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INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

KUALA LUMPUR

**AN EXPLORATORY STUDY ON ORGANISATIONAL  
FACTORS CONTRIBUTING TO THE PUSH FACTORS THAT  
AFFECT LEVEL OF STAFF TURNOVER IN MALAYSIA AS  
PERCEIVED BY MANAGERS, EXECUTIVES AND  
NON EXECUTIVE STAFF**

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**The undersigned certifies that the above candidate has fulfilled the  
conditions of the project paper prepared in partial fulfilment of the  
Master of Business Administration (MBA).**

**Supervisor**

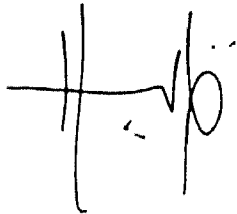
A handwritten signature in black ink, appearing to read 'A. Z. H.', with a horizontal line underneath.

**DR. AHMAD ZOHDİ ABDUL HAMİD**

## DECLARATION

I hereby declare that this project paper is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by reference notes and a bibliography is appended.

Signature :



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**12 December 1997**

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# **AN EXPLORATORY STUDY ON ORGANISATIONAL FACTORS CONTRIBUTING TO THE PUSH FACTORS THAT AFFECT LEVEL OF STAFF TURNOVER IN MALAYSIA AS PERCEIVED BY MANAGERS, EXECUTIVES AND NON EXECUTIVE STAFF**

## **EXECUTIVE SUMMARY**

Malaysia, in moving towards vision 2020, is faced with the problem of acute labour shortage. This situation is very common amongst small and large organisations. Presently, there has been no thorough study conducted to examine the root of the problem. Western researchers have attempted to determine the probable cause and have successfully come up with some results. Most of them agreed that three major factors affect people's decision to leave their organisations. The first category is market forces, that is the ability of the economic conditions to influence decision to leave. Secondly, the pull factors, which involve other organisations' favourable package such as salary, challenging career and promotion opportunities. Thirdly, the push factors, which is defined as existing company's organisational factors that can affect employees' decision to leave. The author attempted to examine the organisational factors that affect the Malaysian managers, executives and non executives' decision to leave. The study highlighted the intermediate linkages between organisational factors and employee job satisfaction and determined whether employee decision to leave is influenced by source of satisfaction or dissatisfaction. The other observation made is about the organisational factors having moderate influence on the decision to leave in all the three categories of staff. Finally, some recommended strategies were discussed with regards to handling or alleviating the turnover problems in Malaysia.

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**CHAPTER 1**

**INTRODUCTION**

The common phenomenon faced by many companies in Malaysia is that they are not able to recruit and retain the best employees in the organisations. The problem has worsen these past years due to high demand for professionals namely Information Technology personnel, engineers and doctors to help sustain the country's steady economic growth. Some studies have been done in examining the problems relating to turnover but the outcome was not discussed in detail. The literature always talked about the problem in generality such as the pull and the push factors affecting employee turnover. Very limited discussion was made on the push factors which are factors in the organisations, including management practices, job characteristics, reward system, working conditions and supervisory and group-peer relations.

Malaysia, in responding to the demands of becoming a developing country by year 2020, faces a lot of human resource problems, such as increase in wage level that did not commensurate with productivity levels and the emergence of labour unions. In realising that human resources is the greatest asset a nation could have, the government has understood the importance of developing a human resource retention strategy for the future.

This idea was spurred by the Prime Minister in his speech in 1991 which read as follows :

**"In order to achieve this economically just society, we must escalate dramatically our programmes for national human resource development."**

(Mahathir, 1991)

In light of the above, the root cause of the situation surrounding turnover must be understood so that appropriate strategy can be taken to improve or overcome the situation in the most efficient way.

