

## Factors Influencing Employees to Stay in an Organisation

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**Abstract:** Manufacturing industry is one of the main sectors that contribute to the Gross Domestic Product (GDP) in Malaysia. However, at the same time, the manufacturing industry also faced problems in retaining their current employees. Therefore, the purpose of this study is to examine the relationship between compensation, career opportunity, training and development and performance appraisal toward intention to stay among employees of manufacturing companies in Sri Gading Industrial Area, Batu Pahat, Johor. Structured questionnaires were distributed to 250 employees based on random sampling method. Statistical Package for Social Sciences (SPSS) version 22 was used to analyse the data. The results support all of the hypotheses tested. The findings show that all independent variables are significantly correlated with intention to stay; compensation ( $r=0.894$ ,  $p<0.01$ ), career opportunity ( $r=0.692$ ,  $p<0.01$ ), training and development ( $r=0.692$ ,  $p<0.01$ ), and performance appraisal ( $r=0.944$ ,  $p<0.01$ ). Based on the findings, various strategies were suggested which have wider managerial and policy implications for the management of intention to stay in similar settings

**Keywords:** Manufacturing, Intention to Stay, Compensation, Career Opportunity, Training and Development, Performance Appraisal

### 1. Introduction

Malaysia is a rapidly developing country with a population of 30 million (Malaysia Department of Statistics, 2014). In terms of economic performance, Malaysia's economy increased to 6.0% of the Gross Domestic Product (GDP) in 2014 compared to 4.7% in 2013 (Malaysia Department of Statistics, 2015). Moreover, according to Datuk Phang Ah Tong, Deputy Chief Executive Officer Manufacturing and Service Development 1 at the Malaysian Investment Development Authority, the manufacturing sector is among the largest contributors to the economy, currently accounting for 25 per cent of Malaysia's total GDP (Bernama, 17 October 2014). Productivity growth in the manufacturing sector also increased to 5.4 per cent in 2013 compared to 4.5 per cent in 2012 and employed about 2.2 million

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people in this sector, which represents 16.8 per cent of the country's total employment (Malaysia Productivity Corporation, 2014). It has therefore shown that the manufacturing sector is now one of the most critical sectors in the country and has had a major impact on economic growth.

### 1.1 Research Background

In any organisation, such a manufacturing sector, the workforce is a very important component, and therefore employees are always considered to be the greatest asset of the organisation. Without employees, organisations will not be able to deliver business results, achieve organisational objectives or meet their financial objectives. At the same time, however, organisations face a major challenge as to how to retain this invaluable resource. Noe (2008) believes that human resource management practises are important for attracting, motivating, rewarding and retaining employees. Thus, if the industry has a low turnover of employees, the intention of employees to remain in a particular industry is much higher than that of other industries, which indicates that this sector is healthier than others. Some attention should, therefore, be paid to further improving and maintaining the development of this manufacturing sector.

### 1.2 Problem Statements

In Malaysia, high turnover is very problematic, and there is a worrying trend for employees to leave the country and work abroad. Malaysia needs valuable human capital in order to be a high-income economy by 2020. However, the percentage of turnover in Malaysia has steadily increased. Findings from the 2013 General Industry Total Rewards Survey reported that the rate of turnover in the general industry in Malaysia increased from 12.3 per cent in 2012 to 13.2 per cent in 2013 (Sun Daily, 31 October 2013). In the same vein, the manufacturing sector has a high turnover of 24 per cent of employees (The Sun Daily, 31 October 2013). This trend is worrying because turnover is potentially costly and could have a negative impact on organisations. When employees leave, the organisation had to reorganise its resources, and it would normally take some time to hire or hire a replacement employee (Johari, Yean, Adnan, Yahya & Ahmad, 2012). Employee turnover drawbacks to the organisation, which include loss of valuable employees and increases the cost of the organisation, such as recruitment costs for new employees and training for them to improve their skills (Ghazali, Nasyuki & Yi, 2011). According to the Federation of Malaysian Manufacturers (FMM) report, the average turnover rate for non-executive workers is 1.97 per cent, while for executive workers it is only 1.35 per cent (Johari *et al.*, 2012).

Furthermore, Branham (2005) argued that there are seven main reasons why employees leave, which are unrecognised, low pay, unfulfilled jobs, limited career advancement, poor management practises, unreliable leadership, and dysfunctional working cultures. Meanwhile, Johari *et al.* (2012) stated that employees would leave their current organisation if they were not satisfied with the factors related to the organisation. Indeed, a 2012 Global Workforce Study study by Towers Watson found that 51% of Malaysian employees can move to another organisation to advance their careers or to achieve a high level of work and pay is also an important driver and driver of performance (The Sun Daily, 31 October 2013). Employers are, therefore encouraged to invest in human resource management that will enhance the quality of human resources.

