

# **FACTORS CAUSING STAFF TURNOVER IN THE SME MANUFACTURING SECTOR IN NORTHERN MALAYSIA**

**WONG GUO SIN**

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**USM** UNIVERSITI  
SAINS  
MALAYSIA

**GRADUATE SCHOOL OF BUSINESS (GSB)  
UNIVERSITI SAINS MALAYSIA**

### DECLARATION

I hereby declare that the project is based on my original work except for quotations and citation which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at USM or any other institutions.

A handwritten signature in black ink, appearing to be 'Wong Cwo Sin'.

(Signature):

Name: *WONG CWO SIN*

Date: *22-06-2012*

## **DEDICATION**

To my beloved family. Their love and happiness are the only things that truly matter.

## ACKNOWLEDGEMENT

There are a number of people I feel indebted in the process of this thesis has been written. I would like to take this opportunity to special thanks for their underlying support and guidance that made possible for me to continue on this MBA project paper.

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## **LIST OF ABBREVIATION**

SME – Small Medium Enterprise

GNI – Gross National Income

GDP – Gross Domestic Products

MNC – Multinational Company

EPF – Employee Provident Fund

## **ABSTRAK**

Pada dekad yang lalu, isu pusing ganti kakitangan telah menarik perhatian pelbagai disiplin penyelidik seperti ahli psikologi sosial, sains kognitif dan ekonomi. Tujuan kajian ini adalah untuk memeriksa kecenderungan meninggalkan institusi pekerjaan. Komponen-komponen dalam factor-faktor organisasi dan faktor-faktor individu telah dikaji untuk menutup jurang sastera. Dalam kajian ini, tumpuan adalah kepada sektor pembuatan SME di kawasan utara Malaysia. Satu sampel rawak mudah telah dijalankan di kalangan pekerja di 50 firma dalam sektor pembuatan SME. Rangka kerja teori adalah mengintegrasikan model pusing ganti kakitangan Mobley dengan faktor-faktor motivasi. Selepas taksiran secara statistik, faktor organisasi seperti gaya penyelia, kandungan kerja, sistem ganjaran, dan motivasi intrinsik menunjukkan peramal yang kuat kepada kecenderungan menggal kerja. Regresi berganda menunjukkan bahawa model ini adalah 86.3% varians dalam kecenderungan meninggal kerja dapat dijelaskan oleh peramal yang digunakan. Batasan dalam kajian ini adalah bergantung kepada data soal selidik yang dilaporkan oleh pekerja. Data penyelidikan hanya dikutip pada satu tahap masa. Ini boleh menyebabkan kemungkinan lain-lain yang sukar dijangka. Hasilnya menyumbang pemahaman yang lebih baik tentang faktor yang mempengaruhi kecenderungan meninggal kerja dalam konteks Malaysia. Selain itu, ia menyediakan maklumat yang berguna bagi pengamal-pengamal dalam usaha pengekalan kakitangan. Penemuan yang paling penting adalah gaya penyeliaan dan kandungan kerja menunjukkan hubungan yang kuat dengan kecenderungan meninggal kerja. Sehubungan ini, penekanan harus ditumpukan kepada kandungan pekerjaan dan gaya kepimpinan.

## ABSTRACT

Over the past decade, the issue of staff turnover has attracted the attention from various disciplines of researchers like social-psychologist, cognitive scientist and economist. The purpose of present study was to examine the precursor of intention to leave that is withdrawal tendency. The components in the organisational factors and individual factors have been comprehensively studied in order to close the literature gaps. In this study, the focus is on the SME manufacturing sector in the northern region of Malaysia. A simple random sample was conducted among employees in 50 firms from SME manufacturing sector. The theoretical framework was to integrate the Mobley *et. al.s*' turnover model with motivational factors.

When assessed jointly, organisational factors such as supervisor style, job contents, rewards system, and intrinsic motivation demonstrated strongest predictors for withdrawal tendency. The multiple regressions exhibited that this model is 86.3% of variance in withdrawal tendency was explained by the predictors. The limitations in present study were the reliance on self-reported questionnaire data. The data of research had only collected at one point of time. This may be argued that possibility of reverse causality. The result contributed better understanding of factors influence the withdrawal tendency in Malaysia context. Besides, it provides useful information for practitioners in the effort of employee retention. The most important findings were supervision style and job contents held a substantially stronger relationship with withdrawal tendency. Then, emphasis should be placed on facilitating job contents and training for leadership style.

# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

This chapter introduces the issue of employee withdrawal tendency, turnover intention and turnover behaviour. This issue is vital for further study and the background will be discussed in the following session. In this chapter, the problem statement, research objectives, research questions and significant of study will be clearly introduced as guide line for effective study. Definition of terms for proposed variables will also be included to increase the understanding.