## **PROBLEM STATEMENT**

The recent development in the local labour market has shown an alarming trend of voluntary turnovers in most organisations. The media has reported that the statistics on labour turnover stood at between 8% and 10% for 1996. The reasons for voluntary turnover have been varied. They can be discussed under the following categories:

- i. **Market forces** - are represented by factors such as the supply of human resources with various expertise and the costs of recruiting them.
- ii. **Pull factors** - are influential determinants that are offered by new organisations to a potential new employee. For instance, higher salary than that paid by his present employer, more challenging job and better or higher position than his current one.



- iii. **Push factors** - include the management culture/practices, employee job description, working condition and supervisor-peer relations existing in his or her present organisation.

The author was most interested to study the relevance of the push factors towards turnover in an organisation.

## **RESEARCH OBJECTIVE**

The primary objective of the paper was to undertake a study of the push factors or the organisational factors that influence Malaysian employees to leave their present organisations in search of greener pastures in other organisations. The study attempted to determine as to what extent the organisational factors have greatly affected their decisions to leave. The other objective was to determine whether the degree of influence the organisational factors have on the decision of employees to voluntarily leave their organisations differ between the three categories of staff.

## **RESEARCH QUESTIONS**

The following research questions will guide the study:

1. Whether the decision to leave a particular organisation is influenced by source of satisfaction or dissatisfaction in present organisation.
2. What is the most important factor that trigger people to resign ?
3. What is the general comment about their own job, whether satisfying or boring ?
4. Is there a difference in the factors influencing the decision to leave ?
5. How would the problem of turnover be alleviated or if possible, solved?

## **RESEARCH LIMITATIONS**

Given the scope of the study, the author faced several limitations in the attempt to complete the paper. Some of the major limitations to the study were indicated below:

### **Time Frame**

The time given for the study was limited in the sense that the author had to initiate the ground work at the end of the fifth semester. This situation had been very taxing on the author's work and university schedules. Finding a supervisor had not been easy as well since the number of management professors and lecturers are limited for the students to choose and seek assistance.

### **Budget**

Since this is a graduation project, the university did not provide any additional budget for the students. Each student had to come up with his own funds to finance the research and study.

### **Respondents**

Given the time and budget limitations, the author was only able to source 200 respondents who were willing to participate in the survey. The respondents were randomly selected from various organisations in Malaysia. They were given ample time to complete and return the questionnaire to the author.

## **DEFINITION OF TERMS:**

### **TURNOVER**

Turnover is defined as the act of leaving the service of an employment either voluntarily ie based on employees' own accord or non-voluntary, ie when the employee is forced to leave the service of the company for many reasons as determined by the affected companies (Mondy and Noe, 1996).

The two types of turnover mentioned above are further explained in greater details below:

### **TYPES OF TURNOVER**

#### **A) NON-VOLUNTARY**

##### **Retrenchment**

It is an activity involving cutting back the existing number of staff in an organisation to a much smaller number to facilitate internal restructuring. Sometimes the exercise is also called **downsizing/rightsizing** and it is defined as the process by which a firm seeks to reduce its overall size and scope permanently, usually as the result of changes in either the organisation's strategy or the marketplace (Anthony, Perrewe and Kacmar, 1995).

**Downsizing** becomes necessary when the objective of such exercise is to create greater efficiency by eliminating certain jobs that could be redundant and repetitious (De Cenzo and Robbins, 1994).

## **Retirement**

Retirement can be defined as the service of an employee that has reached the maximum required limit in an organisation. An employee, upon reaching this period will leave the service of the organisation in his own volition. The normal practise is to have the maximum limit not exceeding the maximum age stated in the statutory guidelines in the country.

However, it is also possible for companies to request an employee to retire early. The usual case involves the company paying off the employee to retire early and at the same time recruit a younger person with lesser pay to assume the vacant position.

## **Dismissal**

This type of non-voluntary turnover is acted upon when an employee breach his contract of employment usually involving serious misconduct or negligence in carrying out his duties. A company will usually go through the normal procedures before dismissing the employee.

## **Termination**

This is the most serious type of non-voluntary turnover caused by the fault on the employees. It is defined as actions initiated by an organisation to permanently separate employees from the organisation (Anthony et al., 1995). Terminations are initiated with the purpose of reducing the size of the workforce. The reasons for this action is due to poor performance and high absenteeism.

