Determinants of Turnover Intention Among Employees: A Case Study of Manufacturing Company

Thiagu P. Chandren¹, Noorlizawati Abd Rahim², Siti Hasliah Salleh³, Fatimah Salim⁴, Wan Normeza Wan Zakaria⁵

¹,⁴ Engineering Department, Razak Faculty of Technology and Informatics, Universiti Teknologi Malaysia
²,⁵ Science, Management & Design Department, Razak Faculty of Technology and Informatics, Universiti Teknologi Malaysia
³ Perdana Centre, Razak Faculty of Technology and Informatics, Universiti Teknologi Malaysia

ABSTRACT

In today’s competitive world, quality services provided to the customers are very important to spur company’s growth. A good quality service is largely contributed by valuable human capital that a company could have. However, high turnover rate reduces productivity of any organisation, increases the cost of hiring new employee, and gives bad reputation to the organisation in the market. Based on a case study of a manufacturing company in Malaysia with considerably high recorded turnover rates, this study examined whether employee involvement, working environment, role of higher management, training and development are associated with turnover intention. A total of 104 employees from a population of 134 participated in a survey questionnaire. Pearson’s correlation analysis was performed to determine the correlation among variables. Dissatisfaction towards higher management were found as the most highly associated factor to increase turnover intention, followed with employee’s disengagement, inefficient training and development and less conducive working environment. It is thus recommended that the highest priority to address the turnover is placed on role of higher management roles. The insights from this study provide ways to retain employees from turnover intention, control financial losses, improve the quality of work and earn customer loyalty.

Keywords:
Employee involvement; management roles; training and development; turnover intention; work environment

1. Introduction

Rapid technological advancement in recent years has caused the global market to become more competitive. Thus, businesses can no longer depend on traditional method to manage their organizations as the technique is no longer viable. It is time for companies to adapt to the changes to ensure that they are in the race to compete for the survival of their business. Organizations must continuously improve and come up with innovative ideas to gain advantages in the market. Many companies these days are chasing after the financial success that they tend to overlook the fact that organizational performance should not only be measured through its financial performance. Organizational performance is the ability of an organization to achieve the goals or objectives it has set for itself [1]. The success of an organization can be determined based on few different criterions which include financial performance, customer satisfaction and employee satisfaction. Although financial performance is important, customer and employee satisfaction are equally significant to ensure a continuous success of any organization.
In today’s world where technology have advanced and there is high competitiveness among organizations, many major organizations are facing hurdles in retaining their employees. As employees are the main asset of an organization, it is critical to retain them as they are the ones who plays the major part in improvement of an organization by engaging in a positive working state [2]. Apart from that, employee retention is becoming a challenging task where it cost productivity, money and time to organizations [3]. Based on previous research, many factors have been identified as factors that influence organizational performance in terms of turnover [4]. The problem faced in retention of employees and high turnover is the employee dissatisfaction in the workplace and this could range from disputes in workplace to personal problems affecting employees. High turnover is also caused by high competitiveness among similar players in industry where they could offer higher pay or better compensation than existing employer. In conclusion, there are many factors lead to turnover such as working environment, training and development, role of higher management, pay structure, co-worker influence and empowerment. Due to the instability in the current economy, it is vital that companies can identify these factors to ensure the success of their organization [5].

A successful organization is an organization which has a good reputation for treating its staff well, has many loyal customers and is financially viable. Unfortunately, many companies tend to disregard other factors and focus solely on the financial performance of their company to measure the overall organizational performance [6]. Performance measure plays an important role to determine what strategy should be implemented within organization to achieve its goals and objectives. Putting too much focus on financial performance shows that the company is only considering short term strategy planning. Companies which plan for the future, are companies with vision and are more likely to have a competitive edge in the market compared to organizations that only focus on the short-term strategy planning.

