

## **Organizational Human Resource Practices and Employees' Intention to Leave: The Perspective of Malaysia**

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**Abstract:** This study analyze the relationship between variables namely; compensation and benefits, training and development and supervision and evaluation toward the employees' turnover intention in Public Institution of Higher Learning. A random sampling was conducted among employees in three different Public Institutions of Higher Learning in Northern Malaysia. Total of 300 survey questionnaires were distributed to the respondents and only 297 respondents were returned and justified as usable for analysis. The data were put to test using correlational and regression analyses in evaluating the relationships between the selected variables. The results have indicated that compensation and benefit has significantly contributed the most on the intention to leave among employees. Meanwhile, training and development had shown combination between positive and negative correlations. The elements of supervision and evaluation have shown insignificant results. In conclusion, the compensation and benefit have proven of strong influence in the intention to leave among employees in Public Institution of Higher Learning. Some recommendations have been highlighted in this study for organizations in order to improve and re-strategize the human resource practices in minimizing the turnover rate among employees for the betterment in organizational performance in the future.

**Key words:** Intention to leave, compensation and benefits, training and development, supervision and evaluation, Malaysia

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### **INTRODUCTION**

Turnover is costly for organizations. Direct costs such as selection, recruitment and training of new employees as well as indirect costs such as reduced productivity, stress on remaining workers and low morale for organizations can cost as much as 2 year's pay and benefits (Ramlall, 2007). Researchers such as Igbaria and Greenhaus (1992) stated that actual behaviour is the most immediate determinants of intentions. Intentions are important for researchers and organizations because once people have actually implemented the behaviour to quit there is little likelihood of gaining access to understand their prior situation. Previous report also shown that there is a positive relationship that exists between actual turnover behaviour and turnover intentions. In addition, Bluedorn (1982) has conducted 23 research studies concluded that individuals' intentions matched their actual turnover behaviour.

In 1999, a study towards 7500 US workers, found that HR practices and trust in management had the strongest impact on building commitment. This study conducted from the social exchange theory perspective shows that organizations which exhibit a high level of commitment to their employees through HR practices are rewarded with increased organizational effectiveness, employee involvement and commitment to the organization (Whitener, 2001). HR practices can also be classified as control practices. This approach aims to increase efficiency, reduce direct labour costs and relies on strict work rules and procedures and based on rewards and outputs (Arthur, 1994). Arthur also found that HR systems that built on commitment rather than control were associated with lower turnover and higher productivity. In this research, the determinants factors that influence intention to leave among employee in Public Institution of Higher Learning will be investigated. The elements of compensation and benefits, training and development and supervision and evaluation are forms of variables as a framework in order to determine the intention to leave.

### Literature review

**Intention to leave:** Intention to leave is defined as the behavioural intention of an individual to voluntarily leave a profession or organization (Coomber and Barriball, 2007). It can also be further defined as a major predictor for the terminal action of actual turnover (Mobley *et al.*, 1978). Intention to leave sometimes is known as turnover intention or as the rate at which employees leave a workforce. Behavioural intentions have been demonstrated to be the primary antecedents and predictors of the actual behaviour of turnover (Fishbein and Ajzen, 1975).

In any organization it is important to understand the reason that can contribute to the worker intention to leave. Employee turnover can bring serious issue to a company especially to the Human Resources Department (Yin-Fah *et al.*, 2010). This is because high turnover rate can bring destruction to the organization in the form of both direct and indirect costs (Ali, 2009). Whatever reason the employee had on leaving, it had effect on the organization and the employee that compose it. Employee turnover is expensive from a business point of view and voluntary quits which represents an exodus of human capital investment from organizations and the subsequent replacement process entails manifold costs to the organizations (John, 2000). Turnover can cause troubles in terms of managing the significantly increased in cost for new hirers for example training are required and tremendous decrease in productivity due to the low morale of the staff who choose to stay in the organization (Hussain and Rehman, 2013).

A similar research was conducted by one of Public University and found that the relationship between the HRM and the intention to stay exists (Johari *et al.*, 2012). The study shows a positive relationship but it was conducted on group of manufacturing employees. Hence, it cannot be provide a complete finding that intention to leave among the Public Institution of Higher Learning staff is positive.

