

**"EMPLOYEE TURNOVER IN PRIVATE SECTOR: A  
CASE OF BENTA WAWASAN SDN BHD"**

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**THESIS SUBMITTED IN FULFILLMENT FOR THE  
MASTER OF BUSINESS ADMINISTRATION**



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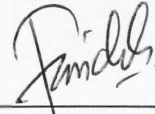
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## DECLARATION

I hereby declare that the materials in this thesis are original except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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## **ABSTRAK**

*Objektif utama kajian ini adalah untuk mencipta sastera kepada pemahaman dan pengiktirafan pelbagai pembolehubah yang boleh dikaitkan dengan perolehan. Kajian ini adalah untuk terus mengenal pasti masalah yang timbul seperti kepuasan kerja, Tanggapan Peluang Pekerjaan Alternatif (PAEO) dan keadilan organisasi dan melihat kesan demografi (umur dan jantina) sebagai kesan sederhana pada niat perolehan di kalangan kakitangan di Benta Wawasan Sdn Bhd dan juga untuk mengetahui sejauh mana ia memberi kesan kepada organisasi. Responden terdiri daripada pekerja Benta Wawasan termasuk pekerja tetap atau kontrak. Responden dikehendaki untuk mengisi boring soal selidik sebagai instrumen kajian untuk mengumpul data. Soal selidik untuk kajian ini diperolehi kepada empat bahagian, iaitu Seksyen A (Profil Demografi), Seksyen B - Kepuasan Kerja, Bahagian C - Tanggapan Pekerja Peluang Alternatif (PAEO) dan Bahagian D (Keadilan Organisasi). Barang berkenaan telah diberi nilai menggunakan Skala Likert Lima Point. Hasil kajian menunjukkan bahawa Tanggapan Peluang Pekerjaan Alternatif (PAEO) dan Keadilan Organisasi mempunyai pengaruh yang besar ke atas niat perolehan. Sementara itu, Kepuasan Kerja tidak mempunyai pengaruh yang besar ke atas niat perolehan. Daripada penemuan ini, kajian itu juga mendapati bahawa faktor demografi seperti umur telah member kesan sederhana ke atas niat perolehan dan jantina tidak akan sederhana ke arah niat perolehan.*



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## **ABSTRACT**

### **"EMPLOYEE TURNOVER IN PRIVATE SECTOR: A CASE OF BENTA WAWASAN SDN BHD"**

The main objective this study is to intend to create a literature on the understanding and recognition of the various variables that may be associated with turnover. This study is take to further identify problems arising like job satisfaction, Perceived Alternative Employment Opportunities (PAEO) and organizational justice and to observe the effect the demography (age and gender) as the moderating effect on turnover intention among the staff on Benta Wawasan Sdn Bhd and also to find out how far it affect the organization. The population consists of Benta Wawasan's employees including permanent or contract employees. Respondents are required to fill up the questionnaire as the instrument for data collection. The questionnaire for this study is derived into four sections, which are Section A (Demographic Profile), Section B – Job Satisfaction, Section C – Perceived Alternative Employee Opportunities (PAEO) and Section D (Organizational Justice). The items were rated using Five-Point Likert Scale. The findings of the study indicated that Perceived Alternative Employment Opportunities (PAEO) and Organizational Justice have significant influence on turnover intention. Meanwhile, Job Satisfaction does not have significant influence on turnover intention. From the findings, the study also found that the demographic factor such as age and gender has no moderating effects between the job satisfaction, perceived alternative employment opportunities, organizational justice with turnover intention.

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# CHAPTER 1

## INTRODUCTION

### 1.1 Overview

Ever since we have been confronted with the global economic crisis since 2008, employee turnover is the hottest and current issue that is always discussed by the government. Corporation especially in the production line and manufacturing company is directly affected to this crisis of economic. However, other fields of business are not to be neglected. No matter for voluntary or involuntary case, the employee turnover rate will arise because of the unexpected crisis and within the past 20 years in Malaysia it achieved the highest rate as well. Despite the attempt and measures that had been taken by the government like donated sustention fund to secondary industry, it is vital also for the employers to make efforts to minimize the employee turnover.

Employee turnover can give a big impact to a company as well as cause a big amount of cost to the company. Turnover is frequently defined as the number of employees who are leaving, the company and the number of employees that are being hired. For example, you have 100 employees but annually you hire 50 new employees because of those employees who are leaving which lead to vacancies. Your turn over rate is then 50%. The impacts of turnover are giving a highly challenging matter to the human resource sector confronting the organizations. A company also must realize and to understand that it can also affect on the organization's profitability.

