

Factors Affecting the Staff Turnover Intention: A Case study of a Malaysian Steel Manufacturing Company

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Abstract

Organizational performance is very important in order to ensure business sustainability. However, staff turnover is among the most challenging issues which has great impacts the performance of organization. It is concerning the management and human resource professionals because it involves high turnover costs and creates huge challenging tasks to the human resource management in the organization. Understanding the factors affecting the staff turnover in organization provides valuable inputs to human resource professionals in order to reduce the staff turnover issues in the organization. The company chosen for this research is a steel manufacturing company in Malaysia. Quantitative research methodologies are applied in this research. Closed-ended questionnaires developed to gather feedbacks from staffs regarding the major factors causing staffs to leave the company. Convenience and stratified techniques are used to select sample size from the population within the company. Frequency distribution is used to interpret survey data into frequency, percentage and cumulative percentage. Data analysis tools such as Descriptive Statistics, Pearson Correlation and Multiple regression is applied to analyse the relationship between the factors causing staff turnover and the staffs' intention to leave the organization. The outcome of this research showed the factors studied such as staff benefits, working environment and training and development opportunities influenced the staff turnover intention.

Keywords

Staff turnover, Demographic variables, Steel manufacturing industry

Introduction

In Malaysia employee turnover rate was increased from 0.9% from 12.3% in 2012 to 13.2% in 2013 which manufacturing, business group and financial industry were suffering a high staff turnover (Salary to increase 2013). The Productivity Report 2013/2014 stated the major challenge facing by the manufacturing sector in Malaysia is finding and retaining employee.

Staff turnover is a common phenomenon in every organization. It refers to the number of staffs who leave from an organization and are replaced by new staffs (Mayhew, 2017). Every organization put utmost effort in reducing the degree of staff turnover because it is cost ineffective to the organization and economy. To get an indication, an organization has to spend extra expenses on the rehiring activities; in which the expenses include advertisement cost,

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retraining cost and supervisory time. In this study, we will focus on the voluntary staff turnover in the company. Job disengagement with personal reasons from staffs by giving a written notice to the employers is considered as a voluntary turnover (Mayhew, 2017). The study of the company is a steel manufacturing company which supplies on the steel product. Emphasis will be on determining the underlying factors that lead to this presumed high turnover rate of employees. The past and present employees will provide insight on what needs to be done to improve the employee retention rate.

In this study, we targeted a steel manufacturing company in Malaysia, High employee turnover triggered management concern as the manpower shortage and the cost of recruitment directly affect the productivity and impact negatively to company financial. Management believes training and development, working environment, and staff benefits will affect the staff turnover intention. However, the factor was not measured and not properly identified by organization. The steel manufacturing company would like to investigate and identify the factor contributed the most to the employee turnover to reduce the impact to the company.

Demographic variables appear to explain staff turnover in general. An employee's gender, age, marital status, qualification, income and years of service have been discovered to have significant relationship with staff turnover (Agyeman and Ponniah, 2014). Meanwhile, components such as staff benefits, working environment, and training or development opportunities; have been proven to have association with the staff turnover in an organisation (Mosadeghrad and Ferdosi, 2013).

The researcher identified that there are limits of students on factors influencing employee retention in Malaysia's steel manufacturing industry. It is therefore shown the gap and it is convincing for researchers to carry out the study in examining the factor of training, compensation, in the manufacturing industry. The research is able to provide readers with a new insight into related research area.

Staff turnover intention is a measurement of whether a business or organization's employee plan to leave their current position or company (Michael Curtis 2019). It is also defined as the employee intention to leave the organization voluntarily. Turnover intention appears to be a several processes included psychological, cognitive and behavioral components and has been found to estimate the actual decision to leave the job occupation (Takase 2009). Thus, turnover intention is very depending on the factors and indicators that affect employee physically and mentality between the organization and individual.

