



Faculty of Cognitive Sciences and Human Development

**A RELATIONSHIP STUDY BETWEEN SELECTED RETENTION
STRATEGIES AND EMPLOYEE TURNOVER**

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Bachelor of Science

(Human Resource Development)

2019/2020

UNIVERSITI MALAYSIA SAWARAK

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**A RELATIONSHIP STUDY BETWEEN SELECTED RETENTION
STRATEGIES AND EMPLOYEE TURNOVER**

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This project is submitted in partial fulfilment of the requirement for a

Bachelor of Science with Honours

(Human Resource Development)

Faculty of Cognitive Sciences and Human Development

UNIVERSITI MALAYSIA SARAWAK

(2020)

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Acknowledgements

First of all, I would like to thank to my family and my friends for supporting me in completing the work. I'm very grateful for having them who always willing to share their useful ideas, knowledge, moral support to me and always encourage me to complete this study. Without their mentally support, I couldn't completed my thesis report.

Next, I would like to thank to my supervisor, Mr. Heng Chin Siong from Human Resource Development Department, Faculty of Cognitive Sciences and Human Development, University Malaysia Sarawak for his time, efforts, and guidance in the past two semester. Fortunately, with his supervision, I'm able to complete my thesis report on time. Thank you sir for being my supervisor and always available for giving the feedback.

Subsequently, I also would like to thank to my precious respondents who willing to participate in answering the questionnaires of this study. I couldn't imagined what I am going to do without their co-operation to answer my questionnaire. Luckily, with their commitment, I able to complete my study successfully.

Finally, thank you to all people who always be my side and support me along the process.

Abstract

This study is a relationship study between selected retention strategies and employee turnover intention in a manufacturing company in Sungai Petani, Kedah. There are a total of 45 sets of data collected from the employees of the manufacturing company in Sungai Petani, Kedah. Quantitative research methodology is used in this research and the data were collected via questionnaire. Descriptive statistics (Demographic) will be presented in table. The data were analysed by using Pearson's Correlation Coefficient and Multiple Linear Regression. The findings indicated that all of the independent variables (Compensation, Career Development Opportunities, Work-Life Balance and Training) are negatively correlated with employee turnover intention. Besides, the findings also revealed that there is a dominant factor (work-life balance) affecting employee turnover intention. This study will help the manufacturing company to understand the main factors that affecting employee turnover. Lastly, several recommendations for future scholars and company are also included in the end of the study.

Keywords: retention strategies, employee turnover, compensation, career development opportunities, work-life balance, training, Herzberg's Two Factors Theory, Retention, Satisfaction and Turnover Model

Abstrak

Kajian ini adalah satu kajian hubungan antara strategi pengekalan terpilih dan niat perolehan pekerja di sebuah syarikat pembuatan di Sungai Petani, Kedah. Terdapat sejumlah 45 set data yang dikumpulkan dari pekerja syarikat pembuatan di Sungai Petani, Kedah. Kaedah kuantitatif telah digunakan dalam penyelidikan ini dan data dikumpulkan melalui soal selidik. Statistik deskriptif (Demografi) akan ditunjukkan dalam jadual. Data dianalisis dengan menggunakan Analisis Korelasi Pearson dan Analisis Regresi Berganda. Hasil kajian menunjukkan bahawa semua pembolehubah bebas (Pampasan, Peluang Pembangunan Kerjaya, Keseimbangan Kerja-Kehidupan dan Latihan) berkorelasi negatif dengan niat perolehan pekerja. Selain itu, hasil kajian juga menunjukkan bahawa terdapat faktor dominan (keseimbangan kerja-kehidupan) yang mempengaruhi niat perolehan pekerja. Kajian ini akan membantu syarikat pembuatan memahami faktor utama yang mempengaruhi perolehan pekerja. Akhir sekali, beberapa cadangan untuk para sarjana dan syarikat masa depan juga disertakan dalam akhir kajian.