This is where there is a need to examine what is causing employees to stay in their current organisation. Moreover, most of the previous research was conducted outside Malaysia, particularly in western countries. There has therefore been a lack of studies on human resource practises and the intention of employees to remain in the manufacturing sector. In addition, there may be cultural differences between Western and Asian countries, and effective practices in western countries may not be effective for implementation in that country (Ghazali, Nasyuki & Yi, 2011). The aim of this study is therefore to examine the relationship between human resource practises, namely compensation, career

opportunities, training and development, and performance assessment of employees' intention to remain in manufacturing companies in the Sri Gading Industrial Area, Batu Pahat, Johor.

### 1.3 Research Questions

This study was carried out to address the issues of the influence of compensation, career opportunity, training and development and performance appraisal on the intention to stay among employees in an organisation. Accordingly, the following research questions are addressed to further examine the matter:

- (i) Does compensation have a significant relationship with intention to stay?
- (ii) Does career opportunity have a significant relationship with intention to stay?
- (iii) Do training and development have a significant relationship with intention to stay?
- (iv) Does performance appraisal have a significant relationship with intention to stay?

### 1.4 Research Objectives

This main objective of the study is to examine the predictors of intention to stay. Specifically, the study intends to examine the relationship between compensation, career opportunity, training and development, performance appraisal and intention to stay. Therefore, the objectives of this study are:

- (i) To assess the relationship between compensation and the intention to stay.
- (ii) To assess the relationship between career opportunity and intention to stay.
- (iii) To assess the relationship between training and development and intention to stay.
- (iv) To assess the relationship between performance appraisal and intention to stay.

### 1.5 Significance of the Study

To date, very little research has been done to investigate how human resource management practises could influence employees' intention to stay. This study, therefore, provides a better insight into the various HRM practises implemented in the manufacturing sector in Sri Gading Industrial Area, Batu Pahat, Johor, with the aim of highlighting whether certain human resource management practises could increase employees' intention to remain within their organisation. The potential findings of this study are expected to contribute to the manufacturing sector by providing more accurate and specific information on the retention of valuable employees. In addition, the expected results and findings are useful for human resource managers to improve their HRM practises and to plan effective strategies to retain their employees. Through this study, managers will learn more about effective practises among employees and will eventually use them as a guideline or reference when developing human resource practices. In addition, it is hoped that the potential findings will be informative for the manufacturing industry and therefore useful for managers and the human resources department, as there are fewer studies related to the manufacturing industry in Malaysia.

### 1.6 Scope of the Study

The study is conducted at certain manufacturing organisation in Sri Gading Industrial Area, Batu Pahat, Johor. This study focuses on manufacturing companies because this industry is one of the main contributors to Malaysia's Gross Domestic Product (GDP). Specifically, the manufacturing industry accounted for 25 per cent to the GDP (Bernama, 17 October 2014). Interestingly, the manufacturing industry in Malaysia has recorded high employee turnover, with 24 per cent of employee leaving the organisation (The Sun Daily, 31 October 2013). Hence, it indicates that there is a need to examine

factors that correlate with the intention to stay among employees in manufacturing companies at Sri Gading Industrial Area, Batu Pahat, Johor.

## 2. Literature Review

The literature review section describes and critically discussed all relevant literature related to the research. This section may be structured on the basis of the stated objectives and the focus of the study or any logical order it considers appropriate. This chapter presents a literature review of employee intention to stay, and HRM practises (compensation, career opportunities, training and development and performance assessment) from previous research in this field. On the basis of the literature, hypotheses, and the research framework for understanding the relationship between HRM practises and the intention to remain were also presented. This chapter concludes with a summary of the discussions in the chapter.

### 2.1 Definition and Conceptualisation of Variables

The following literature review attempts to provide an overview of the definition and conceptualisation of the intention to stay and the practise of HRM.

#### (a) *The conceptualisation of the intent to stay*

The concept of intention to stay is the opposite of the intention or intention to quit turnover. Price and Mueller (1981) argued that the intention to stay was to continue membership of the organisation. Tett and Meyer (1993) also gave the same definition as the willingness of employees to continue working for the organisation. In the meantime, Johari *et al.* (2012) defined the intention of staying as a long-term desire for employees to remain in employment with their current employer.