## 1.2 Background of the study

Withdrawal tendency in organisations has been the subject of much research since the 1990s (Mowday & Richard, 1991). Withdrawal tendency in organisations is of interest to many professionals, including researchers, management practitioners and behavioral scientist (Mobley, Griffith, Hand, & Meglino, 1979). Mobley *et al.*, (1979) provide significant research contribution of employee turnover, including a conceptual model to distinguish between satisfaction (present oriented) and attraction/ expected utility (future oriented) for both internal and external effects. In addition, Mobley *et al.* also consider non-work values like individual characteristics towards the consequences of turnover behaviour. Generally, Mobley's model categorised staff turnover into various factors including organisation, individual and economic-labour market. Mobley *et al.*, (1979) explored the causes of intention to quit and turnover behaviour with various



variables including its moderating factors. The research observed that the understanding about the psychology of the employee withdrawal process is still somewhat lacking and there is room to develop our understanding further. Thus, there is a need to better understand the psychology of the employee turnover process.

Withdrawal tendency can be defined as “the cessation of membership in an organisation by an individual who received monetary compensation from the organisation” (Mobley W. H., May 1982, p. 10). According to Mobley *et al.*, staff turnover must first be associated with the volunteer termination of current position in the organisation and not with the issues of promotion, department transfer or other internal movements within an organisation. However, according to Robbins (2004), turnover is defined as the voluntary and involuntary withdrawal from the organisation. This includes people who leave the organisation due to retrenchment process, dismissal, or retirement, but, typically excludes those leaving at the end of a service contract.

Withdrawal tendency is one of the largest human resources issues in an organisation. A high withdrawal tendency, adversely affect company performance, generating, among other things, transactional costs. When seeking to resolve the issues associated with withdrawal tendency, we must first investigate the factors causing withdrawal tendency.

Withdrawal tendency remains one of the most troubling issues for human resource departments worldwide. Every year, the loss caused by employee turnover and its

impact on the company and economic growth have been studied and found to be crucial (Armstrong, 2009; Branham, 2007; Katcher, Snyder, 2007). Withdrawal tendency has been recognised as a major managerial concern in contemporary work organisations (Pfeffer & Sutton, 2006). First, constantly replacing employees may be a waste of time and money; neither recruiting nor training for new employees to obtain desired satisfactory levels of performance (Collins & Smith, 2006). Furthermore, high rates of employee turnover will lead to deterioration of productivity and quality of services. In addition, it impacts on consistency and the stability of services provided to an organisations (Trevor & Nyberg, 2008).

Withdrawal tendency has become a serious dilemma facing organisations today (Davis, 2004). Consistent problems with withdrawal tendency can lead to significant costs to organisation (Auxillium, 2003). Turnover in general can pose a threat when it is excessive, causing productivity, growth and orderly development to be depressed (Roseman, 2001).

The cost element involved in withdrawal tendency can be divided into two categories:

- (1) Mainly tangible costs, which includes the cost of recruitment, selection, orientation and training; and,
- (2) Intangible costs, which include disruption of morale, the breakdown of work teams, increased conflicts, and lack of rapport with customers (Roseman, 1991).

Both these can disrupt the organisation's reputation and create direct impact on additional economic costs (Roseman, 2001). Cascio (2000), with his research finding from the health care industry, analysed all sources of costs and found that the cost of replacing 288 employees per year in the hospital was almost US\$3 million. His research based on a hospital consisting of 200 beds and employing 1,200 persons with a turnover rate of 2% per month. Moreover, a Business Week (1998) study estimated that the replacement costs alone were over US\$10 thousand for about half of all jobs and approximately US\$30 thousand for all jobs, estimates which highlight the considerable costs associated with turnover.

Similarly, employee turnover are also important issues in Malaysia employment market. According to the international human resource consulting firm, Hewitt Associate's 2009 Total Compensation Management Survey with normal market conditions, the average employee turnover rate in Malaysia was 18% in 2007, 9.3% in 2008 and 10.1% in 2009 (Ahmad Phamy, 2009). According to Hewitt Associate, the main reasons for employees leaving their company included better external opportunities, limited growth opportunities, further studies, difficulty in balancing work and life issues, conflicts of opinions and worries of securities.

In 2005, there were more than 26,000 SMEs located in state of Penang, which in northern Malaysia, or nearly 5% of the total SMEs in the country, as depicted in Appendix 2. The northern region of Malaysia is the country's manufacturing powerhouse with many established multinational companies (MNCs) and large local firms based in Penang as well as in the city of Kulim in the neighbouring state of Kedah. The SME manufacturing sector has formed important supply chain

arteries with manufacturing powerhouses in northern Malaysia. However, staff turnover has become a troubling issue among local SME entrepreneurs in northern Malaysia, particularly given the stiff competition they face in retaining employees resulting from their proximity to large MNCs.

