

**THE STUDY ON FACTORS INFLUENCING EMPLOYEE TURNOVER IN E&E  
MANUFACTURING INDUSTRY IN NORTHERN MALAYSIA**

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## LIST OF ABBREVIATIONS

ABOS	Asia Business Outlook Survey
AVE	Average Variance Extracted
BPO	Business Process Outsourcing
CFA	Confirmatory Factor Analysis
CR	Composite Reliability
E&E	Electrical and Electronic
EC	Employee Commitment
ET	Employee Turnover
FB	Fringe Benefits
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoF	Goodness-of-Fit
HR	Human Resources
HTMT	Heterotrait-Monotrait
IT	Information technology
KHTP	Kulim Hi-Tech Park
MIDA	Malaysia Investment Development Authority
MNC	Multinational companies
NPD	New product development
P	Pay
PLS	Partially Lest Square
POS	Perceived Organizational Support
S	Supervisor
SE	Standard error
SEM	Structural Equation Modeling
SET	Social Exchange Theory
T	Training

## **ABSTRAK (MALAY)**

Kajian ini menyiasat sama ada faktor-faktor seperti latihan, penyelia, gaji dan faedah sampingan; dan tanggapan sokongan organisasi (POS) mempengaruhi pekerja perolehan dalam industri pembuatan E&E di utara Malaysia. Rangka kerja untuk kajian ini adalah berdasarkan Teori Herzberg and Teori pertukaran sosial. Soal selidik yang ditadbir sendiri digunakan sebagai kaedah untuk mengumpul data daripada 150 responden yang mengambil bahagian dalam kajian ini. Partial Least Square (PLS) and Statistical Package for Social Sciences (SPSS) telah digunakan untuk menganalisis data. Hanya gaji dikenal pasti sebagai faktor penting yang mempengaruhi pekerja perolehan. Latihan, penyelia, faedah sampingan, dan tanggapan sokongan organisasi (POS) tidak mempengaruhi pekerja perolehan. Komitmen pekerja mempunyai hubungan positif dengan pekerja perolehan. Selain itu, gaji, faedah sampingan, dan tanggapan sokongan organisasi (POS) mempunyai pengaruh positif terhadap komitmen pekerja. Komitmen pekerja didapati untuk mempunyai kesan pengantara terhadap gaji dan faedah sampingan atas pekerja perolehan. Penemuan daripada kajian ini akan membolehkan industri pembuatan E&E di utara Malaysia dan pembuat dasar kerajaan lebih memahami keperluan pekerja untuk mengekalkan pekerja-pekerja dengan mewujudkan program pengekalan yang berkesan dan meningkat dasar pekerja. Penemuan kajian ini adalah berdasarkan kepada responden di negeri-negeri seperti Pulau Pinang dan Kedah.

## **ABSTRACT**

This study investigates whether factor such as training, supervisor, pay and fringe benefits; and perceived organizational support (POS) influence employee turnover in E&E manufacturing industry in northern Malaysia. Herzberg Theory and Social Exchange Theory underlie the model framework in current study. Self-administered questionnaire was the method for data collection with a total of 150 respondents taking part in this study. Partial Least Square (PLS) and Statistical Package for Social Sciences (SPSS) were utilized to analyze the data. Only pay was found to be crucial in influencing employee turnover. Training, supervisor, fringe benefits and perceived organizational support do not influence employee turnover. Employee commitment has a negative relationship with employee turnover. In addition, pay, fringe benefits and perceived organizational support (POS) have a positive influence on employee commitment. Employee commitment was found to mediate the effect of pay and fringe benefits on employee turnover. The research findings from this study will enable E&E manufacturing industry in northern Malaysia and the Malaysian government policymaker to better comprehend the needs of employee in order to retain the workers by establishing effective retention program and improving employee policy. The findings are mostly based on respondents in states such as Penang, Kedah.

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

Employee turnover is a significant organizational occurrence; and it is crucial to corporation, individuals, and society (Philip & Connell, 2003). Reducing unwanted turnover which involves thought or key leaders, top performers, top revenue producers, high potential workers, employees with business strategy critical skills, and individuals with major client relationships or other contacts, and innovators is the retention aim for every organization (Emerging Workforce Study, 2005).

