



**Faculty of Cognitive Sciences and Human Development**

**PERFORMANCE REVIEW AND EMPLOYEES TURNOVER  
INTENTION AT MANUFACTURING COMPANY IN SELANGOR,  
MALAYSIA.**

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**Bachelor of Science (Honours)  
(Human Resource Development)  
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Final Year Project Report

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**PERFORMANCE REVIEW AND EMPLOYEES TURNOVER INTENTION AT  
MANUFACTURING COMPANY IN SELANGOR, MALAYSIA.**

SYAQIERAH BINTI KHAIRUDIN

This project is submitted  
in partial fulfilment of the requirements for a  
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The project entitled '**Performance Review and Employees Turnover Intention at Manufacturing Company in Selangor, Malaysia**' was prepared by Syaquierah Binti Khairudin and submitted to the Faculty of Cognitive Sciences and Human Development in partial fulfillment of the requirements for a Bachelor of Science with Honours (Human Resource Development)

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## **ABSTRACT.**

### **PERFORMANCE REVIEW AND EMPLOYEES TURNOVER INTENTION AT MANUFACTURING COMPANY IN SELANGOR, MALAYSIA.**

**Syaqierah Binti Khairudin**

This study is aimed to explore on performance review and employees turnover intention at manufacturing company in Selangor. Previous research shows that performance review is one of the tools to evaluate employees. Very often, employees that not satisfied with the evaluation process give short and long impact to the company. The relation with manufacturing company is that due to labour shortage on manufacturing industry has hit Malaysia. This study highlights on practices of performance review, the effect and influence of this process to employees turnover intention. This paper also explain on the issues of performance review that lead to employee turnover intention and the practical strategies to overcome it. This research has been conducted at one of the manufacturing company in Selangor. This is a qualitative study where 5 informants has been interview using semi-structured questions. This research shown that the practices in this organization is semiannual review where team-based performance is more complicated than individual reviewing performance. Performance review effect on compensation and also morale boost of the employees that may lead to turnover intention. Besides, several issues have been highlighted in this research such as unfairness, validity and reliability, roles of raters and rates and the implementation is not based on KPI. From this research, the strategies to overcome the issues are by involving the raters and rates in the process, reduce biasness of reviewing process, giving feedback prior and after evaluation and revising the implementation of the process. The immediate implications are help management to have better understanding on fair evaluation, improve the practices of performance review and improve ways of communication among raters and rates. Then, short-term implications would be increase employee's morale boost and reduce employee's turnover intention. Long-term implications would be to the organization such as low rate of actual turnover and improve exchange of knowledge in the company. Besides, the researcher recommendations touch on the organization and to the future research.

Keywords: performance review, performance appraisal, turnover intention

## **ABSTRAK.**

### **PENILAIAN PRESTASI DAN NIAT BERHENTI BEKERJA DI SYARIKAT PERKILANGAN DI SELANGOR, MALAYSIA.**

**Syaqierah Binti Khairudin**

Kajian ini bertujuan untuk mengkaji penilaian prestasi dan niat berhenti bekerja di syarikat pembuatan di Selangor. Kajian sebelum ini menunjukkan bahawa penilaian prestasi adalah salah satu alat untuk menilai prestasi pekerja. Selalunya, pekerja yang tidak berpuas hati dengan proses penilaian prestasi akan memberi kesan dalam angka masa pendek dan panjang kepada syarikat. Hubungan dengan syarikat pembuatan adalah kerana kekurangan tenaga kerja pada industri pembuatan telah melanda Malaysia. Kajian ini mengentengahkan amalan penilaian prestasi, kesan dan pengaruh proses ini terhadap niat berhenti bekerja pekerja. Kajian ini juga menjelaskan mengenai isu-isu penilaian prestasi yang membawa kepada niat berhenti bekerja pekerja dan strategi praktikal untuk mengatasinya. Kajian ini telah dilakukan di salah satu syarikat pembuatan di Selangor. Ini adalah kajian kualitatif di mana 5 orang informan telah ditemu ramah menggunakan soalan separa berstruktur. Kajian ini menunjukkan bahawa amalan dalam syarikat ini adalah penilaian separa tahunan dimana prestasi berdasarkan kerja berkumpulan lebih rumit berbanding prestasi penilaian individu. Penilaian prestasi berpengaruh terhadap keuangan dan meningkatkan semangat pekerja yang boleh mempengaruhi niat pekerja untuk berhenti bekerja. Selain itu, beberapa isu telah diketengahkan dalam kajian ini seperti isu ketidakadilan, kebolehpercayaan, peranan penilai dan orang yang dinilai serta pelaksanaannya tidak berdasarkan KPI. Berdasarkan kajian ini, strategi untuk mengatasi masalah tersebut adalah dengan melibatkan penilai dan orang yang dinilai dalam proses penilaian, mengurangkan bias penilaian prestasi, memberi maklum balas sebelum dan sesudah proses penilaian dan mengkaji semula pelaksanaan proses tersebut. Implikasi langsungnya adalah membantu pengurusan untuk memahami dengan lebih baik tentang penilaian yang adil, meningkatkan amalan penilaian prestasi dan meningkatkan cara komunikasi di antara penilai dan orang yang dinilai. Kemudian, implikasi jangka masa pendek akan meningkatkan semangat pekerja dan mengurangkan niat pekerja untuk berhenti bekerja. Implikasi jangka panjang adalah terhadap organisasi seperti kurangnya kadar sebenar pekerja yang berhenti dan meningkatkan pertukaran pengetahuan dalam syarikat. Selain itu, pengkaji memberi cadangan kepada organisasi dan kajian di masa hadapan.

