

Career Growth Opportunity on Turnover Intention: The Mediating Role of Organizational Commitment in Multinational Corporations

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Abstract

In accelerated globalization, multinational corporations (MNCs) continually seek opportunities to expand their businesses to foreign countries. For sustainable businesses in foreign countries, it is important to retain a large number of local employees which is challenging. Based on existing literature in international human resource management, we

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hypothesized that organizational commitment (OC) is a mediator in the relationship between perceived career growth opportunity (CGO) and turnover intention (TO) among local employees in MNCs. We analyzed a sample from five companies affiliated with a Korean MNC located in Vietnam. From the mediation analysis, it was evident that OC is a partial mediator between CGO and TO. In particular, CGO and OC were positively correlated, OC and TO were negatively correlated, and CGO and TO were still negatively correlated when OC was adjusted in the regression model. These findings provide a new insight in the field of international human resource in growing MNCs.

Keywords: perceived growth opportunity, turnover intention, organizational commitment, international human resource management

1. Introduction

In accelerated globalization, multinational corporations (MNCs) continually seek opportunities to expand their businesses to foreign countries. The rapid expansion of international trade and foreign investment has increased the demand for highly skilled managers and professionals particularly in Asian countries (Zheng & Lamond, 2009). In order to expand businesses to Asian countries, MNCs are aware of the importance of hiring competitive employees in the marketplace, and a large number of local employees have been hired (Carmeli, 2004). In MNCs, important factors in human resource management (HRM) are adaptation to host countries, utilization of dispersed workforces, and coordination of overseas HRM operations (Chung & Furusawa, 2015, Rosenzweig, 2006). These are critical factors to fully utilize available resources and to take advantage of the large scale of MNCs.

MNCs face significant challenges in local markets such as cultural difference, regional economic disparity, insufficient managerial talent, and distinct consumer behavior (Fayol-Song, 2011). An opinion poll from HRM professionals in Hong Kong, Malaysia and Singapore showed a unanimous view that "job hopping" has become a culture in these countries (Khatri, Fern, & Budhwar, 2001). Furthermore, job hopping has been regarded as an Asian employee's attitude (Khatri, Fern, & Budhwar, 2001). There have been numerous reports which support the continuing trend of frequent employee turnovers. It is due to a consequence of the increasing volume of trade and investment as well as a greater degree of freedom in skilled labor migration in the region (Li, 2008). Also, the turnover of employees has always been an important concern for organizations, regardless of their sizes, locations, business strategy or natures of business (Al-khrabsheh, Abo-Murad, & Bourini, 2018).

Internationally, employee retention faces additional challenges, both with regard to the scope of turnover determinants and the applicability of specific retention-oriented HRM practices (Reiche, 2008). The use of expatriates frequently entails high pay differentials between local staffs and assignees, and it can be perceived against distributive justice by the local staffs (Toh & DeNisi, 2003). Harzing (2001) found that 79.5% of subsidiary managing directors were host country nationals for American MNCs, while the percent was 40.7% and 37.5% for German MNCs and Japanese MNCs, respectively. In that sense, MNCs cannot overlook fair compensation between expatriates and local employees to retain local employees. In addition, long-term retention also requires fair employee treatment. Distributive justice concerns the



perceived fairness in compensation, and the procedural justice concerns fairness in promotion, transparency, and contribution to decision-making process. Both distributive justice and procedural justice are particularly salient for retention (Bloom & Michel, 2002; Shaw, Delery, Jenkins, & Gupta, 1998).

To our knowledge, there is little empirical-based research done on the turnover intention of local employees in MNCs based on internal factors such as career development and training opportunities. To better understand the turnover intention via perception of career growth opportunity and organizational commitment, we surveyed local employees in a MNC located in Vietnam. We analyzed the survey data to identify demographic variables associated with the turnover intention, and we explored the relationship among the turnover intention, perception of career opportunity, and organizational commitment.