#### (b) *The HRM practices conceptualization*

According to Denisi and Griffin (2005), human resources are people who work in an organisation to perform their daily duties in exchange for wages, salaries or salaries. Human resources within the organisation must, therefore be well managed in order to help the organisation achieve its objectives. Previous literature has shown that there are different definitions of human resource management (HRM) practises. For example, Anthony, Kacmar and Perrewe (2002) defined HRM practises as a set of planned strategies and policies implemented by the organisation to ensure that human capital of the organisation contributes efficiently and effectively to the achievement of organisational objectives. At the organisational level, HRM practises having been recognised as a source of business profits (Mathis & Jackson, 2004). This is because HRM practises, such as compensation, are used to attract and retain skilled workers, training and development are used to train potential employees to perform high-level tasks, and performance assessment is used to determine the strengths and weaknesses of employees, and are considered to be the basic strategies to ensure that the organisation has a talented group of employees who will help the organisation. Further, Noe (2008) argued that HRM practises playing an important role in attracting, motivating, rewarding and retaining employees.

Meanwhile, from the perspective of employees, HRM practises are seen as an effort by the organisation to support their career development (Armstrong-Stassen & Cameron, 2005). The employees perceive that the organization is responsible to develop related HRM policies for them. In addition, compared to other HRM practises such as selection, industrial relations and safety and health; compensation, career opportunities, training and development, as well as performance assessment, are more likely to enhance the employees' motivation, commitment and satisfaction (Robbins & Coulter, 2002; Comm & Mathaisel, 2003). In turn it will trigger the intention of the employees to remain in the organisation.

*(c) Compensation*

According to Milkovich, Newman and Gerhart (2011), compensation is the sum of the monetary and non-monetary rewards to be paid in exchange of their services, while Darlington (2007) claimed that compensation is all the rewards received by the employee in exchange for their work, including basic pay, commissions, bonuses, benefits and other incentives. Benefits comprised of paid leave, health care, benefits, allowances, transportation, flexible hours, child care and social recognition (Watty-Benjamin & Udechukwu, 2014). Rewards are usually compensated on the basis of the value of work, the level of personal contribution, effort and performance. In other words, the compensation practise concerns the entire package of rewards, including financial and non-financial benefits, which the organisation provides to its employees in exchange for their services rendered (Aswathappa, 2008). Good compensation may affect the motivation which, in turn, affects the employee's intention to stay. At the organisational level, compensation is critical in attracting, retaining and motivating employees to continue contributing to the success of the organisation (Philips & Fox, 2003). The reason for this is that compensation is important to influence the choice of individuals to work with an organisation. It is supported by Frye (2004) that compensation practises for capital-intensive human organisations play an important role in attracting and retaining highly qualified employees. Many organisations not only use the compensation system to reward and recognise the efforts and contributions of employees but also use it as a motivational tool (Mathis & Jackson, 2004) to improve the performance of employees and thus hinder their intention to leave. Thus, this study conceptualizes compensation as perceived by employees either on monetary or non-monetary rewards of the organization in exchange of their services.

*(d) Career opportunity*

Hackman and Oldham (1980) pointed out that work, which enables employees to learn new knowledge and skills and to continue their education, improves their skills and provides them with potential opportunities, gives them a sense of personal progress and improvement and therefore results in increased satisfaction and wasting of staying in the organisation. Career development is an ongoing organised and formalised effort that focuses on developing and enriching more capable employees (Gomez-Mejia *et al.*, 2010) who have recognised employees as a vital resource. Delaney and Huselid (1996) argue that one of the solutions for retaining talented and promising employees is a career development system. Despite the uncertain working environment, career development remains an important activity, as it can help organisations retain the satisfied, qualified and committed employees that an organisation needs to succeed (Gomes-Mejia *et al.*, 2010). Accordingly, this study defines career opportunities as employees' perception of the extent to which the organisation has provided them with a clear career path.

*(e) Training and development activities*

According to Ivancevich (2010), training and development is a systematic process to enhance the skills and capabilities of employees to meet current and future requirements to facilitate the achievement of the objectives and success of the organisation, while Delery and Doty (1996) defined training and development as strategies, methods and procedures for improving the capacity and capabilities of employees. In addition, Mondy and Neo (2005) refer to training and development as official activities undertaken by the organisation to help employees acquire the skills and experience needed to carry out current and future work. Training is also one of the important ways of helping individual employees to acquire the new knowledge and skills needed to maintain standard performance in a competitively changing environment. Thus, this study defines training and development as employees' perception of the availability and adequacy of the training and development programmes of the organisation.