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**“May Allah, The Almighty Bless All of You Who Had Directly or Indirectly Helped Me”.**



## **CHAPTER 1: INTRODUCTION**

### **1.0 Introduction.**

This research is about the performance review and turnover intention in manufacturing companies at Selangor, Malaysia. There are several important parts in this chapter such as introduction, background of study, problem statement, research objective which include main and specific objective, research questions, significant of study, limitation of study and terms definition. The main purpose of this chapter is to provide an overview of the study and comprehensively details about all related important aspects in this particular research undertaken.

### **1.1 Background of Study.**

The performance appraisal system is an assessment of employees for their job throughout the year. The managers will observe and evaluate individual's attitude, personality, behavior and stability in their job profile in order to improve performance at all times in the future. Ahmad and Shamsuddin (2011) stated that performance appraisal is important to every company. Aminuddin (2011) mentioned that more and more companies are getting familiar with the use of collecting performance appraisal data from various parties. Nowadays, appraisal does not only include managers but involves all vertices like peers and self. There are many techniques and methods of performance appraisal system including 360 – degree appraisal, sales performance appraisal, performance review and general appraisal. Prior research has shown that the importance of performance measurement from variety of functional disciplines. Thus, contribution of a worker in a year can be measured by good performance appraisal system.

Performance review is one of the best way due to evaluation can be done regularly not just at the end of the year. Expectation of employee towards their evaluation should not be taken lightly as manipulation and unfair in performance rating resulting in high turnover intention (Poon, 2004). Besides that, Carmeli and Weisberg (2006) highlight that turnover intention should

be identify and understand to control the rate of turnover. Moreover, manufacturing industry is suffering due to severe shortage of workers and effect the production (The Star Online, 2013). Thus, this research take a step in this direction to examine the performance review and turnover intention in manufacturing company at Selangor, Malaysia.

## **1.2 Problem Statement.**

According to Ahmad (2019), he mentioned that to meet the needs of new challenges in 21<sup>st</sup> century, performance appraisal system may need to be amended and revised. In this era of technology, performance appraisal system can be one of the tools to enhance learning in organization. Therefore, attention needs to be paid to how performance is evaluated and how the evaluation effect turnover intention. This is because, most of organization recognizes that employees are ultimate assets and play an important role in determining its survival (Ahmad, 2019). Hence, wider discussion need to be done on practices of performance review within organization.

In addition, the greatest assets by far in all organizations is their human resources exceed in value other assets such as equipment, technology and vehicles (Anstey, Fletcher and Walker, 2017). Organization cannot afford to lose human resources as it will bring major impact to organization. In relation with that, tools to evaluate employees' performance need to be planned and implement accordingly to avoid employees have intention to leave the organization. Ahmad and Shamsuddin (2011) highlight on factors which influence effectiveness of performance appraisal are support from top management, commitment of raters, integrity and honesty of raters and politic in organization. Those factors will give impact to the weaknesses of performance review as a whole. Therefore, this research will study on the issues in doing performance review and what are the strategies to overcome issues of performance review system.