## **1.2 Problem Statement**

The causes of withdrawal tendency have been studied from a number of different perspectives. For example, industrial-organisational psychologists investigated such individual determinants of turnover as job satisfaction, commitment and behavioural intentions to leave (Hulin, 2004). The Table 1.1 showed the focus of several researches in previous study. We noticed the interest and focus were emphasis on job satisfaction and job commitment as the immediate factors of research. Components in the organisational factors and individual factors have not been comprehensively studied. Furthermore, most of the studies do not focus on precursor of intention to leave that is withdrawal tendency. The present study define withdrawal tendency as dependent variable.

The failure to comprehensively consider available psychological factors and their correlation among those factors represents an important gap in the literature. In order to know what factors trigger all these feeling, perceptions and behaviour of an employee, this study suggests that it is important to fill the gap by adding other antecedents such as organisation factors and individual demographics factors in the study. Furthermore, previous studies generally focus on the population from an organisation or industry of services. In this study, the focus is on the sector of

economy, specifically the SME manufacturing sector in the northern region of Malaysia. The selection of Northern Malaysia can be the representative research because here are the manufacturing powerhouses in Malaysia. It is believed that the results of this study will provide useful contributions to the literature, particularly with respect to efforts to identify more relevant antecedents.

<b>Factors</b>	<b>Industry</b>	<b>Background</b>
Organisational Factors, Individual Demographics Factors -> <b>Satisfaction</b> , attraction-expected utility -> Turnover intention <b>(Mobley et al., 1979)</b>	Meta-analysis (all study within a specific industry)	Various
Transformational leadership -> <b>Satisfaction</b> -> Turnover <b>(Griffith, 2003)</b>	Elementary schools	Large metropolitan, US
HR practices ( <b>pay, benefits and training</b> ) -> voluntary turnover <b>(Bawa &amp; Jantan, 2005)</b>	Palm Oil	Malaysia
<b>Supervision</b> -> Job autonomy, distributive justice, procedural justice -> Turnover intention <b>(Knudsen et al., 2008)</b>	Clinical Trials Network	National Institute on Drug Abuse, USA
<b>mastery-approach goals, work intrinsic motivation</b> -> Turnover <b>(Lee &amp; Chang, 2005)</b> <b>(Dysvik &amp; Kuvaas, 2009)</b>	Financial Institution Training Institution	Taiwan Norwegian, Norway
<b>Organizational commitment</b> , organizational justice -> Turnover <b>(Ponnu &amp; Chuah, 2010)</b>	Various industrial backgrounds	Klang Valley & KL, Malaysia
Job stress, <b>satisfaction</b> -> Turnover Intention <b>(Ryan &amp; Ghazali, 2010)</b>	fast food	Malaysia

**Table 1.1: Study of the relation or factors causing employee turnover**

Mobley's employee turnover has opened up extensive research routes for several scholars (Chen, 1997). The preparation of this research will be based on Mobley's employee turnover model by covering key variables so that the factors of every

variable can be evaluated adequately. By using this model, it is suggested to update earlier reviews in Malaysia context.

In this model the turnover is conceptualised in terms of individual demographics and organisational factor. This research will not only deal with the work environment and external alternatives but also considering centrality of work relative to other life values and interests. Thus, two important psychological factors namely, mastery approach goals and intrinsic motivation have separately been found to predict withdrawal tendency. Thus, the research will be carried out based on the integration of Mobley *et al.* turnover model, with mastery approach goals and intrinsic motivation.

Below is closer explanations on factors causing withdrawal tendency based on the modified Mobley *et. al.s'* turnover model, these factors will be the independent variables throughout the study:-

1. Organisational factors such as supervision, job content, reward system, career advancement, interpersonal relation, and size of organisation and work unit.
2. Individual non-work related factors such as gender, age, level of education, hierarchical level in the organisation, working experience, marital status, and family commitment.
3. Mastery-approach goals as determinants of withdrawal tendency.
4. Intrinsic motivation as determinants of withdrawal tendency.
5. Investigate the correlation and combined influence of these sources on withdrawal tendency.

### **1.3 Research Objectives**

This study attempts to accomplish following four objectives:-

1. To analyse the factors correlated to withdrawal tendency among SMEs in the manufacturing industry. These factors include supervision, job content, reward systems, career advancement, interpersonal relation and size of organisations or work unit.
2. To determine whether there is a relationship between non-works factors such as individual demographics characteristics and individual intention of quit an organisation.
3. To investigating the psychological relation of mastery-approach and intrinsic motivation on employee withdrawal tendency.
4. To empirically test a clear conceptual model derived from Mobley *et al.*'s turnover model; it is hoped that this will contribute to a better understanding about the relationship among these factors interact in predicting employee withdrawal tendency.