2. Literature Review and Hypotheses Development

2.1 Turnover Intention in MNCs

As a result of growing internet and other communication technologies since the late 1990s (Hertel, Geister, & Konradt, 2005), staffs do not relocate to a host location but have a responsibility to manage internationally staff from the home base (Dowling & Welch, 2004). Hailey (1993) identified three sources of pressure prompting to localize personnel: local government, local managers, and the firm's parent company. First, local governments in some countries of the emerging market seek independence of MNCs management by introducing work permits, expatriate quotas, and financial audits of expatriate salaries. Second, as local employees gain work experience, they are likely to be dissatisfied with their secondary position since they cannot have career visibility due to their expatriates' managerial position. Third, parents' companies in host countries localize their management.

It is likely that the more dominant role played by expatriates to control local subsidiaries, the less important role would be taken by local managers (Harzing, 2001). According to social exchange theories, individuals enter into relationships with others to maximize their benefits (Blau, 1964; Homans, 1974). As local employees perceive a lack of opportunities for their career advancement (i.e., less opportunities to increase their own benefits), there might be a high level of turnover intention (Reiche, 2007). The social exchange theories also highlight the importance of understanding employees' motivation and its relation to the achievement of organizational goals (Aselage & Eisenberger, 2003). These theories can explain employees' motivation for making organizational commitment to fulfill the mutual obligations between employees and employers, and a lack of such motivation may result in turnover intention.

2.2 Relationship Between Perceived Career Growth Opportunity and Turnover Intention

Arthur (2008) defined career as a sequence of work experiences during one's lifetime. The word "development" means growth, continuous acquisition, and application of one's skills, and "career development" refers to an ongoing process of planning and directed action toward personal work and life goals (Simonsen, 1997, p. 6). Kraimer, Seibert, Wayne, Liden, & Bravo (2011) conceptualized perceived career opportunity as a belief that an employee's



current position matches with one's career goals and interests in the organization. Their concept of perceived career opportunity is different from the concept of organizational support for development which refers to programs and opportunities provided by the organization to support employee's development. Employees can perceive a career growth opportunity (CGO) when assigned work and their visions match with their career interests and goals.

Many researchers have noted that the nature of careers has evolved rapidly due to various reasons (e.g., technology development, expanded knowledge bases, and emerging global competition), and they might be related to a shorter period of retention in an organization (Arthur, 2008; Chay & Aryee, 1999; Granrose & Baccili, 2006; Sturges, Guest, & Davey, 2000). For example, core employees can be motivated to stay through instant provision of training and development programs that will increase their future employability in the firm (Coff, 1997).

In MNCs any gap between expatriates and local employees can affect perceived CGO. Substantial pay differentials between the two groups lead to frustrations and discouragement among local employees (Toh & DeNisi, 2003). In addition, the nature of international staffing may negatively influence local employees' career visions and organizational identifications because they would feel that their opportunities are taken away. Turnover may be an outcome related to employee's career goals and opportunities, and the organization that promotes employees' perceived CGO may have a high retention rate (Maetz & Campion, 2004). In particular, many MNCs have a gap between expatriates and local employees, and abundant CGO provided by these MNCs will be appreciated by its local employees. To this end, we hypothesize that perceived CGO is associated with lower turnover intention.

2.3 Relationship Between Perceived Career Growth Opportunity and Organizational Commitment

Organizational commitment (OC) has been a central concept in the study of work attributes and behaviors (Mathieu & Zajac, 1990; Meyer & Allen, 1997; Morrow, 1993; Reichers, 1985). It is broadly defined as a psychological link between an employee and the organization which reduces the chance of leaving the organization voluntarily (Allen & Meyer, 1996).

Since OC is a key concept in the study of work attribute and behavior, the OC construct has played an increasingly important role (Morrow, 1993), and several approaches of the OC construct have been proposed. For more than two decades, three-dimensional scales have been a popular approach (Myer & Allen, 1984; Myer & Allen, 1997; Cohen, 2007). Meyer & Allen (1991) refined multi-dimensionality of the OC into three distinct themes: affective, normative, and continuance commitment. Affective commitment is an employee's link to the organization (Fields, 2002). Normative commitment designates the feeling of obligation to continue the employment, and continuance commitment indicates the employee's awareness related to the cost associated with leaving the organization (Fields, 2002).

Factors which influence OC include personal characteristics, role-related variables, and work



experiences. Personal characteristics consist of two types of variables, demographic and dispositional (Sinem & Baris, 2011). Role related variables can influence the degree of OC by conflicts and stresses caused by uncertainty in the organization (Mathieu & Zajac, 1990). A cross-level non-recursive (bidirectional) model indicated that commitment is reciprocally related with satisfaction, and the effect of satisfaction on commitment is stronger (Mathieu, 1991).