## **B) VOLUNTARY**

### **Resignation**

The major type of voluntary turnover and most common is resignation. It is termed as an employee leaving the service of an organisation on his own accord for reasons which could be due to some internal and external variables. The internal variables could be affected by the organisational factors, such as the structure, culture and management practices. The external variables are also varied, namely economic conditions, market forces, job opportunities, family as well as financial commitments. The field of study is to evaluate the organisational factors being the main push factor in cases of voluntary turnover. Basically, where organisational factors are concerned, they are more related to job satisfaction of the employees in the organisation.

## **ORGANISATION OF THE PAPER**

This paper was organised into five chapters with clear distinction of the objective of each chapter. In each chapter, there would be several sections with sub topics to indicate the main points of the discussion.

Chapter 1 talked about the turnover scenario in Malaysia that had developed the author's interest to pursue the exploratory study of the issue pertaining to organisational factors that affect the decision to leave. Chapter 2 basically has seven sections and mainly talked about the literature review and the development of human resources management in Malaysia prior to independence until today. At the end of the chapter, the author would

introduce the research propositions of this paper. Chapter 3 would introduce the method of information gathering for the purpose of this research. The author used survey questionnaire which were randomly distributed to the public. Chapter 4 discussed the analysis of the survey which started off with a report on the demographic characteristics of respondents, followed by a more detailed discussion on the findings. Chapter 5 talked about the major findings of the research and its implications on the human resource practitioners. Finally, a few elaborate recommended strategies were made in an attempt to alleviate the turnover problem.

## **CHAPTER 2**

### **VOLUNTARY TURNOVER**

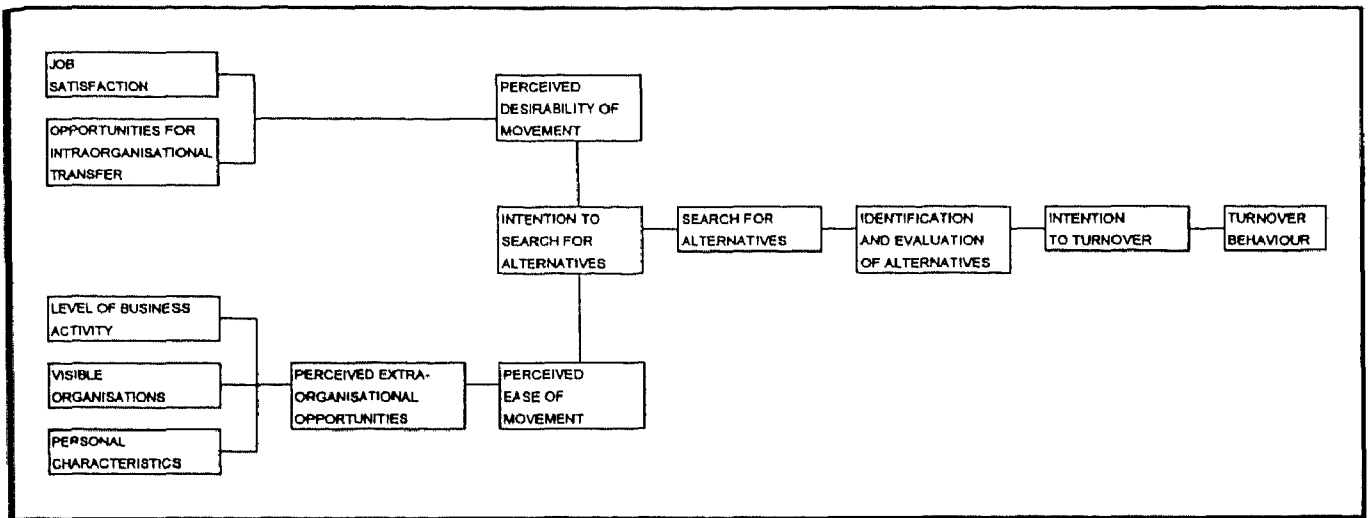
This chapter discussed the relevant literature on voluntary turnover. The discussion would centre around the available models of turnover and employees' decision making process of whether to leave or stay in their present organisation. The next section described the Malaysian economy since its development from an agriculture-based industry to manufacturing and services industry. The relevance of this section was that it highlighted the problem of acute labour shortages prevailing in the country arising from massive economic development.