### **1.4 Research Questions**

In order to achieve above research objectives, the following research questions guide to this study:-

1. What are the organisational factors causing withdrawal tendency among SMEs in the manufacturing industry?
2. What are the individual determinants that consistently contribute to the withdrawal tendency? Whereby proof of the determinants consistently related

to employees among SMEs manufacturing sector in the northern region of Malaysia.

3. How do mastery-approaches goals and intrinsic motivational factors influence withdrawal tendency among employee among SMEs in the manufacturing industry?

## **1.5 Scope of Study**

The industrial psychology literature suggests that withdrawal tendency is a highly complex phenomenon and is most likely the result of multiple determinants (Mobley, 2002). A model of withdrawal tendency developed by Mobley (2002) is the most sophisticated attempt to explain withdrawal tendency.

The dependent variable in this study is withdrawal tendency. The objective for the study is to identify causes of withdrawal tendency so that variability can be better predicted. Subsequently, this will assist SME management in handling issues related to withdrawal tendency. The independent variables are supervision, job content, reward systems, career advancement, interpersonal relation and size of organisation. The factors causing withdrawal tendency may influence the dependent variable in either a positive or negative manner. The correlation between the variables will also be tested.

In order to address the research questions and objectives highlighted above, the study draws on data obtained from employees working in SMEs in the manufacturing sector in northern Malaysia. These employees represent more than the number of organisations in the SME sector. A questionnaire was distributed to



the employees of SMEs in the manufacturing sector. It was also deemed necessary that the respondents should be equally distributed in terms of their gender, religion, age, and ethically.

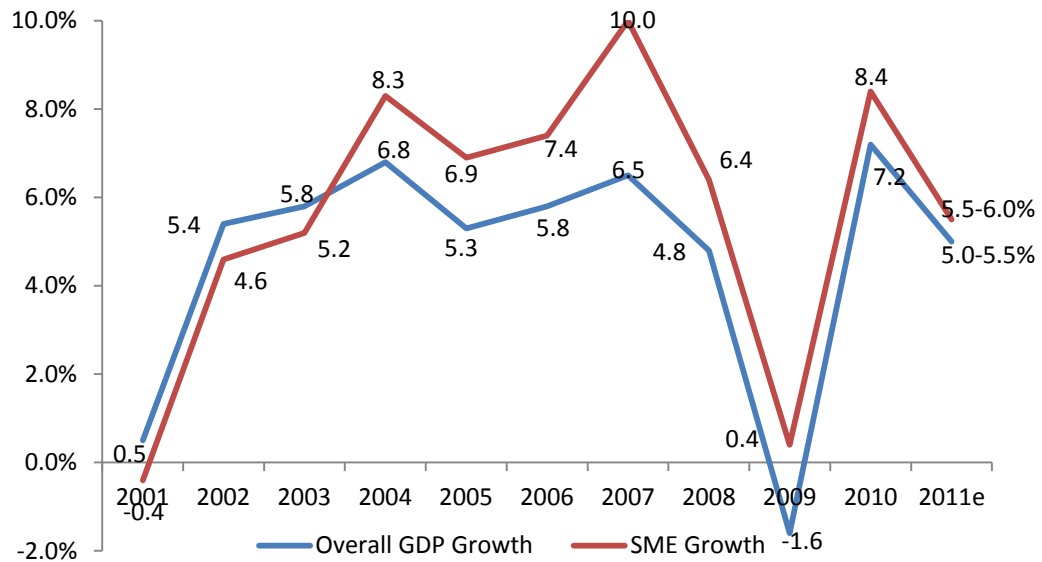
## **1.6 Significance of the study**

In term of literature, previous studies have, by and large, not combined the various conceptual models. Most of previous studies focused on antecedents of satisfaction, attraction, commitment (individual or organisation), stress, etc. In order to know what factors trigger all these feeling, perceptions and behaviour of an employee, this study suggest that it is important to fill the gap by adding others antecedents such as organisation factors and individual demographics factors in this study.

This study aimed to gather inputs on the process of withdrawal tendency. Specifically, the findings of this study will assist the SME manufacturing sector stakeholder like shareholder or human resources department in designing company employee policy. In addition, the study may provide useful data for policy maker as a reference when designing national development programme.

The main purpose to select the SMEs in the manufacturing sectors, especially in northern Malaysia, can be justified from following information why this study is crucial.

