

Retaining Talent In Smes Malaysia

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Abstract: More than 1 Million of employees in SMEs had migrated to other country since 1957. Approximately 38 percent of SMEs worldwide faced problem in finding a suitable talent worker for job position. In order to resolve serious brain drain issues in SMEs, this study is one of the pioneer study in Malaysia that examines the influence of pays, job satisfaction, working conditions, employment benefits, promotional opportunity and intrinsic rewards towards talent retention in SMEs. The researchers spent 3 months from 1 January 2019- 31 March 2019 to collect 200 survey questionnaire, which were distributed to 200 employees aged 18-55 years old in 20 randomly selected SMEs in central region in Malaysia. Multiple linear regression was conducted to identify the significance of each independent variables towards independent variables. Pays ($\beta = 0.211$, p -value = 0.003) and promotional opportunity ($\beta = 0.350$, p -value = 0.003) has significant positive relationship with talent retention. When pays and promotional opportunity increase, talent retention in SMEs will be intensified.

Index Terms: Talent retention, SMEs, promotional opportunity.

1 INTRODUCTION

Brain drain in Malaysia has been reaching an alarming stage. Around 26 percent of Malaysians who own the total asset of USD \$30 million have a plan to migrate in the coming 10 years (Charpia, 2018; Malay Mail, 2015). This figure is much higher compared to the 16 percent of average rate in ASEAN region (Malay Mail, 2015). According to the Shields (2018), high brain drain in the country is driven by the poor economic climate, a fall in the global oil price and the ringgit devaluation. On top of that, 84 percent of Malaysia's employees in small and medium enterprises (SMEs) were willing to leave their home country for overseas job to make their life better and 72 percent of Malaysian employees in SMEs had an intention to even migrate to other country to have better career opportunities (Charpia, 2018; Malay Mail, 2015). More than 1 Million of employees in SMEs had migrated to other country since 1957 (Malay Mail, 2015). Approximately 38 percent of SMEs worldwide faced problem in finding a suitable talent worker for job position (Akunda et al., 2018). Talent retention in SMEs has become a serious challenge that the company management will face (Balu, 2018). Given the fact that a huge number of Malaysians SME employees will choose to leave the country and work overseas, the industry practitioners are in deprive needs of useful research insights to resolve the brain drain issue (Akunda et al., 2018). Approximately 85% of the employer are facing serious talent shortage as the annual turnover rate reaches 20.88 percent in year 2013 (Charpia, 2018). High turnover rate among SME employees lowers the productivity and raise the costs of the company (Dominic, 2018). According to Dominic (2018), most talented workers want to strike a balance between working and personal life. They hope to have ample time to finish their job as well as sufficient time to relax with family and friends. Nevertheless, work life balance is too hard to be attained in SMEs (Akunda et al., 2018). In order to resolve serious brain drain issues in SMEs, this study is one of the pioneer study in Malaysia that examines the influence of pays, job satisfaction, working conditions, employment benefits, promotional opportunity and intrinsic rewards towards talent retention in SMEs. This research will provide more insights for the reader on talent management in SMEs. In view of the seriousness of brain drain in SMEs, it is important for this research to find out that which factor that affect talent retention so that recommendations can be provided to enhance the sustainable talent development in SMEs.

