

**“ERA WITH WAR OF TALENT”: IMPACT OF HRM  
PRACTICES ON EMPLOYEE RETENTION AMONG  
MALAYSIAN SMES**

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**BY**

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requirement for the degree of

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## DEDICATION

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LIST OF ABBREVIATIONS

SME	Small and Medium-sized Enterprises
DOSM	Department of Statistics, Malaysia
PSMB	Pembangunan Sumber Manusia Berhad
HRM	Human Resource Management
AMO	Ability, Motivation, Opportunity Theory
SPSS	Statistical Package for the Social Science
TR	Training
RR	Remuneration and Reward
PA	Performance Appraisal
EE	Employee Empowerment
CD	Career Development
WC	Working Condition
EMRT	Employee Retention

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## PREFACE

As a Bachelor of International Business (Hons) student at the Universiti Tunku Abdul Rahman, it was a pre-condition to undertake a final year research project. In this paper, I proposed a study on “Era with War of Talent”: Impact of HRM Practices on Employee Retention among Malaysian SMEs as my research topic. Through a comprehensive analysis of the available literature and primary data responses collected from 250 respondents, the author investigated the HRM practices that contribute to employee retention such as training, remuneration and reward, performance appraisal, employee empowerment, career development, and working condition.

This paper will provide valuable insights for the SME business owner and manager for the significant HRM practices to be used in their companies as well as enhancing in order to retain their talented employees for the betterment of Malaysian economic development and employment rate.

## ABSTRACT

Small and Medium-sized businesses (SMEs) contribute significantly to the Malaysian economy and can be classified based on their size in terms of sales turnover, number of employees, and sector. In the era of globalization, the situation of talent shortage has resulted in a fierce “talent war” among companies of all sizes and industries worldwide, and the Malaysian SMEs often find themselves at a disadvantage compared to larger companies. Human Resource Management (HRM) practices play a critical role in every SMEs as the issues of employee retention has been a mission of companies to keep continuity with better goal attainment and capture market share. This is because losing even one key employee could have extensive consequences and may even jeopardize the companies’ efforts to attain its objectives.

Human Capital Theory and Ability, Motivation, Opportunity (AMO) Theory are useful in predicting the impacts of HRM practices that are applied in companies from employees’ perspectives. In this study, HRM practices of training, remuneration and reward, performance appraisal, employee empowerment, career development, and working condition were investigated among the Malaysian SMEs on the impact to employee retention.

A sample of 250 responses were collected from the Malaysian SME full-time employees using convenience sampling method of self-administered survey approach. Using Pearson’s correlation analysis, the findings indicated that all HRM practices have a very significant positive relationship on employee retention in Malaysian SMEs. This study also discussed on the implications of the study, as well as the limitations and recommendations that could be well-enhanced for future researchers.



# **CHAPTER 1: RESEARCH OVERVIEW**

## **1.0 Introduction**

The purpose of this study is to investigate the impact of HRM practices on employee retention among Malaysian SMEs. The research will be focused on investigating if the HRM practices have a direct impact on the retention of employees specifically in SMEs field. This chapter serves as the research's introduction and gives a general overview of the research background, research problem, research objectives, research questions, as well as the significance of study.