Kata Kunci: *strategic pengekalan, perolehan pekerja, pampasan, peluang pembangunan kerjaya, keseimbangan kerja-kehidupan, latihan, teori Herzberg's Two Factors, model pengekalan, kepuasan dan perolehan*

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Chapter One

Introduction

1.0 Introduction

This study is a relationship study between the selected retention strategies and the employee turnover intention in an organization. This chapter includes the context information and details of the study, problem statement, research specific objectives and hypotheses, conceptual framework, study significance and limitations, and definition of terms. The aim for this chapter is to provide a clear picture concept of this study for the reader understanding. This chapter is very important as it provides the overall important elements and details of present study.

1.1 Background of Study

In this fast changing and competitive labour market, employees are the essential human asset that every company should appreciate and recognize as it's a major contributor to high profitable, high productivity, and helps deliver the best quality of company's services to the customers. However, high turnover rate is one of the most challenging problem that faced by every company (Hee & Ann, 2019). Due to the higher employee turnover rate, there is a negative effect to the productivity and it will burden the company to have unnecessary cost such as new recruitment cost (Butali, Mamuli & Wesang'ula, 2014).

The employee turnover phenomena is defined as the situation that an employee has leaved the company and has been replaced by someone who are able to take over the job vacancy (Abdul Latif and Saraih, 2016). Every problems sure have their own causes, effects and solutions. There must also have various causes that contribute to employee turnover situation. A qualitative research conducted by Arokiasamy (2013)

on the causes of employee turnover in a private sector in Malaysia, he found that there are various causes that lead to the turnover situation. He found that job dissatisfaction, low career promotion, job stress, the lower job fit with the interest and unpleasant relationship between management and co-worker was related to the resignation. For instance, employees who are satisfied with the current job are more likely to stay in the company relative to employees who are upset with their job. There is an inversely correlation between job satisfaction and employee turnover and this correlation is strong when jobless rate is not significant in society (Arokiasamy, 2013). The employees think they might have more choices and opportunities to be hired as the employment rate is high so they tend to leave the company without more consideration.

Furthermore, from TheStar News, Lisa (2012) claimed that the turnover trend mostly was controlled by Generation Y. Even though mostly the today's workplace is dominated by Generation X especially the highest management position, but they will replace by their following generation when they reach their retirement moment (Kuek et al., 2015). Generation Y are not only looking for the money, but also their interest, work-life balance, and flexibility in working hours. Nowadays, the talented employees tend to change their mind widely and apply their talents and skills in different and more career development field (Yeong, 2017). This is why the more high-skilled employees among Generation Y is more harder to retain in the company as they know their values and what is the best for their future career accomplishment.

Besides causes, a huge turnover is a crisis for company as it brings loss to productivity, services and products quality, customer satisfaction and profitability. According to Achoui and Mansour (2007), they found that negative consequences that caused by this issue such as noticeable costs like production lost,

additional expenses in recruiting, selecting and training new employees for replacement and non-noticeable costs like moral impact, over workload impact and less efficiency of organizational performance. The Employee turnover issue not only brings non-beneficial consequences but also beneficial consequences to the company. It enable company to hire new employees with creativity and efficiency in doing works (Mello, 2011). This will brings higher quality organizational commitment and lesser unnecessary expenses and replacement (Heneman & Judge, 2009), displacement of poor performer, helps company to improve innovation and competitive (Achoui & Mansour, 2007). Hence, retention of talented and higher-skilled employee is important as this action definitely benefit the future growth of the company.

Retention of talented employees is the top concern of every company due to the huge employee turnover issue. Raminder (2017) described retention of employees as an ongoing process which encourages employees to maintain their intent to remain in the company for a maximum period of time. Every company should focus on the employee retention and put it into practice so that helps the company to retain talented employees and save company cost. Otherwise, the company needs to undertake the excessive costs that caused by turnover such as hiring costs, productivity costs and some hard costs of time spending in screening, interviewing, hiring and training the new employees just to get a replacement for the vacancy. Normally, Replacement costs are 2.5 times the salary of the individual (Raminder, 2017). However, retention strategies not only focus on quantities of employees successfully retain but exactly who deserve to retain (Heneman & Judge, 2009), to avoid the company spent unnecessary retention cost.

