

A case study on determinants of human resource practices influencing retention of employees in Kedah State Development Corporation, Malaysia

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Abstract

In order to succeed and prosper in the intensive competitive environment; organizations need to maintain a competitive labor force and try to stimulate them to perform well. Organizations holding effective labor force have a better chance to win in the business. In modern business, many organizations are bearing employees' turnover loss, they spend more money to recruit new people and provide training to them. For employers, knowing how to maintain employees to stay in the organization is wiser than to prevent them from quitting jobs. For the retention is a proactive action to keep good workforce, while preventing employee turnover is a reactive action to avoid loss.

This research will explore the influence of the 5 factors (compensation, work-life balance, organizational commitment, career opportunity and supervisor support) on employees' intention to stay in the Kedah State Development Corporation Company, what are the possible attractive factors for them to stay there. This study will combine both theoretical and empirical research, trying to find factors that affect employees' retention decision. These factors can be used as options for other organizations. So other organizations may take these factors into consideration when they want to keep their labor force and maintain effective employees for the organization. This research will investigate the main factor which causes employee retention in KSDC and why employees are preferred to stay in the KSDC.

Key words: Competitive environment, compensation, work-life balance, organizational commitment

1. INTRODUCTION

The organization's success and prosper cannot be realized without support and contribution from its employees. From modern human resource perspective, human capital is the most valuable assets for the organizations (Mello, 2011). Human assets are difficult to duplicate, so they become the key competitive advantage for an organization in the intensive competition. Clearly, finding and hiring the right employees are initial to the establishment of organization, but maintaining the effective workforce will be more important for the organization's development (Schuler & Jackson, 1987).

Employee is a person who has agreed to provide service for employer in exchange for money (legal dictionary, 2010). That means employees work for the employers to make contribution to the production, sales and service, at the same time employers pay employee in terms of money for their efforts contributed to the organization. Employees and employers are inter-dependent on each other. Employees work for employers to earn salary, and employers need employees to get work done, by such way to make profit for the organization.

Many researchers studied on the topic of employees turnover (Khatri & Chong, 2001; Min, 2007; Lee, Chen), and they come up with the reasons why employees quit their job and choose another company or organization to work for, the fact such as unsatisfied pay, limited career development, work life conflict, change of residential and many other reasons lead an employee to resign from the organization. As the result, job-hopping becomes a serious and costly phenomenon in the labor market, when employees change from one job to other regardless better alternatives or other apparently "rational" motives. It may result from individual employee's characteristic such as itch of impulsiveness or social influences such as turnover culture (Khatri & Chong, 2001). Doing business in such situation, employers need to avoid the above factors leading to employee turnover to avoid losses. At the same time, it is necessary to focus on the other group of employees who choose to stay in the organization and to learn and analyze why employees want to stay in the organization, so employers can promote such situations and factors to retain talent employees and reduced employee turnover rate. Because trying to prevent employees' turnover is a reactive action, but trying to maintaining effective workforce is a proactive method for the employers in the business.

1.1 Problem Statement

Many companies have put money and energy in the training and development to their employees (Cappelli, 1999), they put more added-value to their employees, but this brings the employer with new problems: employees with better skill and knowledge change their job more active than before. If employers want to get investment return from the employees, the first question is how to retain their employees. If organizations want to survive in this intensive business environment, they need the full contribution from their employees; the first question is how to retain their employees, not to join their competitors' organization. If organizations want to get healthy and steady profit growth, they also need their employee to work hard together to reach the goal; the question is to make sure the

organization has an effective workforce, employees are preferred to stay in the organization.

Therefore, the research problem carried out in this study is to observe the impact of 5 HRM practices (compensation, work life balance, organizational commitment, and career opportunities and supervisor support) and employees' intention to stay in Kedah State Development Corporation Company (KSDC). This research will investigate the main factor which causes employee retention in KSDC and why employees are preferred to stay in the KSDC.