## **1.1 Research Background**

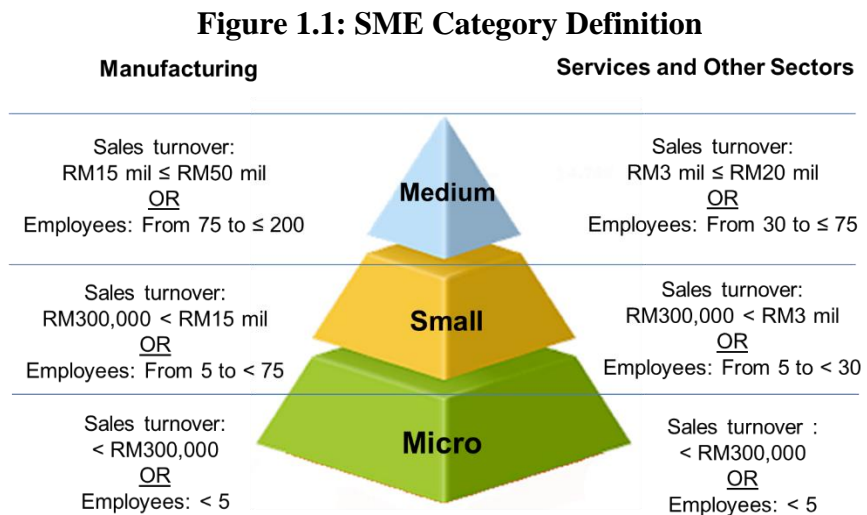
Employee retention is known as a company's ability and capacity to retain its employees via the procedures that encourage and motivate the human resources to stay for a longer period of time to ensure the company's sustainability (Gorde, 2019). Every company invests time and capital to train new hires to make them corporate-ready. If such employees leave the company after receiving full training programs, the company will suffer a complete loss from its investments (Gorde, 2019). Thence, a company's human resources are considered to be one of its most valuable assets and have a crucial impact on how well a company runs.

The labour market nowadays might be short of specific skills, which makes difficulties and increases pressures for companies to recruit their desirable employees when there is a growing number of open vacancies to fill. Therefore, in this technologically advanced changing world with the war of talent, companies have to invest in human resources management and keep practicing providing opportunities in developing their existing talent for new skills and capabilities instead of spending further expensive costs to recruit and train new workers that need more time and effort. A company would acquire strong operational performance, human capital, and return on assets with retained employees to prevent employee attrition.

### 1.1.1 Small and Medium-sized Enterprises (SMEs)

The definition of SMEs encompasses all industries, including services, manufacturing, agriculture, construction, and mining and quarrying (SME Corporation Malaysia, n.d.). Malaysian Small and Medium-sized businesses (SMEs) as the significant contributors to the Malaysian economy, can be classified based on the company’s number of full-time workers, yearly sales turnover, and sector to define its company size.

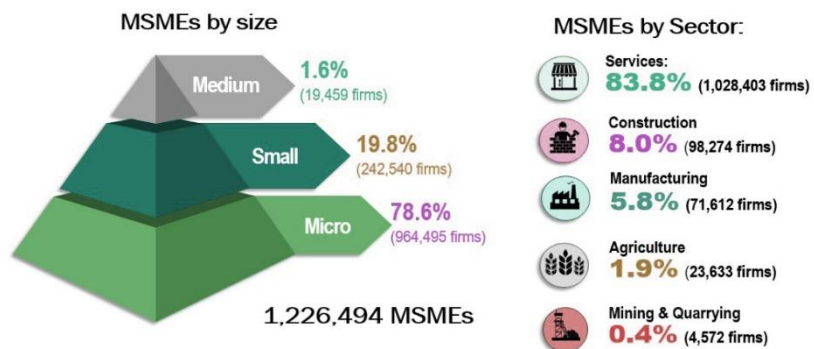
A business is considered as SME if its sales turnover is less than RM50 million or it employs fewer than 200 full-time workers in the manufacturing sector, while sales turnover is less than RM20 million or employs 75 full-time employees in the service and other sectors (Chin & Lim, 2018). The detailed definition of SMEs provides in Figure 1.1 below:



Source: SME Corp. Malaysia (n.d.)