Unlike the economic exchange relation (between money and services) which often lasts for a short period of time, the social exchange relation provides feelings of personal obligation, gratitude, and trust which the economic exchange relation cannot provide (Blua, 1964). Researchers argued that an individual engages in social exchange relations in the workplace not only with other employees (e.g., supervisors) but also with the organization (Masterson, Lewis, Goldman, & Taylor, 2000; Rupp & Cropanzano, 2002).

According to the social exchange theory, career growth opportunities (CGO) motivate employees that they are valued and respected in their organizations (Cavanaugh & Noe 1999). Researchers have studied the effect of CGO on employee's work attitude and behavior (Ito & Brotheridge, 2005; Lee & Bruvold, 2003). The CGO can be provided by various ways such as support from peers and supervisors, organizational policies, and programs designed for career development (Mauer & Tarulli, 1994). In social exchange relations, CGO are recognized as an important benefit provided by the organization (Nouri, & Parker, 2013). Furthermore, it has been widely accepted that institutionalized career planning and growth opportunities help employees bind to their institution (Coff, 1997; Mobley, 1982). To this end, it is sound to hypothesize that perceived career growth opportunity is positively associated with organizational commitment.

2.4 Relationship between Organizational Commitment and Turnover Intention

Over the last few decades, many researchers have studied turnover intention among employees (willingness to leave their organizations). Turnover intention is the most important antecedent of actual turnover (Oh et al. 2007), and it is based on the theory of planned behavior (TPB) which has been widely accepted by many scholars. Employees' turnover intention is of interest in diverse fields as it has been identified as an important factor for the financial performance of organizations (Lambert, Hogan, & Barton, 2001; Joo & Park, 2010). Huselid (1995) found that high-performance human resource practices are likely to increase individual productivity and decrease turnover intention.

It has been long believed that higher organizational commitment leads to greater effort, higher job satisfaction, better performance, and lower turnover (Randall, 1990; Mathieu & Zajac, 1990; Meyer & Allen, 1997; Riketta, 2002; De-Coninck & Bachmann, 2011). Turnover is affected by attitude of workers (Alam & Asim, 2019). Porter & Steers (1973) claimed that work attitude (organizational commitment) and job satisfaction are the most influential factors to turnover intention, and a number of meta-analyses were performed to prove the relationship between work attitudes and turnover intention (Tett & Meyer, 1993, Griffeth, Hom, & Grartner, 2000). Historically, organizational commitment has received most attention because of its consistent relationship to turnover (Cohen, 1993), and retention has



been regarded as an important consequence and a key predictor of organizational commitment (Arnold & Feldman, 1982; Mowday, Koberg, & McArthur, 1984; Hollenbeck & Williams, 1986).

Organizational commitment is related to emotions, positive or negative, and unwillingness to withdraw from the target (Wright & Kehoe, 2007). In the scope of MNCs, (Khatri, Fern, & Budhwar, 2001) identified organizational commitment, procedural justice, and "job hopping" attitude as key factors of turnover in Asia based on their studies among 212 Singapore-based companies. Based on the abundant prior research, it is sensible to hypothesize a negative relationship between organizational commitment and turnover intention.

2.5 *Objective*

The level of organizational commitment is relatively low among local employees of MNCs because they do not see the corporate policies and procedures are not in favor of their career development (Zheng & Lamond, 2010). To this end, we hypothesized that a lack of perception in their career growth opportunity causes low organizational commitment, and low organizational commitment causes high turnover intention based on the aforementioned studies. In other words, we believed that organizational commitment is a mediator of the relationship from perceived career growth opportunity to turnover intention, and our primary objective is to provide statistical evidence and quantify the strength of relationship via the mediation analysis (Hayes, 2009; Hayes, 2013).