### **VOLUNTARY TURNOVER**

Researchers have been able to design some turnover models for further study and evaluation. These models basically discussed the progress beginning from the employees' intention to leave present employment to the action of leaving for the new job or not leaving at all.

A lot of turnover models have been developed by researchers since 1958 and they were, over the years simplified as shown in Figure 1.

**FIGURE 1 : TURNOVER MODEL**



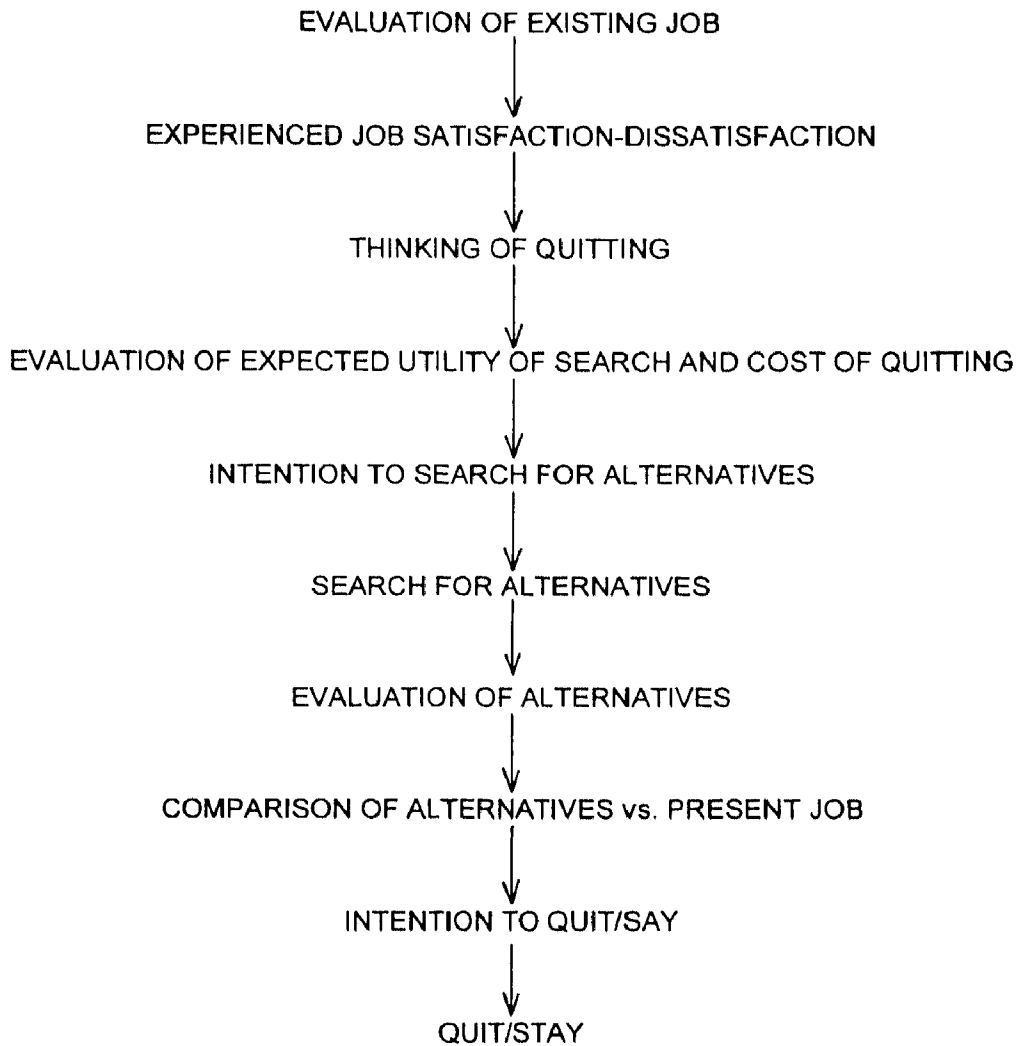
Source: This model was introduced by Dunham R, 1984 with some portions derived from March and Simon, 1958; Heneman and Schwab 1975; Mobley 1977 and Arnold and Feldman; 1982.