1.1 Research Framework

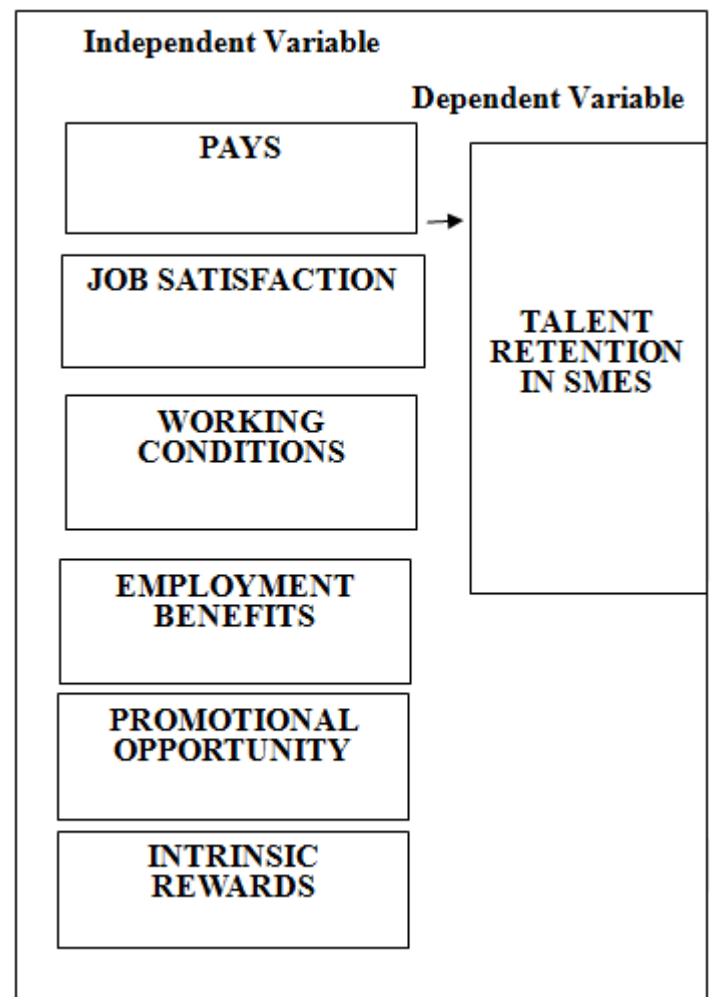


Fig. 1: Research Framework

1.2 Research Objective and Question

This study will focus on determining factors that will affect the talent retention. The research questions are:

- i) How do pays affect the talent retention in SMEs?
- ii) How do working conditions influence the talent retention in SMEs?

- iii) How do employment benefits affect the talent retention in SMEs?
- iv) How do intrinsic rewards affect the talent retention in SMEs?
- v) How does promotional opportunity affect the talent retention in SMEs?

1.3 Implication of the Study

This research will assist the SME operators and industry practitioners to understand talent retention in depth so that effective measure could be taken to retain talent workers who have to work for long hours in SMEs. This research will also serve as an important reference for industry practitioners and future researchers as of today, very limited study in Malaysia has been conducted to resolve the brain drain issues in SMEs.

2 LITERATURE REVIEW

2.1 Talent Retention in SMEs

According to the Balu (2018), the employee turnover rates in SME Malaysia has hit 20.88 percent. Generation Y have the highest turnover rate in the workforce, indicating that the loyalty to the organization for the young generation is low (Ambrosius, 2018). The Generation Y who have high academic qualification and skill are more likely to leave the organization and search for a better job if they feel that the organization does not meet their expectation (Balu, 2018; De Sousa et al., 2018).

2.2 Pays

As talent retention stimulates organization growth and survival and performance, pays are one of the factor that will influence the talent retention (Dominic, 2018). High pays induce hard work and greater self-worth among employees. High pays have also become the cornerstone for attracting, encouraging and also retaining efficient employees in SMEs (Gadi & Kee, 2018). A significant relationship between pays and worker retention in SMEs is expected. Therefore, H1 - there is a significant relationship between pays and talent retention in SMEs is formed and tested in this study.

2.3 Job satisfaction

Job satisfaction is one of the important factors that may influence SME workers to stay for a longer period in the organization. Job satisfaction can be defined as a psychological state which workers are happy with their current job (Ambrosius, 2018). Johnnesse and Chou (2017) defined job satisfaction as an achievement of job related goals, that will lead to the satisfactory feeling. On top of that, job satisfaction can also be defined as workers' positive attitude about their jobs or while the negative unfavorable attitude towards the job represents the worker dissatisfaction about the job (Gadi & Kee, 2018). When the job satisfaction is low, it will cause the worker to have less loyalty towards the organization, increase the absenteeism rate and result in bad working performance (Johnnesse & Chou, 2017). Organization or firm shall treat their worker equally, fairly and respect them. If the worker has high level of satisfaction about their job, they will be having a healthy mental and emotional state (Ambrosius, 2018). A worker's job satisfaction may also influence the company's business activities as higher job productivity will be induced by the job satisfaction (Matongolo et al., 2018). Therefore, H2 - there is a significant relationship

between job satisfaction and talent retention in SMEs is formed and tested in this study.

2.4 Working Conditions

Working conditions are another factor that will influence the worker to stay for a longer period of time in the company (Gadi & Kee, 2018). Working conditions play important role in improving the worker's performance as company with a safe and secure working environment will make the worker feel that they are part of the organizational team with shared goals. Furthermore, according to Johnnesse and Chou (2017), safe and secure working conditions will have positive influences on the job participation of a worker, results in greater worker commitment towards the organization and higher intention to stay the company. Safe working conditions will also allow the employees to finish their work on time and more efficiently (De Sousa et al., 2018). Safe and secure working conditions will induce normative commitment or a positive feeling of responsibility to the company that workers are willing to commit significant amount of time and money towards the success of an organization (De Sousa et al., 2018). When the worker feels a sense of belonging, they will retain the company for a longer period of time as they engross themselves in the working environment (Dominic, 2018). Therefore, H3 - there is a significant relationship between working conditions and talent retention in SMEs is formed and tested in this study.