3. Method

3.1 Data Collection and Measurement

A survey questionnaire was administered to local employees of a MNC in Vietnam. The surveys were distributed through the internal mail system of the firm. This survey was explained to target employees two weeks before its implementation by expatriates, and then researchers visited the MNC in Vietnam to monitor whether the surveys were properly implemented and to have focus group interviews with local employees for deeper understanding of the results. Out of 250 local employees in the MNC, 143 returned a useable survey (an effective response rate of 57 percent). The variables measured in the survey are: perceived career growth opportunities (CGO), organizational commitment (OC), and turnover intentions (TO). In addition to the perceived CGO, OC, and TO, demographic and other variables were asked such as age group, gender, education level, and position.

The perceived CGO was assessed using the scale initially developed by Bedeian, Kemery, & Pizzolatto (1991). This scale was also used in Nouri & Parker (2013), and it has been known to have high reliability and validity. The survey participants quantified the degree of agreement to various questionnaire items such as: "I believe that my current job has helped my growth in my career" and "My present job is relevant to growth and development in my career." Responses ranged from one (strongly disagree) to six (strongly agree) in a 6-point Likert-type scale.

The OC was assessed by the scale adopted by Rhoades, Eisenberger, & Armeli, S. (2001).



The survey participants responded OC-related questionnaire items such as "I feel a strong sense of belonging to my organization," "Working at my organization has a great deal of personal meaning to me," and "I really feel that problems faced by my organization are also my problem." Participants indicated the extent to which they agree with each item on the 6-point Likert-type scale from one (strongly disagree) to six (strongly agree).

The TO was assessed by the 3-item turnover intention subscale developed by Crossley, Bennett, Jex, & Burnfield (2007) and the questionnaire items were "I intend to leave this organization soon," "I plan to leave this organization in the next little while," and "I may leave this organization before too long." These items were also measured by the 6-point Likert-type scale.

3.2 Analytics Procedure

For descriptive purpose, the Pearson's correlations were calculated among the three numeric variables (CGO, OC, and TO), and the sample means and SDs of the three numeric variables were summarized by the demographic and other control variables such as age, gender, education, and position. For mediation analysis, we considered the model represented in Figure 1 (Baron & Kenny, 1986; Hayes 2013). To quantify the mediation of OC from CGO to TO, linear regression models were used: $OC = \kappa_0 + \kappa_1 CGO$ and $TO = \gamma_0 + \gamma_1 CGO + \gamma_2 OC$. Under these models, κ_1 quantifies the difference in the expected OC score when we compare two subjects with one score difference in CGO, γ_1 quantifies the difference in the expected TO score associated with one score difference in CGO by controlling OC, and γ_2 quantifies the difference in the expected TO score associated with one score difference in OC given the same CGO score. By this mediation analysis, we can better understand the magnitude of the potential causal path from CGO to TO, that is $\beta_1 = \kappa_1 \gamma_2 + \gamma_1$ in the simple linear regression model TO = $\beta_0 + \beta_1$ CGO.



Figure 1. Graphical description of the statistical models of the mediation analysis

To formally test and quantify the indirect effect (i.e., $\kappa_1 \gamma_2$), a bootstrapping method was used (Preacher & Hayes, 2004, Preacher & Hayes, 2008). Bootstrap samples were taken 5,000 times, and a bias corrected 95% confidence interval (CI) was calculated. This nonparametric



is known to be appropriate for the mediation analysis with a small sample size (Preacher and Hayes 2004, Preacher and Hayes 2008), and it is a recommended practice for the mediation analysis (Hair, Hult, Ringle, & Sarstedt, 2014). Hayes 2004, Hayes 2013).

4. Results

In the analysis, we noticed that one subject input one for all of the questionnaire items. After removing this outlier, the sample size was n = 142. As shown in Figure 2 and Table 1, we observed a positive correlation between CGO and OC (r = .70, p < .0001), a negative correlation between CGO and TO (r = -.49, p < .0001), and a negative correlation between OC and TO (r = -.48, p < .0001).



Figure 2. Pairwise scatter plots among CGO, OC, and TO and estimated regression lines



	CGO	OC	ТО
CGO	1	-	-
OC	.698	1	-
ТО	495	483	1

Table 1. Estimated Pearson's correlations among CGO, OC, and TO scores

As shown in Table 2, TO decreased with respect to age, and CGO was lower among the middle age groups (25-39) when compared to the other age groups (20-24 and 40-49). There were no remarkable differences in CGO, OC, and TO between the two genders and among the education groups. The high school group demonstrated relatively high CGO, OC, and TO, but the sample size was only n = 2 in the group. The CGO and OC seemed to be higher among managers (n = 30) and directors (n = 2 only) when compared to team members (n = 99) and team leaders (n = 11).