*(f) Performance assessment*

Performance assessment is a formal system used by the organisation to periodically evaluate the performance of employees (Dessler, 2011). According to Ivancevich (2010), performance assessment is an activity that is used to identify and deliver to the employee about his or her job performance, the extent to which the employee does a good job and is effective. Based on the view of Delery and Doty (1996), the performance assessment refers to the formal process used by the organisation to identify and respond to employees about their job performance. As a result, employees can be aware of their performance and recognise their weaknesses through performance assessment processes, which can lead to valuable feedback or guidance from supervisors and enable action to be taken to improve performance. Boswell and Boudreau (2002) argued that performance assessment is also an important human resource practice. In fact, Kuvaas (2006) argued that an appropriate performance assessment system is considered to be a mechanism for motivating, developing and retaining employees in the organisation. Accordingly, this study defines performance assessment as the perception of employees towards the assessment methods and criteria used by the organisation to evaluate the performance of employees.

2.2 Theory Used for the Study

This study is based on the Social Exchange Theory (1959). The Social Exchange Theory (SET) was first coined by Thibaut and Kelley in 1959. Since then, it has been overwhelmingly used as the theoretical groundwork of turnover research to comprehend employee-employer relationships (Coyle-Shapiro & Conway, 2005). The theory defines the employee-employer relationship through mutual benefit cooperation. The Social Exchange Theory argued that all human relationships are formed by the use of subjective cost-benefit analysis and a comparison of alternatives. According to Mossholder, Settoon, and Henagan (2005), the idea of the theory of social exchange was that an individual who feels he or she receives benefits from others would later feel obliged to compensate or repay through effort and loyalty, positive attitudes and behaviour. And the effort and loyalty usually can be seen from a sincere commitment to their work and a strong desire to remain with the organisation. As a result, the organisation shows support and care for its employees through the provision of various human resource management practises, and therefore employees will feel valued and supported, which indirectly make employees stay in their current organisation.

2.3 The Relationship between Variables

This sub-topic reviews the literature on the relationship between human resource management practises, namely compensation, career opportunities, training and development, and assessment of employee intention to stay.

*(a) The relationship between compensation and the intention to remain*

Compensation plays an important role in the satisfaction of employees, which indirectly influences the intention of employees to stay. Positive feelings and the satisfaction of individuals with the compensation system provided by the organisation may give rise to a desire to stay (Gamage & Herath, 2013). The previous study by Miller and Wheeler (1992) found that the intention of employees to stay was significantly affected by the overall compensation package. Meanwhile, Sanjeekumar (2012) conducted a study among employees employed by public companies in Kedah and found that the compensation practise is significantly correlated with the intention to remain,  $r = 0.744$ ,  $p < 0.01$ ). In the same note, the study carried out by Johari *et al.* (2012) found that compensation influences the intention of employees to remain in manufacturing companies. Thus, the hypothesis is that:

H1: There is a strong relationship between compensation and the intention to stay.

*(b) The relationship between career opportunities and the intention to stay*

The availability of career development opportunities illustrates the organisation's willingness and effort. The decision for employees to stay or leave the organisation may depend on whether the work is challenging or whether they are supported by work and personal growth. This requires the employer to provide the resources, tools and environment needed to ensure continued self-development. Miller and Wheeler (1992) found that the intention of employees to stay was significantly affected by the presence of meaningful work and promotional opportunities. Further, the study by Gamage and Herath (2013) shows that there is a significant relationship between career development and the intention to remain among IT professionals in Sri Lanka with  $r=0.503$ ,  $p<0.01$ . In addition, Sanjeekumar (2012) conducted a study among 92 public company employees and found that career opportunity practises correlated with the intention of staying with  $r = 0.533$ ,  $p<0.01$ ). Similar studies have been conducted, and the result shows that compensation practises will be significantly correlated with the intention of employees to stay in the Kuala Lumpur hotel industry (Ghazali *et al.*, 2012). It is therefore assumed that:

H2: There is a strong relationship between career opportunities and the intention to stay.

*(c) The relationship between training and development and the intention to remain*

Training and development have been given top priority in order to ensure fresh skills and keep up to date with current technologies. Similarly, training and development programmes are necessary for employees to develop their knowledge, skills and abilities to undertake higher-level tasks that may be required for future career positions (Johari *et al.*, 2012). A previous study conducted by Lee and Bruvold (2003), Pratten (2003) and Smith (2003) found that comprehensive training and development activities have a positive impact on productivity and the intention of staff to continue with the current organisation. In addition, a recent study by Ghazali *et al.* (2012) found a significant correlation between training and development and the intention to remain among employees in the Kuala Lumpur hotel industry,  $r = 0.546$ ,  $p < 0.05$ . Thus, the hypothesis is that:

H3: There is a strong relationship between training and development and the intention to stay.

