

FACTORS AFFECTING EMPLOYEE RETENTION IN AUTOMOTIVE
DEALERS IN BATU PAHAT

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APPROVAL

‘I / We, hereby declared that I / We had read through this thesis and in my / our opinion that this thesis is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor of Technopreneurship with Honors’

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DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

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ABSTRACT

In recent years, organizations face challenges to retain their employees due to the globalization of economy. Retaining of employees is crucial in order to maintain and sustain competitive advantage in the market. Employee retention factors are more important from the past to the present. This study focuses on the factors affecting employee retention. There are four objective of conducting this study which are to determine the factors that affect the employee retention in automotive dealers, investigate the relationship between the factors and employee retention in automotive dealers, determine the most influential factor among factors affecting employee retention and determine the extent of automotive dealers focus on factors affecting employee retention. In this research, the organizational commitment, work-life balance, job-burnout, and training and career development as independent variables while employee retention as the dependent variable. The study can provide information on the determinants of employee retention in automotive dealers particularly on the organizational commitment, work-life balance, job- burnout, and training and development. Furthermore, the study will be a review on the recent employee retention based in Johor especially Batu Pahat. This research will be the significant endeavour in promoting good working environment and thus increasing the employee retention. Human Resource Value Chain (HR value chain) is used to better understanding in HRM activities and HRM outcomes. HR value chain is a tool that shows how HR adds value to organizations. With the use of HR value chain, HR can help the organization to achieve organizational goals. This study uses quantitative method which is distributed questionnaires to employee who is the automotive dealer in Batu Pahat, Johor. Based on the coefficients of multiple regression, the results of the present study showed that there were significant relationships between 2 independent variables toward dependent variables, which were Organizational Commitment and Training and Career Development. The most influential factor among the factors affecting employee retention is Organizational Commitment with the Beta value of 0.497. Thus, the entire research objectives had been achieved.

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LIST OF ABBREVIATIONS AND SYMBOLS

ASEAN	Association of Southeast Asian Nations
MAI	Malaysia Automotive Institute
MAA	Malaysian Automobile Manufacturers Association
SHRM	Society for Human Resource Management
HR value chain	Human Resource Value Chain
HR	Human Resource
HRM	Human Resource Management
MBI	Maslach Burnout Inventory
SPSS	Statistical Package for the Social Sciences
OC	Organizational Commitment
WB	Work-life Balance
WE	Working Environment
TC	Training and Career Development
ER	Employee Retention

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CHAPTER 1

INTRODUCTION

1.0 Introduction

The chapter first explains the research background, an introduction to the Malaysian automotive industry, and the issue of employee retention in automotive industry. It then introduces the problem statement, then further describes the research questions and generates the research goals. At the end of the chapter, the research scope, research significance and operational definition are introduced.

1.1 Background of Study

Recently, many organizations face challenges with the globalization of economy such as employee retention. Retaining of employees is important in keeping and sustaining competitive advantages. Employee retention factors are more important from the past to the present. Low turnover rate cannot be avoided. However, a low turnover

rate is positive to organizations and employers as it supports a new idea generation. Furthermore, high turnover rates indicate that employee retention is one of the current topics that everyone is concerned about (HR in Asia, 2015).

Employee retention can be expressed and explained in a term of percentage. Every organization put emphasis on employee retention due to the higher cost of resigning of employees and turnover costs. Employee retention has become a compulsory requirement in this competitive environment (Senevirathna, 2017). In this modern and competitive era, organizations provide the significant and attractive incentives to retain the workforce of organizations. Generally, employees in Malaysia who are mostly retained in organizations are only 40%, despite rising from 36% in 2012 to the global average (Yin, 2015). Employees are ready to serve in the organization for the sake of future individual development. It is because employees nowadays look for more potential achievements and job satisfactions in their positions.

In addition, automotive industry is an industry that involve in the vehicle design, development, manufacturing, marketing, and sales. In Malaysia, the automotive industry includes of 27 automotive manufacturers and more than 640 component manufacturers. Malaysia automotive industry contributes 4%, equivalent to Malaysia's GDP of RM 40 billion, and it provides about 700,000 of job opportunity throughout the country (Malaysia Automotive Institute, 2019). Nowadays, the companies face the obstacles in retaining their employees. In the automotive industry, the talented and valuable of automotive dealers are very needed to improve the organizations' performance. However, the automotive industry finds out that it is tough to retain its staffs and workers.