2.5 Employment Benefits

Employment benefits of the worker can be perceived as one of the main motivations in worker' retention. According to Gadi and Kee (2018), employment benefits are provided by the employer either in the form of financially or non-financially for the workers as a rewards to their work performance. Financially or monetary employment benefits includes overtime payments while non-monetary employment benefits include the housing allowances that company paid, the car allowances that company paid and the stock option given (Pandita & Ray, 2018). Most of the workers expect to earn more employment benefits from the work, thus, employment benefits could motivate the worker to stay longer in the company, as specified by the expectancy theory (Ambrosius, 2018). Therefore, H4 - there is a significant relationship between employment benefits and talent retention in SMEs is formed and tested in this study.

2.6 Promotional Opportunity

Promotional opportunity can be referred as the availability of the upward movement of the staff members within the institution. According to the Akunda et al. (2018), insufficient promotion opportunity may affect employees' decision to stay with the institute. The availability of promotion opportunity makes the employees feel honored and the employees may repay the promotional opportunity with an intense level of commitment, loyalty and involvement toward the company (Pant & Vijaya, 2019). Therefore, H5 - there is a significant relationship between promotional opportunity and talent retention in SMEs is formed and tested in this study.

2.7 Intrinsic Rewards

Intrinsic rewards are the satisfactory level that a person get from doing the job or a psychological passionate, energy and enthusiasm towards the job (Pant & Vijaya, 2019). Intrinsic rewards are important for a company success in competitive market (Shields, 2018). Intrinsic rewards such as regular

praise and appreciation towards the employee job performance will stimulate greater voluntary job participation and higher talent retention in an organization (Gadi & Kee, 2018). Therefore, H6 - there is a significant relationship between intrinsic rewards and talent retention in SMEs is formed and tested in this study.

3. RESEARCH METHODOLOGY

Quantitative survey method is chosen in this research project to collect survey data with regards to talent retention in SMEs. The quantitative survey is the most common way that researchers use in their research to get the fastest and most accurate feedback from their targeted respondents. In this research, both paperback questionnaire and online questionnaire were distributed. This study took 3 months from 1 January 2019- 31 March 2019 to collect 200 survey questionnaire, which were distributed to 200 employees aged 18-55 years old in 20 randomly selected SMEs in central region in Malaysia. Multiple linear regression was conducted to identify the significance of each independent variables towards independent variables.

4. RESULTS AND DISCUSSIONS

For this research, survey data was collected from 200 questionnaires distributed 200 employees from 20 randomly selected SMEs in central region Malaysia. Frequency analysis was used to analyze the demographic information of the respondent include age, gender, employment status, race and education. Majority of the respondents (58.5%) are in the age between 21-29 years old, followed by respondents who aged above 30 years old (25%). Around 16.5% of the respondents are adolescent employees in SMEs within the age 18-20 years old. Respondents in this study strongly agree that company needs to ensure that their workers are satisfied and motivated all the times (mean rating = 4.36 out of 5.00). They think that their current job is important (mean rating = 4.34 out of 5.00) as the company offers attractive non-monetary rewards to make the workers stay long period in an organization (mean rating = 4.12 out of 5.00). Most respondents prefer to stay in their current company as they may be too old to start searching for another new job (mean rating = 3.77 out of 5.00) Respondents in this study receives adequate recognition commensurate with their job performance (mean rating = 3.83 out of 5.00) and they are happy with their current pays (mean rating = 3.81 out of 5.00). They agree that good communication takes place currently between employer and employee in the organization (mean rating = 3.82 out of 5.00). With regards to pays, respondents agree that the current pay method in SMEs will attract the employee to stay in the company (mean rating = 3.95 out of 5.00). They anticipate the company to increase their pays regularly (mean rating = 3.75 out of 5.00). Respondents will be greatly motivated if they get high pays from the SMEs (mean rating = 4.10 out of 5.00). SMEs in Malaysia will reward employees with adequate salary increment if they perform well (mean rating = 3.90 out of 5.00). With regards to working conditions, respondents agree that their organizations are safe to work (mean rating = 3.72 out of 5.00). Respondents agree that SMEs increase employee involvement in decision making (mean rating = 3.75 out of 5.00). The workplace is conducive enough for the employees to fully concentrate in work (mean rating = 3.79 out of 5.00). Good social contacts exist among employees (mean rating = 3.78 out of 5.00) and between employees and management