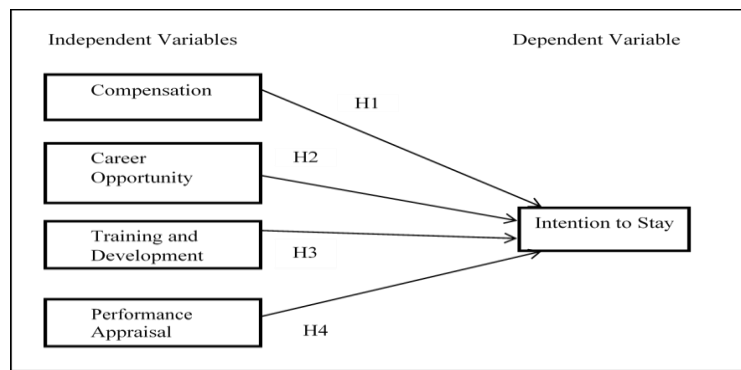
*(d) The relationship between the performance assessment and the intention to stay*

Performance assessment is a process used to identify, measure, evaluate, improve, encourage and reward employees for their performance (Mondy & Noe, 2005). It can, therefore help employees to identify their strengths and weaknesses and to take the necessary action to improve and enhance their skills at work. The previous study by Dailey and Kirk (1992) found that effective performance assessment and planning systems contributed to employees' perceptions of fairness and were more likely to consider staying at the organisation. A similar study was conducted by Ghazali *et al.* (2012). They found that the performance assessment practise was significantly correlated with the intention to stay,  $r = 0.597$ ,  $p < 0.05$ . It is therefore assumed that:

H4: There is a significant relationship between the performance assessment and the intention to stay.

## 2.4 Research framework

Figure 2.1 shows the conceptual framework for the study. It shows that human resource management practises, such as compensation, career opportunities, training and development and performance assessment, relating to the intention to remain among employees. Specifically, there are four main direct relationships between human resource management practices and the employee's intention to stay. The relationship is based on the Theory of Social Exchange (1959). Figure 1 showed the specific relationship of the framework.



**Figure 1: Research framework**

### 3. Research Methodology

#### 3.1 Design of the Study

The research design guides the researcher on how to carry out the research and the methods used. Research design is defined as a plan that details how data are collected, measured and analysed with a view to resolving the research questions of the study (Sekaran & Bougie, 2010). Based on Sekaran (2000), there are two methods of data analysis; qualitative and quantitative analysis. Qualitative analysis is unstructured and exploratory in nature that only involves a small number of respondents' samples (Zikmund, 2003). In addition, results of the qualitative analysis are difficult to generalise to the whole population because the sample is small and is selected through a purposive procedure (Zikmund, 2003). Meanwhile, quantitative analysis is used when the primary objective of the research is to examine if a particular relationship or differences between two or more variables is significant (Zikmund, 2003).

Hence, for the purpose of this study, the quantitative type of research was used. This is because quantitative research can analyse the data and determine the quantity and the extent to which certain phenomena in the form of numbers is statistically accurate and reliable (Zikmund, 2003). Quantitative research is based on the inquiry approach for describing trends and explaining the relationship among variables (Cresswell, 2002). As mentioned in Chapter 1, the main objective of this study is to examine the relationship between compensation, career opportunity, training and development, performance appraisal and intention to stay in an organisation. In other words, the researcher wanted to identify the important factors that were related to the dependent variable. Therefore, quantitative nature lies in the fact that the data collected are mainly numerical.

Moreover, this study is cross-sectional design whereby the data is collected just once during a predetermined period, and all research variables were measured simultaneously (Cavana, Delahaye & Sekaran, 2001). The cross-sectional design is used because it permits the involvement of a large number of respondents at a given time compared to longitudinal study whereby the design focuses on a smaller number of samples in a long period of time, and the results of this study would be difficult to generalise to the entire population (Sekaran, 2003). Thus, conducting this study longitudinally would not be ideal because the objective of this study is to examine the factors that are correlated with the employee's intention to stay, and the data is specifically collect to meet the research objective.

Further, the main research design was used in this research surveys. A survey is defined as a measurement process that uses a measurement tool known as a questionnaire, measurement instrument, or interview schedule (Cooper & Schindler, 2008). Zikmund (2003) argued that a survey supplies a fast, inexpensive, efficient, and precise means of assessing data about a population. Therefore, in this study questionnaire was used to get the data because it allows the researcher to collect the primary data from a large targeted sample.