**Figure 1.2: Malaysian SME Business Establishment in 2021**

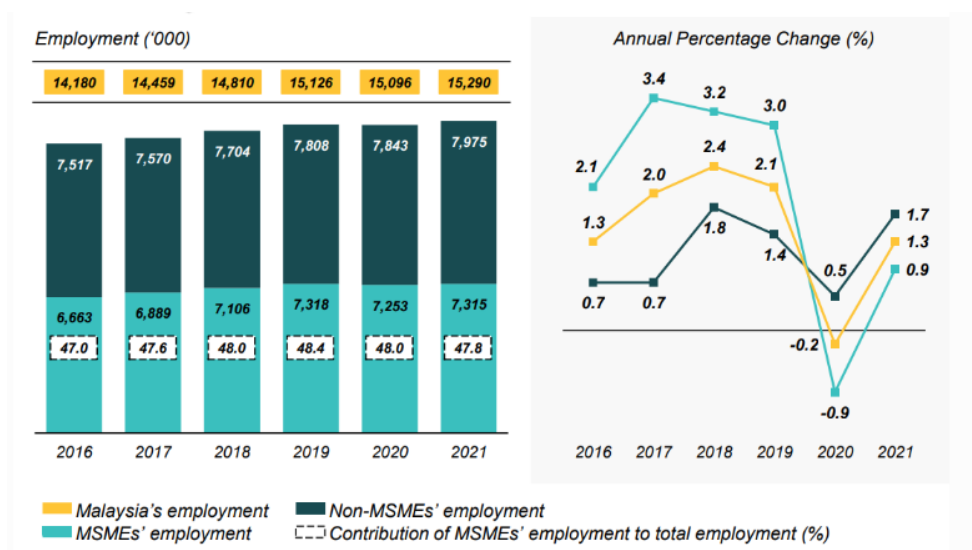
**MSMEs ARE THE BACKBONE OF THE MALAYSIAN ECONOMY, REPRESENTING 97.4% OF OVERALL BUSINESS ESTABLISHMENTS IN 2021**



Source: Malaysia Statistical Business Register, DOSM (2022)

The Department of Statistics, Malaysia (DOSM) indicated that there were 1,226,494 SMEs with 97.4% of total establishments from the sectors of services (83.8%), construction (8.0%), manufacturing (5.8%), agriculture (1.9%), and mining & quarrying (0.4%) in 2021. Not merely the great contribution performance from the multinational companies (MNCs) in Malaysia, our SMEs also have contributed 37.4% shares of GDP, 11.7% shares of Exports, 47.8% shares of Employment, and Productivity growth to aid our nation in raising economic standing with the implementation of innovation process and technology. In order to increase the Malaysia’s GDP, every SME must have a strong human capital base to enable them in stimulating innovation for a systematic and long-term strategy to fulfill company’s objectives (Jayabalan et al., 2020).

**Figure 1.3: Employment and Annual Percentage Change for 2016 to 2021**



Source: Malaysia Statistical Business Register, DOSM (2022)

From Figure 1.3, Malaysian SMEs (MSMEs) has a growth that reached to 7,315,000 employment rates with the contribution of 47.8% market shares in 2021, which has slightly increase as compared to 2020. However, the employment rate is still below 7 performance than non-MSME’s companies due to several factors such as increased industry competition, smaller size, weak capabilities of innovation, production, market management, capital funding, lack of qualified skilled employees (International Labour Organization, 2019).

### **1.1.2 SMEs in the Era with War of Talent**

According to Zuniga (2019), saying that the term “talent” originated from McKinsey & Company refers to the top 10% to 20% of employees who are considered the best and the brightest, also described as “A-level” employees. However, “talent” has become synonymous with the entire workforce and many companies struggle to define what talent actually means. The significance of talent in a company’s success is immense, and the current business landscape highlights the "war for talent," which is ethical and philosophy-based (Rajapakse, 2022). Employees have always been seeking better opportunities for career advancement and employment benefits as if employees leave, companies will be facing serious challenges in the retention and attraction of competent employees (Rajapakse, 2022). In addition to losing employees to competitors, the war for talent can negatively impact the employer's productivity compared to its competitors.

The talent shortage has resulted in a fierce “talent war” among companies of all sizes and industries worldwide and the competition is focused on retaining and engaging a high-quality workforce that plays a vital role in driving the company’s growth and bottom line. Small and medium-sized enterprises (SMEs), however, often find themselves at a disadvantage compared to multinational corporations (MNCs), which typically invest millions of dollars in recruitment and retention strategies (GMP Group, 2019).

