

# [Employees turnover among employees small and medium enterprises](https://assignbuster.com/employees-turnover-among-employees-small-and-medium-enterprises/)

Globalization has effect many changes for both developed and developing countries, when a country access to global markets, it will increase the country economic growth and reduce poverty rates. So, in this changing global market, small and medium-sized enterprises (SMEs) are increasingly important for the country economy growth. In Malaysia, there is not a common definition of small and medium enterprises (SMEs), different enterprises define SMEs based on their own criteria. There are various ways to define SMEs, with the most definitions based on the size of the firm or, more specifically, on the number of employees (e. g., Beck, Wigand, & Kong, 2005), SMEs also can be measured by the annual sales turnover. Generally, SMEs can be defined into two broad categories, that is manufacturing and services. In the category manufacturing, SMEs can be define as the enterprises that have annual sales turnover not exceeding RM25 million and full time employees and less than 50. In the categories services, SMEs are enterprises that have or the annual sales turnover not exceeding RM5 million and full time employees less than 50. SMEs can contribute the big opportunities to public and wealth creation. According to the International Finance Corporation (IFC) 6, there is a positive relationship between a country’s overall level of income and the number of SMEs per 1, 000 people. The World Bank’s Doing Business reports show that a well SME sector corresponds with a reduced level of informal or “ black market” activities, because of that, SME are very complicated and may have specific characteristics, such as a turbulent and unpredictable nature, that provide a context contributing to many organization problems, such as employees intention to leave and employees stress (Johnson, 1995). For instance, SME are often a predictor as a result of changes within their economic environment and globalization (Julien, Joyal, &Deshaies, 1994) . The effects of stress and intention to leave in SME may include high levels of turnover, which is particularly harmful to smaller organizations that rely closely on workforce (Small bone & North, 1995). SMEs were less likely to use formal channels of recruitment than larger firms. This appears to be related to the lower incidence of personnel specialists in smaller firms. In a survey focused just on small businesses, Barrett and Mayson (2005)found that many of the significant issues challenging small firm were human resource related concerns including”…finding the right staff, finding skilled staff and retaining good staff”. High levels of turnover are intensified by the difficulties that SMEs face in the recruitment and retention of proficient employees (Johnson, 1995), particularly given that large firms are often perceived as providing employment options that are superior to those offered by SMEs (Moy & Lee, 2002). According to Batra and Tan (2003) World Bank in 2003 stated that SMEs in developing countries have recorded labor turnover ranging of from 3% to 27% of total workers employed. Surprisingly, Malaysia’s SMEs recorded one of the highest numbers of turnover which is 19% for small enterprises and 22% for medium-sized enterprises. Currently, employee turnover mean that the organization will loss the talent, skilful, and experience employees, in turn this failure to retain the skilful employees, it will turn into higher cost for training new employees and if training is not effectively given to new workers, the organization efficiency will be decrease. This is also supported by the findings of Batra and Tan (2003), which reported that highly efficient organizations are more likely to report formal training for their workforce where else less efficient organizations seldom, hold training. As highlighted, training proved to be costly to SMEs due to high numbers in their labor turnover and without proper training due to high turnover, the efficiency of SMEs will be affected. Three factors that have having an effect on the relationship between employee’s turnover and intention to leave are job satisfaction, organization commitment, and perceived organizational support (POS).

## 1. 10 Research Background

## 1. 11Employees Turnover

Employees turnover can be define as employer gains or losses their employees. Turnover is measured for individual companies and for their industry as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry. Existing literature suggests that employees’ organizational commitment and intention to leave are two important predictors of employee turnover (Griffeth & Hom, 1995; Griffeth, Hom, & Gaertner, 2000). Employees’ intentions to leave are consistently related to turnover behaviour and explain more variance in turnover than other affective or emotional responses such as job satisfaction.

## 1. 12Intention to Leave

Intention to leave is defined as an employee’s plan for intention to quit the present job and look forward to find another job in the near future (Purani&Sahadev, 2007; Weisbeg, 1994) . An individual’s intention to leave their organization has been included in numerous stress models (Ivancevich, Matteson, & Preston, 1982; Kemery, Mossholder, & Bedian, 1987). In particular, intention to leave has been considered as a proximal antecedent since it captures employees’ perceptions and evaluations of job alternatives (Allen, Shore, & Griffeth, 2003; Mobley, Griffeth, Hand, & Meglino, 1979). Past research has demonstrated that intention to leave is one of the strongest predictors and an immediate precursor of employee turnover (Griffeth et al., 2000; Porter & Steers, 1973).