### 3.2 Research Population and Samples

The unit of analysis for this study is individual. According to Sekaran (2000), individual-level analysis implies that each respondent was treated as an individual data source. Population defined as those people, events, or records that contain the information required and can answer the measurement questions (Cooper & Schindler, 2008). The target population for this study comprised of manufacturing companies at Sri Gading Industrial Area, Batu Pahat, Johor. There are more than 20 manufacturing companies, but only seven companies were willing to participate in this study, namely Mix box Furniture, LY Furniture Sdn. Bhd., Yi Da Engineering, New Star Food Industries, Tigers Polymer (M)

A sample is a subset of the population. The target sample for this study comprised of employees who works at this selected manufacturing companies at Sri Gading Industrial Area, Batu Pahat, Johor. They are selected because they are the main assets for contributing to company productivity. The sample size for the study is determined by using Roscoe (1975) rule of thumb, which stated that the sample size between 30 and less than 500 are appropriate for most research. Roscoe (1975) also suggested that the minimum sample size should be ten times the number of variables. In this study, the number of variables is five, and the minimum sample size should be 50 (5X10). Thus, it is decided to target a total of 350 employees.

### 3.3 Sampling Technique

This study used simple random sampling technique which is one of the types of probability sampling methods. According to Sekaran & Bougie (2010), simple random sampling design is best when the generalizability of the findings to the whole population is the main objective of the study.

### 3.4 Measurements

A close-ended questionnaire was used to gather information about HRM practices and intention to stay in an organisation among employees. For this study, a total of two types of instruments are used to measure independent variables (compensation, career opportunity, training and development and performance appraisal) and dependent variable (intention to stay). The summary of the measures adopted for this study are shown in Table 1.

**Table 1: Summary of measurements**

Variables	Items	Source of Scale
Human Resource Management Practices		
• Compensation	6	Delery & Doty (1996)
• Career Opportunity	6	
• Training & Development	5	
• Performance Appraisal	9	
Intention to Stay	5	Mowday, Koberg & McArthur (1984)

The questionnaire consists of six sections. Section 1 contains questions on respondents' demographic profile which includes gender, age, marital status, race, length of service and academic qualification. Section 2 contains questions related to the dependent variable of intention to stay, Section 3, 4, 5 and 6 consist of independent variables of HRM practices, namely compensation, career opportunity, training and development and performance appraisal. Respondents were asked to respond to the items by indicating their answer using a 5-point Likert scale. Research indicates that a 5-point Likert scale is just good as any, and increase from five to seven-point rating scale does not improve the reliability of the ratings (Elmore & Beggs, 1975).

Specifically, the intention to stay was measured using five items developed by Mowday, Koberg, and McArthur (1984). These five items determined the respondents' perception of intention to stay in the organisation. The reliability coefficient reported by Mowday, Koberg and McArthur (1984) is 0.650. Respondents were asked to rate their perception on the intention to stay in the organisation by indicating their response on a 5-point Likert scale ranging from 1= strongly disagree to 5= strongly agree. Sample items are 'I do not intend to quit my job', 'It is unlikely that I was actively looking for a different organisation to work for in the next year' and 'I am not thinking about quitting my job at present'.

The four dimensions of HRM practices were measured using 26 items developed by Delery and Doty (1996). These 26 items determined the respondents' perception of their organisation's human resource management practices. The reliability coefficient reported by Delery and Doty (1996) is 0.650 for compensation, 0.640 for career opportunities, 0.830 for training and development and 0.800 for performance appraisal. Respondents were asked to rate their perception on the intention to stay in the organisation by indicating their response on a 5-point Likert scale ranging from 1= strongly disagree to 5= strongly agree. Compensation dimension was measured by six items such as 'I received the amount of pay that commensurate the work I do' and 'My pay is generally equal to the pay of my colleagues of the same level/position'. Career opportunity was measured by six items, and sample items for this dimension are 'My immediate supervisor, and I discussed my career development opportunities', 'I am given ample opportunities for advancement on my job', and 'I am satisfied with the way promotions are given out in the company'. Training and development are also assessed by five items including 'I received necessary training to perform my job well' and 'I am given the opportunity to be involved in activities that promote my professional development'. The last HRM practices dimension is performance appraisal, which was measure using nine items. Sample items are 'I am evaluated fairly based on my performance', 'Individual contributions are encouraged and recognised' and 'I get a feeling of accomplishment from the job I do'.