1.2 Problem Statement

1.2.1 Practical Gap

Over the years, the employee high turnover issue is one of the challenges that faced by every company and it is still happening around the world (Hee & Rhung, 2019). In Malaysia, the general industry had experienced an increasing employee turnover rate from 2012 with 12.3% and increase to 2013 with 13.2% and the percentage keeps on raising in the following years (Tower Watson, 2013) especially the manufacturer industry was suffered a higher employee turnover rate which 2014 (1.1%) increase to 2015 (14.3%) (Mystarjob, 2015). High employee turnover rate has caused financial burden on the company and also various problems such as too much recruiting costs and time spending on advertising, headhunting, resource management, training and development for new employees may bring to company's productivity loss and employee too stress and can't cope with the heavy workload due to the lesser man power (Anvari et al., 2014). According to the study done by Human Resources Management Association, employers spent around 6 to 9 months to recruit, select and train the new entrances (Hee & Ann, 2019). This situation is unworthy to company as the cost to find replacement is expensive than the cost to retain the current well-trained and high-skilled employee. Thus, this will influence the labour cost of the company and give an impact on the profitability and may cause the company to hard to be productive.

1.2.2 Empirical Gap

There are several researches focus on the relationship between the turnover factors and the employee retention intention. The past research on the review of employee retention in India by Das and Baruah (2013), they found that there are several factors such as compensation, recognition and career promotion, training and development and work-life balance can be negatively influencing the employee turnover intention. This can be explained as when the factors mentioned above increasing, then the satisfaction level of employee will be increased thus reduce the intention of employee to turnover. However, the study that done by Hee and Ann (2019) in Malaysia, they found that the factors such as compensation and benefits, work-life balance, work stress and job satisfaction can be directly influenced the employee turnover intention. They found that compensation and benefits, work-life balance and job satisfaction are negatively influenced the employee turnover intention whereas the work stress is positively influenced the employee turnover intention. Hence, this study aims to focus on the relationship between the compensation, career development opportunities, training and work-life balance and the employee turnover intention to determine these factors will be affecting the turnover intention in present and future.

1.2.3 Theoretical Gap

Nowadays, most of the employers are unable to predict and provide for their employee's needs. This is one of the reason why the company encounter difficulties in retaining potential employees. Identifying the employee's needs and providing them the best human sources is the most important issue that must be known by the company so that the company can be their first choice among the choices (Amram, 2004). It is very fundamental for the employer to take note about their needs so that the employer are able to match their attraction and retention strategy. According to Herzberg's Two Factor Theory (1959), theory states that motivator (achievement, recognition, growth) and hygiene factor that can caused dissatisfying (company policies, salary, co-worker relationship) can be directly or indirectly affect to the intention of employee to turnover. In order to rise up the satisfaction and motivation of employee to work, it is important to let the employer to understand the basic needs of employee.

Therefore, this study will focuses on the relationship between the retention strategies and the employee's turnover intention and also to study the most dominant factor that affecting the employee turnover.

1.3 Research Objectives

General Objective

To study the relationship between retention strategy and the employee turnover.

Specific Objectives:

1. To examine the relationship between compensation and employee turnover.
2. To examine the relationship between career development opportunities and employee turnover.
3. To examine the relationship between work-life balance and employee turnover.
4. To examine the relationship between training and employee turnover.
5. To identify the most dominant factor and employee turnover.

1.4 Research Hypotheses

Based on the past year studies and the research objectives, there are five hypotheses I have made from the reading.

Ha1: There is a relationship between compensation and employee turnover.

Ha2: There is a relationship between career development opportunities and employee turnover.

Ha3: There is a relationship between work-life balance and employee turnover.

Ha4: There is a relationship between training and employee turnover.

Ha5: There is a dominant factor affecting employee turnover.