1.2 Research Objectives

1. To examine the relationship between compensation and employee intention to stay.
2. To examine the relationship between work life balance and employee intention to stay
3. To examine the relationship between organizational commitment and employee intention to stay.
4. To examine the relationship between career opportunities and employee intention to stay.
5. To examine the relationship between supervisor support and employee intention to stay.
6. To examine the most important determinant of HR practices (compensation, work life balance, organizational commitment, career opportunities and supervisor support) that related employee intention to stay.

2. LITERATURE REVIEW

Intention to Stay

In the human resource management domain, the term "employee turnover" has been studied for many years. But with the development of the society, starting from mid-1990s, researchers not only study why employees leave the organization but also investigating the factors to successfully influencing employees to stay and the benefit organizations gain with successful employee maintain (Ramlall, 2004).

Compensation

Many studies have point out the impact of employee compensation, rewards and employee relation on turnover and retention (Becker & Huselid, 1999; Cho et al., 2006; Guthrie, 2001; Huselid, 1995; Milman, 2003; Milman & Ricci, 2004; Shaw et al., 1998; Walsh & Taylor, 2007). They found that effective compensation systems can promote employees' commitment to organization; improve productivity and employees' willing to stay in the organization.

Financial Rewards

Financial reward is the main reason employees work for the organization. They sell their time, energy, intelligence in order to exchange the financial rewards, and continue their life. Financial rewards are frequently adopted by companies to keep employees (Farris, 2000). Financial rewards can be the reason for employees to work, and it promotes positive employee behavior, and the same time, financial rewards is the first factors for money-orientated people to take into consideration.

Benefit Package

Employee benefits and benefits in kind (fringe benefits, perquisites, and perks) are various non-wage compensations provided to employees beside on their money payment or wages (Farris, 2000). The benefit package works as a value-added compensation to employees, and they will feel that they are appreciated by the organizations.

Work Life Balance

With the development of human society, the traditional roles for husband and wife become less specified than before. In the recent 1960's and 1970's, there is significant increase in the number of women employee joining in the labor force, companied with the single parent homes. This blurred the traditional gender roles that who is responsible for the money matters and who is responsible for the family matters. Now both of the parents have to make money and at the same time to take care of all the family matters (Quick et al., 2004; Greenblatt, 2002).

Organizational Commitment

Organizational commitment is extend to which employees recognize their organization that they will make contribution for the development (Coleman, Irving, & Cooper, 2006) Booth, Burton and Mumford (2005) pointed that commitment is a process of recognition. When an individual commits to an organization, he trusts and follows the organization's objective, principles and mission, and he will more willing to stay in the organization.