SMEs may have an advantage over larger companies due to their agility and quick adaptability. Nevertheless, the challenge of attracting and retaining top talent remains a significant hurdle for most SMEs. Compared to well-known MNCs, SMEs may struggle to compete for talent and offer attractive HRM perks and benefits that appeal to potential employees (Sim, 2019). Moreover, as millennials and Gen-Zs (born between 1981 to 2012) represent the largest segment in the Malaysian labor market, some SMEs may not be able to secure their best available talent by understanding their career expectations and aspirations (Yun-Han, 2022).

All in all, effective human resource management techniques are the key success factor of a company. With the blend of HRM practices, it will significantly reduce the employee

turnover rate and increase the company's competitive advantages such as improved staff productivity, firm flexibility, and production capability.

## **1.2 Research Problem**

According to Zuniga (2019), the companies that attempted to attract and retain talents are critically challenged by the factors of transformational changes in global environment, increased mobility of employees and companies, and growing diversity of workforce. There are several employee retention strategies around the globe that are frequently operated by small and large businesses, even among the Malaysian SMEs. Employee retention is a crucial step in maintaining competitive advantage since, as was already noted, there is fierce rivalry, particularly in emerging countries like Malaysia that have a shortage of highly skilled talents due to slow development. Somehow nowadays due to the increasingly influx of highly educated fresh graduates being attracted to work in MNCs as it is considered a bright job prospect in providing more growth opportunities that enable them to expand their horizons, in a strong global prestige, attractive comprehensive benefits and heftier salary as compared to SMEs. According to Loo (2020) based on the statement from President of SME Association of Malaysia, in regards the SMEs are still lacking in manpower, from entry-level office recruits to managerial-level technicians. As a result, the government is promoting incentives to boost the economy in an effort to make SMEs look appealing for employment to get existing employees to be retained with wider exposure to cross-departmental tasks and faster career progression within the company.

Prior research has revealed that the majority of SMEs failed to meet their specific goals as a result of a lack of human resource competencies (Kadiresan et al., 2016; Atan et al., 2021). Not only that, but some of the established SMEs do not even own a well-structured human resource team and system since their employees will mostly work for all the tasks outside of their job scopes to cover the shortage of other line departments. According to Hee & Rhung (2019), most SME businesses are still in their infancy and are weakly documented for all its profiles that will cause serious impact on poor employee retention, resulting from the lack of expertise and managing experience. The extent to which HRM practices affect their likelihood to remain employed in the Malaysian SME context has not been thoroughly investigated in Malaysia, unlike in other countries such as East Asia and Western Asia where previous studies

have been conducted (Habsi et al., 2021; Sepahvand & Khodashahri, 2020; Yang & Alves, 2021). Consequently, this study aims to fill the knowledge gap by examining whether an integrated set of HRM practices has been found in prior empirical study findings in employee retention among Malaysian SMEs.

According to PSMB (2018), training is crucial as SMEs that operate efficiently tend to have a better-educated workforce and are more likely to offer formal structured training to their employees. However, most SMEs face challenges to provide training to their employees, including limited access to financing, human resource constraints, inadequate technology, insufficient information on potential markets and customers, and global competition (Veno, 2022). Somehow, the recent Industry 4.0 and digitalization makes SMEs face entirely new limitation in their ability to increase productivity levels, and there is a growing concern about the lack of skilled labor among employees in SMEs due to limited access to the training resources in the both existing and new workforce which will lower the employee retention (SEA-VET, 2020).