Significantly, Shield et. al (2015) in their research found that nowadays, performance management are more common to organizations as continuous and future – oriented system where it may be done annually or monthly in a year. Even though there were many researches about performance measurement have been done but it still lacking in performance review aspects as a whole process. There also a study that have been done before which is about the model of turnover intentions of employees in plastic industry at Jakarta (Santoni and Harahap, 2018) and the effect of fairness of performance appraisal and career growth on turnover intention (Nawaz and Pangil, 2016). Moreover, most of the studies have been done in other countries (e.g. USA, Pakistan, India and German). Therefore, the results not applicable to Malaysia context. Zaleha, Nur Atikah and Rosmarina (2017) stated that research on performance appraisal is still lacking in Malaysia in context of organizations. Hence, there is a gap in the literature regarding this research in local context. Moreover, Carmeli and Weisberg (2006) suggested that future research should explore more within industries instead of difference profession group. Hence, this research want to explore more within manufacturing industry.

There is still lacking of research on performance review and employee turnover intention especially in manufacturing industry. Looking at education and banking industries, in The Star Online (2018) stated that not all teachers have good self-understanding on performance appraisal at their workplace which measures their own work outcome. Next, customs has created e-appraisal forms which is a special online system to World Bank team that can monitored clearances by each jurisdiction and rated at each department on period time (The Economic Times, 2019). Performance review had been touched in other sectors, the study cannot be matched with manufacturing industry. Therefore, lack of in-depth study in performance review make researcher intend to explore the performance review and employees turnover intention in private sector at Malaysia especially in manufacturing industry.

According to Workday regional sales director Jason Fon in the star online (2018), anytime feedback approach is important for employee but cannot happen in organization as it only occurs during yearly performance appraisal. However, employee may have turnover intention at the moment of year's appraisal as it was too late for them (the star online, 2018). This is why depth discussions need to be planned to ensure the impact of performance review to employee turnover intention especially in manufacturing companies. This is because, Malaysia has among the highest turnover rates in Asia region based on the survey conducted which resulting 38% of employees switch job within half a year (the star online, 2018). By doing this, the study will bridge gap in the literature in the study of performance measurement as a whole and able to explore more on one of main industry in Malaysia. This study identified research question that need to be answered;

- i. How performance review influence employee turnover intention?

### **1.3 Objective of Study**

The aim of this study is to explore on how performance review influence employee turnover intention. Specifically, the objectives are as follows:

1. To explore on:

- a) The practices of performance review within organizational.
- b) The effect of performance review to turnover intention.
- c) The influence of performance review towards turnover intention.
- d) The issues in doing performance review.
- e) The strategy to overcome issues related to performance review system.

### **1.4 Research Question**

There are several research questions that have been identified that relate to research objective. The research questions are as below:

- a) How are the practices of performance review within organizational?
- b) How performance review give effect to employee turnover intention?
- c) How performance review influence employee turnover intention?
- d) What are the issues that management have in doing performance review?
- e) What are the strategy to overcome issues related to performance review system?

### 1.5 Research Framework

According to Ahmad et al (2014), research framework act like maps and suitable to qualitative study. This research framework refers to the context of study, issues being highlight and the method. The type of research design to be adopted in this research is qualitative study. Beck and Perry (2007) stated that the advantage of using qualitative research design is informants get to give their opinions and comments. Moreover, in qualitative research, numbers of sample is not really emphasized. The most important is that the ability of the formants to point out the information to this study. Qualitative research does not measure but it provides insight that can be gained through a process consisting of analysis and meaningful integration of views expressed by informants (de Ruyter & Scholl, 1998).

