

TURNOVER INTENTION TREND AMONG COMMERCIAL BANKS IN PENANG, MALAYSIA

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Abstract

Turnover Intention becomes a major obstacle towards the organization as it might impact the productivity and long-term plan of the organization. Theoretically, the organization's performances and productivities of many organizations are impacted by the Turnover Intention, there is still insufficient of academic research that address the turnover intention specifically. This research focuses on the independent variables that influence the turnover intention. The research was done among individuals who working in Penang and the data had been gathered through structured questionnaire. The result indicates that there is a significant relationship between the independent variables, which consist of Alternative Employment Opportunities, Turnover Culture, Remuneration, Job Function, and Hobo-Syndrome, and the dependent variable that is Turnover Intention. Among them, Turnover Culture and Job Function are the most significant contributors.

Keywords: Turnover intention; Performance; Job function; Culture

Introduction

Turnover trend has greatly increased in current working environment. Turnover is defined by shifting jobs regularly or frequent movement of profession from one place to another place without any specific motive (Khatri, 1999). In Malaysia, turnover rate has started to increase in early 1991 due to high demand and huge opportunities that exist in the market. With the increase trend of turnover and its impact, it has be monitored seriously by the senior management, human resources and industrial psychologists in Malaysia due to the major impacts to the organization's long-term plan and sustainability.

According to Hewitt Associates (2009/2010), the turnover rate in Malaysia has increased from 9.3% in year 2009 to 10.1% in year 2010. The highest turnover rate found to be recorded by the financial services (18.3%) and high-tech/IT industry (20%). However, the chemicals industry with 6.3% of turnover rate is the lowest rate among the industries. According to the research, it is a difficult task to retain employees due to the demand and opportunity factor, which encourage employees to leave an organization. The top three reasons for the employees to leave an organization are due to better external opportunity (67.3%), limited growth opportunities (46%) and further studies (38%).

The highest turnover rate in financial services particularly in commercial banks has greatly impacted the productivity, quality and profitability due to the loss of knowledge and technical skills. The turnover rate of any organization will impact the organization's operation cost in investing trainings that required for new employee and eventually will impact the end profit of the organization. In Malaysian financial services industry, the banking system that includes Commercial bank, Investment bank and Islamic bank are the main source for supporting the economy and business activities in Malaysia. Therefore, it is important for the banks to obtain the right and best employee to be with their organization in order to expand their business and to win the market-share.

Therefore, the purpose of this research project is to understand the factors that influence and impact the turnover trend, to determine the significant issue that lead the turnover activity and help the respective organization to formulate the best retention program in order to retain the best employees to deliver their innovated products and services to the customers for sustaining and remaining competitive in the market.

Primary data and secondary data are used in this research project. The primary data will be gathered thru a set of questionnaire to collect the required data for completing the research on the scheduled time frame. For the secondary data, all the related information will be collected from the annual reports and also from the papers.

Problem Statement

Compared to other industry, banking industry is well known with high workload and stringent time frame for their employees to adhere with, which can be recognized as major contributions to the increase of turnover rate. Turnover among the bank's employees are often involved the knowledge or intellectual asset being removed from the organization directly. To gain such intellectual asset on the newly hired or new replacement employee, the organization has to allocate a huge budget, which involved monetary, time and productivity. Therefore, it will highly impact the organization's operation cost and eventually will impact the end profit.

Due to this, organizations such as commercial banks had designed quite number of retention programs to increase loyalty of employee towards the organization and reduce the turnover rate. Examples of the programs are Employee Retention Program that focus on competitive salary and benefit, Be Engaged Program where it encourage the involvement of employee in organization's activities and Exit Interview Program for obtaining value information from the departing employees, which can be used to enhance existing retention programs.

Employee turnover is a well-known and common problem among the commercial banks, and it involves all level of employees, which is from lower level to the top management employees. It is encourage by the job availability in the banking industry and many organizations are willing to offer great package to the employees. Employee turnover will impact certain cost to the organizations in terms of: (1) employee recruitment costs; (2) new employee selection costs; (3) cost of covering during the period in which there is a vacancy; (4) administration of the recruitment and selection process; and (5) induction training for the new employee.

This research project is significant in term of finding the main factors that lead to turnover intention among the commercial bank's employees. This will help the commercial banks to drive and revitalize their current retention programs and help to save their operations cost eventually. The result of this research project will help the banking industry to revitalize their existing retention program to be more meaningful to the employees. The result will indicate which factor that more significant towards the turnover intention, that eventually be used by the organization to zoom into. The result helps to indicate the employee's point of view on the existing job and organization, which able to trigger the next solution in order to prevent any turnover intention. This will help to improve the relationship between the employee and the organization, and eventually will create loyalty in a long run.