Based on the International Human Resource Surveys, Malaysia has around 17% of the average employee turnover rate since 2005. This figure is nothing to be proud of especially in this challenging and globalization era. The economics around the world are rapidly growing and this matter should not be one of the disruptions in expanding the economic growth.

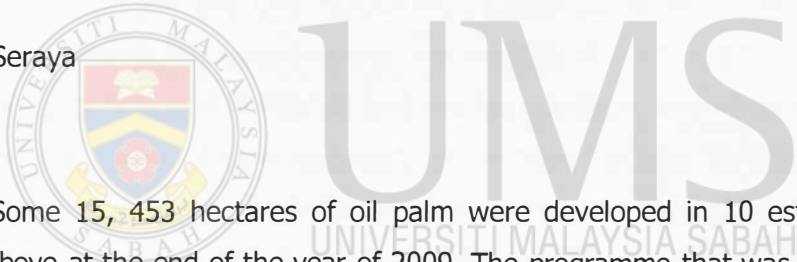
According to Ponnu and Chuah (2010) the direct financial costs of replacing staff and also their repercussions such as the potential loss of key skills, knowledge and experience, disruption to operations and the negative effect on workforce morale was contributing to the costs of high turnover which is clearly substantial. Moreover, it burdened both the human resource and line managers because of the regularly hiring and training new staff. Managers will always face the challenges of ensuring that their employees remain productive and happy with their jobs so they will stay longer in their position.

## **1.2 Background of the Company**

Benta Wawasan Sdn Bhd (BWSB) is a Malaysian company. BWSB is a wholly-owned subsidiary company of Innoprise Corporation Sdn Bhd (ICSB). ICSB is a commercial division of the Sabah Foundation and it was incorporated in 1996 under the Benta Wawasan group of companies which also includes Samel Plantation Sdn. Bhd, Srijaya Industries Sdn. Bhd and Ratus Awansari Sdn. Bhd as the sister companies. BWSB is accountable in developing an agro-forestry plantation up to 45, 601 ha. BWSB current holding includes of 14,807 ha of tree plantation and 15, 000 ha of oil palm plantation. BWSB was headed by a Chief Executive Officer who is supported by Chief Operating Officer and also managed by a Board of Directors which is responsible for policy planning and decision making. It is estimated until current BWSB have 264 staff and approximately 4, 200 of workers and it is day to day operation.

10 strategic business estates that has been developed by BWSB:

- 1) Agathis
- 2) Belian
- 3) Binuang
- 4) Gaharu
- 5) Keruing
- 6) Merbau
- 7) Menggaris
- 8) Ramin
- 9) Selangan Batu
- 10) Seraya



Some 15, 453 hectares of oil palm were developed in 10 estates as stated above at the end of the year of 2009. The programme that was initiated by BWSB was called for as the plantation development programme is processing well. A total of 30, 000 hectares will be increased for the total planted hectareage for oil palm over the next 4 years. At present, BWSB is chasing the establishment of its Crude Palm Oil (CPO) processing mill and expected to be operational by mid of 2012.

In order for the organization to achieve success, the plantation programme has also focused on all features if employee's good working environment and welfare and this is an essential step to constantly stay in the right direction. Rigorously carried out throughout the estates is construction of

office buildings, employee's quarters, mosques, kindergartens, dispensaries and other basic facilities.

### **1.3 Problem Statement**

It is a severe problem to particular country when they are facing the higher employee turnover rate because it is utterly bring negative effects in progressing development. Nevertheless, the employee turnover rate is certainly cannot be cease but hopefully this problem is able to fully minimize.

In the year of 2011, BWSB had faced about 5 to 6 times recruitment and hiring to fill up the vacancies available. At one time of recruitment, they may need to recruit approximately 20-30 for the vacancies to be filling. This scenario gave a costly and time consuming problem to the company as when they were recruiting, the positions that are available are not operating or they will be facing shortage of worker to perform the operation, and when this may occur the possibilities of time wastage and loss may happen. The employer's itself must understand that when an employee leaves an organization, the ability of the remaining employees to complete their tasks and duties may be affected.

This study is taken to further identify problems arising like job satisfaction which consists of pay and supervision, Perceived Alternative Employment Opportunities (PAEO), and organizational justice which may lead to their intention to leave. Hence, to reduce the turnover intention of employees, factors that caused the turnover intention must be found.