FIGURE ONE: Research Framework

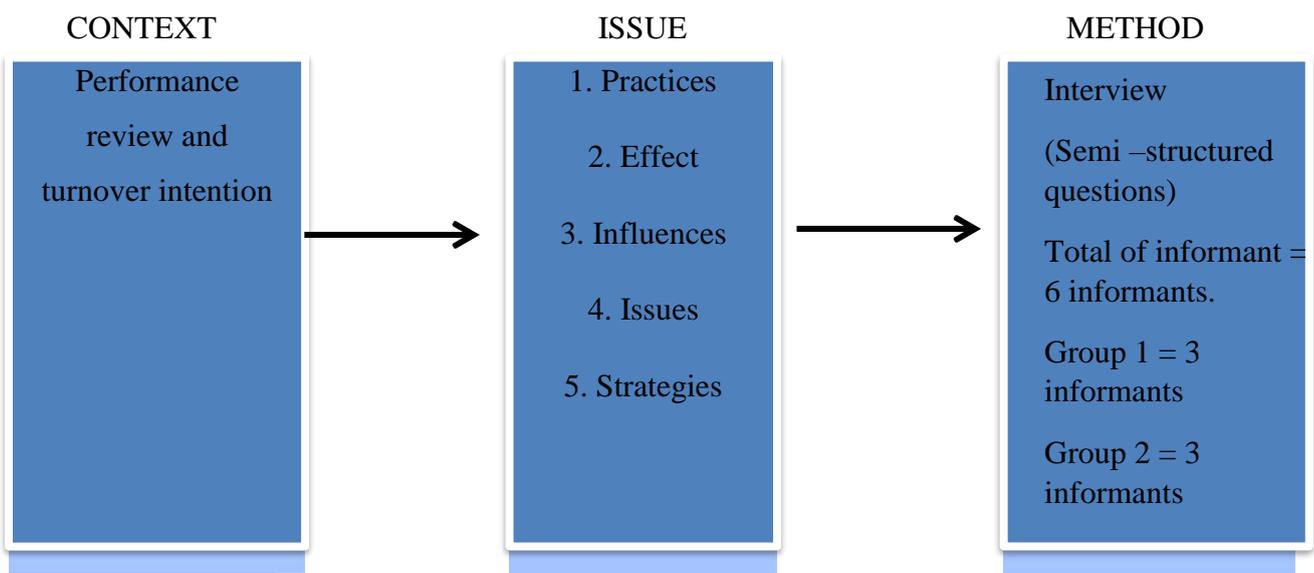


Figure 1.1: Research Framework Model. (Ahmad et al, 2014)

## **1.6 Significance of the Study**

Previous studies have discussed on performance appraisal. However, there are still lacking research on performance review and employee turnover intention. This study attempts to look in more depth about performance review and employee turnover intention in private sector in Malaysia especially on manufacturing industry. This can help to contribute in the body of knowledge of performance review and employee turnover intention itself. This study is important to identify level practices of performance review and what are the impact of good performance review system to the employee turnover intention. It is beliefs that the results of the study will contribute to the development of manufacturing industry in Malaysia.

Furthermore, this study hopes to establish an understanding to the HR practitioners. This is because from this study they will be able to see the issues, strategies and impacts of performance review to the employee turnover intention. An interview with informants will be conducted in order to get more information on the level practices and issues of performance review. Through this study, they will know what to improve on their performance review system and keep sustain in the industry. Hence, increase in understanding of HR practitioners on performance review also establish role of HR managers in contributing to the employee turnover intention agenda.

This study give contributions to policy as it is important for management to ensure organization have best system of performance review. Results from this study will provide some useful insights on how employees want to be review and how it gives impact to the organization. Top management of the organization that act as policy maker able to reflect on the level practices of performance review and how it drives the employees for years.

## **1.7 Definition of Term**

There are two types of term which are conceptual definition and operational definition. Terms that will define in this study are performance review and turnover intention. Definition of term important to give reader understanding of the subject and issue address by the researcher.

### **Performance review**

#### Conceptual meaning

According to Ahmad (2016), performance appraisal is a system of measuring, evaluating, and influencing employees' attributes, behavior and performance in relation to pre-set standard. Then, Saratun (2016) mentioned that performance appraisal can be used as an umbrella term covering HRM perspective and variety of approaches in managing employee performances.

#### Operational meaning

In this study "performance review" indicate continues process in evaluating employee's performances at certain time and provide feedback to the employees prior and after the evaluation.

### ***Turnover intention***

#### Conceptual meaning

Tett and Meyer (1993) defined turnover intention as employee consciousness and willfulness to leave the organization. Next, according to Lacity, Iyer and Rudramuniyah (2008), turnover intention can be defined as to the extend employee plans to leave the organization.

#### Operational meaning

In this study "turnover intention" refers to employees plan or aim to quit job and leaving the organization in the future.

## **1.8 Summary**

This chapter is really crucial as it gives information and seep about this research. This

chapter discussed on background of study, statement of problem, etc. Moreover, objective of this research clearly stated in this chapter. Next chapter will discuss on literature review.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

Literature review discussed in this chapter. The main purpose of this chapter is to see the related topics with issue in the past research that studies by researchers. This chapter provide a better view on related topics to expand our understanding on this research. This literature review obtained from books, journal, website, and articles. It is really important to enrich the information related to performance review and employee turnover intention.

### **2.1 Overview of Performance Appraisal System**

Performance appraisal known as performance review, employee evaluation, employee rating or performance evaluation. Performance appraisal is a process that involve employee on how they performing the work and establish a plan for improvement that include both qualitative and quantitative aspect (Phin, 2015). Ahmad (2019) mentioned that performance appraisal also a continuous process that involve two key players where rater will evaluate the rates. Raters will observed rates consistently and review performance after few months or at the end of year. Thus, performance appraisal can be the best tool to evaluate the employees. It is crucial to implement a valid and free of bias appraisal in order to be acceptable by the users. This is because in an organization, human capital is an essential element of the intangible assets (Armstrong & Baron, 2007). Moreover, fair standard of evaluation need to align with organization's mission and goals. All the feedback from reviewed related to an employee's sustainability and growth.