(mean rating = 3.65 out of 5.00). With regards to employment benefits, respondents think that the company can provide improved benefits packages to their management and employees. (e.g., gym, dry cleaning, catering) (mean rating = 3.84 out of 5.00). Current employment benefits are calculated transparently based on performance (mean rating = 3.54 out of 5.00) in line with the talent and work (mean rating = 3.68 out of 5.00). Learning and development opportunities are vital employment benefits to retain employees in the organization (mean rating = 3.90 out of 5.00). With regards to promotional opportunity, respondents agree that promotional opportunity encourages them to stay in this company for a longer period of time (mean rating = 3.97 out of 5.00). Promotional opportunity in current SMEs are better than the competitors (mean rating = 3.85 out of 5.00) and are satisfactory to the employees (mean rating = 3.89 out of 5.00). Promotional opportunity will motivate employees to work harder in SMEs (mean rating = 4.04 out of 5.00). With regards to intrinsic rewards, respondents agree that informal recognition (thank you, well done, etc.) motivates them to improve their performances (mean rating = 3.87 out of 5.00). Praise from supervisor encourages them to perform job better (mean rating = 3.81 out of 5.00). Table 1 shows that the reliability test of all the variables in this research. The highest Cronbach's alpha value in this research is pays, 0.712. All Cronbach's alpha values fall between the range of 0.602-0.712, indicating that the variables are reliable, higher than the acceptable threshold value of 0.6.

TABLE 1
RELIABILITY TEST

<i>Variables</i>	<i>Cronbach's Alpha</i>
<i>Pays</i>	0.712
<i>Job Satisfaction</i>	0.602
<i>Working Conditions</i>	0.609
<i>Employment Benefits</i>	0.617
<i>Promotional Opportunity</i>	0.698
<i>Intrinsic Rewards</i>	0.626
<i>Talent Retention</i>	0.706

Table 2 elaborates the multiple linear regression model's significance based on its coefficients. According to the table 2, pays ($\beta = 0.211$, p-value = 0.003) and promotional opportunity ($\beta = 0.350$, p-value = 0.003) has significant positive relationship with talent retention. When pays and promotional opportunity increase, talent retention in SMEs will be intensified. Both pays and promotional opportunity contribute to 38.3% variance in talent retention ($R^2 = 0.383$). Talent retention in SMEs is found to have no association with job satisfaction ($\beta = 0.146$, p-value = 0.053), working conditions ($\beta = 0.083$, p-value = 0.249), employment benefits ($\beta = 0.010$, p-value = 0.891) and intrinsic rewards ($\beta = 0.103$, p-value = 0.279).

TABLE 2
MULTIPLE LINEAR REGRESSION

	<i>b</i>	β	<i>t</i>	<i>p-value</i>
(Constant)	0.821		2.523	0.012
Pays	0.217	0.211	2.962	0.003
Job Satisfaction	0.175	0.146	1.947	0.053
Working Conditions	0.102	0.083	1.155	0.249
Employment Benefits	0.012	0.010	0.137	0.891
Promotional Opportunity	0.350	0.320	4.324	0.000
Intrinsic Rewards	0.142	0.103	1.276	0.279

a. Dependent Variable: Talent Retention H1 is supported as there is a significant positive relationship between pays and talent retention in SMEs. Attractive pay structure is one of the ways to attract and retain talent worker in SMEs. Therefore, if an organization want to be a productive firm or survive in this competitive market, the worker in the organization have to be rewarded with high pays. When a worker gets a satisfied salary (pay), they will not change the job easily. H2 is not supported as there is no association between job satisfaction and talent retention in SMEs. Job satisfaction is not the main factor that influence the worker turnover in SMEs as employees in SMEs are more concerned about monetary incentive than psychological contentment on the job. H3 is not supported as there is no association between working conditions and talent retention in SMEs. Working conditions is not the major reasons for employees to stay or leave the organizations. Employees are willing to retain in the company as long as the pays and promotional opportunity is high even though the working conditions are not safe and conducive enough. H4 is not supported as there is no association between employment benefits and talent retention in SMEs. Employment benefits are just extra incentives for employees in SMEs, which are insufficient to affect their decision to stay or leave the company. H5 is supported as there is a significant positive relationship between promotional opportunity and talent retention in SMEs. Promotional opportunity is one of the monetary direct satisfaction of needs for employees in SMEs Malaysia. Promotional opportunity will keep the employees in SMEs loyal to their job and strive to maintain good job performance. As long as more promotional opportunity is provided to the employees, the turnover rate will be lower and more talents will be retaining in the company. H6 is not supported as there is no association relationship between intrinsic rewards and talent retention in SMEs. Although adequate intrinsic rewards will let the employee feels that their work is meaningful and they will have the feeling that they are perform an important task to the company, it is insufficient to retain talent employee in the company.

4.1 Recommendations

Pays has the capability to fulfil employee satisfaction and talent retention in SMEs through attractive financial rewards to increase the competitive advantage of the organization and maintain the worker's working performance. Most of the employees in SMEs are not willing to get the fixed pays, if they plan to work for longer period of time in the company. Therefore, to keep the talent worker, competitive salary, on par with the industry play and competitor, is essential. On top of

that, the organization can also provide more promotional opportunity with clear promotional criteria to promote internal talents with superb skills and competencies to become company management. Hence, it is important for worker to take advantage of the development opportunities and training that are available to equip themselves with the required skills. Talent workers should be retained by SMEs as they are valuable resources to the organization.

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