Table 2. Descriptive statistics of CGO, OC, and TO scores by the demographic/other variables (mean and SD in parentheses)

Variable	Level	n	CGO	OC	ТО
Age	20-24	16	4.52 (0.56)	4.64 (0.64)	3.00 (0.88)
	25-29	63	4.37 (1.04)	4.71 (1.00)	3.02 (1.17)
	30-34	44	4.36 (1.02)	4.98 (0.80)	2.73 (1.03)
	35-39	13	4.21 (1.23)	4.63 (1.21)	2.69 (0.87)
	40-44	3	4.75 (0.66)	5.33 (0.58)	2.33 (0.58)
	45-49	3	4.67 (0.38)	5.83 (0.29)	1.44 (0.19)
Gender	Male	77	4.31 (0.87)	4.69 (0.94)	2.85 (1.02)
	Female	65	4.47 (1.10)	4.96 (0.89)	2.86 (1.14)
Education	High School	2	5.12 (0.88)	5.12 (0.88)	3.17 (0.71)
	College	15	4.37 (1.24)	4.73 (1.22)	2.82 (1.34)
	Undergraduate	116	4.37 (0.95)	4.82 (0.89)	2.86 (1.06)
	Graduate	9	4.36 (1.05)	4.81 (0.88)	2.70 (0.96)
Position	Team Member	99	4.31 (0.94)	4.68 (0.93)	2.91 (1.06)
	Team Leader	11	4.16 (1.64)	4.91 (1.25)	2.70 (1.35)
	Manager	30	4.67 (0.80)	5.17 (0.62)	2.82 (0.99)
	Director	2	4.88 (0.18)	5.75 (0.35)	1.50 (0.24)

Under the model OC = $\kappa_0 + \kappa_1$ CGO, the parameter κ_1 was estimated as .65 with 95% CI

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(.54, .77) and p-value < .0001. Under the model TO = $\gamma_0 + \gamma_1 \text{CGO} + \gamma_2 \text{OC}$, the parameter γ_1 was estimated as -.33 with 95% CI (-.55, -.12) and p-value = .0013, and γ_2 was estimated as -.31 with 95% CI (-.54, -.08) and p-value = .0042. Under the model TO = $\beta_0 + \beta_1 \text{CGO}$, the parameter β_1 was estimated as -.54 with 95% CI (-.70, -.38) and p-value < .0001. The parameter estimations and statistical significances are summarized in Table 3.

	Unstandardiz	Unstandardized coefficients		Standardized coefficients		
	Estimate	95% CI	Estimate	95% CI	p-value	
κ_0	1.949	(1.45, 2.45)	.000	(12, .12)	-	
κ_1	.654	(.54, .77)	.698	(.58, .82)	< .0001	
γ_0	5.817	(4.99, 6.64)	.000	(14, .14)	-	
γ_1	334	(55,12)	307	(51,11)	.0013	
γ_2	311	(54,08)	268	(47,07)	.0042	
$oldsymbol{eta}_0$	5.210	(4.50, 5.92)	.000	(14, .14)	-	
β_1	538	(70,38)	495	(64,35)	<.0001	

Table 3. Estimated model parameters for the statistical models

From the bootstrapping method, the total effect and the direct effect of CGO on TO were estimated as -.538 with p < .01 and -.334 with p < .01, and the indirect effect (through the mediator OC) was estimated as -.204 with a 95% bias-corrected CI of (-.406, -.066). These statistical results suggest that OC is a partial mediator in the relationship between CGO and TO.

Table 4. Mediation effect of organizational commitment on perceived career growth opportunity - turnover intention relationship

Independent Variable	Total Effect	Direct Effect	Indirect Effect			
			Point Estimate -	BC 95% CI		
				Lower	Upper	
CGO	538 (p < .01)	334 (p < .01)	204	4064	0663	

5. Discussion

5.1 Theoretical Contributions

In order to carry out management localization, hiring and retaining local employees are necessary for MNC's local responsiveness. A majority of MNCs retain a large percentage of their personnel and production operation, and they research and develop capability in their home country (UNCTAD, 2003). The recruitment of local managers is motivated by a global core competency, a diversity of strategic perspective, or a multicultural frame of reference



among the top management team (Harvey & Buckley, 1997). However, there have been numerous reports of the continuing trend of high turnover rate among local employees in MNCs.