The model explains that when satisfaction in one's current job is low, there is a perceived desirability of movement. This perceived desire will lead to the actual behaviour of quitting when alternatives are favourable to the employees.

This is further explained by the intention to search for alternatives and they could be in the form of improved job functions and internal transfer. When the alternatives are searched, identified and evaluated, the actual intention of the turnover is initiated. This will result in a person's actual turnover behaviour, ie: voluntarily leaving the service of his current employment. This model is further supported by the findings of other researchers on employee turnover decision process as shown in Figure 2.



**FIGURE 2: EMPLOYEE TURNOVER DECISION PROCESS**



Source: Steer and Lyman, 1987

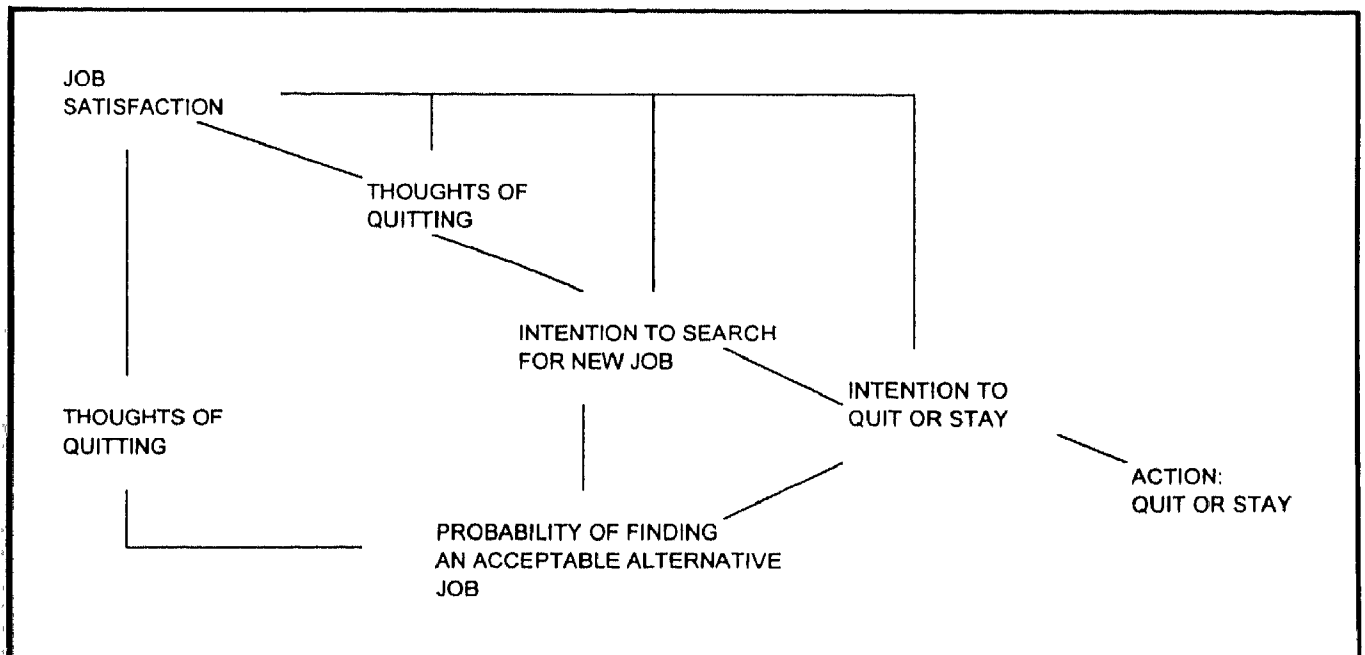
Although this is a heuristic model, it has sufficiently guided thinking in such a manner that the existence of different individual decision in the process would not affect their final decision to quit or stay. Furthermore, this model supports that the decision to quit or stay is usually based on an impulsive act.