## 1. 2 PROBLEM STATEMENT

The problem of labour shortage which was reported in mass media recently, has lead to an alarming issue of increased employee’s turnover rates in a number of organizations in Malaysia. Commentators have suggested that SMEs may have particular difficult in retaining employees because SMEs are likely to have lower levels of perceived employee’s legitimacy than larger firms (Williamson 2000). So, the researchers need to conduct this research. Another reason that motivates the researchers to conduct this research is because there have no known research that anyone has conduct research study about the intention to leave and employee’s turnover among employees in small and medium enterprises in Malaysia. Moreover, it is hoped that by this research, it can help the Malaysian SMEs in the manufacturing sector to understand the factor will cause high employees turnover rate in their organizations. Finally, this research also intends to help SMEs to decrease the number of employee’s turnover rate and retain their capable employees and hopefully these retained capable employees will put more effort to the growth of their organizations. Besides that, literature has suggested several factors that will effect on the relationship between intention to leave and employee’s turnover-job satisfaction, organization commitment, and perceived organizational support (POS). Thus researcher will carry out two research questions for this:

1) What are the factors that will affect an intention to leave?

2) Is there a significant positive relationship between intention to leave and employee’s turnover?

3) What are the relationship between intention to leave, job satisfaction, organization commitment and perceived organization support?

## 1. 3 RESEARCH OBJECTIVE

First objective is to investigate factors that will affect an intention to leave among employees in small and medium enterprises. Second objective is to understand the relationship between intention to leave and employee’s turnover. The final objective is to understand the relationship between job satisfaction and intention to leave.

## 1. 4 SIGNIFICANCE OF STUDY

Through this research proposal, researcher can determine the factor that will affect employee’s intention to leave. Besides that, researcher are manage to understand why intention to leave are able to influence an employee’s turnover rate in the small and medium enterprises. Therefore, by identifying the factors that affecting employees to leave are able to look into matter so as to implement and improve the satisfaction of employees and reduce employee’s turnover rate.

## CHAPTER 2

## LITERATURE REVIEW

## 2. 0 INTRODUCTION

In this chapter, this study consisted of three independent variables and two dependent variables. The determinants of the research as in this study were job satisfaction, organization commitment, and perceived organization support (POS) while intention to leave and employees turnover stands as dependent variables. When come to study intention to leave and employee’s turnover, intention to leave become independent variable and employee’s turnover become dependent variable.