In 2010, value added growth of SMEs in Malaysia recorded a remarkable growth rate of 8.4%. The contribution from this sector alone was higher than the overall Gross Domestic Products (GDP) growth of 7.2% (refer to Chart 1.1).



e: estimates

Source: Department of Statistics, Malaysia and SME Corporation Malaysia

**Chart 1.1 : SME Valued Added and Overall GDP Growth (Annual change in %)**

SME value added annual growth rate in 2010 was experienced in various sectors of the economy in Malaysia. With reference to Table 1.1, each of the economic sectors demonstrated higher growth rate in SMEs when we compare to overall sectors. However, when we compare by key economy activity, the highest growth rate was recorded in manufacturing sector (11.8%), followed by construction (8.6%) and services sectors (7.1%). The outstanding performance in manufacturing sector may triggered by robust growth of non-metallic mineral

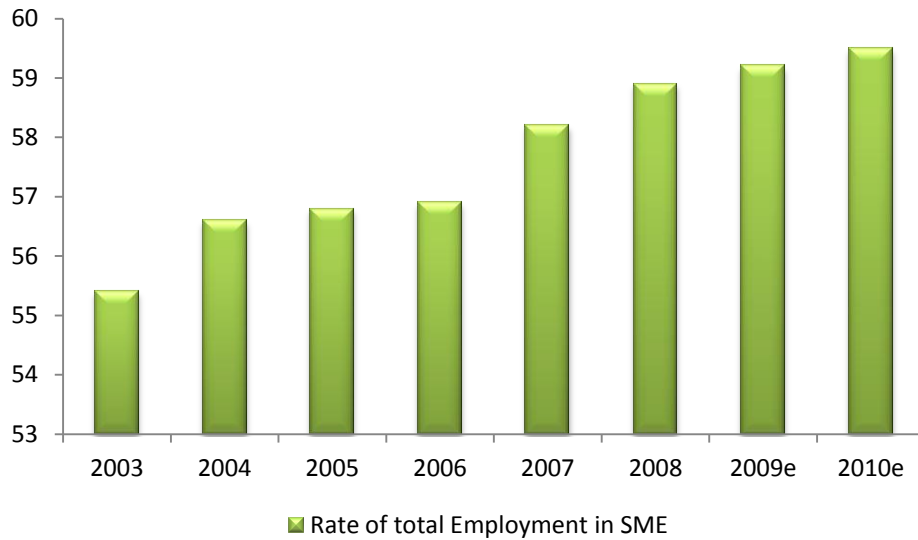
products, basic metal and fabricated metal products following the implementation of government stimulus packages.

	Year 2010 (% annual change)	
	SME Value Added Growth	Overall GDP Growth
<b>Agriculture</b>	<b>5.0</b>	<b>2.1</b>
<b>Manufacturing</b>	<b>11.8</b>	<b>11.4</b>
<b>Construction</b>	<b>8.6</b>	<b>5.1</b>
<b>Services</b>	<b>7.1</b>	<b>6.8</b>
<b>Total</b>	<b>8.4</b>	<b>7.2</b>

*Source: Department of Statistics, Malaysia and SME annual report 2010/11*

**Table1.2: SME Value Added and Overall GDP Growth (constant 2000 prices)**

Since 2003, SME's contributions on employment have steadily increased compared to large enterprises. In 2010, employment of SMEs to total reemployment recorded an estimated 59.6%. Chart 1.2 presents information about the employment of SMEs to total employment in Malaysia from 2003 to 2010.



*Source: Department of Statistics, Malaysia, and SME Corporation Malaysia*

**Chart 1.2: Employment of SMEs to Total Employment (% Share)**

Given the importance of the manufacturing sector in national economy contributions, the human resource capital are considered important in ensuring continual improvement and sustainable development of SMEs in the manufacturing sector. In order to ensure sustainability and consistency of national economy growth, the concern and interest of withdrawal tendency in manufacturing sector is highly important issue.

This study intends to investigate a central issue with regards to this industry, namely withdrawal tendency. This study will explore the relationship between withdrawal tendency and its factors such as supervision, reward system, job contents, career advancement, interpersonal relation and size of organisation or work unit. The results of this study could be used as a basis for future empirical-based research in the area of staff turnover.

## 1.7 Definition of Terms

The dependent variable in this study is withdrawal tendency instead of turnover intention or employee turnover. This is because the empirical research does not consider experimental and longitudinal studies. Additionally, this immediate precursor of turnover intentions was supported by Fishbein, M. and Ajzen, I. (1975) in the book of “*Belief, Attitude, Intention, and Behaviour*”. Therefore, the best predictor of turnover should be withdrawal tendency. Withdrawal tendency can be categorised into intention to search and intention to quit, and it precedes the turnover intention (Mobley, 1977).