The remuneration and reward have contributed to employee retention which will eventually lead to higher effectiveness of employee performance and motivation (Syahreza et al., 2017). Malaysian SMEs face the challenge of not having an effective remuneration and reward system that can attract, motivate, and retain their employees well as compared to the larger MNCs (Zhang, 2018). Besides, performance appraisal is linked to employee retention in Malaysian SMEs as formal performance appraisal is not common and has failed applied in the company since there is flat management hierarchy whereby managers and employees frequently interact with each other, which poses a risk for generalization and fails to hone direct team goals (Craig, 2022). According to Jamaiudin (2021), a lack of performance appraisal of individual employee performance evaluation may reduce negatively impact employee motivation to remain in the company. Also, performance appraisal has been a problem in Malaysian SMEs as inadequate feedback from rater will be perceived as unfairness and bias which lead to low employee retention (Long et al., 2018).

Employee empowerment among employees has emerged as a crucial issue that requires attention as employees can become demotivated to perform at their best, which contributed to companies' struggle to retain talented employees in not providing sufficient authority and participation environment to the employees (Ghani et al., 2019). As for career development, SMEs often lack a comprehensive orientation program, clear career path development, and

communication of corporate goals and vision (GMP Group, 2019). They may also invest minimally in employee development, leading to a higher likelihood of employee turnover.

Ahmad & Ibrahim (2021) identified safety and health as key issues related to employee retention. For instance, many SMEs in the manufacturing sector prioritize short-term profits over long-term planning for a healthy and safe workplace. A past study by Imi et al. (2019) stated that poor working environment has contributed to employee turnover in Malaysia's construction industry. As a result, some companies have inadequate working conditions that negatively impact workers' health and may lead to illness and organ damage.

Despite the problems lacking in Malaysian SMEs, this research seeks to analyze the relationship between HRM practices and employee retention in Malaysian SMEs companies that provide pros of retaining talents that will eventually bring competitive advantages and strong front and back-end supports to the companies in building higher market position.

### **1.3 Research Objectives**

According to the problem statement described above, Malaysian SMEs may rely heavily on HRM practices to retain their employees as they are the backbone of a company. This research seeks to determine the relationship between HRM practices' effects on the improvement or deterioration of SMEs' employee retention rate.

The **general objective** is:

1. To examine the HRM practices that impact employee retention in Malaysian SMEs.

The **specific objectives** are:

1. To investigate whether training practices will affect employee retention in Malaysian SMEs.
2. To investigate whether remuneration and reward will affect employee retention in Malaysian SMEs.
3. To investigate whether performance appraisal will affect employee retention in Malaysian SMEs.

4. To investigate whether employee empowerment will affect employee retention in Malaysian SMEs.
5. To investigate whether career development will affect employee retention in Malaysian SMEs.
6. To investigate whether working condition will affect employee retention in Malaysian SMEs.

## **1.4 Research Questions**

1. Is there a significant relationship between training and employee retention in Malaysian SMEs?
2. Is there a significant relationship between remuneration and reward and employee retention in Malaysian SMEs?
3. Is there a significant relationship between performance appraisal and employee retention in Malaysian SMEs?
4. Is there a significant relationship between employee empowerment and employee retention in Malaysian SMEs?
5. Is there a significant relationship between career development and employee retention in Malaysian SMEs?
6. Is there a significant relationship between working condition and employee retention in Malaysian SMEs?

## **1.5 Research Significance**

This research is necessary for the SME companies, government and academicians, in general, to understand whether the current HRM practices in Malaysian SMEs are able to retain their talented employees from quitting their roles.

Firstly, this research will benefit SME companies from various industries including manufacturing, construction, service, education, medical, automotive and other sectors to have a thorough understanding of the recent circumstances on how to retain their employees. From the viewpoint of the firms, they will understand which HRM practices affect employee



retention the most, in particular SMEs. No matter it is small-medium firms or large from the extent of global perspective, HRM is no longer evitable as employees are the human capital to work on company's productivity, helps to reduce extra recruitment costs, and a strong human capital will enhance a better company future with higher efficacy and customer experience. As a result, the employers and human resource team will work to increase their employee retention in order to reduce the employees' turnover intention as well as pay attention and put more efforts into their HR management.