**Compensation and benefit:** Compensation fairness are refers to the perceptions that employees have regarding equity in company practices concerning internal compensation, external compensation and benefits. According to compensation is all form of financial return, tangible services and the benefits that employees receive as part of an employment commitment. Meanwhile, employee benefit is referred to any type of plan sponsored or initiated unilaterally or jointly by employers and employees or from the government.

The relationship of compensation and benefit on intention to leave had been widely studied. For example in

one research, the finding shows that salary growth and other non-salary benefits that provided to employees have a significant influence on their intention to quit (Trevor *et al.*, 1997). While, Miller and Wheeler (1992) found that employees' intention to stay is significantly affected by the total compensation package. Previous study supported a finding that human resources practices dimensions that includes recruitment and hiring, compensation and benefits, training and development and supervision and evaluation influence employee intention to leave and all dimensions showed a significant relationship. Among all the variable of HRM practices, compensation and benefit showed the strongest negative relationship towards the intention to leave. This shows that the compensation and benefit has the highest effect in the decision making process of the worker to leave an organization. Therefore, it is hypothesized as follows:

- $H_1$ : there is significant relationship between compensation and benefit towards intention to leave

**Training and development:** Training and development has been defined as the process by which an individual change their knowledge, skills, behavioural and attitudes while it designed to help employees grow and it is not primarily skill-oriented. The training and development also proved that it provides attitudes and general knowledge which will be helpful for the employees to be promoted to higher position. In the same streamline, indicated that the aim of training is to improve current behaviour and work skills whereas development aims to increase abilities in relation to job or future position. Employee training is an indication of management commitment to build a life-long relationship with the employees, thus, increases retention and reduces turnover decision (Samuel and Chipunza, 2009).

There are a lot of debates on the relationship of training and development on intention to leave since, there are some mix findings of positive and negative relationship. For example, found a positive and significant relationship between training and stay in the firm. Meanwhile, Benson (2006) found a negative relationship between on-the-job training and turnover intentions. A related research conducted by the University of Tex as found the importance of certain training methods that link to staff turnover intentions based on data representing 667 employees. Result showed that on-the-job training was positively related to organizational commitment and negatively related to intention to turnover (Benson, 2006). A study by Egan *et al.* (2004) also found weak significant and negative effect between the learning culture and turnover intentions. Therefore, it is hypothesized as follows:

- H<sub>2</sub>: there is positive relationship between training and development towards intention to leave

**Supervision and evaluation:** Evaluation is characterized as comparing an individual’s performance standard of organizational members or an individual’s previous performance. Evaluation frequently supports human resource activities such as salary administration, promotion or termination decisions, identification and recognition of good or bad performance. Development and evaluation may appear interdependent (i.e., how can one develop an employee without some sort of evaluation?), thus, rendering separation difficult or impractical (Boswell and Boudreau, 2002). In the organization, evaluation on the performance of the employees will be provided annually or semi-annually. The change in power structure incurred by removing the evaluative authority from the immediate supervisor may cause problem or because of limited number of supervisors in each group.

Previous research on the relationship of supervision and evaluation towards intention to leave had shown a negative relationship. Furthermore, the intention to leave was negatively related to supervision and most finding involved educated employees (Dickin *et al.*, 2010). This may be due to the relationship between supervisor and the staffs. Some supervisor will not being able to acknowledge the ability and capability of their staffs when they only evaluated at specific time. It is possible for the staff which previously had a good reputation and performance but when the employee is away due to health and others personnel problems then it is difficult to evaluate. It is hypothesized as follows:

- H<sub>3</sub>: there is relationship between supervision and evaluation towards intention to leave

**MATERIALS AND METHODS**

The population for this study was selected from lecturers and staff at Public Institution of Higher Learning. The sample size involved 297 respondents and randomly selected from three Public Institutions of Higher Learning in Northern State of Malaysia. This research used convenience sampling method due to large number of questionnaires and to ensure data collected quickly and economically. The data was analysed using Statistical Package for Social Science Version 17 (SPSS 17.0). Reliability test is employed to determine how well the items in set are positively correlated to one another in questionnaire as well as data screening to ensure validity

and reliability of the data. The statistical analyses such as descriptive statistics, correlation and regression were used to test the effects of variables.