Recently, many researchers have put their focus on employee motivational factors as predictor for withdrawal tendency (Richer, Blanchard, & Vallerand, 2002), as motivational sources have been considered to influence employee turnover beyond job satisfaction and organisational commitment (Mitchell, *et al.*, 2001). Previous studies found the relationship between mastery-approach goals and intrinsic motivation to withdrawal tendency. This study is particularly interested on the influence of these factors towards withdrawal tendency. Thus, the study will integrate these two factors into the Mobley *et. al.s*’ turnover model.

The primary determinants of withdrawal tendency are thought to be:-

- a. ‘Organisational factors’, which consists of supervision, job content, rewards system, career advancement, interpersonal relation, size (organisation & work unit).

- b. 'Individual factors', which includes gender, age, level of education, highest level of education, hierarchical level, years of working experience, years in current organisation, marital status, and family responsibilities.
- c. 'Mastery approach goal', which implies how employees maintain high levels of performance with the increased pressure on new organisational realities (Kanfer & Ackerman, 2005). It demonstrates how an employee concerns himself with developing self-competencies and mastering a responsibility (Elliot & Dweck, 2005).
- d. Individual who consist of 'intrinsic motivation' traits will find their tasks and work is enjoyable and interesting. Their participation is initiated from own reward. This kind of people will always seek out novelty and challenges in order to extend and exercise their extreme of capabilities. (Ryan & Deci, 2000).
- e. The focus of this study is identified the withdrawal tendency instead of employee turnover. 'Economic-labour market' factors study about the unemployment rates, vacancy rates, advertising levels, recruiting levels, and word of mounth communication. The result of this study indicated the market economy and employee turnover rate. Thus, this factors in Mobley *et. al.s*' will be eliminated from testing throughout the study.

The details definition and categorisation of each variable will be discussed in Chapter 2. However, the proposed schematic representation of primary variables and process of employee turnover which adapted from Mobley *et. al.s*' turnover model has been displayed in the figure 1.1 for visualisation understanding about the linkage of relationships.