Next, this research will act as a reference for the government to plan its financial budget and policymaking from the perspective of Malaysian economy contributors, SMEs. The policymakers will acknowledge the importance of HRM practices in SMEs, in turn, can allocate financial budgets to develop and promote training programs, financial incentives, and regulatory measures that support SMEs from their limited capital funding for employees to attend extra programs. The government will then prepare sufficient budget to aid more future SMEs for employees' benefits so as to stimulate Malaysia's overall economic growth.

This study can contribute to the academicians by providing new insights into the existing literature on HRM practices and models that are specifically targeted on Malaysian SMEs. Future readers can gain knowledge about the importance of applying appropriate HR practices in Malaysian SMEs and the most significant factor that could retain talented employees in the company in this era with war of talent. Also, this study serves as a valuable resource for students and readers who wish to carry out comparable topics as they can extract and utilize the information and data from this paper.

## **1.6 Conclusion**

To sum up, this chapter has well-discussed the study background, research problem, objectives, questions, and significance of study on impact of HRM practices among Malaysian SMEs. The variables will be described in depth in Chapter 2.

## **CHAPTER 2: LITERATURE REVIEW**

The study's literature review is covered in Chapter 2 from previous journals and textbooks. Underlying theories related to HRM practices and employee retention, a review on the dependent variable and independent variables of the study, a conceptual framework, and hypotheses will be discussed.

### **2.1 Review of Variables**

#### **2.1.1 Training**

Training is one of the most important variables in HRM practices as it can help a company in establishing a competitive edge in the particular industry till the extend of global perspective (Malik et al., 2020). According to Alharthy & Marni (2020), training is a technique that allow employees to gain better knowledge and skills connected to their jobs, as well as enhance and alter their working attitudes and behaviours in order to raise their job satisfaction to retain in company to meet their company's goals. Training is a platform that company offers to its employees to encourage the gains of additional task-related abilities, provide the opportunity for self-improvement so to advance the company's objectives (Alharthy & Marni, 2020). It is a sort of human capital investment that provide employees with precise skills and boost their productivity so that it can aid the company in minimizing the market drawbacks and enhance its capabilities in order to effectively carry out its vision and goals while retaining talented employees (Muis et al., 2021). Moreover, training enables employees to acquire new knowledge, skills, and abilities that can improve performance standards in a rapidly changing environment (Bibi et al., 2018).

Therefore, employees that get training will allow them to meet both their career needs and company's goals as they are able to perform and work better on their existing position yet raise the employee quality that benefit the firm in long run.

### **2.1.2 Remuneration and Reward**

Remuneration and reward are the most dominant HRM practices that use to encourage the positive working behaviour of employees (Syahreza et al., 2017). The study from Malik et al. (2020) and Kadir et al. (2019) provide evidence in favour of the idea that remuneration and reward affect both employee and company performance. Companies that offer better remuneration and reward package to employees will be able to achieve quick expansion and growth while maintaining high level of employee performance. This occurred as a result of the employees' sense of ownership in the company, similar to the research from Kurdi et al. (2020), indicating a substantiated relationship between retention-oriented remuneration and employees' productivity. Competitive remuneration and reward package build a strong commitment among employees that will aid in creating culture of excellence to contribute more work efforts while increasing employee retention rate and lowering the turnover intention (Kadir et al., 2019).

Reward is extrinsic or intrinsic offers that company provides in exchange for the employees' efforts to motivate them in behaving positive work contribution to the company. Reward is crucial because it leaves an enduring impact on employees and reinforces their perception that their efforts are being appreciated and to create a sense of value on employees (Hassan, 2022).

### **2.1.3 Performance Appraisal**

Performance Appraisal is defined as a structured and formal procedure of reviewing and evaluating the employee's or team performance on a task (Van Dijk & Schodl, 2015). This HRM practice is capable of identifying the plans for achieving certain goals as well as the development objectives. The performance appraisal system is effective as it primarily created to manage, assess, and enhance employee performance so that employees would be able to openly discuss expectations and potential future developments on their accomplishment (Ahmad et al., 2017).

