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THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND EMPLOYEE
TURNOVER INTENTION IN MALAYSIAN CONSTRUCTION INDUSTRY

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This report submitted in partial fulfilment of the requirements for the award Bachelor
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DECLARATION

“I declare that this project is the result of my own research except as cited in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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DEDICATION

First, I would like to dedicate the appreciation to my family and my beloved one especially for my mother Rohaya binti Keria and my father Noordihan bin Hashim who supported me from spiritually and financially and encourage me in study until I manage complete my final year project. Secondly, I would like to give my biggest appreciation to my supportive supervisor Dr. Amir bin Aris and my panel Dr. Mohd Fazli Bin Mohd Sam who had guided me throughout the entire journey of doing this research. Furthermore, a special thanks to all my supportive friends that gave me a motivational support in completing this research.

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ABSTRACT

Based on Malaysian Employer Federation report, Malaysia had experience a rise in the unemployment rate from 3.4 percent in 2017 to 3.5 percent in 2018. One of the reason of this circumstances is due to turnover among employee whether in voluntary or involuntary. However, most studies on turnover are only carried out at the level of government agencies compared to the private sector. Therefore, this study aims to study the relationship between leadership style and employee turnover intention among employees EUPE Kemajuan Sdn Bhd. This study is important given the function of EUPE as one of the leading real estate developers in Kedah. However, the EUPE faces challenges to achieve its goals and this is reflected in the company's annual report stating that the engagement of their employees did not achieve their intended performance. Hence, this study aimed to investigate the relationship between both transformational and transactional leadership with the employee turnover intention that occur in EUPE. A total of 41 employees of EUPE Kemajuan Sdn Bhd were involved as respondents through random sampling. Questionnaires was a major research tool for data collection. The analysis used via Statistical Package for the Social Sciences (SPSS) for this research was descriptive analysis, Pearson Correlation and multiple liner regression analysis. The finding shows that there are no direct relationship between transformational and transactional leadership style with employee turnover intention. This research is believed to give benefit to industry practitioner and academician as a reference for future research.

Keywords: Employee turnover intention, transformational leadership, transactional leadership, EUPE Kemajuan Sdn Bhd.

ABSTRAK

Berdasarkan laporan Persekutuan Majikan Malaysia, Malaysia mengalami peningkatan kadar pengangguran dari 3.4 peratus pada tahun 2017 kepada 3.5 peratus pada tahun 2018. Salah satu punca masalah ini ialah disebabkan oleh masalah pusing ganti kerja dalam kalangan pekerja sama ada secara sukarela atau tanpa sukarela. Walau bagaimanapun, kebanyakan kajian mengenai pusing ganti kerja hanya dilaksanakan di peringkat agensi kerajaan berbanding sektor swasta. Oleh itu, kajian ini bertujuan untuk mengkaji hubungan antara gaya kepimpinan dan niat untuk pusing ganti kerja dalam kalangan pekerja di EUPE Kemajuan Sdn Bhd. Kajian ini penting memandangkan fungsi EUPE sebagai salah satu syarikat pemaju hartanah yang membangunkan hartanah di negeri Kedah. Walau bagaimanapun, EUPE menghadapi cabaran untuk mencapai matlamatnya dan hal ini ditunjukkan melalui laporan tahunan syarikat yang menyatakan bahawa penglibatan pekerja mereka tidak mencapai prestasi yang ditetapkan. Oleh itu, kajian ini bertujuan untuk mengkaji hubungan antara kepimpinan transformasi dan transaksional dengan niat pusing ganti kerja yang berlaku di EUPE. Seramai 41 orang pekerja EUPE Kemajuan Sdn Bhd terlibat sebagai responden melalui persampelan rawak. Soal selidik merupakan alat kajian utama untuk menngumpul data. Analisis yang digunakan melalui Pakej Statistik untuk Sains Sosial (SPSS) untuk kajian ini adalah analisis deskriptif, korelasi Pearson dan regresi liner berganda. Dapatan menunjukkan bahawa tiada hubungan lansung antara gaya kepemimpinan transformasi dan transaksional dengan niat pusing ganti kerja. Kajian ini dipercayai memberikan manfaat kepada pengamal industri dan ahli akademik sebagai rujukan untuk penyelidikan masa depan.