The structure of this study which looks into the factors influencing employee turnover in electrical and electronic (E&E) manufacturing industry in northern Malaysia will be elaborated in this chapter. Another important objective is to study the employee commitment as mediating tool which affects the employee turnover. This chapter expresses the foundation for the thesis. Background of study will be started then followed by a discussion on the problem statements, research objectives, research questions and scope of study. By understanding the key terms definition of major variables will provide better comprehension in this research. Lastly, significance of research and organization of the study will be discussed.

## **1.2 Background**

Findings of the 2013 General Industry Total Rewards Survey show that employee Turnover rate in Malaysia increase from approximately 12% in year 2012 to around 13% in year 2013 in general industry (Tower Watson, 2013). High staff turnover found in manufacturing, conglomerates and financial services sectors. In year 2013, 24.0% employee churn went to manufacturing sector, conglomerates encountered 14.0% employee turnover, BPO faced 19.0% churn rate and lastly financial services underwent 13.3% in staff turnover. One of the main reasons is that stable economy in Malaysia lead to arising of turnover rate in general industry even though global economy is debatable (Tower Watson, 2013).

For the Malaysian economy, manufacturing industry is viewed as an “engine of growth”, in terms of its contribution to GDP, total exports, and total employment (Dogan, Wong & Yap, 2013). During the Tenth Malaysia Plan, 2011-2015 (Malaysia, 2011), manufacturing sector has been generally promising in the performance and positive in both GDP and exports. During Tenth Plan period in 2015, 23.0% or RM243.9 billion has been contributed by manufacturing industry to GDP and growth of 4.8% per annum is estimated. Hence, manufacturing sector was positive in overall performance in Malaysia. E&E and chemical subsector are crucial for the sector to grow. E&E added value by arising from RM44.2 billion in 4 years ago to this year with RM53.8 billion, due to new applications for semi-conductors in energy efficiency, mobility, connectivity, digitalization, and miniaturization.

As reported in Malaysia Investment Performance Report 2014, Malaysia and Singapore are obviously the leaders in E&E and advanced technology industries. The

diversified manufacturing and export base with member states apparently specializing in specific industries is one of ASEAN's greatest strengths which provide investors strong ecosystems on which they can leverage. From 2013 to 2014, there was an increment from RM9, 815 million to RM11, 147 million for investment in approved manufacturing projects in E&E industry. The majority of projects implemented in Penang, third largest after Selangor and Johor covered major industries such as E&E during the five-year period of 2010 to 2014. In the recent years, sub-sector in the electronic components has gone through a structural change with companies shifting their aim to frontage operating that require greater updated research and design activities. Local engineers are given opportunities to engage in NPD and advance technology.

There are several bustling industrial hubs in northern Malaysia located in Kedah and Penang. In Kedah, the first Hi-Tech Park in Malaysia was officially opened in 1996 and named as Kulim Hi-Tech Park (KHTP) by covering an area of approximately 1, 700 hectares. The remarkable E&E MNC such as Celestica, Fuji Electric, Infineon Technologies, Intel, and Malaysia owned company such as Silterra Malaysia (KHTP, 2015). In Penang, Bayan Lepas Free Industrial Park has expand more than 40 years by existence of MNC like among the pioneers in Penang's electronic industry and companies that have continuously invested and grow in Penang till today are AMD, Hewlett Packard (subsequently Agilent), Intel, Hitachi (now Renesas), Bosch and Osram which choose to remain and continue to expand their business in Penang. Penang has been famed as "The Silicon Valley of the East" due to its initial manufacturing success. Other than that, several industrial areas in district of Penang mainland consists of Prai Industrial Area, Bukit Minyak Industrial Park, Penang science park, Juru and Bukit



Tengah light industry area and next newly Batu Kawan which is heading towards thriving industrial sector (Vinesh, 2013).