Most traditional oriented strategies focus on financial performance which encompasses details such as earnings and returns but long-term strategy planning measures the company performance based on customer loyalty and employee satisfaction. Employee satisfaction is an important criterion to be considered because if employees are happy at the company they are working in, they would not be looking for greener pastures elsewhere. High rate of employee resignation presents a bad image of the company thus recruitment of new staff becomes more difficult. It is also costly to look for a new staff as the company would have to hire personnel from recruitment firms to look for a suitable candidate. Besides that, it is a tedious process to train a new staff and the employee must also be sent for training especially for jobs such as quality engineer or safety officer.

Based on a chosen case study of an industrial heating element manufacturing in Malaysia (Company A), there had been a high turnover rate for five consecutive years, with a spike from year 2017 to 2018. The high turnover rate reduces productivity of the organisation, increases the cost of hiring new employee, and gives bad reputation to the organisation in the market due to the high turnover rate. The highest turnover recorded in 2018 triggered the management to investigate the root cause of turnover intention as part of intervention strategy to address turnover in coming years. According to the interview with human resource department of Company A, there are four frequently reported factors contributing to employees’ resignation including employee involvement, working environment, training and development and role of higher management. Accordingly, this study attempts to determine whether employee involvement, training and development, working environment, and higher management role are associated with turnover intention among employees and to recommend improvement measures to reduce turnover rate.
2. Literature Review

2.1 Turnover intention

Organizations play a major role in the economic, social and political development of a country. Performance can be measured based on financial and non-financial factors which provide information on the company accomplishment based on goals and objectives [15]. These non-financial factors such as turnover will indirectly influence organizational efficiency in a long run. The main goal of any organization is continuous growth as the future of the company depends on how well the company performs.

Employee turnover refers to the number of employees who leave an organization and replaced by others. Turnover is the job rotation of employees in the market where one leaves to other organizations and freshers or employees from other organizations fill the vacant position [4]. Since organizations invest a lot in training and developing the employees, managers are required to keep the turnover rate low, however, due to competitiveness, organization are still losing their employees at a high rate. Average turnover of an individual is usually around two years and employees leave the organizations in order to develop their skills in other areas and it is happening more nowadays [15].

Turnover intention is the intention to leave an organization due to various reasons. High turnover is a norm in every country nowadays and this in turn is being extremely challenging to organizations in which investments are made on employees, but they leave the organization in a short duration [7]. Although there is no standard framework in order to understand employee turnover, there is a wide range of factors which can help in interpreting the intention for an employee to leave. A study by Khattak et al., [8] suggests that job stressors are positively correlated with turnover intention, and a study conducted by Bibi et al., [9] suggests that employees tend to stay longer and be loyal to an organization when proper compensation packages are provided and the employees are well taken care of.

2.2 The Relationship between Employee Involvement and Turnover Intention

Employee involvement is an important aspect when considering turnover as no organization will be able to perform without a dedicated workforce to support them. Employees are the backbone of an organization, and their effort should always be appreciated by the higher management. Organizations must involve their employees in decision making processes at all levels by delegating them powers and authority, adapt team-based structures and develop capabilities of their employees to perform well and to compete with prevailing trends in the market. Satisfaction in a job is achieved when the expectation of an employee is met and how they are being rewarded [8]. A study was conducted in Milieu of Pakistan, to examine the relationship between employee involvement and organizational performance [8]. The result obtained through the study shows that organizational performance increases between the range of 56% to 94% because of employee involvement in Pakistani organizations [8]. Employees will choose to stay in their organization when their organization performance increase drastically which results in low turnover rate. Based on these literatures, this study hypothesised:

Hypothesis 1: Employee involvement is negatively correlated to turnover intention (as the employees are more involved in the organization, the less likely they are to have intention to leave the organization)
2.3 The Relationship between Working Environment and Turnover Intention