There were however conflicting findings on the correlation between satisfaction and frequency of thinking of quitting. Most researchers observed that despite job satisfaction-dissatisfaction, their decision to quit was closely related to prevalent economic conditions affecting them directly.

### ORGANISATIONAL FACTORS AS DETERMINANTS OF JOB SATISFACTION

Job Satisfaction has many facets in its application. There have been many studies dealing with job satisfaction. The results revealed that employees are either satisfied or dissatisfied with their work. According to a model proposed by Mobley and his associates, voluntary turnover is a complex process triggered by low levels of job satisfaction. This led people to think about quitting and then to search for another job. Finally, they form intentions to quit or remain in their present jobs (Greenberg and Baron, 1995). The process is shown in Figure 3.

**FIGURE 3: VOLUNTARY TURNOVER : AN OVERVIEW**



Source: Mobley, 1975

In the model, the critical factor to evaluate is the criteria for job satisfaction which arise from the result of the interaction between the organisation-job performance-employees and the following characteristics of satisfactions:

1. Reward systems
2. Perceived quality of supervisors
3. Company Structure and Culture
4. Peers and Co-Workers
5. Work environment
6. Nature of own's job

The characteristics are further discussed below.

### **Satisfaction with rewards system**

Reward system refers to how the pay, fringe benefits and promotions are distributed and administered in an organisation. Research has shown that job satisfaction is enhanced when the pay and benefit systems are implemented fairly and equitably (Greenberg and Baron, 1995).

This is in regard to the quantum distributed and the mechanisms used to determine the payout.

A company which has a favourable financial reward system and is able to provide sufficient opportunities for the employees to enjoy it, is in a better position to generate job satisfaction amongst the employees. However, if the system is not implemented appropriately, it can cause a lot of dissatisfaction to some employees.

### **Satisfaction with perceived quality of supervisors**

The way supervisors treat their subordinates is also important in the attempt to determine job satisfaction amongst employees. Studies have shown

that satisfaction is enhanced when employees believe that the supervisors are competent, have their best interest at heart and treat them with respect and dignity (Greenberg and Baron, 1995).

On the reverse, a supervisor should not insult his subordinates as it would create discontentment that could lead to bigger problems later. It is also understood that people are more satisfied when they have more opportunities to communicate with their supervisors on work related as well as social matters.

### **Satisfaction with company structure & culture**

This can be discussed in the context of power and decision making of the management. When power is decentralised, many people are allowed to make decisions and can freely participate in decision making. Such situations tend to promote job satisfaction. However, when decision making authority is concentrated in the hands of just a few, people tend to believe that they are relatively powerless and not surprisingly, feel dissatisfied. Studies have shown that where management exercises the power fairly, employees will be more satisfied. This is true when the supervisor empowers the employees to do a job independently. By doing so, employees feel that they are trusted with a job and would endeavour to do it the best way possible. These people are generally more happy about their work.

Many people are satisfied with jobs that provide them with an overall workload and level of variety that is not so low as to be boring and not so high as to be overwhelming and overly challenging. This is so, when an

employee takes the job as a career as opposed to those who take their job as temporary or on short-term basis.

Basically, employees who have a career orientation tend to be more satisfied not by aspects of the work, but by pleasant social conditions on the job. It is expected that employees who care about their career are the ones who are expected to find satisfaction in the work they perform.

### **Satisfaction with Peers and Co-workers**

Individual differences at the workplace can also affect their own job satisfaction. If the relationship between employees are good, there is a tendency for the employees to find job satisfaction. Apart from that, age and good health could also contribute to job satisfaction. It is said that older and healthy employees have greater satisfaction in their work.