3. RESEARCH METHODOLOGY

3.1 Research Framework

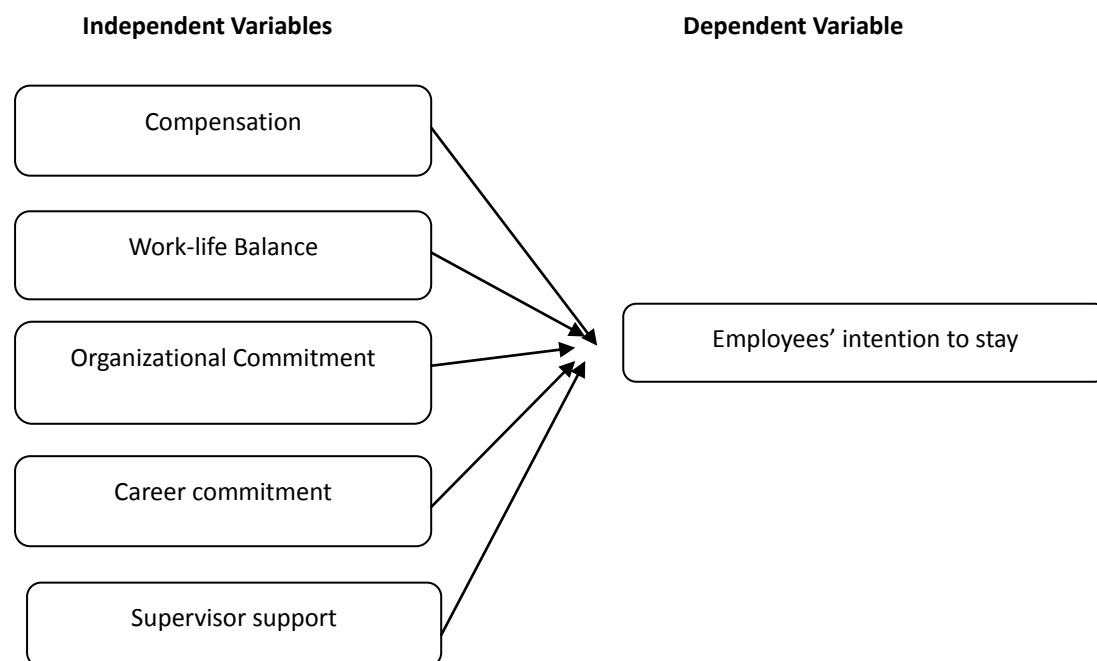


Figure 1: Research Framework

3.2 Research Hypothesis

Based on research framework there are five hypotheses which are as follows:

H1 - There is a positive relationship between the compensation and employee's intention to stay.

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H3 - There is a positive relationship between the organizational commitment and employee's intention to stay.

H4 - There is a positive relationship between the career opportunity and employee's intention to stay.

H5 - There is a positive relationship between the supervisor support and employee's intention to stay.

3.3 Research Design

Descriptive research design is used in this research. The main goal of this type of research is to describe the data and characteristics about what is being studied.

3.4 Sampling

In this study, researcher adopted the convenience sampling technique. Convenience sampling (sometimes known as grab or opportunity sampling) is a type of non-probability sampling which involves the sample being drawn from that part of the population which is close to hand.

Population and Sampling

The sampling frame for this study includes all employees at KSDC Company. Based on the information given by the HR Department, there are about 120 employees working at the company. According to the sample determination table developed by Sekranan (2003), the appropriate sample size for population 120 is 92 (92 sets of questionnaire were distributed to KSDC Company). The sample size chosen for this study is 92 employees in KSDC Company. It was considered adequate to represent the total population of KSDC Company.

3.5 Method of Data collection

The most popular data collection techniques include: surveys, secondary data sources or archival data, objective measures or tests, and interviews. In this study questionnaires are used. Company background information is obtained from the KSDC Company online web, annual report, and magazines. Questionnaire method is to collect data through the questionnaires. Researchers list the relevant questions and ask respondents to answer them according to their personal situation. Questionnaires have the comparing advantage such as: it is easy to analyze, familiar to most people, it can reduce bias and less intrusive than face-to-face surveys.

3.6 Data Analysis

Technique of Analysis

Various statistical methods will be used to analyze the data collected from respondents. In this study, the Statistical Package for the Social Sciences (SP 16.0) will be used for the data analysis. Correlation Analysis, ANOVA, t-Test, were used in analysis.

4. FINDINGS

Reliability Test

The reliability tests were employed to test the initial consistency of the study. The measurement is employed to make sure the developed factors will measure consistently the items intended to be measured. As revealed, the reliability coefficient of the study variable exceeded the minimum acceptable level of 0.60 (Nunnally, 1978). As a result, Cronbach's alpha for the intention to stay is 0.704, for compensation is 0.80, for work-life balance is 0.785, for organizational commitment is 0.789, for career opportunity is 0.829 and finally for supervisor support is 0.838.

Table: 1 Reliability Coefficient of the Study Variables

Variable	Total items	No. of deleted	Alpha Coefficient
Retention intention	5	None	0.704
Compensation	11	None	0.80
Work-life balance	8	None	0.785
Organizational commitment	7	None	0.789
Career opportunity	7	None	0.829
Supervisor support	6	None	0.838