An organization's ability to retain employees represents the benefits and job satisfaction that organization provides to its employees. In this modernization, employers are no longer liable for providing the employment, meanwhile, the employers must possess skills and abilities plus fully prepare them well to get an optimal output of productivity. For an example, a company assigns one person the task of planning a human resources strategy due to the high turnover rates and the demands of workforces. After a

few months, the in-charge employee leaves the company with his proposal. Afterwards, the company reassigns one person, and duplicates the process. The process of reassigning can be taken about 6 months, not to mention the process of training, thus, employee retention is increasingly important (Nancy Hutchens, 1982).

The statistic shows that Indonesia is the biggest consumer with 1,079,534 of cars sold in 2016 within the region. Thailand is the second biggest consumer with 871,650 of cars sold and Malaysia is the third biggest consumer with 576,635 of cars sold in the ASEAN region (Statista Incorporation, 2018). In fact, Malaysia Automotive Industry is still recruiting. The Malaysia Automotive Institute (MAI) is handling to train new employees for Perodua, Go Auto and other automotive companies (Howe, 2015). To summarize, Malaysia Automotive Industry will have further growth potential, meanwhile, the problem of employee retention will be more concerned.

1.2 Problem Statement

In the moment of current time, if the employees want to stay in the organization, the organization will gain more advantages. This is because the employee retention is important now (Gentry, Kuhnert, Mondore, & E.Page, 2007). Changes in technology and global economic directly affect the relationship between employees and employers. The employees will be affected by job stress and the work environment will contribute to the stress level to an uncontrollable situation due to the high workloads (Fauzi, Ahmad, & Gelaidan, The Employee Retention Status in Paddy and Rice Industry in Malaysia, 2013). An organization has been known for many years that employee engagement is crucial to business performance, but until now, it seems that not many people have succeeded in achieving employee engagement. Employee retention will continue to be a problem especially when employees lack a clear understanding of their professional development if an organization operates without sustainable engagement (Star Media Group Berhad, 2012).

Malaysia is concerned with the continuing issues of employee retention will severely affect the business operations. 97% of businesses in Malaysia believe the talent shortage will affect the business operations, 61% of workers in Malaysia plan to leave from current jobs for increased salary or working benefits, and 46% of Malaysian employers plan salary increases from 3% to 6% (Hays Malaysia, 2017). The statement proves that Malaysia employers face the issues of employee retention and they want to increase employee salaries in order to retain employees. Not only that, Aon research finds global uncertainty driving employee skepticism, this uncertainty affects Malaysia seriously. Moreover, Malaysia engagement level is the lowest in major Asian markets (Aon Malaysia, 2017).

Malaysia is undergoing major changes in the the way to produce and innovate products due to the digitization of manufacturing. This transformation is powerful and irresistible. It is called Industry 4.0 which represents the revolution in manufacturing (Marr, 2018). When it comes to the automotive industry, innovation is happening from smaller equipment to a more dynamic supply chain. For an example, the fantasy of driverless vehicles is turning into reality (Whittier, 2018). However, employees are highly demanded in the process of automotive supply chain although it is Industry 4.0. Automotive industry plays an important role in Industry 4.0. Malaysia has to take radical and extreme measures to enhance its production of manpower to achieve the requirements of Industry 4.0 (Sun Media Corporation Sdn Bhd, 2019).

In fact, any criteria of workplace, culture, and environment, employees' perceptions of the job and opportunities are all factors effecting employee retention. The best method to keep employees is to relate with employees' thinking (M.Heathfield, 2019). In short, this research deals with the factors affecting employee retention in automotive dealers as alluded to above and is complemented by literature review. This research seeks to provide good workplace and benefits to employees, therefore it can handle the issue of employee retention in automotive dealers.

1.3 Research Objectives

The research objectives of this study are below:

1. To investigate the factors that affect the employee retention in automotive dealers.
2. To investigate the relationship between the factors and employee retention in automotive dealers.
3. To investigate the most influential factor among the factors affecting employee retention.
4. To investigate the extent of automotive dealers focus on factors affecting employee retention.

1.4 Research Questions

Below are the research questions of this study:

1. What are the factors that affect employee retention in automotive dealers?
2. What are the relationships of the factors with the employee retention in automotive dealers?
3. What is the most influential factor among the factors affecting employee retention?
4. To what extent do automotive dealers focus on factors affecting employee retention?