Kata kunci: *niat pusing ganti kerja , kepimpinan transformasi, kepimpinan urus niaga, EUPE Kemajuan Sdn Bhd*

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LIST OF ABBREVIATIONS

TFL	Transformational Leadership
TSL	Transactional Leadership
TI	Turnover Intention
ETI	Employee Turnover Intention

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter will give an overview about the relationship between leadership styles and employee turnover intention in organization. The purpose of this study is to study the relationship between the relationship between perceived leadership styles of an organization leaders and employee turnover intention (ETI) in organization. Leadership styles includes in this research are transformational leadership (TFL) and transactional leadership (TSL). Besides, the researcher will explain the introduction of this project in this chapter, which is subsist of several section. The first section will explain about the background and outlook of the research project. Moreover, this chapter will cover along the problem statement, research question, research objective, scope, limitation and the importance of this study as well as conceptual and operational definition.

1.1 Background of this study

Most organizations have experienced employee turnover in the recent economic challenge period. 10.9 percent worldwide turnover, defined as the percentage of LinkedIn members who indicated that they left the company in 2017 (Booz, 2018). It also stated that the sectors with the highest turnover of talent are technology (software) 13.2%, retail by 13% and media 11.4%. The Centre for American

Progress (CAP) study found that the loss of a wage-earning employee can cost as much as twice their annual salary, especially for the executive level.

While in Malaysia, as of September 2014, the job separation rate was 3.4 percent of 4.8 million total separations, up from 4.5 million in August 2014, according to the Bureau of Labour Statistics Department (2014). Pallavi Pandey (2019) mentioned that a high turnover rate hinders an organization's efficient operation because organizations suffer when knowledgeable and experienced staff leave. This is because employees have powerful energy to get to the organization if they are trusted enough by the organization to tap that source of fuel.

Low salary and the lack of career opportunities have led to increase the turnover rate in Malaysia. Work turnover is a phenomenon that examines an employee's potential for stopping work and exchanging workplace due to some factors either at work or because of individual interests (Hamidah Abd. Latiff, 2017). Every time a job vacancy is either due to voluntary dismissal or not, it is necessary to recruit and retrain a new employee. This vacancy replacement cycle is called the turnover of an employee's potential employee who intends to leave work and keep changing the workplace due to certain factors, whether at work or because of individual importance (Woods, 1995).

According to MyStarJob (2015), the turnover of employees in Malaysia rose from 1.1% to 13.2% in 2014 and increased to 14.3% in 2015, a high turnover of employees in the manufacturing business group. This is quite worrying the government as many unemployment added with the turnover issues. An organization in Malaysia need a worker with commitment in order to grow and develop. There are few factors contributing to staff turnover, such as the condition of economic changes that forced the organization to cut operating costs and staff benefits, causing discontent while working in the organization (Aziz, 2019).

In Malaysia's construction industry, it explains why workers consider leaving their current positions are not merely the simple truth that they leave has important consequences for future retention rates between current employees, job satisfaction and employee engagement, and the ability of an organization to retain capable people for

job vacancies (Thomas, 2013). He also mentioned that as a result of globalisation, it has been said that each organization can methodically manage its employee turnover. This issues seem to be one of the major problem that give effects to employment issues. Every organization wanted high productivity, fewer turnovers and profitability.

In the context of this study, researcher choose EUPE Kemajuan Sdn Bhd evolves in the construction industry as a private sector company. The property's EUPE development arm is the main group division focusing on a variety of housing segments, ranging from affordable, mid-range to high-end development. This company is one of the pioneer developer in Kedah and it is a subsidiary company under EUPE Corporation BHD that has been a publicly listed company since 24 July 1997. A research about leadership style and employee turnover is important since not many deep research about the relationship between leadership style and employee TI in organization involve private sector in construction. This research is expected to give a new perspective about the employee turnover and its relationship to TF and TS leadership style.

1.2 Problem Statement

In Malaysia economy, Infrastructure and construction projects are important for the economy to sustain from 8-10 percent growth in Malaysia (Ang, 2016). These developments have a large impacts on the economy of Malaysia and have also led in other impacts, particularly on the country's environment and social aspect. Besides being a major contributor to a country's overall GDP, it is also responsible for ensuring the infrastructure necessary to improve a nation's quality of life. . Process management interventions could reduce the intention of turnover and hinder the motivation to quit (Sun, 2011).

EUPE Kemajuan is a business association with property development, property management, civil engineering and construction. Since they are a subsidiary of public listed company, they need to control and manage a huge amount of employee in their

organization. In line with EUPE Kemajuan vision where they strives to become the most trusted brand in any industry it operates in. This organization has experienced some challenges in turnover issues recently.

Based on the 2018 annual report of EUPE, they are confronting a few key issues which is employee engagement, staff development and career progression. They also need to monitor and control the turnover among their employee to ensure the sustainability of the organization. This key issues can be a relevant reason why researcher choose this company to know the relationship between leadership style and employee turnover. The intention of turnover is always influenced by various factors, such as job satisfaction, organizational commitment, job performance, work-family conflict, pay, promotion, workload and leadership (Yuting et al, 2019).