Workplace should be designed by assessing an extensive variety of issues. Creating a better and higher performing working environment requires an awareness of how working environment affects behaviour and how behaviour itself drives workplace performance [10]. Working environment has the power to generally impact the employee morale, productivity and engagement both positively and negatively. There are many important characteristics of workplace environment that affects employee’s productivity and motivation. Some of these important criterions include ventilation rates, lighting, facilities, equipment and access to natural light and noise level [11]. Proper lighting has significant positive effect on the health of the staff [12]. Besides that, providing employees with the necessary facilities allows them to be comfortable and helps to improve productivity, behaviour, satisfaction and overall organizational performance. Based on the Work Institute Retention Report (2018) shown in Figure 1, it is proven that for the past five years, the influence of co-worker and organizational culture are showing an increasing trend as among the reason of turnover.

![Fig. 1. Increasing trend of co-workers and organizational cultural factors among the reasons of turnover [4]](image)

Accordingly, this study hypothesised:

**Hypothesis 2**: Conducive working environment is negatively correlated to turnover intention (as the working environment becomes less conducive, the turnover intention becomes stronger)

2.4 The Relationship between Training and Development and Turnover Intention

Employee training and their development have the most significance impact for enhancing the profitability, which provides the organization with a competitive edge [18]. The evidence and theories from Human Resource supports Training and Development as the key factor to achieve goals and develop an organization [19]. Many researchers have predicted that training improves organizational performance [13]. Training and development have a positive impact towards an organization in the sense that it helps to increase the skills and knowledge of the employees. This in turn will help the staff to become more efficient and productive. Raza defined organizational performance as how effectively the managers can utilize the limited resources to please customers and accomplish the company’s objective. Training and development will produce skilled worker which is the key ingredient in improving an organizations’ performance. Raza proved that training and development has helped the workforce become more skilled and in turn improved the organizations performance
and indirectly reduce turnover. It is vital for organizations provide trainings to staff, to sharpen their skills and competencies especially in current times due to the many challenges faced by organizations in keeping up with rapid technological advancement and global economic stand. Employee grooming is considered as a social as well as moral obligation for organizations. A satisfied work force is the asset for the firm which positively contributes towards the objectives. Thus, this study hypothesised that:

Hypothesis 3: Training and development is negatively correlated to turnover intention (as training and development becomes less efficient, the turnover intention becomes stronger)

2.5 The Relationship between Role of Higher Management and Turnover Intention

The higher management plays a critical role in maintaining an organization. A good senior management team will be able to lead the organization to greater heights while a poor management team might end up being the downfall of a company. Thus, it is important for organizations to choose the right higher management team [14]. Higher Management is usually involved in three different types of planning namely strategic planning, technical planning and operational planning. Strategic planning is the plan undertaken to achieve company goals and objectives. On the other hand, technical planning is developing short term plans to accomplish current tasks while operational planning is creating methods to complete tactical plans. The higher management is also involved in guiding and giving directions, empowering others, and encouraging staff to communicate and develop people skills [14]. A good manager will provide coaching, training and support to the staff when needed. They will also be very encouraging and always provide the staff with opportunities to improve. A well trained and motivated higher management force will help to attain the goals and objectives of the firm. Based on work retention report [4], it is proven that employees value the support from higher management and encountered unprofessionalism among higher management in the recent years. If a manager fails to provide coaching, training, and support to their staff, then the turnover intention among employee will increase drastically in an organisation. Thus, this study hypothesised that.

Hypothesis 4: Satisfaction towards higher management role is negatively correlated to turnover intention (as employees become less satisfied with the role of higher management, the turnover intention becomes stronger)

4. Methodology

The purpose of this study is to identify the strength of association between employee involvement, working environment, training and development, and role of higher management against turnover intention. The data analysis carried out by questionnaires adapted from previous research on turnover from other industries.

