this conclusion and suggested that the weak, inconsistent relationship between satisfaction and performance is in part due to the narrow definition of job performance and to sampling and measurement errors. Moreover, the relationship between job satisfaction and job performance was found to be stronger for complex jobs (e.g., professional) than for less complex job. Thus, contrary to earlier reviews, it appears that job satisfaction does, in fact, predict job performance, and that the relationship is even stronger for complex jobs (Saari & Judge, 2004).

Hypothesis 4: Job performance will have a significant and positive relationship with intent to remain with the organization in case of Israeli employees.

Hypothesis 5: Job satisfaction will have a significant and positive relationship with intent to remain with the organization in case of Israeli employees.

RESEARCH METHODOLOGY

Sample

Cross-sectional data were collected from employees who work in the private sector in Israel. The respondents in the main sample had an average age of 30 years. Of the 120 people surveyed, about 54%

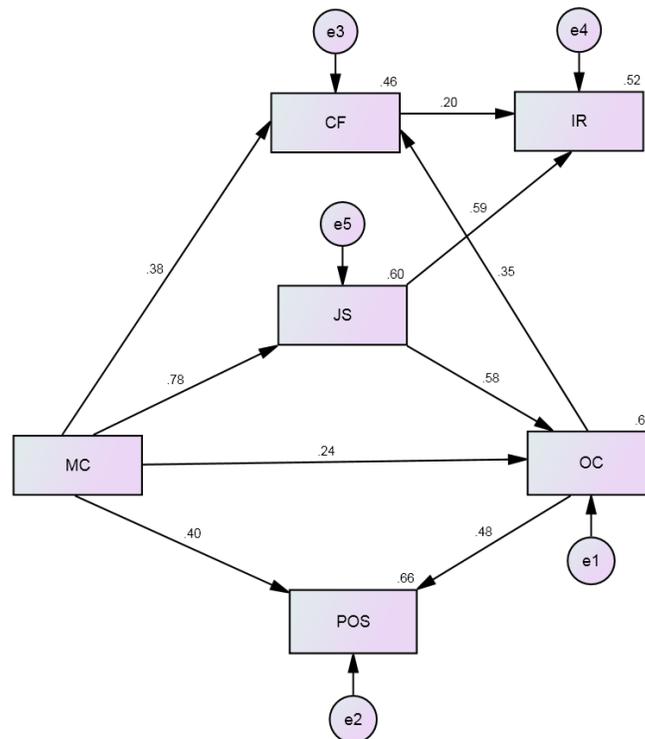
were female. Of the total sample 59% of respondents had a Bachelor degree, 27 % had a Masters degree, and only 2 % had a post graduate degree. Of the 120 respondents, 23% were software engineers, about 17 % customer service representatives, 15% sales and marketing, about 8 % human resource management, 7 % operations and logistics and 6% in business development. Table1 provides a demographic and job positions profile of the respondents.

RESULTS

Model Fit

We used structural equation modeling with AMOS 20 to validate our model. The goodness of fit indices for the empirical model exhibited a good fit. The chi-square degrees of freedom ratio was acceptable ($\chi^2 / df = 2.92$). Although RMSEA was slightly higher .07 PCLOSE was .024 (less than .05) and hence indicating a good fit. The other fit indices gave further evidence of a good fit (CFI = .97; NFI = .96; & TLI = .94). Figure 3 shows the standardized model with the correlated error terms.

Figure 3: Empirical Model



Note: IR = Intent to remain; CF = Career Future; MC = Managerial Communication; OC = Organizational Commitment; JS = Job Satisfaction; POS = Perceived Organizational Support;

As expected managerial communication had a positive and significant effect on all the four variables: organizational commitment ($\beta = .30 p < .001$); perceived organizational support ($\beta = .73 p < .001$) job satisfaction ($\beta = .40 p < .001$) and job performance ($\beta = .57 p < .001$). Each of these significant relationships existed after controlling for the remaining four variables (intent to remain included) which

provides robust evidence of the effect of managerial communication on intent to remain with the organization. As can be seen from Figure 3 job satisfaction was significantly and positively related to intent to remain ($\beta = .71$ $p < .001$).