1.5 Conceptual Framework

Based on the previous research findings, the dependent variable in this study is employee turnover, while compensation, work-life balance, training, and career development opportunities are the independent variables that influence employee turnover. The proposed conceptual framework as below:

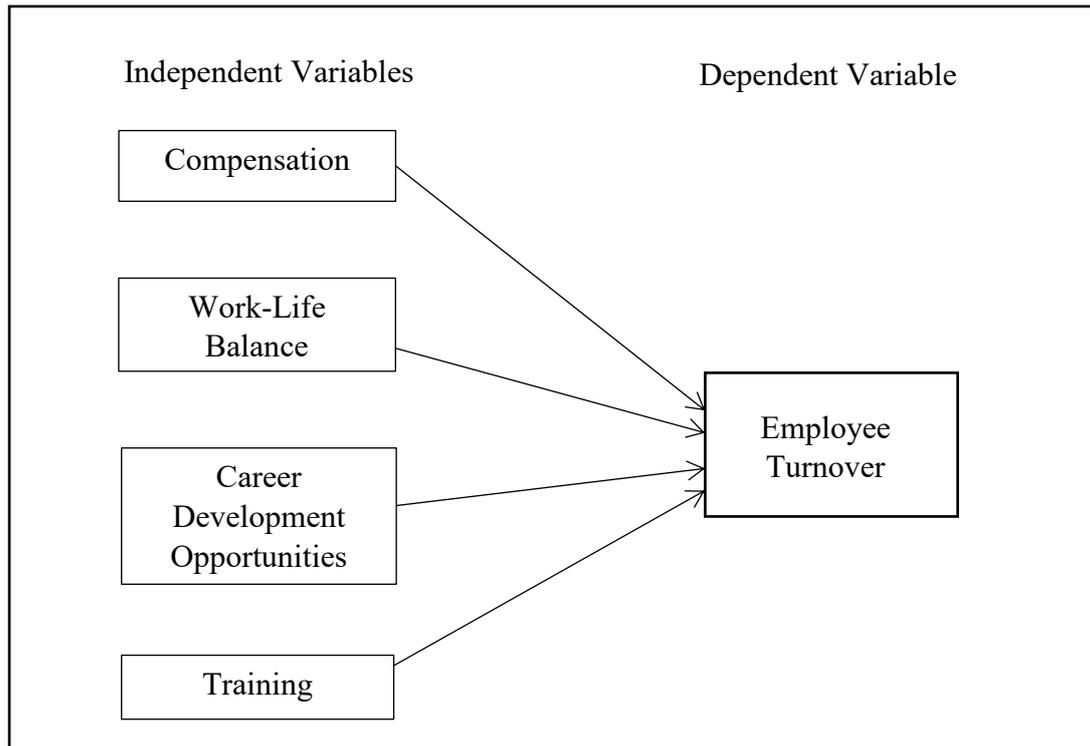


Figure 1.0. Conceptual framework of retention strategy and employee turnover

Reprinted from Das, B. L., & Baruah, M. (2013). Employee retention: A review of literature. *Journal of Business and Management*, 14 (2), 8-16.

1.6 Significance of Study

1.6.1 Knowledge of Study

This study is to provide an overview of the retention strategy to tackle the turnover issue. It provides readers to have a better understanding of the factors that affecting the turnover intention. This study's results would be used to support future research and studies on similar subject matter. This helps raise visibility and value of implementing the successful retention strategy to lower the likelihood of turnover in the future.

1.6.2 Company/HR Practitioners

The results of this study provide an overview of the factors affecting employee turnover in the manufacturing sector. This helps raise awareness of the actual influencing factors among employers and can take preventive steps to lower the turnover. Using this report as a guide, it helps HR managers to assess the right management plans and prevention methods to retain the workforce, since the cost of replacement is greater than that of retaining the staff.

In addition, this study also offers HRM practitioners useful insight into how they can develop a full and successful retention program that will positively encourage current employees to remain in the business. The organization must recognize that, in running and growing the business, employees are the valuable asset because employees are the asset that doubles the profitability of the business. Therefore, retention is a very critical mechanism in company management.

1.6.3 Future Researcher

This study will help future researchers explore and recognize other retention factors that have been discovered that influence employee turnover in other industries. This research would enable them to recognize that there are some minor factors in