4.1. Research Instrument

Questionnaires are a set of questions given to the targeted respondents for their feedback in which the questionnaires should be as such that it can be analysed. The questions were adapted based on previous research and the content validity were testified by panel of experts among the top management of Company A and scholars. The measurement items for variable employee
involvement [16], working environment [10], training and development, higher management role and turnover intention are shown in Table 2. Likert Scale [17] was used as a scale of the instrument. A five-point scale was used [strongly agree (1), agree (2), neither agree nor disagree (3), disagree (4) and strongly disagree (5)]

4.2. Data Collection

Based on a case study of an industrial heating element manufacturing in Malaysia with considerably high recorded turnover rates, the population is the employee of Company A (anonymous). There are currently 134 employees working at Company A in various departments. Based on the total population of 134 employees, the minimum sample size is determined as 104 according to Krejcie et al.,[20]. The respondents were divided according to six different departments which include; Accounts department, Purchasing department, Laboratory, Engineering department, Sales and marketing and Higher management. A total of 134 questionnaires were distributed randomly to the staff from all the different departments. The questionnaire was distributed to each head of department and collected back from the head of department once all the employees have answered the questionnaire. Total of 104 questionnaire was collected from the respondents which met the minimum sample size. These questionnaires were distributed to all the employees in first week of September 2019 and it took four weeks to get all the questionnaire from respective department managers.

4.3. Data Analysis

The collected quantitative data was analysed using the software Statistical Package Social Sciences (SPSS) Version 22.0. The data analysis technique used in this research was Pearson’s correlation to determine the strength of association between employee involvement, working environment, training and development, role of higher management and turnover intention. Pearson’s Correlation technique was used to measure the strength of association between two variables. Since Likert scale [19] was used as instrument in this research and its interval scale, thus the most suitable technique was Pearson’s correlation.

5. Results and Discussion

5.1 Demographic Profile and Reliability Analysis

The demographic profile of respondents is shown in Table 1. Employees from six different departments were chosen at random. The six departments involved were accounts, sales and marketing, purchasing, engineering, laboratory and higher management. The highest number of respondents was from the engineering department with a total 36.5% respondents followed by the laboratory department with 25% respondents. The lowest number of respondents was from the accounts and purchasing department with only 4.8% of respondents. These results prove that two third of Company A’s population is contributed by three department which is sales and marketing, engineering, and laboratory department.
Table 1
Profile of respondents

<table>
<thead>
<tr>
<th>Demographic profile</th>
<th>Category</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>76</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td>Age</td>
<td>21-30</td>
<td>61</td>
<td>58.7</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>33</td>
<td>31.7</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>7</td>
<td>6.7</td>
</tr>
<tr>
<td></td>
<td>&gt;50</td>
<td>3</td>
<td>2.9</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Single</td>
<td>65</td>
<td>62.5</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>39</td>
<td>37.5</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>Malay</td>
<td>51</td>
<td>49.0</td>
</tr>
<tr>
<td></td>
<td>Chinese</td>
<td>14</td>
<td>13.5</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>39</td>
<td>37.5</td>
</tr>
<tr>
<td>Years of Service</td>
<td>&lt;5</td>
<td>70</td>
<td>67.3</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>27</td>
<td>26.0</td>
</tr>
<tr>
<td></td>
<td>11-15</td>
<td>5</td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>16-20</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>&gt;20</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Department</td>
<td>Accounts</td>
<td>5</td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>Sales</td>
<td>22</td>
<td>21.2</td>
</tr>
<tr>
<td></td>
<td>Purchasing</td>
<td>5</td>
<td>4.8</td>
</tr>
<tr>
<td></td>
<td>Engineering</td>
<td>38</td>
<td>36.5</td>
</tr>
<tr>
<td></td>
<td>Laboratory</td>
<td>26</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td>Higher Management</td>
<td>8</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Based on Table 2, the value of Cronbach’s alpha for all the variable is more than acceptable value which is more than 0.8. This analysis proved that the questionnaire met the reliability requirement.