Staff Benefit

Staff benefits are the basic needs which every working adult is looking for in his or her career while salary plays an important role in affecting staff turnover decision (Chi *et al.*, 2012). Most staffs feel that they worth more than what they are actually paid, while the gap between the salary amount from their thoughts and from what organization has spent on them may lead to staff turnover. There is a very early study by Pencavel (1972) discussed about the effect of the departure employee on the performance. The author studied an organization in having a determined turnover rate, considering an operation strategic of remind no change in operations with low pay out wages but high turnover rate or a low turnover rate with higher wages. The result show in the study after testing the data found optimal strategy very depending on the employee qualification of the works. If the qualification of works is high, it tends to have higher cost of operation, In fact, the high turnover implied negative impacts to the companies. In this

regard, present study proposes to test the direct relationship between staff benefits and staff turnover intention toward a steel manufacturing industry in Malaysia, and this leads to the construction of first hypothesis.

H1: There is a significant relationship between staff benefits and staff turnover intention

Working Environment

Working environment in term of organizational culture, management style are also components that might impact the staff turnover. The more an organization expresses the sense of commitment to the employees and its development of the sense of shared goals, the more employees will experience job satisfaction and will result in lower turnover rate (Kuria, Alice and Wander, 2012). Thus, it is crucial for staffs to understand the vision and direction of the organization, while to feel as part of the team in order to lead for better cooperation. Meanwhile, the management style and the working environment of an organization are closely related to the organizational culture (Andish *et al.*, 2013). A leader with good management style is able to create comfortable working environment which maintain the staffs' morale to be good and happy.

Based on the research conducted by Moncarz, Zhao, and Kay (2009), the model was developed. The influence of a working model of organizational initiatives associated with employee turnover and retention that was being tested by the researchers. The work environment is vital for predicting the employee retention as according to Brenner (2004), the ability to share knowledge throughout organizations depends on how the work environment is designed to enhance organization to utilize work environment. Work environment and employees are interrelated that exists within the employee and the environment in which the employees work. The improved condition of the work environment will enable employee productivity (Taiwo 2010). Work environment contributes as a major factor that influence the worker the decision-making weather to stay or leave from the organization (Zeytinoglu & Denton 2006). In this regard, the present study proposes to test the direct relationship between working environment and staff turnover intention, and this leads to the construction of second hypothesis:

H2: There is a significant relationship between working environment and staff turnover intention.

Training and Development opportunities

Staffs may tend to leave their jobs if the organization does not invest much in the training and development programs. Some staffs hope to have salary increment if they contribute more to their organization after attending training and development classes (Alkahtani, 2015). If the organization offers limited training and development programs, only a small group of staffs will be benefited; whereas if the company highly invests in the training and development programs in order to improve the overall performance of the organization, this might induce in staff turnover as well because the trained staffs will get a better pay from other organizations, based on the skills and knowledge they possess.

According to Hong *et al.* (2012). They poof that training and development opportunities has a significant relationship to the employee retention. Training and development area considered to be positively related to the retention because it can motivate the employee in work (Tangthong, Trimetsoontorn & Rojniruntikul 2014). One of the important determinant of organizational success in challenging environment is human capital. It can be a resource that

can integrate with the information and technical to establish a valuable morality. Training and retaining employees are two major parts in the domain of human resources administration (Chen 2014) The benefits of employee retention are organization conduct less training for new employees, save cost of recruitment, increase the performance of employees, increase productivity and increase profits and thus meet the organizational objectives and goals (Oladapo, 2014). Forfeit in investment in the particular labor and company have to recruit and train new employees if company losing their skilled employees. As a result, training and development opportunities in the organization important for staff retention and this leads to the construction of third hypothesis.

H3: There is a significant relationship between training and development opportunities and staff turnover intention.

Conceptual Framework

From all reviews, the proposed conceptual framework of this research is able to cover all the independent variable (staff benefit, working environment and training and development opportunities) and dependent variable (staff turnover intention). Since there are many researchers are coverall in relevant models, the proposed conceptual framework of this research is more valid and able to examine how independent variable possible related to dependent variable.