#### **1.4 Research Questions**

This study intends to answer the following Research Questions (RQ):

- 1) Does demography (age and gender) effects towards the turnover intention?
- 2) Does the job satisfaction have effects towards the turnover intention?
- 3) Does Perceived Alternative Employment Opportunities (PAEO) have a relationship with the turnover intention?
- 4) Does the organizational justice have effect towards the turnover intention?

#### **1.5 Objectives of the Study**

The objectives of this study are as follows:

- 1) To investigate the effects of demographic factors (age and gender) on turnover intention.
- 2) To examine the effect of job satisfaction on turnover intention.
- 3) To investigate the relationship between Perceived Alternative Employment Opportunities (PAEO) and turnover intention.
- 4) To investigate the effect of organizational justice on turnover intention.

#### **1.6 Significance of the Study**

This study is intended to create a literature on the understanding and recognition of the various variables that may be associated with turnover. It can contribute significantly towards future theoretical developments, building of hypothesis to analyze differences, relationship and association of variables concerning causes, effects and controls to turnover

Moreover, the findings from this study may also help the human resource policy makers to better understand causes of turnover and to decide whether appropriate actions are being taken to control turnover.

## **1.7 Scope of the Study**

This study attempts to identify the significant relationship in demographic (age and gender), job satisfaction, Perceived Alternative Employment Opportunities (PAEO), and organizational justice toward the intention to leave held by the employees within the Benta Wawasan Sdn Bhd using the cross-sectional study.

## **1.8 Definition of Terms**

This section gives details in briefly on the terms used in this study. For the function of this study, the following definitions of key terms were presumed.

### **1.8.1 Turnover Intention**

According to Tett and Meyer (1993) in Rumery (1994), defined when the workers are conscious and deliberate willfulness to leave the organization it is called as turnover intention. While, Mobley (1977) explained that turnover intention as the cognitive process of thinking, planning, and desiring to leave a job. Turnover intention is when the person has put intention to quit the job.

### **1.8.2 Perceived Alternative Employment Opportunities (PAEO)**

Based on Price and Mueller (1986) defined PAEO as an individual's perception of the availability of another job in the organization environment, and it is the function of labor market situations. When the job market is tight and there are less alternative job opportunities and when there is unemployment, the employees tend to observe or seek more alternative job opportunities.

### **1.8.3 Job Satisfaction**

A set of favourable and unfavourable attitudes in which employees view their work is called as job satisfaction (Newstrom & Davis, 1984). It shows the employee's hope on the rewards from the job they perform from the total agreement that has been made with the employer.

#### **1.8.4 Pay**

According to Mueller and Price (1990) explained pay as an authorize system purposely to motivate fulfillment with its rules and regulations in the organization. Lum, Kervin, Clark, Reid and Sirola (1998) clarified pay as a significant reward and outcome for the individual employee.

#### **1.8.5 Supervision**

According to Fisher, Schoenfeldt and Shaw (1993) defined supervision as a concept of 'planning, controlling and organizing the work of others through face to face contact with subordinates. The supervision in this study means the guidance and monitoring that the supervisors give to their subordinate to help them to perform their job well.

#### **1.8.6 Organizational Justice**

According to Cropanzano and Greenberg (1997) defined organizational justice as the employee's perceptions of the fairness of treatment received from organizations.

### **1.9 Summary and Organization of Remaining Chapters**

This dissertation proceeds as follows:

#### **1.9.1 Chapter 2 – Literature Review**

This chapter concentrates on the pertinent literature with the turnover intention or in other words provides relevant sources related to this study.

#### **1.9.2 Chapter 3 – Research Methodology and Theoretical Framework**

Discusses the Research Design and Methodology used and the validation behind the alternative.

### **1.9.3 Chapter 4 - Results of the Study**

Disclose the results and analysis from the collected data.

### **1.9.4 Chapter 5 – Discussion and Conclusion**

Review or summary of the results, conclusions, limitation and recommendation for future research.



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## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

In this section, the recent and historically significant research studies which act as a basis for this study will be examined. Some research studies on turnover intention and its related factors will be outlined and discussed in this chapter will be review.

#### 2.2 Turnover Intention

Chikwe (2009) explained in brief turnover as how prompt the employers recruit and lose employees. Essentially, when an employee leaves a specific job or organization permanently and his/her services are no longer available it will cause a turnover (Vadenberg, 1999, cited on Taylor III et al., 2006). The number of new recruitments was hired to replace those employees who leave was clearly described as a turnover rate (Mondy, 2010). According to Cavanagh (1989) inconsistencies exist within the literature upon turnover, which may point out the uncertainty surrounding both definition and measurement.