Literature Review

Since its introduction in early 1900s, the banking industry in Malaysia plays a major role in developing the country by offering and leveraging their products and services to meet the market's demand. Due to the continuous leveraging activity in delivering their products and services to the market, the bank's employees are being expected to carry a greater workload in their working environment. In meeting the deadline and requirement by the organization, the employees have to scarify their energy and time, and lead to unbalance work-life situation. By continuing working in this kind of environment, it lead to unsatisfied employees and encourage those employees to look for other job that might meet their needs and satisfaction. Based on the Hewitt Total Compensation Management Survey, the average employee turnover rate in Malaysia was 18% in 2007.

From the previous researches, a positive relationship is expected to exist between independent variable (Alternative employment opportunities, Turnover culture, Remuneration, Job function and Hobo-syndrome), with the dependent variable (Turnover intention). Alternative employment opportunities are mainly contributed by the external's environment where the availability of alternative employment in the open market. Since it appears openly in the market, the access to the availability and other benefits are easily to be obtained by the candidates or future employee. Therefore, it encourages the employees of organization to switch their career with other organization (Price, 2001).

Further, there is a positive relationship between alternative employment opportunities and employee turnover intention based on the previous literatures (Khatri, 1999; Hulin et al, 1985). Commonly, earning or salary is the major concern for employee to consider in any of employment decision. They will focus on the best-offered salary to select the organization for them to work. Turnover include both voluntary and involuntary employees (Shaw, 2011) who departed and it is included those who resigns, layoffs, terminates and retires. Abelson (1993) had defined that the turnover culture is where an employee of organization decided to change their current career to other's available position in other organization just because be influenced by their colleagues. It also understood that the turnover culture is positively related to turnover intention (Khatri, 1999).

The social exchange theory has been studied broadly and it defined the common relationship between employer and employee. Based on the theory, it can be mentioned that the employee willing to give in certain

unimportant values such feelings and time, to support the culture in the workplace. On the other hand, the employer also provides certain number of investment in developing their employee, motivate them and eventually will reduce the turnover culture in the organization (Lee and Bruvold, 2003). The previous study by Muse and Stamper (2007) had found that the employer that provides skill-enhancing program to their employee would establish strong employer-employee's chain, and create an excellent culture in organization. Therefore, the turnover intention might be able to avoid due to the above-mentioned reasons.

Valentine et al (2000) found that job satisfaction is significant relative to the turnover intention in most industry. Wu et al. (2011) indicates that employees are switching their job basically drives by better salary or remuneration at other organization. Based on these studies by the above-mentioned researchers, it can be defined that the remuneration is significant relative to job satisfaction but negatively impact to turnover intention. However, study by Tang et al. (2000) had found that there is a strong impact between remuneration and turnover intention as compared to job satisfaction. The finding indicate that the turnover intention is high for those who are value the remuneration package such as big amount of salary, rather than job satisfaction. A study by Wickramasinghe (2010) had indicated that job function is strongly significant relevant to job satisfaction. The finding also stated that the lowest the job satisfaction is, the higher the turnover intention will be.

Further, turnover intention is influence by the size of organization (Chan, 2010) as the size will determine the number of employee, workload and career advancement. However, job function is found to be a main contributor to turnover intention (Wickramasinghe, 2010). Job function with high workload that caused stress and demoralize, has lead to turnover intention by the employees. Therefore, it has been proposed that the organization to revitalize the job function in reducing the high workload and stress level of the employees, which eventually reduce or prevent the turnover intention among the employees. The turnover intention is refer to employee who has intention to switch job to other with respective reason such as workload, satisfaction, new benefit or for fun.

Turnover intention is a well-known subject to the organization in any business culture and industry. According to Khatri (1999), turnover intention is occur when an employee willing to switch their existing job to other, based on their individual desire. No matter how big or small of the organization, turnover intention among the employees is exist and always be a main concern for organization to reduce or eliminate it. However, in certain organization with focusing on part-time employee, hotel and fast food industry, the turnover intention is not a concern or issue to them (Cascio, 2006, Johnston, 1992, O'Malley, 2000).

Nowadays, the turnover and turnover intention are two serious problems in Asia (Khatri, 1999). The turnover and turnover intention are believes to happen without specific reason or goal (Percy, 2006). However, the turnover and turnover intention hardly affect those jobs that required high individual skills such as finance, information technology, electronic and electrical engineering, as written by the Harvard Business Essentials (2002). It is important to build up the relationship among the identified and respective variables by developing the hypothesis and examine them. The respective variables will then be transformed into theoretical framework, and it is expected to obtain result from the hypothesis itself.