MNCs always face significant challenges in local markets, and frequent changes in employees add burdens to these challenges. To address these challenges, particularly to retain their employees in a sustainable way, MNCs can adopt management localization. Despite increasing practices of management localization, only few researchers have studied its effectiveness in an empirical approach apart from professional reports. In this study, we quantified the relationship between the perceived career growth opportunity (CGO) and turnover intentions (TO) through organizational commitment (OC) as a mediating variable in an MNC. We observed that, even adjusting for TO, the relationship between CGO and TO was statistically significant. In other words, though OC is an important factor leading to TO which is a well-known result, According to our results, CGO seems an important factor related to TO other than a path through OC. More specifically, the total linear association between CGO and TO (i.e., β_1 in Figure 1) was estimated as -.538, and the adjusted linear association (i.e., γ_1 after adjusting OC in Figure 1) was -.334, near two-thirds in magnitude. This finding can make a contribution to international HRM and development field.

An opinion poll from HR professionals in Hong Kong, Malaysia, and Singapore showed a unanimous view that the rampant "job hopping" in these Asian countries have been a culture and a typical attitude among Asian employees (Khatri, Fern, & Budhwar, 2001). This attitude can lead to a lack of bond to their organization, and it can eventually lead to low job performances and high turnover intentions. According to our result, abundant career growth opportunities are related to both organizational commitment and turnover intention (through a different reason than organizational commitment). To this end, this article enlightens the importance of perceived career growth opportunities for both reasons in management field when it comes to finding out an important factor leading to turnover intention in MNCs.

5.2 Limitations and Future Directions

Despite the significant results discussed above, this article has limitations that should be noted. First, the primary date for the research came from a single source, making it possible that common-method variance inflated relationships between variables Podsakoff, MacKenzie, Lee, & Podsakoff (2003).. Although the use of a single-factor test may provide an indication of whether the factor accounts for all of the covariances among the items, this procedure actually does nothing to statistically control for method effects (Podsakoff et al., 2003). For the next study, it is recommended for researchers to use multiple sources to prove given relationships.

Second, the data were collected in a single organization, so it could not fully capture the career growth opportunities due to normative influence of a single organizational culture (Davis-Blake & Pfeffer, 1989). If we could obtain data from multiple organizations, we could estimate the relationships among perceived career growth opportunities, organizational commitment, and turnover intentions by accounting for organization-to-organization variance.

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In order to better understand the relations among the three variables, we needed to observe other key confounding variables such as pay, organizational climate, and other factors which could be strongly associated with employees' retention as well. In addition, a longitudinal study will be helpful to monitor the changes in these confounding variables and the changes in CGO, OC, and TO simultaneously.

5.3 Practical Implications

To leverage advantages in globalized competition, many MNCs are aware of the importance of hiring and retaining competent employees in the marketplace as well as many local employees (Carmeli, 2004). There are not rich empirical-based studies for factors which can affect local employees' retention, especially internal variables such as individual attitudes, values, and behaviors. This study can help employers of MNCs better understand the relationship between career growth opportunity and turnover intentions and seek potential solution of high turnover rates.

As a final note, in the focus group interviews in target companies affiliated with the MNC, many expatriates have believed a low salary is one of main reasons for turnovers among local employees. A majority of the expatriates strongly agreed that local employees leave because of less earnings than they could earn in other companies. However, this study demonstrated that a low salary may not be the only reason, but a lack of career growth opportunities is tied with turnover intention.

6. Conclusion

A high turnover rate has been recognized as an important factor to be managed rather than just to be minimized. Salary has been identified as a primary factor of turnover based on our qualitative data from the focus group interviews, and it has been a well-known factor. Furthermore, an increase in salary requires a huge amount of resource in a large corporation. Instead, MNCs can look beyond other determinants of turnover intentions such as career growth opportunity and organizational commitment. Based on our quantitative data obtained from the survey, we found that a lack of career growth opportunity is also significantly related to a higher turnover intention, and it is partially mediated by a lower level of organizational commitment.

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