Table 2
Reliability Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement items</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee involvement</td>
<td>- I am proud to work for Company A</td>
<td>0.930</td>
</tr>
<tr>
<td>(5 items)</td>
<td>- I would recommend Company A as a great place to work</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- I rarely think about looking for a job at another company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- I see myself still working at Company A in two years’ time</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Company A motivates me to go beyond what I would in a similar role elsewhere</td>
<td></td>
</tr>
<tr>
<td>Working environment</td>
<td>- I have access to resourceful data to do my job well</td>
<td>0.909</td>
</tr>
<tr>
<td>(5 items)</td>
<td>- The facilities are well maintained</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The instrument provided by the company is useful for my job</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The working environment is cheerful for employee and create synergy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The working space provided by the company is conducive and suits my needs</td>
<td></td>
</tr>
<tr>
<td>Training and development</td>
<td>- I am satisfied with the training provided by my company</td>
<td>0.851</td>
</tr>
<tr>
<td>(5 items)</td>
<td>- The training gives me a better understanding of my job</td>
<td></td>
</tr>
</tbody>
</table>
The knowledge I obtain through the training has helped me in my job. Training is an important aspect to help a staff perform better. I always participate in any training provided by the company.

Higher management involvement (5 items)
- My department manager always welcomes our comments and feedback.
- I have a good relationship with my department manager.
- The department manager always takes staff complaints into consideration.
- The department manager always provides constructive feedback to the staff.
- I am satisfied with my department manager.

Turnover intention (6 items)
- Do you often consider leaving your job?
- Do you emotionally agitation when arriving home after work?
- Do you frequently frustrated when not given the opportunity at work to achieve your personal work-related goals?
- Do you frequently think of getting another job that will suit your personal needs?
- To what extent you willing to accept another job at the same compensation level?
- Do you frequently search for alternative job opportunities?

0.947

0.975

5.2 Correlation Analysis

The Pearson’s correlation analysis was used to analyse the relationship between two sets of data or in this case the relationship between employee involvement, working environment, training and development, role of higher management, and turnover intention. The R-value obtained will be between negative one to positive one. Results close to one suggests a strong relationship while result closer to zero indicate a weak relationship between the two variables. A positive R value showed that both variables are directly proportional to each other in the sense that if one variable increased in value the other variable increases too. In the case that a negative value was obtained, it showed that both the variables are indirectly proportional. The correlation matrix between employee involvement, working environment, training and development, role of higher management and turnover intention is shown in Table 3.

Table 3
Pearson’s Correlation R-value

<table>
<thead>
<tr>
<th>Variables</th>
<th>Employee involvement</th>
<th>Working environment</th>
<th>Training and development</th>
<th>Role of higher management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover intention</td>
<td>-0.696**</td>
<td>-0.496**</td>
<td>-0.524**</td>
<td>-0.766**</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed)
The result obtained shows that all the correlation R-value is negative. The R-value for employee involvement is \( r = -0.696, n = 104, p<0.01 \), working environment \( r = -0.496, n = 104, p<0.01 \), training and development \( r = -0.524, n = 104, p<0.01 \), and role of higher management \( r = -0.766, n = 104, p<0.01 \). Thus, the data support the claim that less employee involvement, less conducive working environment, less efficient training and development and less satisfaction towards role of higher management will increase the turnover intention. Based on the R-value obtained, the order of importance is arranged accordingly. Highest priority given to role of higher management and followed by employee involvement in second. Third priority was given to training and development and last was working environment.

Accordingly, employers should take into consideration all the factors mentioned in this study to reduce the turnover intention in Company A. The four factors studied in this research are employee involvement, working environment, training and development and role of higher management. Figure 2 shows the recommended improvement measures according to order of importance that need to be considered by the management to reduce turnover.