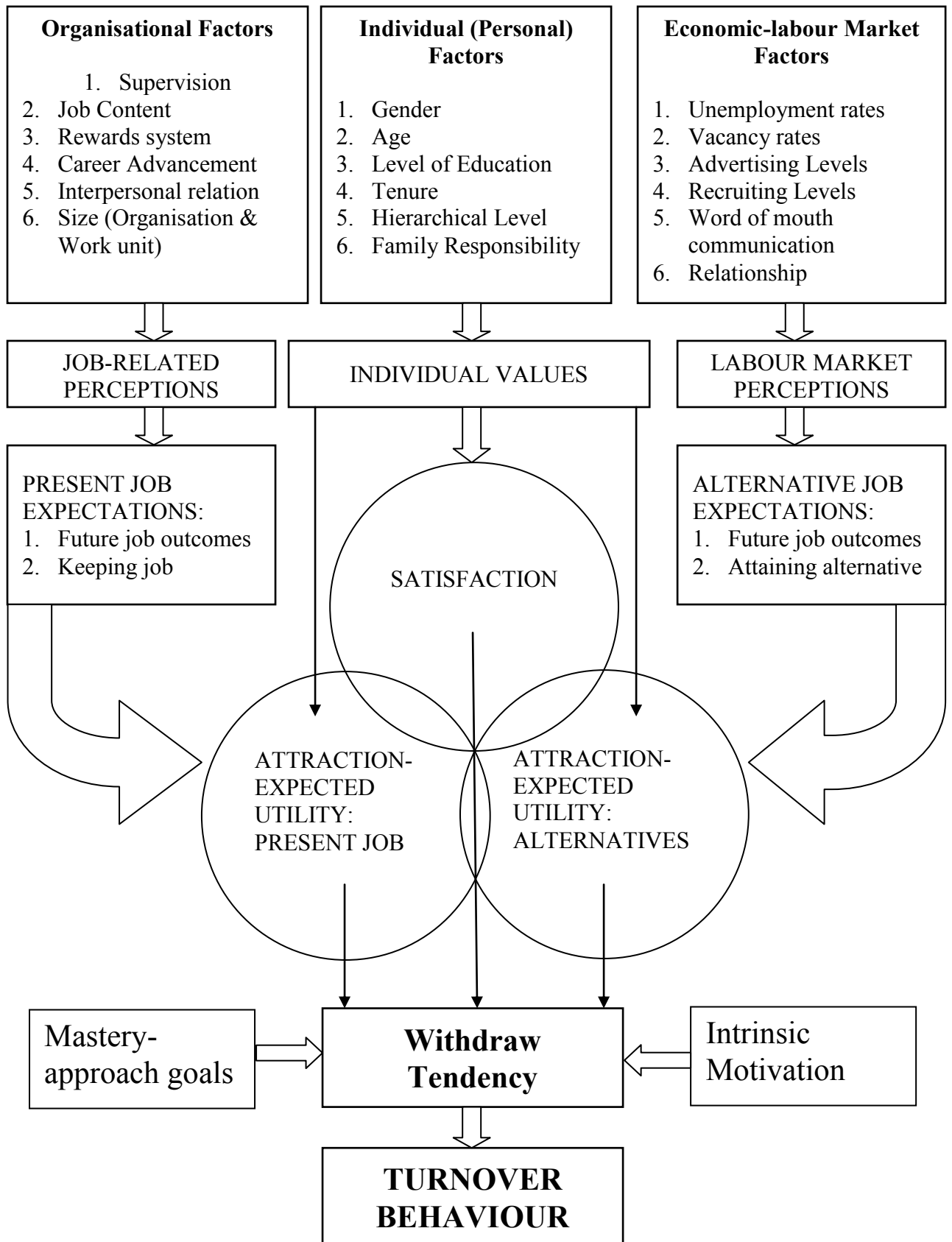


Figure1.1: Employee turnover Model (Adapted from Mobley's Turnover Model)

## **1.8 Summary**

This chapter has provided an overview of the how important of this study, the significant of study and the proposed methodology of study. In the following chapter will outlined the previous studies undertaken in relation to withdrawal tendency, turnover intention and turnover behaviour.



## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

Withdrawal tendency is a behaviour cause and diverse range of factors. The approach taken in this research is primarily based in psychological science and cognitive science. Cognitive science can be generalised as interdisciplinary scientific study about human mindset and its processes. The finding is based on the thinking that the structure can be best represented by beliefs, attitudes, intentions and behaviour. There were several factors of chronological findings thought to be related to such cognitive outcomes as supervision, job content, reward system, career advancement, interpersonal relation and size of organisational and work unit.

### **2.2 Studies on Withdrawal Tendency**

An early analysis of the employee turnover literature reveals that individual factors such as age, tenure contributed to turnover issues. In 1973, Porter and Steers research found job satisfaction; job content and commitment were consistently and negatively related to employee turnover. In 1979, Mobley et al revealed a conceptual model to suggests a need to distinguish between satisfaction (present oriented) and attraction/ expected utility (future oriented) for both the current factors and alternative factors in contribution to turnover behaviour. According to Mobley Model, organisational factors such as supervision, job content, family considerations, pay, working environment, recognition and interpersonal relation were all negatively related to turnover. In 1995, Hom and

Griffeth established their findings on a meta-analysis of some 800 turnover studies. The updated findings confirmed some factors of employee turnover (Griffeth, Hom, & Gaertner, 2000).

The perception an individual remain their services in an organisation consider as “estimated likelihood of continued membership in an organisation” (Price & Mueller, 1981, p. 546). Employee retention is important to management and administration not only prevent unnecessary cost arouse but also increase internal efficiency and customer satisfaction. The investigation of factors associated with turnover issues become crucial for managers to develop interventions and processes that may facilitate the retention in organisations.

In 2003, Connor *et. al.* demonstrated the finding of high rates of withdrawal tendency in the research of educational and therapeutic mission of residential treatment. The studies undermine the troubling problem of staff retention among residential treatment programs serving referred children and adolescents. In a sample population of 402 employees from a large treatment centre, the study investigated variables associated with residential staff retention and turnover. Employee individual demographics, employment background, job content, organisational practices and termination reasons were collected from employee history record. The rate of withdrawal tendency was 46.1% with 3.5 year interval basis. The other factors of this research also demonstrated significantly correlated with staff retention and turnover (Connor, *et. al.* 2003).

## 2.3 Studies on Individual Factors

Individual demographic and personal variables are most frequently studied factors thought to be related to withdrawal tendency. Preceding discussion and previous research have indicated that demographic variables (Cotton, 1986; Morrow, 1983; Gregersen, 1982; Sarminah, 2006) exert a significant effect on employee turnover intention. Included in this category is gender, age, level of education, hierarchical level in organisation, year of working experience in current organisation, years of working experience, marital status and family responsibilities. All these factors are significant for withdrawal tendency. In this research, all these factors are included in order to investigate their consistency among SME manufacturing sector in northern Malaysia.

Some studies have reported that younger staff is associated with higher rate of turnover. However, age is correlated with many other dependent variables; age alone not significantly contributes to withdrawal tendency. There are number of hypotheses listed in several literatures that age may be a factor contributing employee turnover. Some of these hypotheses stated in below:-

- The younger staff are less certain about their job patterns and hence tend to move more frequently (Krackhardt and Porter, 1986).
- Leaving the current organisation consider one of the problems escape for those younger employee whereas senior employee tend to stay down and invest more efforts for solution (Munasinghe and Sigman, 2004).

- Younger staff is simply remuneration oriented at a transient stage in their careers – for example to help funding their academic (OECD, 2007; Yorke and Longden, 2008).