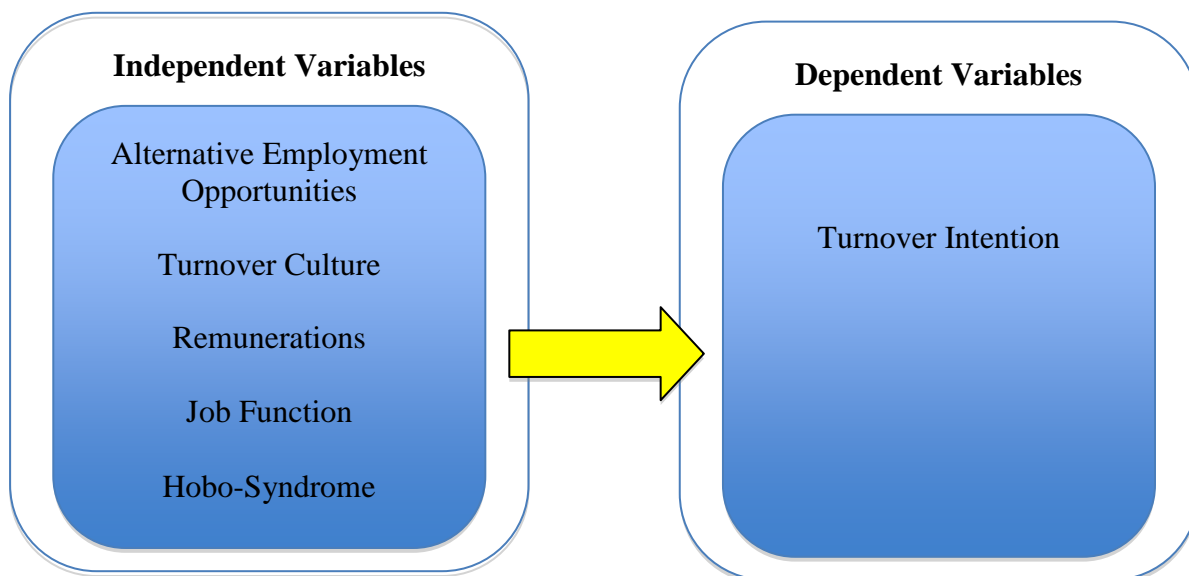


Figure 1: Conceptual Framework

Harris et al. (2008) has verified that there is a significant relation between the alternative employment opportunities with turnover intention. Therefore, the alternative employment opportunities have significant influence on turnover intention of employee in the commercial bank in Penang. Abelson (1993) found that the turnover culture is significant and has relatively impact on turnover intention. Based on the finding, turnover culture has significant influence on the turnover intention of employee in the commercial bank in Penang.

Pay satisfaction was found to be significantly related to turnover intention (Vandenberghe and Tremblay, 2008). Based on the empirical evidence, remuneration has less significant that influence the turnover intention of employees in the commercial bank in Penang. Wickramasinghe (2010) found that job function is highly impacted and affected the turnover intention of employees. Work overloads and work pressures thru the job function are leading the stress in working environment, and eventually expose to turnover intention among the employees. Based on this finding, job function has significant influence towards the turnover intention of employees in the commercial bank in Penang. The study by Zimmerman (2008) indicated that there is a positive relation between Hobo-Syndrome and Turnover intention. Therefore, Hobo-Syndrome has significant influence on turnover intention in the commercial bank in Penang. The theoretical framework is basically based on the Employee Satisfaction Theory and the relation among the variables where the alternative employment opportunities, turnover culture, remuneration, job function and hobo-syndrome are defined as independent variables and turnover intention as a dependent variable.

Research Methodology and Design

The purpose of this research design is a hypothesis testing where to test the relationship between the dependent and independent variables. The study will be focused on the individuals in the commercial banks in Penang. The investigation will be done using regression and the sample size will present the population, as the sample will be based on probability. The research is performed with minimum interference and the data will be collected using questionnaire. For the most of the measurements, Likert scale and nominal scale will be used and the data will be analyzed by using hypothesis testing. The researcher used convenient random sampling to collect data; where convenient random sampling means a subset of a statistical population in which each member of the subset has an equal probability of being chosen. The unit of analysis is individual which focused on the employees of commercial banks in Penang. The sample was picked randomly across different levels in different commercial banks in Penang. The researcher personally approached the commercial banks and shared the purpose of the study with the employees. Primary data was used in this study. Primary data is the data that gather for the purpose of the research specifically. To get the information, researcher has designed and distributed a set of questionnaire. The questionnaire is divided into six parts of A, B, C, D, E, F and G.