Hypothesis Testing

We used regression analysis to test our hypotheses. As expected managerial communication had a positive and significant effect on intent to remain with the organization ($R^2 = .32$, $p < .001$; $\beta = .56$ $p < .001$) thereby providing complete support for hypothesis 1. Similarly we found support for hypothesis 2-5 as each of the four factors significantly and positively predicted intent to remain with the organization (organizational commitment: $R^2 = .34$, $p < .001$; $\beta = .59$ $p < .001$; perceived organizational support: $R^2 = .32$, $p < .001$; $\beta = .57$ $p < .001$; job performance: $R^2 = .13$, $p < .001$; $\beta = .35$ $p < .001$; and job satisfaction: $R^2 = .49$, $p < .001$; $\beta = .71$ $p < .001$))

DISCUSSION

The present study contributes to the turnover literature by proposing and testing a multilevel conceptual model relating to the retention of Israeli employees. Specifically we tested the effect of managerial communication; organizational commitment; perceived organizational support; and job related factors—job performance and job satisfaction. The results showed that the model exhibited a good fit. Managerial communication affected retention via job satisfaction. It had a significant and positive effect on job satisfaction after controlling for organizational commitment, perceived organizational support and job performance. Similarly managerial communication exhibited strong and significant relationship with the remaining three predictors (career future; perceived organizational support and job performance) of intent to remain after controlling for each of the three variables. Furthermore job satisfaction exhibited a very robust relationship with intent to remain.

Implications of this Study

The present study has several implications for both academicians and practitioners. The present paper is an important contribution to the turnover literature as the focus of the study is on retention as opposed to turnover. More importantly, it has not only provided evidence of the impact (direct effect) of managerial communication and job related factors on intent to remain but also provided evidence for the robustness of this relationship by testing the conceptual model.

Limitations and Future Research

As for all studies this present study has its share of limitations. Firstly the study suffers the common limitations of the cross sectional nature of the study, including the inability to make causal inferences. In spite of the prominent use of self report measures in organizational and management research, it opens the doors for common method variance (Spector, 2006). Podsakoff and Organ (1986) discuss the *social desirability* problem wherein respondents tend to respond in a way that they “will present the person in a favorable light” (p. 535) (see Paulhus, 1984; 1988). Podsakoff, MacKenzie, Lee, and Podsakoff (2003) point out that *social desirability* is one of the most common variables assumed to cause common method variance. They further argue that when anonymity is assured, respondents may have less evaluation apprehension and therefore are less likely to edit their responses to be more socially desirable. In the present study the responses were completely anonymous, thereby, protecting the respondent’s identity. Although this does not completely eradicate the problem of common method bias, it does alleviate it.

Podsakoff, MacKenzie, Lee, and Podsakoff (2003) suggested using “*Temporal, proximal, psychological, or methodological separation of measurement*” (p. 887) as one of the techniques for controlling

common method biases. As mentioned earlier the survey instrument for the present study had several close- and open-ended questions not used in this study. These questions were interspersed among the items used for the study which served as intervening items thereby aiming at achieving some *proximal or methodological separation*. Also, Wyer and Srull (1986) theorized that in making a judgment, respondents first search their working memory—the capacity of which is limited and hence if respondents find a sufficient basis for making the judgment, the search terminates. With respect to intervening items, Feldman and Lynch (1988) pointed out that they “... make it less likely that one's answer to Question i will be in working memory when Question i + n is encountered. Thus, subjects must either compute a new response or engage in effortful search of long-term memory (Feldman & Lynch, 1988, p. 427).

The results of the present study can only be generalized to the private sector. Harel and Tzafrir (2001) studied the similarities and differences in the public and private sector in Israel and found significant differences—particularly they found that employee development and performance-related pay practices were restricted to the private sector while the public sector focused more on employee grievance and selection procedures because of the public sector's high level of unionization. Future studies could replicate the model in the public sector. Lastly, our sample was a mix of several industries within the private sector. It would be interesting to replicate this study solely within the high-tech industry of Israel, which is characterized by high turnover rate and job hopping (Tzafrir, Meshoulam, & Baruch, 2007)

CONCLUSION

The present findings provide a greater understanding of the factors affecting retention of Israeli employees. Specifically, the primary contribution of this study was to provide empirical evidence for the importance of managerial communication in the retention of Israeli employees. Communication affects both, an employee's commitment to the organization and perception of whether the company cares and supports them. Furthermore it affects important job outcomes such as job performance and job satisfaction which play an indispensable role in retaining a company's most valuable asset—its employees.

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