In present world market, the share of Malaysia's manufacturing exports especially in E&E subsector is shrinking due to tight race from emerging economies such as China, Vietnam and India (Malaysia, 2011). In the Eleventh Malaysia Plan, 2016-2020 (Malaysia, 2015), new direction for E&E manufacturing sector will be strategized and introduced in order to produce high value, more diverse and complex products. Based on the annual report of Malaysia Development Bank (BPMP, 2007), E&E industries faced challenge in coping with the supply of skilled workforce and talents shortage, due to the increasing competition in the recruitment of workforce that has given a rise to job hopping by skilled workers to high staff turnover among companies.

Organization itself will be successful and brought great rewards if they have ability to retain high performing employees because the growth and development of organization are driven by the key element which is human capital. However, nowadays, there is a great rise in turnover trend in working environment. Referring to Zafar, Altaf, Bagram and Hussain (2012), turnover refers basically to permanent quitting or getting separation from job. Lochhead and Stephens (2004) previously conducted study and claimed that organizations tend to suffer the loss of skills, experience and "corporate memory" when they lose employees. The seriousness of this loss is extreme management issues which influencing product and service quality, productivity and earning. For coworkers, high churn in employee will adversely affect their employment cohesiveness, relationships, morale, and workplace safety. To replace those specific workplace-acquired skills and knowledge people who left, it could take long times, associated the

problems with looking for and training new workers; and incur high cost by replacing workers.

According to the survey which was conducted by Jobstreet.com (2012), salary, relationship with immediate supervisor/boss and company policies & benefits are among the top 5 factors influencing employee satisfaction which leading to employee turnover in an organization. Although many non-monetary factors have been identified, one important and essential factor which is used to retain employees is training and development (Chen, 2014). There are many researches which study the relationship between factors such as training, supervisor, pay, and fringe benefits; and employee turnover. Those studies showed that a low satisfaction on the related factors result in higher employee turnover. This present study investigates employee commitment as a mediator between related factors which includes training, supervisor, pay, fringe benefits; and perceived organizational support and employee turnover.

### **1.3 Problem Statement**

Optimum turnover is to ensure ideal inflow of talent to organization and at the same time lower the outflow of good employees. Research has showed that turnover rates are rather higher in developing countries relatively to developed countries (Schaffner, 2001). According to Hay Group (2013), they had surveyed and anticipated Europe countries such as Germany and Belgium exhibit lowest turnover rate compared to other countries. Europe companies are more confident and capable to retain good workers and experience lower recruitment or training cost.

Based on Economist Corporate Network Asia (2015), the fastest-growing economies countries, notably China, India and South-east Asia, where the companies operating in, had to face double digit employee turnover rates which is more than 10%. Churn in employee for South-east Asia had accelerated the most in 2014 hitting at 11.5% compared to the previous year only with 9.5%. This might be due to reflection in rising foreign investment inflow of FDI into ASEAN are at record levels. Besides, increment in cost of business in China had caused some companies to look to South-east Asia as an alternative. However, the relatively mature, low-growth markets of Japan, South Korea and Australia appear easier to handle. Predictably, Japan again is the lowest with employee turnover rate with figure of 4.8% in Asia due to the inflexible hiring and firing regulations. One of the issues of staff turnover is impacting profitability. Currently, retaining employee in the high-growth parts of Asia is a perennial problem for the employer.

Previous study identified that high employee turnover lowers productivity and drains organization profits which Employee turnover in direct cost is around 22.5% of total cost and approximately 77.5% is hidden cost such as losses in opportunity and productivity (Racz, 2000) Under the research by Emerging Workforce Study (2005), turnover represent cost that are greater than simple replacement cost because it is necessary to consider real cost when investment in employee in order to gain knowledge and experience. Somehow like the costs of losing a good performer or key player in one firm is hard to estimate.

In view of all of the impacts related to employee turnover, this research is crucial to look for main factors which affect employee turnover in E&E manufacturing industry

in northern Malaysia. This will assist the E&E manufacturing industry restructure their retention program which is effective for employer; and employee policy which is more significant to employee. This result will show which factor play the most important role to employee turnover, so that organization can focus into that. Besides, the result will help organization to develop new solution or strategy to prevent any employee churn.