**RESULTS**

**Reliability analysis:** Reliability of measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a measure. The questionnaire adequately covers the topics that have been defined as the relevant dimensions. The result of reliability test as shown on Table 1.

Cronbach’s coefficient alphas were computed for each dimension to determine the internal consistency reliability of the instruments used in this study. Table 1 illustrates the Cronbach’s Alpha values for the variables. According to Nunnally and Bernstein (1994), the value of 0.60 is considered as in the lower limit of acceptability for Cronbach’s Alpha. As depicted in Table 1, all variables in this study had the alpha values of 0.671-0.852 which were all above 0.60.

**Descriptive statistics:** As Table 2, highlights descriptive statistics of the main variables of the present study. Based on Table 2, the respondents generally perceived moderate with compensation (mean = 3.0278, SD = 0.41078), training (mean = 2.9722, SD = 0.47562), supervision (mean = 2.8500, SD = 0.52768) and intention (mean = 2.8533, SD = 0.59174).

Based on Table 2, it shows that even though respondents agreed that they had received the benefit, compensation, supervision, evaluation, training and development but they still had high intention to leave Public Institution of Higher Learning. Further, analysis will be conducted in determining the variable that is strongly related to their intention to leave.

**Correlation analysis:** This study examines the nature of relationship that exists between independent and

Table 1: Reliability analysis

Variables	No. of items	Cronbach’s $\alpha$
Compensation and benefit (IV)	6	0.671
Training and development (IV)	6	0.779
Supervision and evaluation (IV)	6	0.774
Intention to leave (DV)	5	0.852

Table 2: Descriptive statistics

Variables	N	Minimum	Maximum	Mean	SD
Compensation	297	2.00	3.83	3.0278	0.41078
Training	297	1.50	3.83	2.9722	0.47562
Supervision	297	2.00	4.00	2.8500	0.52768
Intention	297	1.60	4.00	2.8533	0.59174

dependent variables. To determine the relationship amongst the variables, the result of correlation analysis is presented in Table 3.

Based on Table 3, compensation shows significant relationship towards intention to leave. The result of Pearson correlation is 0.396 and the significant level is 0.030. Training and supervision shows insignificant relationship that showed Pearson coefficient for training is 0.255 and supervision is 0.180.

**Regression analysis:** The usefulness of regression models was evaluated by the coefficient determination, denoted by R-square ( $R^2$ ). The coefficient of determination represents “the proportion of variance in either variable which is linearly accounted for by the other”. The  $R^2$  of 0.01 represents a small effect size, an  $R^2$  of 0.09 represents a medium effect size and  $R^2$  of 0.25 represents a large effect size.

As depicted in Table 4, the regression result revealed the  $R^2$  value is 0.181. This indicates that this study explained 18.1% of the variance of employee intention to leave. Based on Table 5, result showed that only compensation and benefit are the significant predictors of intention to leave ( $\beta = 0.391$ ,  $p < 0.09$ ). Employees’ compensation is positively related to their commitment to organization (Igarria and Greenhaus, 1992). Abbasi and Hollman (2000) in their study have identified lack of

recognition and lack of competitive compensation systems are some reasons for employee turnover in the organization.

## DISCUSSION

The descriptive analysis found that the respondents satisfied with the benefit and compensation provided by their employer ( $\approx 3$ ). Meanwhile, from the result of the regression analysis it showed a significant relationship between compensation and benefit toward intention to leave. This supported from previous finding by Trevor *et al.* (1997), Miller and Wheeler (1992) and Shaw *et al.* (1998) which also found significant relationship.

The results have shown that compensation and benefit had a positive relationship. This is because the higher the compensation and benefit, the higher the intention to leave among Public Institution of Higher Learning. In this support, Vroom (1964) stated employees believe that effort shall lead to performance and performance lead to rewards (positive or negative). The betterin reward system, the more likely the employees are motivated and vice versa.