## 2. 1 Job Satisfaction

Psychology, sociology, economics and management sciences, had investigated that job satisfaction is a generally studied subject in work and organisational literature. Job satisfaction is simply how people feel about their jobs and different aspects of their jobs. There are important reasons why organizations should be concerned with job satisfaction, which can be classified according to the focus on the employee or the organization. First, the humanitarian perspective is that people deserve to be treated fairly and with respect. Job satisfaction is to some extent a reaction of good treatment. It also can be considered an indicator of emotional well-being or psychological health (Haccoun and Jeanrie 1995). Second, the utilitarian perspective is that job satisfaction can lead to behavior by employees that affect organizational functioning, as well as a reaction on organizational functioning. Differences among organizational units in job satisfaction can be diagnostic of potential trouble spots (Beatty 1996). Each reason is sufficient to justify concern with job satisfaction. Combined, they explain and justify the attention that is paid to this important variable. This is because many experts believe that job satisfaction can have effect to the workplace, for example job satisfaction will affect labour market behaviour and influence work productivity, employee’s intention to leave, employee absenteeism and employees turnover. Furthermore, job satisfaction considered as a strong predictor of overall individual well-being (Diaz-Serrano and Cabral Vieira, 2005), as well as a good predictor of intentions or decisions of employees to leave a job (Gazioglu and Tansel, 2002). Other theorists (e. g. Rose, 2001) have viewed job satisfaction as a bi-dimensional concept, in the bi-dimensional concept, they consist of intrinsic and extrinsic satisfaction dimensions. In the Intrinsic dimension, the sources of satisfaction depend on the individual characteristics of the employees, such as the ability to use the creativity, initiative, relationship with supervisors, or the work that the person actually performs; these are representative or qualitative facets of the job. Satisfactions can also depend on the environment, such as revenue, working condition, working hour, promotion, or job safety; these are financial and extrinsic sources of other material rewards or advantages of a job. Both extrinsic and intrinsic job facets should be represented, as equally as possible, in a combined measure of overall job satisfaction(Hirschfield, 2000). Buitendach and de Witte (2005) suggest that job satisfaction relates to how an individual’s view and evaluation of a job, and this view then will influenced by their conditions, including their needs, wants, values and expectations. Individuals will evaluate or view their jobs based on the basis factors which they consider as being important to them (Sempane, Rieger & Roodt, 2002). Locke (cited in Sempane et al., 2002, p. 23) defines job satisfaction “ an enjoyable or a positive emotional state resulting from the evaluation of one’s job or job experience.” Job satisfaction can be viewed as an employee’s observation of how well their work presents those things which are important to them. Simply put, job satisfaction is an attitude that the people have about their jobs (Chelladurai, 1999, p. 230). Balzer, (1997, p. 10) 25 define job satisfaction as “… the feelings a worker has about his or her job or job experiences in relation to previous experiences, current expectations, or available alternatives.” Job satisfaction is described as the feelings an employee has about their job in general (Smith et al, 1989). Before that Kalleberg(1977) described it as a worker’s overall evaluation of his or her job or the perceived work experience. Also, (Schneider and Snyder1975) define job satisfaction as a personal evaluation of conditions present in the job or outcomes that arise as a result of having a job. According to Cranny, Smith & Stone (1992) job satisfaction is an affective or emotional reaction to the job, resulting from the incumbent’s comparison of actual outcomes with the required outcomes and in general is the extent to which people like their jobs, (Hirschfeld, 2000). Other theorists (e. g. Rose, 2001) see job satisfaction as an idea with two dimensions: intrinsic and extrinsic dimension. This distinction, according to Rose (2001) exists due to the bidimensional meaning of the word job, the work tasks performed and the post occupied by the person performing those tasks. Workers’ decisions about whether to work or not, what kind of job to accept or stay in, and how hard to work are all likely to depend in part upon the worker’s subjective evaluation of their work, in other words on their job satisfaction, (Clark, 1998.) Job satisfaction is the combination of feelings and beliefs that workers hold in relation to their current jobs. Someone with a high level of satisfaction will generally like their job; they feel that they are being fairly treated and believe that the job has many desirable facets (Jones et al. 1999). Studies show that there are many factors which affect the level of job satisfaction (Mitchell and Larson 1987).

## 2. 2 Perceived Organizational Support

Perceived organizational support refers to the extent to which “. . . employees develop global beliefs concerning the extent to which the organization values their contributions and cares about their wellbeing” (Eisenberger, Huntington, Hutchison, & Sowa, 1986, p. 501). Provide organizational support typically is revealed by or reflected in the extent to which managers service training, design service systems adjust to employee needs and deliver such systems in a way that benefits their employees (Dienhart, Gregoire, Downey & Knight, 1992). Organization support theory (Eisenberger, Cummings, Armeli, & Lynch, 1997 ; Eisenberger, Huntington , Hutchison,& Sowa, 1996; Rhoades & Eisenberger, in press; Shore&Shore, 1995 ) supposes that to meet sociemotional needs and to determine the organizations readiness to reward increase work effort, employees develop global beliefs concerning the extent to which the organization value their well-being(perceived organization support or POS). Research consider that employees with high levels of perceived organization support are more committed to the organizations and will feel more satisfied with their current jobs (Rhoades & Eisenberger, 2002).

## 2. 3 Intention to Leave

An individual’s intention to leave their organization has been included in numerous stress models (Ivancevich, Matteson, & Preston, 1982; Kemery, Mossholder, & Bedian, 1987). Intention to leave is widely regarded as the best predictor for turnover (Sutherland & J ordain, 2004). This support the view of Semler (1993) that employees could see the state of the firm for themselves and expedite the intention to leave if they do not like what they see. In particular, intention to leave has been considered as a proximal antecedent since it captures employees’ perceptions and evaluations of job alternatives (Allen, Shore, & Griffeth, 2003; Mobley, Griffeth, Hand, & Meglino, 1979).