#### **1.4 Research Objective**

The main objective of this study is to examine the staff turnover in E&E manufacturing industry in northern Malaysia. The research results will enable researchers to understand the importance of relevant factors, perceived organizational support and employee commitment on churn rate in organization. This will assist E&E manufacturing sector in northern region of Malaysia to enhance employees' satisfaction and happiness to improve employee commitment relating to company goals. The research objectives of this research include:

1. To analyze whether the factors such as training, supervisor, pay and fringe benefit; and perceived organizational support influence employee turnover.
2. To examine training, supervisor, pay, fringe benefit, and perceived organizational support as the factors that may influence employee commitment.
3. To investigate relationships between employee commitment and employee turnover.
4. To determine whether employee commitment mediates the relationship between training, supervisor, pay, fringe benefit and perceived organizational support; and employee turnover.

## **1.5 Research Questions**

The purpose to conduct this research is to study the correlation between given factors and churn rate and the mediating role of employee commitment. The research questions of this research include:

1. Do training, supervisor, pay and fringe benefit; and perceived organizational support influence employee turnover?
2. Do training, perceived organizational support, supervisor, pay, and fringe benefit affect employee commitment?
3. Does the employee commitment influence employee turnover?
4. To what extent commitment mediates the relationship between training, supervisor, pay, fringe benefit and perceived organizational support; and employee turnover?

## **1.6 Definition of Key Terms**

For the justification of understanding in the following discussion, the key terms and variables used in this study were described in the section below.

### **1.6.1 Training**

According to Aguinis and Ktaiger (2009), training is defined a systematic approach impacting mind, skill and behavior of employees to improve effectiveness of organization. Armstrong (2012) noted that training is systematic and formal process to nurture knowledge and assist employees to gain required skill to perform job.

### **1.6.2 Supervisor**

The Second Circuit defines a "supervisor" as someone who is not only able to take or recommend tangible employment actions against an employee, but could also be able to direct an employee's routine work (Meyers, 2015).

### **1.6.3 Pay**

Pay means the total amount which an employer pays or provides to, or on account of an employee as wages, salary or other earnings by way of entitlements having monetary value (WorkCover Queensland, 2015).

### **1.6.4 Fringe Benefits**

A fringe benefit is a benefit supplement to the employee's regular remuneration which is provided by the employer, by a third part or an associate of the employer.

Employee him/herself or an employee's associate is entitled to the provision of this benefit (Department of Treasury and Finance, 2007).

### **1.6.5 Perceived Organizational Support (POS)**

Regarding to the organizational support theory, organization humanlike characteristic is found to encourage employee to develop POS. The definition of POS is that organization values the contribution from and concerns the well-being of employees leading to create global beliefs in certain extent (Eisenberger, Huntington, Hutchinson & Sowa, 1986).

### **1.6.6 Employee Commitment**

O'Reilly and Chatman (1989) defined employee commitment as an employee feels a psychological attachment towards the company. Researches (Newstrom and Davies, 2002) defines employee commitment as the extent to which an employee desires to continue eagerly participating in it and identifies with the organization. It is described like a strong magnetic force attracting between two magnets to measure the employees' willingness to stay in an organization in the future. The employee's belief in the mission and goals of the company is often reflected, willingness to put effort in their achievement, and intentions to continue working there.



### **1.6.7 Employee Turnover**

The meaning of employee turnover is the rotation of workers between organizations, career, labor market; and the states of unemployment and employment (Abbasi & Hollman, 2000).

## **1.7 Significance of the study**

Employee turnover has been an imperative topic for decades. The comprehension of factors and reasons of employee turnover will help an organization to prevent drain of knowledgeable and experienced employee and to save operating cost. This research is significant to discover the main factor that lead to employee churn in E&E manufacturing industry in northern Malaysia.

### **1.7.1 Theoretical Contribution**

For theoretical contribution, this study will contribute employee turnover literature by examining which factors significantly result to employee turnover occurrence. This research also serves to advance literature concerning E&E manufacturing industry in northern Malaysia in regards to employee turnover intention. The development of the designed conceptual framework provides important factors influencing employee turnover in E&E manufacturing industry in northern Malaysia.