1.5 Scope of Study

This research is to investigate the factors that affect employee retention in automotive dealers. The industry to be studied focuses on the automotive industry which plays the main role in the economy. The study will be involved the automotive dealers in Batu Pahat, Johor, Malaysia. The scope of this research focuses on the organizational commitment, work-life balance, working environment, and training and career development as independent variables while employee retention as the dependent variable.

1.6 Significance of Study

The study can provide information and news about factors that keep employees in automotive dealers, especially about organizational commitment, work-life balance, work environment, and training and development. In addition, the study will be a review of recent employee retention in Johor, especially in Batu Pahat. The research will be a major effort to improve a good working environment and thereby increase employee retention. By knowing the needs and needs of employees and retaining the advantages of professional employees, parties from the automotive industry can keep their best efforts to provide their services till the best.

This study is good for automotive dealers because it can enhance human resource knowledge about the determinants of employee retention issues. The knowledge gained will help provide message in the matters of employee retention. This will indirectly raise awareness of automotive dealers' plans to prepare for all future crises. Retaining employees affects not only employees but also customers. The high turnover rate and frequent turnover of employees of automotive dealers will affect customer satisfaction.

Not only that, but the study also related to the determinants of Malaysian employee retention. The findings will serve as a basis for future research to identify employee

retention factors. Competition within the industry occurs at every stage of the business. Research on employee retention can help organizations work more effectively (Peterson, 2019). The research will provide new materials that will provide references and other literature reviews for future research on this topic.

1.7 Operational Definition

To prevent confusion in interpreting the ideas of this study, the definitions will be described.

1.7.1 Organizational Commitment

Organizational commitment is the personal attachment to an organization. Not only that, organizational commitment and job satisfaction are correlated with lower degree of the intention of the employee to leave the organization (Yousef, 2017). Moreover, organizational commitment is the link between employees and organizational experience. Simply speaking, employees who are working in an organization often feel connected to the organization. The employees feel that they clearly know the organizations' goals. These values of such employees are that they are often more determined at work and show comparatively high level of productivity. At the same time, they are more proactive in offering their skills and supports (Werf, 2018).

1.7.2 Work-life Balance

Work-life balance is a comfortable balance between employee's priorities of job position and their daily lifestyle (WebFinance, Inc, 2019). In addition, work-life balance does not represent an equilibrium. The optimal work-life balance will change over time. It is because the right balance for individuals today may be different for individuals tomorrow. There is no ideal and actual balance for an individual should be striving for (Bird, 2003).

1.7.3 Working Environment

The work environment is the environment in which employees work (Money-zine.com, n.d.). Generally, the work environment is where tasks are completed and completed. When it comes to the environment, the work environment involves a physical location (BusinessDictionary.com, n.d.). In other words, the work environment also means all the environments at work. The work environment also includes how to organize work and the psychological aspects of employee work well-being. Everyone knows that a good working environment is one of the most important factors that make you feel good and the development of your activities (Umea University, n.d.)

1.7.4 Training and Career development

Training is the basic concept of human resource development. Training is useful for putting employees in a condition who can work independently, correctly, and effectively. In addition, training is a behavior that enhances the knowledge and skills of employees to perform specific tasks (Chand, 2019). Furthermore, training is an organized event that aims at providing knowledge to raise employees'

performance. At the same time, training can help employees reach the required level of knowledge (Web Finance Inc, 2019).

Career development is planning of activities for career development. Career development involves training on new skills, improving knowledge, moving to a higher job position, and making a positive change (MBASkool, 2019). According to the definition from the Cambridge Business English Dictionary, career development is the process of learning and enhancing the skills so that an individual can do better and get the great jobs (Cambridge University Press, 2019).

1.7.5 Employee Retention

Retaining employees is an organization's effort to maintain a workplace that supports its employees to stay in the organization. The employee retention policy is designed to meet the various needs and needs of employees to provide their job satisfaction. At the same time, organizations can reduce the significant costs involved in recruiting and training new employees (WebFinance Inc, 2019). Beyond that, employee retention is the overall strategy for an organization to retain employees and therefore maintain a low turnover rate. Employee retention issues will be the main criterion for the human resources department in the organization (MBASkool, 2019).

1.8 Conclusion

In summary, the driving force of this study is to investigate the factors that affect the employee retention in automotive dealers (Organizational Commitment, Work-life Balance, Work Environment, and Training and Career Development). Before you start your research, it is important to understand the background details. Readers can learn about the factors that influence employee retention and reading, which were established in previous journal article reviews in the next chapter.