### 3.5 Analytical Procedures

Statistical Package for Social Sciences (SPSS) version 21 was used to analyse the data as it is more flexible. According to Quinlan (2011), SPSS statistics works very well in the analysis of survey data. For the purpose of data analysis and hypotheses testing, certain statistical tests were conducted, which was being explained in the following section:

#### *(a) Reliability*

Sekaran (2003) defined reliability as a sign of the stability and consistency with which instruments measure the concept and help to assess the 'goodness' of a measure. It means that reliability was indicated the extent to which it is without bias and thereby ensures consistent measurement across time and across a variety of items in the instrument. Thus, to measure reliability, Cronbach alpha was to be employed to test the internal consistency reliability of the scales. The range of alpha values is between 1 (perfect internal consistency) and 0 (no internal consistency) whereby values above 0.80 are regarded as being good, those between 0.60 and 0.80 are regarded as acceptable, and those below 0.60 are regarded as poor (Sekaran, 2003).

#### *(b) Descriptive Statistics*

The purpose of doing this analysis is to acquire a good feel of the gathered data. Statistics such as frequencies, percentage, means, and standard deviations of each dimension of the variables was computed. According to Hair, Babin, Money, and Samouel (2003), mean is the arithmetic average, and is one of the most commonly used measures of central tendency. Meanwhile, the standard deviation is a unit of measurement that has been squared (Hair *et al.*, 2003). Thus, this technique presents a description of the overall responses obtained, and at the same time, it was used to examine the data for erroneous entries.

*(c) Correlations*

Correlation analysis was used to understand the direction, strength, and significance of the bivariate relationship of the variables (Sekaran & Bougie, 2010) and amount of correlation between the dimensions of independent variables (HRM practices and independent variable (intention to stay). Thus, the correlation coefficient was used.

#### 4. Data Analysis and Results

##### 4.2 Response Rate

The response rate is widely defined as a percentage of the initially selected sample for inclusion in the study. Questionnaires were distributed to 350 employees that are attached to 7 manufacturing companies located in Sri Gading Industrial Area, Batu Pahat, Johor. Out of 350 questionnaires that were distributed, 270 were returned. Out of these 270 questionnaires, 20 were returned incomplete. Thus, only 250 questionnaires (71.43%) were coded and used for further analysis.

##### 4.3 Reliability Analysis

The reliability for each measure was examined by computing its Cronbach's alpha. Sekaran (2003) suggested that the minimum acceptable reliability is at 0.60. Hence, the recommendation by Sekaran (2003) was used in this study as indicators of internal consistency of the scale. Table 2 summarizes the reliability coefficients of the measures.

**Table 2: Results of reliability analysis**

Variables and dimensions	Number of items	Cronbach's alpha
<b>Independent variables</b>		
Compensation	6	0.766
Career opportunity	6	0.841
Training and development	5	0.764
Performance appraisal	9	0.849
<b>Dependent variable</b>		
Intention to stay	5	0.752

N=250

As shown in Table 2, the Cronbach's alpha for compensation, career opportunity, training and development, performance appraisal and intention to stay ranged from 0.752 to 0.849 and have met the minimum accepted reliability as suggested by Sekaran (2003). All variables had good reliability coefficients exceeding 0.70. Overall, the reliability analysis undertaken on the items has shown that all of the measurements were reliable and internally consistent.

##### 4.6 Correlation Analysis

Correlation analysis is used to describe the strength and direction of the linear relationship between Human Resource Management Practices, namely compensation, career opportunity, training and development, and performance appraisal with the intention to stay. Table 3 provides a summary of the results from the correlational analysis.

**Table 3: Correlation result of HRM practices on intention to stay**

Variables	Correlation Coefficient ( <i>r</i> )	P-Value ( <i>p</i> )	Status	Correlation Strength	Hypothesis
Compensation	0.894**	0.000	Significant	Very Strong	Supported
Career Opportunity	0.692**	0.000	Significant	Strong	Supported
Training and Development	0.692**	0.000	Significant	Strong	Supported
Performance Appraisal	0.944**	0.000	Significant	Very Strong	Supported

\*\* Correlation is significant at the 0.01 level (2-tailed)

Based on result in Table 3, the correlation coefficient between compensation and intention to stay is  $r = 0.894$  with  $p\text{-value} = 0.000$ . It shows that there is a very strong significant relationship between compensation practice and intention to stay among employees in manufacturing companies.

Table 3 also shows the correlation coefficient between career opportunity and intention to stay is  $r = 0.692$  with  $p\text{ value} = 0.000$  which indicate there is a strong significant relationship between career opportunity practice and intention to stay among employees in manufacturing companies.