Besides, this research assist the researcher to comprehend the causes of high turnover rate in manufacturing sector especially in E&E sector in northern region of Malaysia. Via the designated survey form, insightful data and fruitful information will be obtained from the employee's viewpoint on employee turnover. These useful findings

will then, assist the E&E industry to revitalize their employee retention program and policy accordingly.

The project will give insight on churn rate by employees from E&E manufacturing industry in northern Malaysia. Useful insight which acquired from the result of this research project can be able to support the E&E manufacturing sector in restructure their company employee policy to sustain their business and to retain their employee in the competitive market.

A further contribution of this research will be added to existing studies that extend SET to consider the essential factors which consisting training, supervisor, pay and fringe benefit; and perceived organizational support in affecting employee turnover and also employee commitment to mediate between them. This research project is expected to be as a reference for future researcher in employee turnover's project management.

### **1.7.2 Practical Contribution**

For the practical contribution, the result obtained can aid to enhance retention program which is meaningful to both employer and employee. The collected data will show which factor that gives the most significance towards the employee turnover in order for company to focus and tackle. Moreover, the result will help employer to initiate preventive action and solution for employee turnover issue. As the same time, this also strengthens the relationship of employer and employee; eventually lead to elevate employee loyalty.

Ultimately, the government can apply the findings of this study as a reference to re-evaluate the current policy to retain employee in an organization. Through the result of

this study, government may develop new policy for E&E manufacturing organization on compensation and benefit that will attract more capable candidates to be recruited, retain good workers and rewards outstanding performers. Thus, a more profound comprehension of significant factor is likewise valuable for government policymakers as they can channel their major consideration to those areas that can reduce the employee turnover rate in respective sector.

### **1.8 Organization of the Remaining Chapters**

There are five chapters in this study. Introduction and additionally an overview of this study will be presented in this chapter. Besides, first Chapter covers research background, research objectives and research questions. Chapter two section literature review that outline past studies undertaken in relation to factors that influence employee turnover. The theoretical framework of this study and the hypotheses development are included in Chapter two as well. Chapter three explains the information and factors in terms of method of data analysis, measurement of variables research design and sample collection. Then, Chapter four investigates the data by utilizing SPSS and Smart PLS software. Then, it will include data analysis from statistical analysis, descriptive statistics, validation, reliability analysis and structural equation modeling. At last, the overall findings, implications, and limitation as well as recommendations for future study and final conclusions will be covered in Chapter five.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Previous literature is presented this chapter to establish a theoretical foundation whereupon research hypotheses can be formulated. This chapter focuses on the review of the literature with regards to relevant theories. Subsequently, this chapter will come up with an overview of the former literature on the main point of this study such as training, supervisor, pay and fringe benefits; perceived organizational support towards employee commitment and employee turnover. Lastly, research framework of current project and research hypotheses are proposed accordingly based on the relevant literature review.

#### **2.2 Herzberg Theory**

Employee satisfaction is a term coined to comprehend the elements that motivate employees. Herzberg, Mathapo, Wiener and Lawrence (1974) performed interviews with employees in order to better understand the factors which motivate employees by determining what aspect of their job they like and what feature caused displeasure to them. A two-step framework was suggested by Herzberg (1975) to comprehend satisfaction and motivation of employee. This theory is developed to illustrate how employee react to their job and work condition. All factors were highlighted by Herzberg and they could be categorized in two groups. The first group consists of Hygiene or Maintenance factors, and second group incorporate Motivating factors. Herzberg theory is illustrated in Figure 2.1 as below:

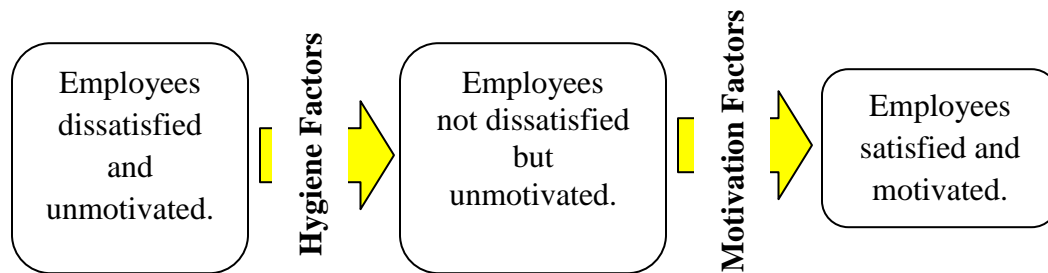


Figure 2.1: Herzberg's Two Factor Theory

Sources: Steyn (2010)