### **Satisfaction with Working Environment**

The company's office layout including good lighting, ventilation and office furniture should be ergonomically conducive for the employees to accommodate themselves and perform their jobs. If the layout is too cramped and disorganised, employees may feel dissatisfied and may refuse to perform. This will affect their productivity level and the company's bottom line.

### **Satisfaction with the nature of the job itself**

If there is ample room for an employee to experience job enlargement and job enrichment in their work, they might be satisfied with the job.

Furthermore, job satisfaction is possible when an employee is provided with sufficient challenge in his job as he would have the opportunity to prove himself of his skills and capabilities (Parkinson et al., 1992).

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## **EMPIRICAL FINDINGS ON TURNOVER**

There have been many studies and literature reviews on turnover. The results have been varied since the study was first done in 1955 by Brayfield and Crockett (1955) who discovered that there was a significant correlation between dissatisfaction and turnover (Steers and Porter, 1987).

However, there has been no particular conclusion what organisational factors contribute to employee dissatisfaction and hence, influence employee decision to quit. The major findings from various studies by western researchers on employee turnover is shown in Table 1

**TABLE 1 : SUMMARY OF EMPIRICAL REVIEWS OF TURNOVER LITERATURE**

<b>Investigators</b>	<b>Focus</b>	<b>Major Findings</b>
Brayfield and Crockett (1955)	Effects of job satisfaction on turnover	Significant if modest relation between dissatisfaction and turnover
Herzberg et al (1957)	Comprehensive review	Significant if modest relation between dissatisfaction and turnover
March and Simon (1958)	Comprehensive review	Turnover largely influenced by desirability of leaving plus ease of movement
Vroom (1964)	Limited review	Turnover influenced by force to remain vs. force to leave
Schuh (1967)	Personality and biodemographic predictors of turnover	Modest evidence that vocational interest inventories and scaled biographical information blanks predicted some turnover
Stoikov and Raimon (1968)	Economic factors in turnover	Money and labour market factors have sizable influence on industry-wide turnover rates
Lefkowitz (1971)	Comprehensive review	Turnover influenced by job expectations, satisfaction, work environment, compensation, job itself, and supervisory style
Porter and Steers (1973)	Comprehensive review	Satisfaction modestly related to turnover; major influences on turnover can be found in person, job, work environment, and organisation-wide factors; importance of met expectations
Price (1977)	Comprehensive review	Turnover influenced by dissatisfaction plus opportunity to leave; also considers organisational outcomes of turnover
Forrest et al.(1977)	Effort to integrate psychological and economic influences on turnover	Based on Vroom model, both psychological and economic factors shown to influence turnover
Mobley (1977) Mobley et al.(1979)	Comprehensive review	Model of intermediate linkages between satisfaction and actual turnover presented (1977); review of literature (1979) supports expanded version of model
Muchinsky and Tuttle (1979)	Comprehensive review	Major influences on turnover can be found in attitudes, person, work, and biographical sheets; support for met expectations proposition

Source: Steers and Porter, 1987

Since the study on turnover started earlier in 1950s, recent researchers have used existing literature to evaluate the relationship between satisfaction and turnover. Based on the summary in Table 1, a comprehensive review has been done. More conclusively, Lefkowitz in 1971 and Porter and Steers in 1973 have found that there was moderate relation between satisfaction and turnover. They also discovered that the major influence on turnover can be found in existing organisational factors namely the employees' job itself, work environment, reward system and supervisory style. Other subsequent researchers have made similar findings on the above relationship.

Many studies have been conducted on turnover and satisfaction over the past several years. However, the findings were not conclusive as to whether the decision to leave is actually influenced by source of dissatisfaction. In Malaysia presently, there has been a lot of talks about turnover but no specific study was done to gauge the main cause of the situation. The discussion mainly focussed on the idea that because the economy is experiencing growth, market forces determine the supply of human resources and their price. Organisations have to compete with each other to get the best employees and pay the demanded price. This basically worsen the scenario in the Malaysian labour market.