Part A collects personal profile of the respondents. Part B of the questionnaire contains questions on alternative employment opportunities, measures the confident level of other opportunity. Part C determines the level of culture and employee engagement towards the organization. Part D determines the level of rewards and recognition that the employees get from their organization. Part E determines the level of knowledge and training received by the employees. Part F determines the hobo-syndrome in the organization. Part G determines the turnover intention of the respondents.

Table 2: Layout of the questionnaires

Section	Variables	Number of Items
A	Personal profile <ul style="list-style-type: none"> • Gender • Age (Years) • Marital Status • Race • Monthly Salary • Occupation • Working Duration • Job Title • Duration of Current Position • Department 	10
B, C, D, E, F, G	(B) Alternative Employment Opportunities	5
	(C) Turnover Culture	6

(D) Remuneration	6
(E) Job Function	4
(F) Hobo-Syndrome	4
(G) Turnover Intention	4

Two scales are used in this research, which are nominal and Likert scale. Nominal scale is used for part A to understand the personal information of the respondents, while likert scale is used for sections B, C, D, E, F and G. Likert scale will gauge the response of the sample study to the respective items. Each response is allocated by a 5-point likert scale, which can be applied across the items. The following scales illustrate the measure that was utilized by using likert scale with scores from 1 to 5.

1	2	3	4	5
Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

The researcher collects the required data through the questionnaires, then the researcher will check the accuracy and reliable of data and questions by using Statistical Packages for the Social Science (SPSS). Further, the researcher will carry out the necessary correlation (e.g. regression analysis) test to determine whether the independent variables, which are: alternative employment opportunities, turnover culture, remunerations, job function and hobo-syndrome influence the dependent variable, which is turnover intention. In particular the researcher starts the analysis with the demographic analysis of the responders. Then proceeds with reliability analysis and factor analysis, finally the researcher will run the regression analysis.

Findings and Conclusion

The summary of the findings can be referred to Table 3 below.

Table 3: Summary of Findings

Hypothesis	Remarks
1) Alternative Employment Opportunities vs. Turnover Intention	Not Accepted
2) Turnover Culture vs. Turnover Intention	Accepted
3) Remuneration vs. Turnover Intention	Not Accepted
4) Job Function vs. Turnover Intention	Accepted
5) Hobo-Syndrome vs. Turnover Intention	Not Accepted

From Table 3, it indicates that Turnover Culture and Job Function are the most important variable among all independent variable. That means Turnover Culture and Job Function are the most contributor to Turnover Intention. Hence the organization that focuses into Turnover Culture and Job Function are highly able to manage well on the turnover intention of their employees.

$$y = a + (bx1 + bx2+ bx3+ bx4+ bx5)$$

$$y = 3.625+ [-0.215(\text{alternative employment opportunities}) + 1.423(\text{turnover culture}) + 0.015(\text{remuneration}) - 0.736(\text{job function}) - 0.358(\text{hobo-syndrome})]$$

The present finding supports previous research findings discussed in literature review, where majority of the employees are less loyalty to the organization and tend to find better opportunity that exist externally. Therefore, it is a must for an organization to be creative in providing the benefits, flexible work schedules and bonus structures. On top of that, recognition is a cost-effective way to maintain a happy and productive working environment. All of these might help to improve the loyalty of the employee towards organization. The research framework has been developed at the beginning of the study. The initial framework was built by five factors, which are alternative employment opportunities, turnover culture, remunerations, job function and hobo-syndrome. However, the final framework indicates that only two independent variables are significant, which are turnover culture and job function. The probably reason is that the research was conducted mainly in commercial banks instead of consumer banks.

This study gives an idea about turnover intention particularly in banking industry. Therefore, it will be useful for future research to consider other kind of industry and it is recommended to include other variables to measure the turnover intention in future research. Due to the turnover culture and job function is the most significant contributor towards turnover intention; therefore, the future research can study in depth on both contributors towards the turnover intention. The finding of this research indicates that turnover intention is a critical measure for the organization in order to sustain and be competitive in the market. The research result stated that the turnover culture and job function has significant impact on the level of turnover intention among the employees. Hence, it is critical for the organization to increase the loyalty of their employees toward them. Therefore, it is a must for an organization to get creative in developing and providing benefits, be flexible in work schedules and bonus structures. On top of that, recognition is a cost-effective way to maintain a happy and a productive work environment. All of these might help to improve the loyalty of the employees to the organization, and eventually eliminate the turnover intention among the employees.

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