According to Ahmad et al. (2017), the performance rating system is to integrate the employees' roles for achieving corporate goals as well as developing employees' abilities, boost performance, and allocate the rewards based on the company's standard. It also serves as a motivational tool for identifying the employees' needs if this practice

is regularly and consistently used throughout a company. The performance appraisal system helps to ensure that company's goals are attained in an efficient and effective manner with employees' performance rating (Rodjam et al., 2020). This is because it demonstrates the significance of changing behavior from employees that will lead to performance improvement while the desired behavior is able to motivate them to perform consistently better in future through their evaluation in performance appraisal system (Rodjam et al., 2020). In results, performance appraisal system as a "communication device" being utilized wisely between company and employees, will eventually lead to high-level performance (Ahmad et al., 2017).

#### **2.1.4 Employee Empowerment**

Employee empowerment is an important HRM practice that entails the giving of essential knowledge from the higher level of management to employees that allow them to make educated decisions which ultimately lead to responsible decision-making (Malik et al., 2020). Empowerment is the given authority that provides employees the chances to make decision and voice out their personal opinions that will be advantageous to both employee and company (Frye et al., 2020). Employees are empowered when there is a chance for them to engage in decision-making and goal setting (Ohunakin et al., 2019). According to Dassanayake & Kularathne (2021), the more motivated and devoted employees are to their work, the more successful the company will be as they are given greater ability to make decisions to perform at their best. Employees are said to be empowered when there is a sense of possession to retain in the company (Frye et al., 2020). Employees who feel like they belong to the company are more likely to stay and are better equipped to handle pressure and challenges, in result of employee empowerment, turnover will decrease, and employee retention will increase (Dassanayake & Kularathne, 2021).

#### **2.1.5 Career Development**

The opportunities of career development are the initiatives made by companies to assist their employees in advancing their careers. HR professionals have to create and identify career development strategies that would increase employee commitment and make them feel that they are taken into account of the company's interest to ensure retaining

employees are more motivated and enthusiastic to work hard, assisting the company to achieve their goals efficiently (Jeffrey & Prasetya, 2019). According to Bibi et al. (2018), the employees who experience more manager support and supervisor assistance are less likely to quit their jobs and but to retain. By implementing job enrichment programs and fostering their progression possibilities, companies are able to increase employee retention along with the complementary HRM practices (Nagarathanam et al., 2018). The companies should work to create supporting cultures among the workplace and put into practice on employee growth and improvement plans to retain their talents and attain positive mutual benefits. According to Sivapragasam & Raya (2018), investing in human resource to be advanced in career path gives the firms on the confidence to recruit and keep key employees, and to value their talents since there is a probability that an employee may quit his present company as soon as he cannot predict how his career will progress there. It is an essential aspect for a company to invest in their employee career growth and ensure the job profile of the workers are in sync with their capabilities respectively for personal advancement to retain them.

### **2.1.6 Working Condition**

The working condition includes the physical geographic location and surroundings of the workplace such as nearby office or construction sites (Rattu & Tielung, 2018). Environmental factors around the workplace can impact on the employees' level of job satisfaction and motivation to perform better work (Hee & Rhung, 2019). Employee turnover is substantially greater when they work in poor working conditions, pointed out by Haldorai et al. (2019), as employees believe their efforts are not valued and recognized by others. Positive workplace conditions and culture will result in better employee performance and improved employee retention (Naz et al., 2020). Employees prefer to work in a comfortable, friendly, and safe environment and they may be achieved higher productivity while being passionate and enjoyable to do their works (Subramaniam et al., 2019). Apart from that, positive work atmosphere will promote a continual learning culture where skills are able to advance (Hee & Rhung, 2019). However, when the working condition is uncomfortable and insufficient, employees will not be productive, which results in low job satisfaction including poor motivation, engagement, and easily burnout (Subramaniam et al., 2019). The HR professionals are

responsible to make the workplace amicable and conducive to encourage employees to work with higher satisfaction and feeling secure to retain in the company, as well as ensure fairness of practicing HR policies evenly on every employee.