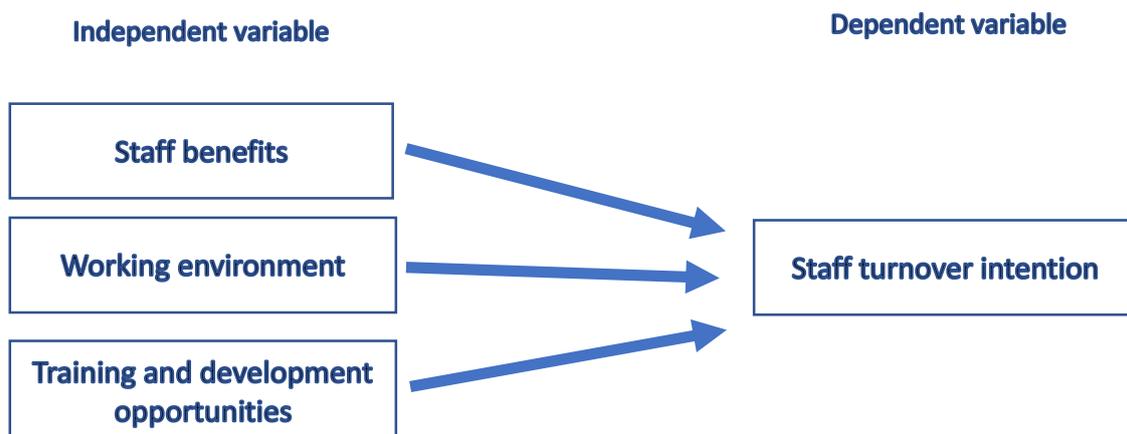


Figure 1. Conceptual framework

Research Methodology

The research design for this study is quantitative research, hence close-ended questionnaires were used for data collection regarding the factors which caused the staff turnover. The closed-ended questionnaires were filled by 30 respondents., The factors which caused the staff turnover are assessed and quantified using 5-point Likert scale method in the questionnaire. Moreover, the dependent and independent variables are defined; followed by explaining whether each independent variable has impact over the dependent variable.

The data collected from close-ended questionnaires are analyzed using the Data Analysis Function in SPSS and are summarized in tables. Frequency distribution which involves frequency, percentages and cumulative percentages; is used to interpret respondents'

demographic characteristics and the survey data. Data analysis tools in SPSS such as Descriptive Statistics, Pearson Correlation and Multiple Regression is applied to analyze the relationship between the factors affecting staff turnover intention.

Results and Discussion

Descriptive analysis

This section focuses on respondents' demographic profiles. Six demographic variables such as gender, age, education level, tenure with the company, monthly income and job category are presented using frequency and percentage.

Table 1. Respondents Background

Respondent Back ground		Number of Respondents	Percentage (%)	Cumulative Percentage (%)
Gender	Male	22	73	73
	Female	8	27	100
Age	18-25	6	20	20
	26-30	5	16.67	36.67
	31-35	2	6.67	43.33
	36-40	7	23.33	66.67
	41-45	3	10	76.67
	46-50	5	16.67	93.33
	51-55	2	6.67	100
	55-60	0	0	100
Education Level	Diploma and below	21	70	70
	Bachelor Degree	8	26.67	96.67
	Master Degree	1	3.33	100
	PHD	0	0	100
Tenure	Less than 1 year	5	16.67	16.67
	1-2 years	4	13.33	30
	2-4 years	1	3.33	33.33
	4-6 years	1	3.33	36.67
	6-8 years	4	13.33	50
	8-10 years	8	26.67	76.67
	More than 10 years	7	23.33	100
Monthly Income	1,800 - 2,500	10	33.33	33.33

	2,501 - 5,000	10	33.33	66.67
	5,001 - 7,500	4	13.33	80
	7,501 - 10,000	3	10	90
	More than 10,000	3	10	100
Job Category	Operator	12	40	40
	Supervisor	4	13.33	53.33
	Executive	7	23.33	76.67
	Managers and above	7	23.33	100

Correlation Analysis

For this study, Pearson correlation and Multiple Regression analysis used to analyze the variables and explain the relationship between the variables.

To measure the strength of relationship for the variables, Coefficient in Pearson correlation was used. Hair et al. (2007) introduced the rules of thumb regarding the strength of association and the coefficient range in the table 2.