The style of leadership could play an important role regarding turnover issues faced by EUPE. According to Liu (2013) leadership can have a major impact on the turnover of employees. Previous research also shown that leadership can have a major impact on the turnover of employees (Sahu, 2014). There are many turnover research done in educational institution, government and other sector However, there are lacking of research in term on leadership style and ETI in construction industry (Chih et al, 2016). Leaders might be able to reduce employee turnover intention if they lead by a good leadership style at work (Hamed, 2013).

This research is focusing on the relationship between the style of leadership and ETI in the organization. The type of leadership involves in this study are TFL and TSL. Furthermore, the relationship between employees' expectations of the transformational and transactional leadership actions of their leaders and employees' turnover intentions has been a subject of study for different types of organizations (Duque, 2015).

In this research, the research study question been developed about the statement of problem that occurred. The solution to the research question can be answered through the objective of the research. The research question and objective of this study are stated in the next section.

1.3. Research Questions

From the problem statement, research question has been formed which may be answered by the research objective. There are three research questions which are:

1. What are the level of transformational leadership style and transactional leadership style in the organization studied?
2. What are the relationship between transformational leadership and employee turnover intention in the organization studied?
3. What are the relationship between transactional leadership and employee turnover intention in the organization studied?

1.4 Research Objectives

In order to accomplish the purpose of this study, the research objective are developed to answer the research question. The research objectives are:

1. To identify the level of transformational leadership style and transactional leadership style in the organization studied.
2. To study the relationship between transformational leadership style to employee turnover intention in the organization studied.
3. To study the relationship between transactional leadership style to employee turnover intention in the organization studied.

1.5 Scope of study

This research is focusing on the relationship between TFL and TSL and employee TI in the organization. This study is carried out primarily in Kedah. Researcher are focusing one of the property and construction Company in Kedah which is EUPE Kemajuan Sdn Bhd that located in Sungai Petani since this company is leading in its sector in Kedah. On this basis, researchers are encouraged to study why the situation exists and how to help the organizational industry develop and succeed in Kedah

1.6 Limitation of Study

There are several limitations in this study that may have influenced the results of this research. The study's first limitation is the sample population. Since the study was limited to a single private sector organization in the construction industry, it is only possible to generalize the findings to similar institutions. Second limitation is that the data collected represent the perception of employees of leadership behaviours of their leadership compared to the actual leadership behaviours of leaders. Thus, this study is only focusing in Kedah that may not be generalizable to other states.

1.6.1 Significant of the Study

This research is foreseen to give a new viewpoint and explain a different leadership style and the result based on the different perspective that may not part of the reason of ETI. This study is foreseen to offer a better understanding the relationship between leadership style and ETI since it is tested in a new environment, the organization, which is totally outside the western management culture. There are many previous studies of diverse fact regarding on the relationship between TF leadership

and ETI that can be found in the literature. However, not many research that been done deeply on relationship between TSL and ETI. Thus, this research will disclose of the relationship between TFL, TSL styles and ETI in organization.

1.6.2 Contribution of Knowledge

The result of this study can also be useful to other researchers who would like to conduct a research that are related to this issue. Specific context of this study is better to be discover in order to help other researcher gain more understanding and information regarding this topic. The researcher also hoping to gain new discoveries, various information and a thesis that can be as a reference and can contribute to the body of knowledge for the upcoming research study.

1.6.3 Contribution to Practice

This study is expected to give information about the linking of the mediating effects of the relationship between leadership style and ETI. Researcher need more knowledge and information at the same time to know the mediating effect of employee turnover in the industry. Furthermore, the industry and related company can use this research as a reference to identify the recommended style of leadership to be implement in order to cope with ETI. Throughout this study, researcher desire to get more new disclosure, more information and also hoping this thesis can be a reference and contribute to body of knowledge for the upcoming research.

1.7 Definition of Conceptual and Operational

This section will cater the conceptual and operational definition for each of the keywords that been used in this research. The conceptual definition of TFL, TSL and ETI will be explain in this context. The objective is to enable the reader to comprehend each keyword before reading it in depth.

1.7.1 Transformational Leadership

TFL is the procedures of affecting others to understand and agree on what needs to be done and how it should be done as well as the process of facilitating individually and collectively efforts to gain common goals (Yukl, 2007). While according to Burn (1978), transformation leaders encourage followers by articulating an energetic vision and challenging milestones where both members and leaders advance to a higher moral and motivational level.

This research are using Burns (1978) in conducting this research where leader tend to encourage its workers. There are 4 component that perhaps describe TFL at it best. The four component are known as 'Four I's which is Idealized Influences, Inspirational Motivation, Intellectual Stimulation and Individual Consideration.