Fig. 2. Recommended intervention measures to address turnover intention

Firstly, the role of higher management has the highest association with turnover intention. The R-value obtained from the result shows negative correlation which means lacking role of higher management increase turnover intention in Company A. Therefore, higher management plays and important role in reducing turnover intention. Higher management is the backbone of any company. They are the leaders who were left in charge of the company by the shareholders. Therefore, higher management must balance their task and not to forget the employee welfare in the organization. The senior managers oversee the welfare of their employees. The senior managers should always listen to problems faced by their staff and help them to overcome those problems. Higher management should involve staff in decision making processes and make them feel valued. This will
create a belonging feel among the employees due to the empowerment given by the managers. Most employees choose to leave a company as they feel that they are undervalued, and they have no opportunity to improve themselves. Given the opportunity, all staff will be able to bring their organization to greater heights. Moreover, a quarterly meeting with all the employee in Company A to tackle problems that they face in that quarter. This will give a great platform for the managers to understand their employees well.

Secondly, the management of Company A should consider employee involvement as important factor to reduce turnover intention overall. To tackle this issue, employers can ensure their staff involvement at workplace by giving them their due recognition and provides them with incentives for good job performance. For example, provide quarterly booster for sales department on achieving their respective target quarterly. This reward gives employee a motivation to continuously work and enjoy the benefits. Supervisors should always interact with their subordinates on a regular basis to understand the problems faced by their staff. Besides that, supervisors should always listen to the ideas from their staff and give their staff a sense of participation or involvement in the organization. This will keep the staff motivated and allow them to become more productive. In addition, award of good performer is another way to create employee involvement where such award will create excitement among the employee to compete each other. Indirectly, this will boost the organization productivity and implement healthy competition.

Thirdly, Organizational performance also depends on how effectively a staff can carry out the tasks assigned to them. In this regard, it is vital to send staff for regular trainings to allow them to gain knowledge and develop their skills to improve themselves. Furthermore, training provides employees with a chance to interact with people from different organizations and exchange ideas which might be beneficial for their company. Providing training to staff will help a company in the long run since the skilled employee have obtained through the training will be used to enhance the company productivity. Indirectly, this will retain employee from leaving the organization due to the useful training and development provided.

Lastly, less conducive working environment will increase the turnover intention in Company A. Thus, another great way to ensure employee involvement is by providing a comfortable working environment for the staff. This can be done by providing the staff with a clean, comfortable and well decorated office. The company should also provide a place that will allow the staff to unwind and give them an opportunity to interact with other employees. Proper instrumentation should also be provided to staff because nothing turns off a motivated staff faster than not having the proper equipment to carry out their tasks. Flexibility is also important to provide a good working environment to all staff as it will help the staff to not feel restricted when at work. Therefore, by ensuring conducive working environment would be able to reduce turnover intention among employees.

4. Conclusions

As a conclusion, high turnover rate reduces productivity of the organisation, increase the cost of hiring new employee, and gives bad image to the organisation in the market due to high turnover rate. The purpose of this study was to measure the strength of association between employee involvement, working environment, training and development, role of higher management against turnover intention. Based on the outcome of the research, it can be concluded that employee involvement, working environment, training and development, role of higher management has significant association with turnover intention. Although all the factors have significant association with turnover intention. Based on Pearson's R-value obtained in research, role of higher management
has the highest weightage with turnover intention. Thus, highest priority is given to the role of higher management to reduce turnover intention in the case study. This is followed by employee involvement, training and development, and working environment. Based on the research, it is proven that employee of insisted to increase role of higher management, employee involvement, and training and development. The management of the chosen case study will be able to reduce turnover intention if the prioritization given to all the three factors and innovate new ideas to reduce turnover intention. This study has certain limitations where the study was conducted only in Company A with a total number of 104 participants due to time limitation. It is also valid for this company only as different nature of business will have different result. Other than the nature of business, work environment and organization culture also will influence the result of this type of study and the result also might be different if the number of participants is larger. The study also concentrated only on four type of variables and in future, when a similar study is conducted, other factors such as pay structure, benefits, job scope expectation, working hours can be included to assess better on the level of turnover intention and causes of employees leave an organization.

References