Dick et al. (2004) stated that it is extremely costly for employer especially if the job tendered a high education and broad on-the-job training when turnover is occur and it becomes a major problem to the employer.

#### 2.3 Impact of Turnover

A various negative effects may occur due to high employee turnover. Hinkin and Tracey (2000) calculated the turnover cost in terms of cost of separation, cost of replacement and lost of productivity, etc. They have found in their tests for the overall

turnover cost of one front office attendant ranged from about USD \$ 6000 to USD \$ 12,000, where the largest portion of the cost is accounted by the lost productivity.

Mostly, came from the discrepancy between the high productivity of the leaving employees and the overlooked sales opportunities, and low performance of new employees when they were at the start of the learning curve.

When the rate of turnover is high or elevated, the tendency of average workload may get increased in the viewpoint of remaining employees. This was found by Hendrie (2004) where the level of stress among the rest of the team members will elevated or increase when such extra burdens has occurred.

In some cases, the lost profitability has been found as the worst impact especially to the employers. Woods and Macaulay (1989) were two of the first who lead in studying the relationship between turnover rate, performance and profitability. They emphasized the relation and alerted hospitality employers to the damage linked with high employee turnover rates on the business productivity.

#### **2.4 Demographic Factor and Turnover Intention**

Gender and age are variables that may determine turnover decisions among employees from the previous research. It was reported that the female employees have reportedly shown higher turnover rates than the male. According to Chang McBride (1997) stated that gender prejudices or biases and stereotypes are common in the workplace, for example male professional skilled workers are excessively received higher pay than the female.

In past research, include age, tenure, level of education, level of income, and job category (managerial or non-managerial) have been found to have a stable relationship with turnover intention. However, there are also several studies that reported a negative relationship between turnover intention and three demographic factors, age, tenure, and income level (Arnold & Feldman, 1982; Cotton & Tuttle, 1986; Gerhart, 1990; Mobley et. Al, 1979; Price & Mueller, 1986; Wai & Robinson, 1998; Weil & Kimball, 1995, and others). It is found also that the amount of education is positively associated with turnover and proposing the educated employees are quit more often (Berg, 1991; Cotton & Tuttle, 1986).

It was found in the studies that the relationship between gender and turnover are mixed. According to Cotton and Tuttle (1986) and Weisberg and Kirschenbaum (1993) the females tend to leave more than males. On the other hand, Wai and Robinson (1998) found that there is no relationship between gender and turnover. Yet, according to Elaine (1997 and Summers and Hendrix (1991) found that males are tend to leave their jobs more to than the females.

## **2.5 Job Satisfaction and Turnover Intention**

In any turnover literature, the relationship between the job satisfaction and turnover is one of the most scrupulously investigated topics. Most of the studies stated that there is a consistent and negative relationship between job satisfaction and turnover (e.g., Cotton & Tuttle, 1986; Arnold & Feldman, 1982; Bluedom, 1982; Mobley, 1982; Price 1977, and many others). The extent to which the employees like their job and its components is called job satisfaction (Spector, 1997). From the past research, it was suggested that there is a stable negative relationship between job satisfaction and turnover; it has been found to account for a small percentage of the total variance in a turnover model for job satisfaction alone is less than 15% (Blau & Boal, 1989).

*The fact that the relationship (between job satisfaction and turnover) is not stronger does not suggest that satisfaction should not be measured. It does suggest that measures of satisfaction must be combined with other measures to effectively predict and understand turnover (Mobley, 1982:45).*

Koh and Goh (1995) stated that the vital effects of different job facets on turnover are concealed by the use of overall satisfaction.

Based on the research findings, those people who stay longer in the company are those people who are satisfied with their jobs, i.e. lower turnover, and be less absent (Jewell and Segall, 1990; Locke 1976). Chiu and Francesco (2003) declared that a person will develop a behavioral intention to leave the organization and seek for a alternative employment when the level of job satisfaction is sufficiently low.

For the reason that the employees are contributing their times, efforts, talents to the organization, they will put emphasize more on the compensation and benefits grant by the organization or company to get better return. Pay received directly as cash such as base, merit, incentives, cost-of-living adjustment and indirectly as benefits such as pensions, medical insurance, program to help balance work and life demands, brightly colored uniforms are considered as compensation and benefits (Milkovich and Newman, 2008).

Campion (1991) affirmed in Tang suggested that higher wagers/career opportunity was the most vital reason for voluntary turnover. In addition, based on Martin (2003) stated that there is a contrary relationship between relative wages and turnover which mean establishments with higher relative pay will result to lower turnover.