

INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

**DETERMINATION OF MOTIVATIONAL FACTORS  
AFFECTING EMPLOYEE TURNOVER  
INTENTION: WITH REFERENCE TO  
MANUFACTURING SECTOR OF WEST  
MALAYSIA**

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## Abstract

Corporations in Malaysia are actively looking to improve their employee value proposition to attract skilled worker with offering faster growth opportunity and higher salaries. Convenient methodology used for sample group of 200 Malaysian employees of several manufacturing companies. A questionnaire is developed to measure and test the impact on motivation toward turnover intention. Correlation analysis is used to identify the influence from response variable. Regression analysis is used to examine the relationship of the independent variable towards the employee motivation. The employee turnover rate in Malaysian increase from 12.3% in 2012 to be 13.2% in 2013, which is considered a high turnover rate. Among all industries, manufacturing is the major contributors with 24 % of its industry. Manufacturing is also the second biggest contributors towards Malaysia national gross domestic product. Turnover can cause instability in organizational structure as well as a direct impact on business performance. According to Malaysian statistic, reduction of total number of employees will impact on reduction of value output. This research aims to identify factor(s) that contribute to intrinsic and extrinsic motivation. Another objective of this research is to identify the impact of intrinsic motivations toward turnover intention. It is found that job satisfaction and perception of individual ability is the intrinsic motivational factor and the working environment is extrinsic motivational factor.

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### Declaration by candidate

I hereby declare that this postgraduate research thesis is the final result of my own work. Duty of acknowledgement has been given in the references to all sources of information.

There is no portion of this postgraduate research has been submitted, any other university or institution for any award or qualification.

Name : Valiandra Santioso

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Date : 26 August 2014

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## Chapter 1. Introduction

Chapter one will deliver the introduction of this research and share what is the background study of the researcher doing research. This research will provide a comprehensive study of the background and share the problem that had been occurring in the Malaysia current working environment, research objective, significant study for this research, and also limitation of this research. In depth, this chapter will conclude the statement of the problems in the current working environment.

### 1.1 Background of Study

Human Resources are the backbone of a corporation, in order for a corporation to continuing prosperity, corporation have to enhance the employee in value, attitude and expectation to align with corporate mission and vision (Chew, 2005). In clear mission of human resource department, hiring capable person is an attractive value of department. However, building and retain a committed employees are more likely to be addressed by the Human Resource Management. In the Human Resource Management area, employee turnover has greatly become a major obstacle in Malaysia working environment (Chew, 2005).

Based on Kawabe (1991) it is identified that professional employee turnover in Malaysia is due because of monetary reasons. The social life and economy in Malaysia will influence employee to look for higher income due to great demand and massive opportunity, which has existed in the market. The book of Kawabe also identified the problem, which is also being seriously monitored by human resource management and senior managers is being one of the most important impact to long-term plan of the company as well as company's finances.

Employee turnover is the number of employees that resigning from the company within the reported period. The other sources defined as shifting jobs frequently or regularly from different places without specific motive (Ab Rahman et al., 2012). Employee turnover had been known as a critical concern in the work environment (Pfeffer and Sutton, 2006; supported by Dysvik and Kuvass, 2010). In Malaysia, there was an increment level of turnover rate. In general industry, it is increased from 12.3% to 13.2% in 2013. The manufacturing industry was experienced 24% of employee turnover (Towerswatson, 2013).

In the Malaysia financial sectors, one of the key explanations that employee turnover is getting higher is that the employee have felt the Malaysia economy is remaining stable although there is uncertainty in global economic. The player of that financial sector in Malaysia is actively looking to improve their employee value proposition to attract best talented person other than offering faster growth opportunity and higher salaries (Towerswatson, 2013).

On the contrary, it is will be costly for organization for lost a great employee, which is involving the cost of hiring new employees, training and lower the productivity impact of new employee as well. The focus of human resource management has changed to be more concern of retaining the best employee. Organizations have to create a condition, which is meeting or exceed the satisfaction level of employee in order to retain the great significant employee.

In order to meet or exceed the satisfaction level, organizations often provide career advancement and offering balance work life with the person that have an important role in the organizations. In the research by HayGroup (2001) the new mindset of "Y" generation do not expect to engage lifetime employee in a single organization, they will be more concern on personal

fulfilment and often take different options such as self-employment or in the extreme situation being free agency.

Malaysia economy covers the area about 330.803 square kilometres. The current population based on 2013 data is 29.7 million with the labour force 13.2 million (Economic Planning Unit of Prime Minister's Department, 2014). The latest unemployment rate in Malaysia is 3.1 % (Economic Planning Unit of Prime Minister's Department, 2014).