For the relationship between training and development and intention to stay, the correlation coefficient,  $r = 0.692$  with  $p\text{ value} = 0.000$ . Therefore, it shows that there is a strong significant relationship between training and development practice and intention to stay among employees in manufacturing companies.

For the relationship between performance appraisal and intention to stay, the correlation coefficient,  $r = 0.944$  with  $p\text{ value} = 0.000$ . Therefore, it shows that there is a very strong significant relationship between performance appraisal practice and intention to stay among employees in manufacturing companies.

## 5. Discussion and Conclusion

The conclusion should summarise the main findings of the study, and restate the key points inferred from trends observed and discussed regarding the data. Some suggestions should be included to encourage the continuation of the current research. In this chapter, the findings from the analyses performed, which were presented in Chapter 4, was be discussed along with the implications of the study. Limitations of the study and suggestions for future research are also included in the chapter. The chapter ends with a conclusion of the study.

The correlation results had supported hypothesis 1 (there is a significant relationship between compensation and intention to stay. As expected, the compensation practice was found to be positive and very strong correlated with intention to stay. The result further indicated that employees having a higher perception of compensation practice are more likely to stay in their current organisation ( $r = 0.894$ ,  $p < 0.01$ ). This finding was consistent with previous researchers (Miller & Wheeler, 1992; Chew & Chan, 2008; Johari *et al.*, 2012; Sanjeevkumar, 2012) that employees' perception towards the compensation practice has a strong prediction role on employee intention to stay. In other words, money can influence employees' behaviour and ensures long-term employment. As noted earlier, the majority of respondents were below 30 years old. As suggested in the literature, younger employees are more life-style centred, and they are also more demanding at work (Johari *et al.*, 2012). Hence, compensation

practice was perceived as more important in fulfilling their needs and wants. This explanation most likely justified the significant relationship between compensation practices on employees' intention to stay.

Besides, the correlation results in had supported hypothesis 2 (there is a significant relationship between career opportunity and intention to stay. As expected, the career opportunity practice was found to be positive and strong correlated with intention to stay. The result further signifies that intention to stay among respondents is attributable to the presence of opportunities to upgrade their capability as well as promotion opportunities ( $r = 0.692, p < 0.01$ ). This finding was consistent with previous researchers (Sanjeevkumar, 2012; Gamage & Herath, 2013; Ghazali *et al.*, 2012) that employees' perception towards the career opportunity practice has a strong prediction role on employee intention to stay. As noted earlier, the majority of the respondents were below 30 years old. For young employees, career opportunity is important since they still have a long time to run their career, and it is important for their future. This explanation most likely justified the significant relationship between career opportunities on employees' intention to stay.

Moreover, the correlation results also had supported hypothesis 3 (there is a significant relationship between training and development and intention to stay. As expected, the compensation practice was found to be positive and strong correlated with intention to stay. The result further indicated that employees having a higher perception of career opportunities practice are more likely to stay in their current organisation ( $r = 0.692, p < 0.01$ ). This finding was consistent with previous researchers (Lee & Bruvold, 2003; Pratten, 2003; Smith, 2003; Ghazali *et al.*, 2012) that employees' perception towards the career opportunities practice has a strong prediction role on employee intention to stay. This explanation most likely justified the significant relationship between career opportunities practice on employees' intention to stay.

The correlation results also had supported hypothesis 4 (there is a significant relationship between performance appraisal and intention to stay. As expected, the performance appraisal practice was found to be positive and very strong correlated with intention to stay. The result further indicated that employees in manufacturing companies who have a high perception of performance appraisal practice are more likely to stay in their current organisation ( $r = 0.944, p < 0.01$ ). This finding was consistent with previous researchers (Dailey & Kirk, 1992; Ghazali *et al.*, 2012) that employees' perception towards the performance appraisal practice has a strong prediction role on employee intention to stay. According to a study by Dailey and Kirk (1992), successful performance appraisal and planning systems help to improve employees' perception toward justice and fairness at the workplace. In essence, employees who feel that they are being treated fairly through effective performance appraisal system would be more likely to remain in their works, as compared to otherwise. This explanation most likely justified the significant relationship between performance appraisal practices on employees' intention to stay.

In conclusion, the study results have provided support in answering all of the study objectives, which aimed at examining the empirical link between HRM practices, namely compensation, career opportunity, training and development and performance appraisal and employees' intention to stay. Thus, it is suggested that employers should focus on this HRM practices (compensation, career opportunity, training and development, and performance appraisal) when implementing their strategies and practices since all of the independent variables (HRM practices) are significantly correlated with the dependent variable (intention to stay).

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