Nowadays, employee's immediate supervisor is the one that usually prepared the appraisal. The procedure typically requires the supervisor to do continuous observation and fill out a standardized assessment form. Evaluation was done on several different

dimensions and then the results of the evaluation will be discuss with the employee. According to Ahmad (2019), performance appraisal is the most crucial function need to be systematically managed to dealing with employee satisfaction. This is because every workers want to be observe and measured in the most professional and effective ways. Moreover, dissatisfaction in improving performance management system will lead to higher turnover rates. Changes in technology likely influenced performance appraisal and it is a major concern faced by most organisations. Hence, cooperation and individual employee perspective are needed to improve the situation.

## **2.2 Issues of performance appraisal in 21<sup>st</sup> century.**

21<sup>st</sup> Century started since the early of 2001. Ahmad & Bujang (2013) stated that in 21<sup>st</sup> Century, one of the most important function of human resource management is still performance appraisal system. Performance review is one of the method of performance appraisal system. Thus, issues of performance appraisal is much related to performance review system. Related issues with performance appraisal and turnover intention is outlined in Figure Two. Nowadays, many organizations fail to give appraisal the attention and support it deserve (Aminuddin, 2001). According to Lock (2007), those set in the previous year don't always apply to current work as the objective may change, resulting in disengagement, resentment and feelings of being undervalued.

With growth of technology, evaluation of workers need changes and be manage effectively. Furthermore, performance appraisal system should evolved in order for organisations to compete with all the changes and development of ICT. Nowadays, organisational productivity can increase due to electronic performance appraisal systems. There are numerous benefits of online system such as less time spent collecting employees performance data, more frequent feedback can be done and save cost. However, online system has its own errors and defects.

FIGURE TWO: The Related Issues with Performance Appraisal and Turnover Intention in the 21<sup>st</sup> Century

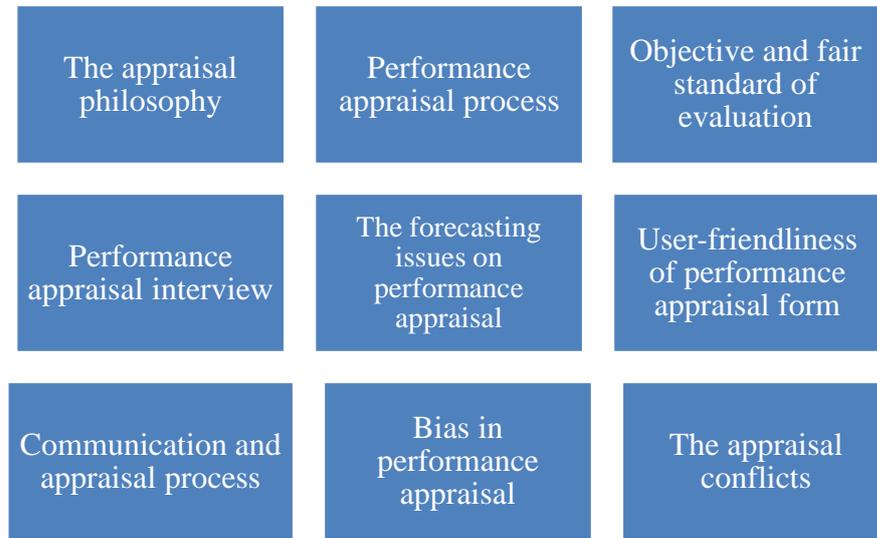


Figure 2.1: The Related Issues in the 21<sup>st</sup> Century.

### 2.3 Overview of performance review

According to Farris et al. (2011), performance review process is one of the organizational activities to evaluate and communicate performance information that lead to action taking to help managers achieve organization's goals. Systematic mechanism is needed as performance review is more on how it is implemented and the impact of feedback between employer and employees. Performance review is important as it is closely tied to the overall efficacy of the performance measurement system (Farris et al, 2011). More information can be extract by frequent review that can help to get maximum actions and decisions. Figure two outline on the guideline for an effective review process.

Nowadays, organizations start to replace traditional annual reviews with informal check-in with management which can be done more frequently. Some of the organizations do their review quarterly or monthly. Nowadays, some organization even set fixed month to implement the performance review system. As a result, one of the strength of