## 2. 4Organizational Commitment

Although commitment has been defined and measured in many different ways, in common the a variety of studies share a common idea in that organizational commitment is considered to be a relationship between individual to the organization (Avolio et al. 2004; Meyer and Allen 1997; Porter et al. 1974). According to Meyer and Allen’s (1991) there are three type of organization commitment that are:

1) Affective Commitment: AC is defined as the employee’s positive emotional correlation to the organization. An affectively committed employee is an employee that strongly supports with the goals and objective of the organization and wish to remain a part of the organization. This employee support to the organization because they “ wants to”. In developing this concept, Meyer and Allen drew largely on Mowday, Porter, and Steers’s (1982) concept of commitment, which in turn drew on earlier work by Kanter (1968).

2) Continuance Commitment: The employees commits to the organization because he/she know the high costs of leaving or losing respective organizational membership (cf. Becker’s 1960 “ side bet theory”), these cost can be both financial and non-financial such as pension accruals and friendship ties with co-workers that would be incurred. The employee remains as a member of the organization because they “ have to”.

3) Normative Commitment: The employee commits to an organization because of feelings of obligation. These feelings of obligation may come from many sources. For the example, the organization may have put many resources and money in training an employee, after that the employees feels a ‘ moral’ obligation to put more effort on the job and stay with the organization because they think there are their responsibility.’ It may also reflect an internalized norm, developed before the person joins the organization through family or other socialization processes, that one should be loyal to one’s organization. The employee stays with the organization because they “ ought to”(http://en. wikipedia. org/wiki/Organizational commitment). The all of the three types of commitment can be view that commitment is a psychological state that (a) characterizes the employee’s relationship with the organization, and (b) has effect for the decision to continue or discontinue membership in the organization. The affective commitment employees remain with an organization because they want to, the continuance commitment employees remain because they have to, and employees with the normative commitment remain because they feel they ought to (Meyer, Allen and Smith 1993). Although there show some relationship between affective and normative commitment, both were found to be somewhat of independent of continuance commitment. So, they can be measured separately. Past research has demonstrated that organizational justice correlated more strongly with affective commitment than the other two components of commitment (Konovsky & Cropanzano, 1991; Meyer et al., 2002). In this study, organizational commitment refers to this affective commitment component.

Organizational commitment is generally viewed as a multidimensional form (Meyer & Allen, 1997). The findings of this study support literature suggesting that organizational commitment like a crossing over relationship, in that employees will build an attachment to the organization in exchange for rewards, and highly loyal employees feel an obligation to accomplish the organization objectives (Jamal, 1984). Commitment mean the identification and the attachment to an organization and imply three thing that are strong belief mean that the employees will accept the organization’s objectives and values, the willingness to try strong efforts for that organization and the employees intention to stay within the organization (Mowday and al, 1982). It is the process through which the organization’s goals and the individual’s goals get more and more integrated (Hall et al, 1970). There also have several researchers studied the relationship between commitment and loyalty, according to Kanter (1968), for example, commitment refers to the individuals’ willingness to use their energy and give their loyalty to social systems, for Hirschman (1972), being loyal to give their energy and loyalty to social systems and being loyal to an organization is necessary to mention one’s dissatisfaction in a positive way and to help the organization to growth instead of leaving it. As a consequence, loyalty has a major influence on the individual’s choice between « voice » (expressing one’s grievance) and « exit » (resigning). Applying Hirschman’s Meyer and Allen (1990) described employees with the high level of organization commitment will willing to stay with the organization even though competing attractions; attend work regularly, protect company assets, and share the company goals. We believe that a better apperceive into the determinants of organizational commitment is, in particular important for small and medium-sized firms because these firms’ success relies on a relatively limited employee based (Kickul 2001). Organizational commitment must be differentiated from job satisfaction: whereas job satisfaction results from an individual relation to work, organizational commitment controls and guides the person in the organization (Estay, 2001).