Based on the needs of the organization, hygiene factors is the group to avoid bad feeling or offensiveness in work place. If these factors are insufficient to meet employees' expectation, dissatisfaction will occur in the work place. Hygiene factors includes company or organizational policies, quality of superior, working environment, wages, relationship with co-workers, status and security. If these elements are negative, it could lead to dissatisfaction in work. Although these factors are present, employee does not necessarily feel satisfied as they simply does not dissatisfy as well. The employee will feel satisfied when motivating factors are present.

Achievement and advancement belong to motivating factors, if these elements are positive, it would contribute towards job satisfaction and motivation. Personal's need for individual growth could be led from these factors. Once it is appeared, motivation factor could motivate and trigger worker to perform the task or assignment above average and more than expected. Status, opportunity for growth, gaining acknowledgment, duty, challenging/ stimulating work; perception of individual achievement and development in career are included in Herzberg's motivating factors.

### **2.3 Social Exchange Theory (SET)**

Study on SET is widely conducted previously and common relationship between employer and employee is the definition of this term. This theory proposes that when someone gives another person a reward, resource or other perceived commodity, the giver will expect to get future return from the receiver (Bernerth & Walker, 2009). Organizational studies argue not only impersonal resource such money is exchanged between employer and employee, but also socioemotional resources such as approval, respect, recognition and support (Eisenberger, Armeli, Rexwinkel, Lynch & Rhoades, 2001). Based on what mentioned from the theory, the worker is eager to support the culture in workplace and ready to put down some insignificant values such as time and time (Eisenberger *et al.*, 2001).

First thing, the underlying social exchanges require trust as a basic need for relationship (Blau, 1964). Secondly, for social exchange, it is crucial to invest in the relationship (Eisenberger, Huntingdon, Hutchinson & Sowa, 1986; & Rousseau, 1995). Specifically, in social exchanges, some risk is inherent for because investment might not be repaid even though both parties have funded into each other party and importantly trust is required (Cotterell, Eisenberger & Speicher, 1992). Thirdly, social exchange needs a long-term orientation since the exchange is continual and based on the sense of obligation (Blau, 1964). Lastly, the final disparity is the focal point on financial such as benefits and pay as compared to socioemotional aspect of exchange such as concession and care from organization.

Several studies (Moreland & Levine, 2001; & Van Knippenberg & Sleebos, 2006) have established that social exchange outcomes are from job satisfaction and organization

commitment because the two constructs reflect a perception of the exchange quality of which the working organization and the employee are required to fulfill their obligation to each one another and set up ongoing reciprocity. Hence, it is considered to be closely linked between organizational commitment and job satisfaction through social exchange model (Chiu & Ng, 2013).

In organizational researches, the SET and the concept of POS have been used to illustrate the mental process rooted with employee behavior and characteristic (Blau, 1964). SET suggests that individual is likely to return the other party's favor if he/she receives favorable treatments from others. Eisenberger, Fasolo and Davis-LaMastro (1990) proposed that commitment is the best to be conceptualized by social exchange relationship in which commitment is point of view of employee side of the exchange and POS represent the employer side of the exchange. The concept of POS which refers the degree of the organization appreciating their contribution of employees and concerning their well-being has been utilized to picture the social exchange relationship between employer and the employee (Eisenberger *et al.*, 1986).

SET is the driving strength that primarily affects employee organizational commitment specifically; POS, job satisfaction, and job involvement were identified as main factors of employee commitment (Salim, Kamarudin & Kadir, 2008). On the other hand, certain number of investments in developing and motivating employees is provided by the employer in order to minimize the turnover culture in the organization (Lee & Bruvold, 2003).