Currently, the Malaysian Government has introduced a framework as national transformation with the aim to drive an advanced nation by 2020. The main three pillars are the Economic Transformation Program (ETP), New Economic Model (NEM) and 10<sup>th</sup> Malaysia Plan. The entire framework pillars required critical role of highly skilled workers as well as creative and innovative to achieve high income economy. The current workforces of Malaysia are behind the standard requirement for high income nations (The Organisation for Economic Co-operation and Development, 2014).

Malaysia suffers from shortage of skilled workers and weak productivity growth and sometimes over reliance on unskilled worker or low wage migrant workers (National Economic Advisory Council, 2010 cited by The Organisation for Economic Co-operation and Development, 2014). In 2010, 58% of Malaysian labour forces are having secondary level of education, 13.2 with primary level education and 2.6% non-formal education. It implies that 73.8% of Malaysian labour in 2010 is low skilled and more than 47% of labour forces are not a Malaysian citizen with most of them had only primary level of education (The Organisation for Economic Co-operation and Development, 2014). Malaysian government realized that need to improve the education system by launching Blueprint of education system in September 2012 to initiate innovative students to meet the needs of a New Economic Model.

A survey by the Ministry of Higher Education (MOHE) in 2008, indicate that quarter of graduate student were remained unemployed more than six months after studies. The students who secured the jobs, almost 30 % of them were in lower skill level jobs than they were studied (The Organisation for Economic Co-operation and Development, 2014). The total labour force in Malaysia is 13.2 million with 3.1% unemployment rate (Economic Planning Unit of Prime Minister's Department, 2014).

| <b>Criteria</b>        | <b>2013</b> |
|------------------------|-------------|
| Population (million)   | 29.7        |
| Labor Force (million)  | 13.2        |
| Employment             | 12.8        |
| Unemployment (million) | 3.1         |
| GDP (RM billion)       | 1008.2      |
| GDP growth rate (%)    | 5.0-6.0     |
| Inflation (%)          | 2.0-3.0     |

Table 1. Basic Statistic of Malaysia (Source: Economic Planning Unit of Prime Minister's Department, 2014)

The majority of the population in 2013 was paid employees. However, there was a small decrease 1.0 percentage points. On the other hand, own employment increased 0.8%. (Department of Statistics Malaysia, 2014).

The unemployment rate in 2013 was 3.1%. The woman unemployment rate in 2013 went up 0.2 % compared to the previous year, whereas the men, unemployment rate maintain the same percentage which is 2.9% (Department of Statistics Malaysia, 2014).



Figure 1. Employment Status in Malaysia (Source: Department of Statistics Malaysia, 2014)

Manufacturing can be defined for production of items or goods using equipment, machines, and labour force (Malaysia Portal, 2014). The process of industrial production is transforming raw materials into a finished item to be a sale. Manufacturing industry is a very important sector in Malaysia, which is labour extensive and consider as a high yield opportunity for investment. Export oriented manufacturing sectors will drive economic development so Malaysia will be a top choice for foreign investment to invest in manufacturing industry (Malaysia Portal, 2014).

There are a few reasons that push the manufacturing sector to continued growth in Malaysia. One of them is the ideal location in South East Asia, which is offering a productive and dynamic business environment and suitable for local and foreign investor to establish factories, office and corporation to develop high quality product to be exported. Developed infrastructure and excessive skilled and trained workforce are another reason that brings countless infestation in manufacturing industry in Malaysia. The availability of airport and air cargo facility is supporting investor for expanding their business in both regional market and global market. The new company may ask the help from MIDA (Malaysian

Investment Development Authority) to facilitate the development of new business in Malaysia for smooth progression.

### 1.1.1 Manufacturing Sector in Malaysia Economy

Manufacturing is the second biggest sectors that contribute to Malaysian GDP 2014 (Ayob, 2014). The first contributor sector is the service industry, which is consisting of several types of services.

| Economic Activity Type | 2013           | 2014           |
|------------------------|----------------|----------------|
|                        | Million (RM)   | Million (RM)   |
| Agriculture            | 56,281         | 57,996         |
| Mining and quarrying   | 64,858         | 66,874         |
| <b>Manufacturing</b>   | <b>192,786</b> | <b>200,073</b> |
| Constuction            | 29,332         | 32,157         |
| Services               | 432,320        | 457,103        |
| Duty import            | 10,948         | 11,386         |
| GDP at purchase price  | 786,525        | 825,589        |

Table 2. Gross Domestic Product by Economic Activity at Million RM (Ayob, 2014)

Manufacturing industry in Malaysia had been recording outstanding growth since the early 1980s (MyGovernment, 2014). Manufacturing is one of economic transition based on recognition of a country, which is being less dependent on the import for ensuring nation's economic success. Malaysia Ministry of Trade and Industry for international company will continue lead for expansion in manufacturing industry. Nowadays, the manufacturing industry continues growth rapidly and become an important compound to Malaysian economic growth.