## 2. 5Employees Turnover

Continual instances of turnover are intensified by the difficulties that SMEs face in the recruitment and retention of talent employees (Johnson, 1995; Small bone & North, 1995). There is still arguing whether turnover is caused by economic or psychological factors (Rouse, 2001; Capelli, 2000a). Employees turnover can be voluntary (resignation) or involuntary (termination, dismissal or retrenchment) and is measures by the percentage of workforce that leaves their employer in a given year (Capelli, 2004). voluntary turnover can be classified as functional (beneficial) or dysfunctional (costly) to the organization (Dalton, Tudor & Krackhardt, 1992). the organization benefits if poor performance leave but incurs a costs when good performance leave. Employee turnover represents a practical problem to an organization in terms of loss of talent and additional recruitment and training cost (Raymond Loi\*, Ngo Hang-yue and Sharon Foley 2006). The turnover is an index based on products sales during a certain period, from the point of view of their value. The turnover is calculated by summing incomes from products sales (goods and services) with those from merchandise sales. The turnover’s net value results by deducing all commercial discounts, VAT (value added tax) and other taxes linked directly with turnover (Trifan & Boian, 2008).

## 2. 6 Research Framework and Hypotheses Development

## 2. 6. 1 Research Framework

## H1

## H2 H6

## H4 H3

## H5

Figure2. 61: Proposed Research Framework of the employee’s turnover and intention to leave among employees in small and medium enterprises.

## 2. 6. 2 Hypotheses Development

The diagram above is the framework proposed by researcher for this research study. In this study, the researcher is intended to examine the variable that cause a factor towards intention to leave and the 3 proposed determinants has been carry out namely perceived organization support, job satisfaction and organization commitment. Apart from that, researcher also examined the relationship between intention to leave that trigger employees turnover.

## 2. 6. 3Perceived Organization Support and Intention to Leave

Previous research has noted that POS was a weak determinant of turnover and it affected turnover intention through organizational commitment (Allen et al., 2003). However, we found that, for non-partners, POS was a proximal antecedent of intention to leave with a direct effect on it. Justice concerns and POS are crucial factors affecting partners’ organizational commitment and intention to leave, which is the same as for non-partners. This adds to the literature on partners’ turnover in the legal profession (Nelson, 1988; Wallace, 1995a). Building on a social exchange perspective and organizational support beliefs of being valued and cared for by the organization, termed perceived organizational support (POS; Eisenberger, Huntington, Hutchison, & Sowa, 1986), which then enhances their organizational commitment and reduces their turnover intentions.

## H1: Perceived Organization Support has a positive effect on Intention to Leave.

## 2. 6. 4Job Satisfaction and Intention to Leave

A study by Sibbald et. al. (2003) on physicists in England demonstrates that job satisfaction is the main contributing factor for employeesâ€Ÿ inclination to quit their job. Job satisfaction is considered a strong predictor of overall individual well-being (Diaz-Serrano and Cabral Vieira, 2005), as well as a good predictor of intentions or decisions of employees to leave a job (Gazioglu and Tansel, 2002). To begin with, employees with a low job satisfaction level have a high likelihood to quit their job (Price 1977, and Mobley et al. 1979). This is supported by Shaw (1999) study which looks at the relationships between job satisfaction and the inclination to quit. According to Locke (1969) employees who are dissatisfied with their jobs are more likely to leave than those that are satisfied. Also there are many article over the years concluding that job satisfaction has long been associated with employees intend to leaving from work (Bhuian et al. 1996, Price2001, Lambert et al. 2001).

## H2: Job Satisfaction has a positive effect on Intention to Leave

## 2. 6. 5Organization Commitment and Intention to Leave

Researchers showed that organizational commitment enhances the individuals’ performance (Meyer et al, 1989) and reduces turnover (Siegel et Ruth, 1973) and absenteeism (Patchen, 1965). Many past studies have found that organization commitment is frequently found to be a major antecedent of intention to leave, (Griffeth et al, 2000; Scandura et al, 1994). Dennis, et al. (2007) sees that organizational commitment is highly related towards organization and to be the factor that affects organization performances, strikes, working results, and intention to leave.