## 2.4 Employee Turnover

To an organization in any business culture and industry, employee turnover is a widely known topic. Employee turnover causes some significant impacts to organizations and outcome has to be borne by HR. According to Khatri (1999), when employee is readily to change their current job which is based on own desire, this is the occurrence of turnover intention. Regardless what size an organization is, turnover intention among the employees is present and always is a key issue for organization to minimize or get rid of it. However, employee turnover is not a concern to certain organization such as hotel and fast food industry which is focusing on part-time employee (Cascio, 2006).

Permanent getting separation or quitting from job is the basic definition of turnover (Zafar *et al.*, 2012) while Brigham, Castro and Shepherd, (2007) define turnover as intention to exit. This particular act of quitting from an organization causes detrimental impact to the organization because both direct and indirect costs are involved as it influences morale, productivity, reputation, and survival of the organizations (Hinkin & Tracey, 2000). Recent study by Ponnu and Chuah (2010), they stated that the staff retention is the greatest challenges and issues which have to be resolved by HR in organizations. High churn rate not only incur direct finance cost involving employee replacement, but also trigger the chain effect as key skills, knowledge and experience will be vanished, operation will be interrupted and eventually morale in work condition is negatively affected. Not only impact on organization, employee turnover may also have a variety of effects on employee itself and society (Arokiasamy, 2013).

According to Shaw (2011), both voluntary and involuntary employee who departed are counted as turnover and it also comprise those who retires, terminates,



resigns and layoffs. Turnover culture is mostly influenced by coworkers to an individual and he/she will decide to change their present job to other organization with available position (Abelson, 1993). Therefore, that staff turnover is proved to have positive correlation with turnover culture (Khatri, 1999).

Nowadays, Asia faces two serious problems which are the turnover and turnover intention (Khatri, 1999). Study by Percy and Kostere (2006) believed that there will be no particular reason for turnover intention to occur. But, employee with high skills from sectors such as finance, IT, E&E engineering are less likely to change career as reported by Harvard Business Essentials (2002).

For many organizations, turnover is obviously a costly problem. Firms have not realized the actual magnitude of this expense because total direct and indirect costs of turnover are not often calculated by them (Hennessey 1989). Direct and indirect costs of turnover can cause critical impact on organizations efficiency (Abassi & Hollman, 2000). HR's budget as well as the organizations will be greatly affected by measuring cost of recruitment, training and severance. Research by Bozeman & Perrwe (2001) has indicated that there is correlations between job satisfaction, perception of organizational justice, and turnover cognitions as well which including quitting intention, thought of searching new job and turnover rate.

Although there is an abundant literature on employee turnover, still there is not generally agree framework for why employees leave (Curran, 2012). Because of its negative results and impact, employee turnover has become important issue and relevant research for academicians (Mrara, 2010). Researches by Morris, Bloom and Kang (2007); Booth and Hamer (2007); and Tambunan (2007) have shown that turnover intentions

were strongly predicted based on job satisfaction. According to Arokiasamy (2013), job satisfaction, wages, career promotion, benefits packages, supervisors, job fit, individuality, unionization, working culture and perceived alternative employee opportunity are variables to cause employee turnover. In addition, the causes of employee turnover includes organizational factors which affect employee turnover include culture, leadership, training, job expectation, economic factors and lastly work life balance.

## **2.5 Training**

According to Salas, Tannenbaum, Kraiger and Smith-Jentsch (2012), continuous learning and skill development are today's trend of development in modern organization. Hence, well-designated training is very impactful and important for organization to ensure their employee to learn and develop continuously. Training and development programs allow company to be adaptive, competitive, excellent, innovative, productive, secure, improving service and achieving goals. Organization believes investment in training creating skilled workforce which represents a competitive advantage (Patel, 2010). This was proved by researcher Delaney and Huselid (1996) that effective practices by organizations related to staffing and training were positively related to perceived organizational performance, whereas in a study of nearly 1,000 companies, and documented that the use of high-performance work practices (including effective recruitment and selection, compensation systems, and training) predicted employee retention and performance as well as long-term measures of corporate financial performance.