For training and development, the result from the descriptive analysis found that most of respondents agreed that their employer had provided them enough training. Meanwhile, the regression analysis showed that there is an insignificant relationship between training and development with intention to leave ( $p = 0.388$ ). Training and development variable ( $\beta = 0.186$ ,  $t = 0.877$ ,  $p > 0.05$ ) suggest that there is extremely irrelevance association towards intention to leave.

The objective of training and development is to improve in employees’ performance in order to in still high commitment and lower intention to leave. The impact of training and development towards intention to leave is still been debated. From previous study, there are some researches had found positive relationship (Robbins *et al.*, 2002; Comm and Mathaisel, 2003) and other found negative relationship (Benson, 2006; Egan *et al.*, 2004) between them. The relationship between training and development can be both positive and negative depend on the individual and situational perspective.

Therefore, based on the present finding it showed that Public Institution of Higher Learning staffs agreed that they had a clear understanding on the current supervision and evaluation of their employer towards their career progression. The regression analysis found that supervision and evaluation had insignificant relationship to the intention to leave ( $p = 0.616$ ). This

Table 3: Correlation analysis

Variables	Compensation	Training	Supervision	Intention
<b>Compensation</b>				
pearson correlation	1297	0.337	0.499*	0.396*
Sig. (2-tailed)	-	0.068	0.005	0.030
N	297	297	297	297
<b>Training</b>				
Pearson	-	1	-	-
Correlation	0.337	-	0.545**	0.255
Sig. (2-tailed)	0.068	-	0.002	0.175
N	297	297	297	297
<b>Supervision</b>				
Pearson correlation	0.499**	0.545**	1	0.180
Sig. (2-tailed)	0.005	0.002	-	0.342
N	297	297	297	297
<b>Intention</b>				
Pearson correlation	0.396*	0.255	0.180	1
Sig. (2-tailed)	0.030	0.175	0.342	-
N	297	297	297	297

Table 4: Regression analysis

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	SE of the estimate
1	0.426*	0.181	0.087	0.56551

Table 5: Regression analysis

Variables	B	SE	$\beta$	t-value	Sig.
Constant	0.935	0.913	-	1.024	0.315
Compensation	0.564	0.296	0.391	1.902	0.068
Training	0.232	0.264	0.186	0.877	0.388
Supervision	-0.158	0.312	-0.117	-0.507	0.616

indicated that poor supervision and evaluation will not give direct effect to their intention to leave. This result is not surprising since based on the previous research, it also shows a negative correlation (Lashley, 2000; Hinkin and Tracey, 2000).

### CONCLUSION

In general, this research had highlighted the relationship of human resources management dimensions towards intention to leave in a perspective of Public Institution of Higher Learning staff. The objective of this research is to identify the effect of compensation and benefit, training and development, supervision and evaluation on the intention to leave. From the result of the analysis, it is found that compensation and benefit has significant effect on intention to leave. Meanwhile, training and development had shown positive and negative correlation. Supervision and evaluation had shown insignificant result. It concludes that compensation and benefit has strong influence in the intention to leave among the Public Institution of Higher Learning staff.

### RECOMMENDATIONS

In order to improve the compensation and benefit, training and development and supervision and evaluation, Public Institution of Higher Learning organization should improve their human resources practices. Employer should organize and provide effective supervision such as: equal opportunities for career development which provide educational and training, mentor-mentee program and continuous in-house program. Career advancement opportunities should be distributed fairly and offered to any personnel who are genuinely competent. Compensation packages should be attractively designed. Arasli (2002) argued that organizations aiming at adopting and or implementing a total quality management philosophy into their systems should provide scientifically based training programs. In other words, improving supervisor's performance is vital and can be achieved through the use of effective, efficient, fair and objective human resource management practices.

From the finding it shows that there is high intention to leave among the Public Institution of Higher Learning staff. However, the main determinants factor influence employee to leave still vague. The  $R^2$  is only 18.1% and it is very low. Therefore, there are other variables that need to further explore in order to fit the model. This is important because as it had been discuss earlier high

turnover rate can bring negative effect to an organization due to satisfaction and organization commitment which probably influence the employees.

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