## H3: Organization Commitment has a positive effect on Intention to Leave.

## 2. 6. 6Job Satisfaction and Organization Commitment

There is a positive relationship between job satisfaction level and employee organisational commitment (Abdullah, Shuib, Muhammad, Khalid, Nor and Jauhar, 2007). Summers & DeCotiis, (1987) and Mowday, Porter & Steers (1982) showed that job satisfaction exerted a fairly strong positive influence on organizational commitment. Tett and Meyer (1993) found that job satisfaction and organizational commitment correlate. Yet Lok and Crawford (2001) found in a multiple regression that tenure (negatively), age (positively), and job satisfaction (positively) was statistically significant in explaining organizational commitment variance. This finding conforms to Lok and Crawford (2001) who found job satisfaction predicted organizational commitment. This independent-effects model follows Porter et al’s (1974) suggestion that job satisfaction and organizational commitment, though related, are distinct constructs (Dougherfy et al., 1985). The rapid development of job satisfaction suggests that job satisfaction determines the level of organization commitment, rather than vice versa (Dobreva-Martinova, Villeneuve, Strickland, & Matheson, 2002). Tzeng (2002) hypothesized that higher general job satisfaction, higher professional role satisfaction, and higher general job happiness would correlate to lower intention to quit.

## H4: Job Satisfaction has a positive effect on organization commitment

## 2. 6. 7Organization Commitment and Employees Turnover

Employee turnover represents a practical problem to an organization in terms of loss of talent and additional recruitment and training cost. Existing literature suggests that employees’ organizational commitment is an important predictor of employee turnover (Griffeth & Hom, 1995; Griffeth, Hom, & Gaertner, 2000).

## H5: Organization Commitment has a positive effect on employee’s turnover

## 2. 6. 8Intention to Leave and Employee’s Turnover

Past research has demonstrated that intention to leave is one of the strongest predictors and an immediate precursor of employee turnover (Griffeth et al., 2000; Porter & Steers, 1973). Mobley et al. (1979) conceptualized intentions as statements regarding the specific behaviours of interest. Employees’ intentions to leave are consistently related specific behaviours of interest. Employees’ intentions to leave are consistently related to turnover behaviour and explain more variance in turnover than other affective or emotional responses such as job satisfaction. Past research has demonstrated that intention to leave is one of the strongest predictors and an immediate precursor of employee turnover (Griffeth et al., 2000; Porter & Steers, 1973). Employee exits intentions have been shown to be one of the most powerful proximal predictors of turnover in firms (Griffeth, Hom, and Gaertner 2000) and have been commonly used as an outcome variable in research studies focused on voluntary employee turnover (Benson 2006; Finegold, Mohrman, and Spreitzer 2002).

## H6: Intention to Leave has a positive effect on Employees Turnover

## 2. 7summary

This research was to study the intention to leave and employee’s turnover among employees in SMEs in Malaysia. There were 5 variable in this study which are perceived organization support, job satisfaction, organization commitment, intention to leave and employees turnover. Thus, the hypotheses developed there were positive relationship between perceived organization support and intention to leave , job satisfaction and intention to leave, organization commitment and intention to leave, intention to leave and employees turnover, job satisfaction and organization commitment, and finally organization commitment and employees turnover.

## CHAPTER 3

## METHODOLOGY REVIEW

## 3. 0 INTRODUCTION

The researchers will clarify how this research will be conducted to measure the determinants of the factor that will influence the relationship between intention to leave and employee’s turnover. This chapter included 4 small topics which are sample, data collection, measurement, and data analysis. Firstly, sample is a representative portion of the population and the result from sample should generalize to the population. Then, data collection is used to illustrate a process of how the researcher collected data in order to gain the important information from the respondents. Thirdly, the measurement refers to the result gained from the process of measurement. Finally, the analysis of data is a process of inspecting, cleaning, transforming, and modelling data.

## 3. 10 Data Collection

## 3. 1. 1 Primary Data

Primary data is data that are originated by the researcher for the specific purpose of addressing the research problem. The researcher has to gather more primary data to obtain more information for our study since the secondary data is not very adequate. Besides that, secondary data may be lacking in terms of accuracy, thus the primary data are gathered through a survey by using self-administered questionnaire. The researcher had used closed questionnaire in this research. The closed questions give specific limited-alternative to responses and asked the responses opinion.

## 3. 1. 2 Secondary Data

Secondary data is data collected for some purpose other than the problem at hand. Secondary data is much needed to make use of this study. Basically, secondary data are obtained from various journals, internet, and books and so on. Besides