Training straightly reinforces competitiveness of organization because training promotes updating of skills and improving well-being, sense of belonging, and commitment (Acton & Golden, 2002; Karia & Ahmad, 2000; Karia, 1999). Referring to study of Bartlett (2001), perceived access to training, social impact of training, motivation to learn, and perceived benefits of training are positively related with organizational commitment. Research by Cherrington's (1995) found that more-favorable employee attitudes, higher loyalty, improvement in personal development and advancement will be formed by a successful training and education program. Besides, mostly learning is basically strengthening because of the satisfaction and commitment related to new skill or knowledge acquired. Finding by Deming (1986) shows that training is important for continuous upgrading and improvement, motivating workers at work by inducing intrinsic motivation that related to the desire to develop; be trained, and to grow individually. Firms that commit effort and finances to training programs and employee development do so with the objective of a pay-off in terms of increased skill-sets, increased motivation, increased knowledge transfer (Pate & Martin, 2000), more positive psychological and organizational dynamics, as well as a measurable competitive edge.

Notwithstanding the overreaching goal of staff retention, specific training initiatives have specific goals which include the improvement of employee job performance, employee development (Burden & Proctor, 2000), the development of skills, knowledge, and attitudes (Al-Khayyat & Elgamal, 1997), and a means of achieving a competitive edge (Hallier & Butts, 2000). Given the rapid obsolescence of technology and specific skills, a continual training is necessary to provide opportunities for

employees to update their technical skill sets. Companies which fail to provide such training increase the chance of loss and these companies may pay more in the long run (Auer, 1995). Organizations must respond to demands for change while at the same time realizing that advances in technology and knowledge are rendering many traditional employee skills obsolete, while simultaneously developing needs for new ones (Read & Kleiner, 1996). Threat of obsolescence in knowledge force training and retraining becomes a necessity and it is not only for employee to grow but also for organization to grow (Read & Kleiner, 1996).

Muse and Stamper (2007) had found that when employer provides skill-enhancing program to their employee, it would establish strong employer employee's chain and create an excellent culture in organization. Hence, by these, turnover intention might be able to be prevented. Finding by Galunic and Anderson, (2000) indicated that the employees view that organization values them by investing to develop their skills and ability, subsequently creating loyalty towards the organization.

The use of training courses far outstrips what is known of their usefulness (Schonewille, 2001). Mann (1996) mentioned that despite heavy investment in training, organizations can frequently fail to evaluate adequately the value or success of their training programs. Besides, organizations not only devote considerable resources to training but need to understand the value of evaluating the training process as well. Such evaluation is a key phase in any proposed training and development process (Al-Khayyat & Elgamal, 1997). Even though companies do carry out evaluations, it is still considered ineffective as they often use late measures (Schonewille, 2001). Trainee perceptions are the most common metric of evaluation (Mann, 1996). Such assessments are ad-hoc,

unsystematic, informal, and unstructured evaluations of training programs, which tend to be post-training appraisals rather than approaching the evaluation of training programs from their design stages (James & Roffe, 2000). Within the E&E sector, training can be considered to encompass organized, structured, formal events and sessions offered to employees as company initiative.

## **2.6 Supervisor**

For employees, supervisor could be most important because supervisor somehow like a middleman of organizations, frequently communicate with employee on routine, enacting both official and unofficial procedure of events, and crucially act as assessor of rewards to subordinates (Farh, Podsakoff & Organ 1990). Herzberg, Mausner and Snyderman (1959) stated that one of the variables affecting job satisfaction is the relationship between workers and supervisors. However, Vroom (1982) stated that there is significant evidence demonstrating that satisfaction is related to an employee feeling which received from supervisors.

Cappelli (1992) stated that one of the factors to influence employee's decision to stay with the organization is the relationship between supervisor and employees. Research shows that employee turnover is greatly affected by supervisors. The relationship between subordinate and superior could greatly determine the length of time that employees stay and work in an organization (Dailey & Kirk, 1992). Employees value and respect certain factors about supervisor. Firstly, Gomerz-Mejia and Balkin (1992) notes that employee desire supervisor who can know and understand them and who treat them with justice. Supervisor who can be believed is preferred by employee. Levels of