

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In today's era of globalization, competition is increasingly fierce. Organizations must perform better in order to be more superior in the competition, which depends on how the organizations are managed by managers and top decision makers. To achieve better performance, organizations should be able to utilize the resources efficiently including maximizing the human resource.

Human resource is one of the organizational factors that determine how an organization is running its business. One of the problems faced by organizations in relation with human resource is turnover. According to Tumwesigye (2010), organization may reduce turnover if it can reduce turnover intention.

In Indonesia, the percentage of employee turnover is quite high, even the highest compared to other countries in Asia Pacific region (Firdanianty, 2008 in *SWA Magazine*). In the Asia Pacific region, the employee turnover rate reached 10%, while in Indonesia alone reached 7%. This turnover rate happened in most of the sectors in Indonesia. One sector that is rarely studied in case of turnover intention is Small and Medium Enterprises (SMEs).

SME consists of various business sectors. One sector of the SMEs that is interesting to be discussed is the gold store. In Surabaya, the second largest city in Indonesia, gold store is a part which has never been missed in the famous shopping malls such as Tunjungan Plaza, Galaxy Mall, and Pakuwon Trade Center, among others. A similar case appears in traditional markets such as Pasar Wonokromo, Pasar Pacar Keling, and Pasar Tambak Rejo, to name a few.

One of the famous gold stores at the traditional market in Surabaya is Toko Emas Harapan. Its core business is the purchase and sale of gold jewelry. This company was established in 1978. Until now, Toko Emas Harapan has several

branches all over Surabaya with 152 employees. This is one of successful example of gold store in the level of small business enterprises (SME) that served its external marketing adequately.

Based on the interview with the owner of Toko Emas Harapan, the transfer of generation and the tightened business competition resulted to changes in its business strategy in the last five years. The changes influence financial strategies, marketing strategies, service, and human resource strategies. Moreover, after the changes, this organization suffered a high employee turnover which also indicated a high level of turnover intention. The owner said that the company has already attempted to treat employees well, by giving a bonus, which is a good form of Perceived Organizational Support (POS). However, the good treatment did not increase the affective commitment of employees nor did it prevent the employee's turnover intentions.

But an interview with the owner alone was not enough to objectively represent the employees' turnover intention. The researcher was encouraged to conduct initial interviews with former employees of Toko Emas Harapan. Based on ten former employees of Toko Emas Harapan, their decision to quit from their employment at Toko Emas Harapan were due to the little concern about employee well-being. These former employees did not feel emotionally-attached to the organization, or in the other words, lack of affective commitment.

According to Bluedorn, (1982), turnover intention is the tendency attitudes or the degree to which an employee has the possibility to leave the organization or voluntarily resigned from his job. Literature indicated that turnover intention is the most immediate precursor of turnover (Bluedorn, 1982). According to Tumwesigye (2010), organization may reduce turnover if it can reduce turnover intention. It is therefore; widely acknowledged that identifying and dealing with antecedents of turnover intentions is an effective way of reducing actual turnover.

In response to the empirical data above, one of the antecedent factors of turnover intention is believed to be affective commitment (Rhoades, Eisenberger & Armeli, 2001). Affective commitment corresponds to an employee's personal

attachment and identification to the organization resulting in a strong belief in an acceptance of the organization's goal and values. In addition, affective commitment is also often considered to mediate the relationship between POS and turnover intention. Previous researchers (Hom and Griffeth, 1995) contended that antecedents of turnover often operate through mediating variables (such as organizational commitment) to influence behavioral intentions and actual turnover.

Furthermore, according to Eisenberger, Huntington, Hutchison & Sowa (1986) in Tumwesigye (2010), POS has long been considered a key predictor of affective commitment and turnover intention. In organizational research, the concept of POS has been applied to describe the psychological process underlying the employee attitudes and behavior. The concept of POS according to Eisenberger, Huntington, Hutchison & Sowa (1986), refers to the extent to which the organization values their employees' contributions and cares about their well-being. This concept has been used to describe the social exchange relationship between the employer and the employee.

These explanations related to organizational support theory states that in order to meet socio-emotional needs and to assess the benefits of increased work effort, employees form a general perception concerning the extent to which the organization values their contributions and cares about their well-being (Shore & Shore, 1995). Such POS would increase employees' felt obligation to help the organization reach its objectives, their affective commitment to the organization, and decreases in stress and withdrawal behaviors such as absenteeism and turnover.

Based on the earlier explanation, the researcher found out the gap between the theory and empirical data in Toko Emas Harapan. The researcher was motivated to analyze the implementation of POS in Toko Emas Harapan, as well as the causal relationship between affective commitment and turnover intention.

1.2 Research Problems

According to the background of the study, the research problems are:

1. What are the characteristics of the employees at Toko Emas Harapan?
2. Is there any positive effect of POS toward affective commitment at Toko Emas Harapan?
3. Is there any negative effect of affective commitment toward turnover intention at Toko Emas Harapan?
4. Does POS significantly and negatively influence turnover intention?
5. Does affective commitment mediate the relationship between POS and turnover intention at Toko Emas Harapan?

1.3 Research Objectives

The objectives of the research are as follows:

1. To obtain the employees' demographic data of Toko Emas Harapan
2. To analyze the effect of POS toward affective commitment at Toko Emas Harapan
3. To examine the effect of affective commitment toward turnover intention at Toko Emas Harapan
4. To confirm that POS significantly and negatively influence turnover intention
5. To verify that affective commitment mediate the relationship between POS and turnover intention at Toko Emas Harapan

1.4 Research Contributions

The contribution of this research is that it can be used as a basis or reference for a more in-depth research on Human Resource Management theory in application of POS in relation to a company's turnover intention. Moreover, there are at least three parties that gain benefits from the existence of this research paper, which are:

1. For the Company

This research may give the organization an insight about how important the POS is so that the organization may create a good strategy to create a good working environment to maintain the employee highly committed to the organization, thus reduce the Turnover Intention.

2. For the University

The university may prove of the theory being delivered in the class. The university also has the chance to establish further cooperation with the company for the better improvement for both parties. This research paper also can be the basis of further study, especially the POS relationship with turnover intention.

3. For the Researcher

The researchers definitely have the chance to prove the theory written in book and learned in the class. The researchers can gain benefit from the research paper since this research paper gives insight about how POS matters for a company. Also, the researchers can learn how POS should be implemented in the business world.

1.5 Research Limitation

This research uses a SME in Surabaya, which is Toko Emas Harapan as the research object. This research focused on three variables, which are POS, affective commitment, and turnover intention in which POS can affect affective

commitment, POS can affect turnover intention, and affective commitment can affect turnover intention.

1.6 Research Outline

- Chapter I : This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.
- Chapter II : This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of POS, affective commitment, and turnover intention theories that is going to apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.
- Chapter III : This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.
- Chapter IV : This chapter organizes a logical presentation of the findings that address the research questions, and focus on how these key findings relate back to the theory and prior researchers presented at the beginning of the study.
- Chapter V : This chapter outlines the implications, conclusions, and recommendations supposed to advance the study of the research topic by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical facts.