Correlation Analysis

The Pearson correlation is used to measure the significance of linear bivariate between the independent and dependent variables in the study (Sekaran, 2003). Perfect positive correlation (r) would be said between two variable when it is represented by 1.0 (positive 1) while perfect negative correlation if -1.0 (negative 1). Significance between two variable need to be known where if $p = 0.05$, it indicated that 95 times out of 100 is a significant correlation and only 5% chance that the relationship is not truly exist. Table above shows the relationship between employees' retention intention and the 5 variables. The result indicate that there is a significant relationship between

compensation and retention intention ($r = 0.744, n = 92, p < 0.001$). The overall variables (including compensation, work-life balance, organizational commitment, career opportunity and supervisor support) have a correlation with retention intention ($r = 0.553, n = 92, p < 0.001$), and is followed by career opportunity ($r = 0.533, n = 92, p < 0.001$). The investigation shows that there is similar correlation in terms of retention with supervisor support ($r = 0.396, n = 92, p < 0.001$) and work-life balance ($r = 0.389, n = 92, p < 0.001$). Finally, compared with other variables, there is a less strong correlation between variable organizational commitment and retention intention in KSDC Company employees ($r = 0.312, n = 92, p < 0.001$).

Table: 2 Correlations between Variables

Variables	N	1	2	3	4	5	6
1. Intention to Stay	92						
2. Compensation	92	.744**					
3. Work-life Balance	92	.389**	.389**				
4. Organizational commitment	92	.312**	.298**	.001**			
5. Career opportunity	92	.533**	.431**	.365**	.385**		
6. Supervisor support	92	.396**	.295**	.034**	.513**	.429**	
7. Overall factors	92	.533**	.577**	.220**	.355**	.368**	.723**

Analysis of Differences

The analysis of T-test and ANOVA were used in this study. T-test was used to find the differences between male and female employees in terms of their intention to stay. While the ANOVA was used to find the differences between age, length of service, education background and position in terms of KSDC Company employees’ retention intention. As there is only one race (Malay) in the KSDC Company, the researcher cannot find the difference between the different race groups retention (Although there are three major race groups in Malaysia – Malay, Chinese and Indian).

5. DISCUSSION AND CONCLUSION

Compensation and Intention to Stay

The compensation is found as the most significant positive factor to influence employees’ intention to stay in the KSDC Company. As a government company, KSDC Company can provide their employees

with competitive compensation package, and the related bonus. At the same time, the information regarding how employees are paid is clear to the employees together with the consistent compensation policy. The results obtained in the study are supported by Jason, D. S. (2010) study, which he concludes compensation is the factor which never can be deleted as a means to retain employees. Employees with higher levels of pay satisfaction will less likely to leave the organization.

Work-life Balance and Intention to Stay

According to the results, work-life balance is positive correlated with employees' intention to stay in the KSDC Company. In government sector, work are more stable and there are less competition than in the private sector, the company can make positive policy to improve help employees in balancing their work and family issues. In KSDC Company employees do not troubled by the work-life conflict, they are provided with reasonable work assignment and pleasant working schedule, by such way they can balance the work and family issue.

Organizational Commitment and Intention to Stay

Organizational commitment is found to have positive correlation to the employees' retention intention. It showed that KSDC Company employees are willingly to stay in the company because they have developed the commitment to the organization. The longer service year is the higher organization commitment will be.

Career Opportunity and Intention to Stay

Career opportunity is positively related to employees' intention to stay in KSDC Company. The company gives more opportunity to the internal employees than the outsiders. Most employees are agreed that their career opportunity in KSDC Company is good and the organization value employees' career development, which can provide them with clear career path. But there was less half employees (43.6%) regard it is easy to find job in other department. The majority think the chance to apply job in other department was difficult. It may due to the characteristic of the job itself.

6. RECOMMENDATION

This study was carried out in order to find the relationship between several retention factors and employees intention to stay in the KSDC Company. However the future study, it is suggest that employees from variable sectors and more companies are encouraged to be involved. More employees should be analyzed to investigate their intention to stay (or to leave) in the organization. More variable should be considered to explain the retention intention, such as job itself, working environment, employees' relationship with coworkers. The result conducted from the private sector cannot predict the private sector well, so the inter-industry research is suggested, and whether there is difference or similarity in the different sectors.

7. CONCLUSION

This study is conducted to find the relationship between retention factors and employees' intention to stay in the KSDC Company. It has been revealed that all the retention factors have positive relationship with employees' intention to stay. They are supported by most of the previous studies. From the analysis compensation has the greatest influence employees' retention intention. So other companies can improve their employee retention effectiveness by provide employees' with effective compensation package.

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