Table 2. Pearson Correlation Coefficient Rules of thumb

Coefficient ranges	Strength Association
From ± 0.91 to ± 1.00	Very strong
From ± 0.71 to ± 0.90	strong
From ± 0.41 to ± 0.70	Moderate
From ± 0.21 to ± 0.40	Weak but relationship defined
From ± 0.00 to ± 0.20	Very weak, slight

The summary of Pearson's correlation is presented in the table 3 and there was a statistically significant correlation between staff turnover intention to staff benefits, working environment and training and development opportunities. The correlation value presented for three factors are negative value it means the relationship between the independent variable and dependent variable are negative and adverse relationship. Therefore when staff benefit, working environment and training and development opportunities is good, it tends to lower the staff turnover intention. Besides, all the independent variable P value is 0.000 which is lesser than 0.05 where H1, H2 and H3 are accepted.

Table 3. Pearson Correlation Analysis

	r	Sig
Staff Benefits	- 0.834**	0.000
Working Environment	- 0.866**	0.000
Training and Development Opportunities	- 0.851**	0.000

** . Correlation is significant at the 0.05 level (2-tailed).

Multiple Regression Analysis

Multiple regression analysis used to evaluate the relationship of independent variables to justify the dependent variables. Table 4 shows the detail regression analysis performed with staff turnover intention as dependent variable and staff benefits, working environment, training and development opportunities as independent variables.

Table 4. Multiple Regression Analysis

Variables	B	Sig
Staff Turnover intention	4.080	0.000
Staff Benefits	-0.188	0.000
Working Environment	-0.199	0.000
Training and Development Opportunities	-0.298	0.000
R	0.921	
R Square	0.843	
F	335.220	

Based on the result obtained in table 4 the R square value = 0.843. This meant that 84.3 percent of the staff turnover intention explained by the Staff benefits, working environment, training and development opportunities. In another hand, the result also conclude that 15.7 percent of the staff turnover intention could be explained by other possible factors where this study is not considered. Besides, P-value = 0.00 which is less than 0.05. The F-statistic value analysed is at 335.22. Thus, this study is appropriate and adequate to examine the relationship among independent and dependent variable. Therefore, the regression equation shown as below: Staff turnover intention = $4.080 - 0.188(\text{staff benefits}) - 0.119(\text{working environment}) - 0.289(\text{training and development opportunities})$

According to the equation, by increasing one unit of staff benefits will decrease 0.188 unit of staff turnover intention. Increasing one unit of working environment will decrease 0.119 unit of turnover intention followed by increasing one unit of training and development opportunities will decrease 0.289 unit of turnover intention.

Based on the P-value in the table, H1, H2 and H3 is supported where Staff benefit, working environment and Training and development opportunities is significantly influent employee turnover intention.

Conclusions

The purpose of this study is to investigate the factors causing the staff turnover intention in a steel manufacturing company in Malaysia. By using questionnaire, we are able to quantify data from 30 randomly selected staffs of the company. There are three independent variables being used in this research such as staff benefits, working environment and training and development opportunities. Based on the study outcome, all the factors we analyzed are high possibility that induce staff turnover intention, which is staff benefits, working environment and training and development opportunities.

Overall, this study concludes that the factors that links to staff turnover intention are staff benefits, working environment and training and development opportunities. Practical implications are manifested in this study and it demonstrates that the company should improve

on their workforce management to assesses the current staff benefit, balance the cost of operation and provide a reasonable staff benefit to the employee. Working environment is very important for worker to work under safe condition and not stressed. Manager shall create protective and harmonious working environment to the worker so that they feel safe to work in the company. Besides, create a better training and development opportunity in the company to retain staffs, managers shall do the training and development assessment for their workers based on their areas, professions workload and abilities; while rewards must be given to those staffs who able to apply the skill learn from the training to the work. Staff turnover intention can be highly detrimental to business organizations. Based on the study, staff benefits, working environment and training and development opportunities are inter-related and resulted in a domino effect which negatively impact on organization staff turnover intention which in line to the literature reviewed.

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