The findings by Aizzat et al. (2003) revealed that marital status, educational qualification and salary are inversely related to commitment towards organisation. This study also examines whether level of education will influence personnel satisfaction towards their work among SMEs in the manufacturing industry. There is a negative relationship between educational background and job satisfaction; perhaps more educated people are more aware of what constitutes effective and ineffective management techniques (Michael & Richard, 1975). Therefore, some companies continue practices the quality of work among well educated staff, however, they neglect the job satisfaction. Previous studies found that the more highly-educated members of the workforce tend to less satisfied with the general way of management in their organisations if compare with those employee with less education background (Michael & Richard, 1975).

However, employees who normally obey to the commitment of organisations or employers are those who feel trapped in a situation which forces them to commit themselves to their work. There are various factors which contribute to such a situation, including lack of confidence in obtaining employment somewhere else (educational level or working experience), family responsibility, nearing retirement (age factor), and health concerns.

Due to family responsibility, the desire for flexible working environment is one of the elements considered important among employees. If work-family policies

were implemented in the organisation, there will have a positive effect on the stock prices of the organisation (Michelle, 2003). By institutionalised the work-family initiatives in the organisation, Michelle found that stock values would raise. When employee personal needs were met consequences from the legitimated of work-family initiatives, the productivity of work outcome also increased. Therefore, stock values increase and benefit the shareholders return on investment. Since organisations were claimed to responsible for employees, customers, and communities, so the organisations should implement work-family policies within the organisations. Furthermore, institutional theorists also supported about this idea (Michelle, 2003).

There are exist of some companies implemented the work-family flexibility in their organisations. For example, Xerox Corporation (US) do not mandate the working hour everyday to their salaried employees. The employee is expected to manage and determine their working schedule depend on their own conveniences. With such implementation, workers are able to have more time to take care of their children. Flexibility of work hour enables workers to allocate their working hours with respect to their own family requirement. However, the work hours must be standardised within the staff in services.

In the effort in retaining the employee, it is important to the employee that flexibility in work arrangement. In 2001, in a survey conducted by Wirthlin Worldwide, 75% of the respondents used to personalise their working hours at least once a month. The reason they forced to do their personal matter in working hours are mostly due to family responsibility. Steve Bigari, who owned nine

McDonald's restaurants in Colorado Springs, would like to reduce the turnover rate in his restaurants. He implemented "McFamily Benefits" to reduce turnover in a 300%. In his benefit plan, the restaurants offer benefit such as transportation access, education opportunity, health care benefits, accommodation, childcare availability, and even stock options to his staff. However, the offers are part of the collaboration programmes with state, non-profit and private agencies. The intention of this idea was plan to generate trust and confidants relationship between employer and employee by providing them the benefits as they needed. The increase in retention rate proof us that his effort was working (Freda, 2003).

## **2.4 Studies on Supervision**

Mobley et al. (1979) accumulated a number of studies which concluded with similar findings to support for a negative correlation between satisfaction with supervision and employee turnover, which mean that the more satisfaction with their supervision, the lower the turnover in response.

'The Globe and Mail' published on July 30, 2005, reported that "Managers were crucial to curbing turnover". Managers who rely on close supervision, hierarchy and paternalistic methods were the key reasons why highly talented employees typically leave their jobs to find greener pastures. A poor relationship with a manager was the most frequently expressed concern for employees and contributed to job-hopping. Managers who took a mentoring approach were more likely to focus on relationship-building and were less likely to contribute to

turnover. The least expensive way to deal with employee retention was to train managers in coaching and mentoring skills and attitudes.

Studies have shown that new employees are less likely to leave when they are trained by someone who has substantial experience (West, 1998). Also, when new employees receive support and assurance from a mentor, they were more comfortable and confident and, in turn, they stay longer. Supervisors require providing nurturing and assurance to new employees so they feel work in the same family (West, 1998). Supervisors with good leadership styles and interpersonal skills will inspire followers by providing motivation and encouragement. It is highly encouraging the interactions between supervisors and employees to discuss about their duties, stress, commitment and other humanity issues.

There are several reasons to suggest that there may be a relationship between supervision and turnover intention. Supervisors provide valuable support and assistance to their staff through job influence, experience and nurturing (Stinglhamber & Vandenberghe, 2003). The support of supervisors by provides valuable assistance with daily job responsibilities and consequently increasing of employee job performance. Further to this, it resulting reduces of employee turnover (Eisenberger, *et al.*, 2002). With such support, it may help employees perform their job more efficiently. Furthermore, supervisor attitude and behaviour have to influence employees work related enthusiasm and stressors, subsequently, affect turnover intention among the employees (O'Driscoll & Beehr, 1994). Another possible influence of supervision to employees is they may perceive that