### **2.1.7 Employee Retention**

Employee retention is an ability and capacity of a company to maintain an employee's relationship to stay in the company for further work efforts (Kadiresan et al., 2019). Employee retention is essential since it provides a competitive advantage and acts as a clear indicator of goals achieved for a company (Bakar et al., 2018). It is valued highly since it affects the company's effectiveness in terms of both monetary and non-monetary values to prevent key talents from quitting, using the HRM strategies to encourage them to retain with the firm as long as feasible (Kadiresan et al., 2019). To assure the employees' job satisfaction, companies nowadays focus on employee retention practices as it aids human resource planning by anticipating the gap between future labour demand and supply of the companies (Mahadi et al., 2020). Training, remuneration and reward, performance appraisal, employee empowerment, career development, and working condition are the primary factors that influence employees' concerns and their intention to retain their current position (Kakar et al., 2017).

Adoption and expanding the usage of retention practices by HR is vital to strengthen businesses position and maintain employee to be prepared in handling difficulties relating to their job scopes (Kadiresan et al., 2019). Successful retention goes beyond what a company does if effective social networks and job embeddedness are connected to employees. In addition, employees are more likely to be satisfied in the long run if they receive pay rise and decision-making power as a result of their exceptional performance (Jayabalan et al., 2020). Hence, employees that are satisfied and at ease in their jobs are more committed and persistently seek to achieve company's goal of customer satisfaction (Menon, 2020). Companies must ensure that the necessary measures are being made to reduce the employees' turnover rate as it may frequently cost 2.5 times as much to replace a worker in this era of over-supply of shortage-skill talents, thus companies should make efforts to preserve working conditions so that they can retain their present workforce (Kaur & Randhawa, 2020).

## **2.2 Underlying Theories**

### **2.2.1 Human Capital Theory**

According to Ahmed et al. (2020), the human capital theory can be applied in the research pertaining employee issues as of this theory explains the people's investment in themselves to build up their own capabilities in terms of problem-solving, communication, technical, and more skill developments that will ultimately leads to an improvement on the level of employee productivity. This theory stated that people may become more productive and efficient by putting more focus on their education and training. Also, it is founded on the notion that having more human capital encourages creativity and innovation, with the contend saying that educated individuals are more productive as evidenced by the fact that they will receive and own a greater personal income than the general. Hence, human capital theory hinges on the idea that formal education is extremely useful and even indispensable to boost the production capacity of a population (Al-Elmadi et al., 2016).

Human capital theory contends that education promotes the employees' productivity and efficiency by boosting the human ability level of cognitive stock of economically productive, that results from the intrinsic investment in the employees (Atieno, 2019). This theory is focuses to invest in human capital with the built-on points of view that the current generation has to be given access to the knowledge, given training to develop and invent different newly products and services, as well as has to be encouraged to come up with brand-new strategies in fulfilling the community and customers' needs in creative approaches. Therefore, this theory can be implemented to understand the HRM practices of training, employee empowerment, performance appraisal, career development in retaining the employees in SMEs.

### **2.2.2 Ability, Motivation, and Opportunity (AMO) Theory**

AMO theory is three autonomous work-system aspects that shape the employee traits and ultimately contribute to business success. AMO theory provides the way for line managers to adopt efficient strategies that result in employee motivation through the application of HRM practices. It is wise to use in understanding the retention of employee in their companies (Rodjam et al., 2020).

Firstly, Ability refers to the HRM practices that undergoes to ensure that employees have gain the required skills, knowledge, and ability from the provided training and development programs to perform their tasks with minimal supervision, with the aim to increase employees' abilities and competencies to work quality jobs for the companies (Yahya et al., 2017). Ability-enhancing practices also cover the HRM practices to ensure effective hiring and selection process that results in choosing qualified employees for the right position.

Secondly, Motivation refers to the employee performance based on the practices implemented by HR team in managing the strategies to improve employees' motivation. Motivation-enhancing practices indicated that employees are encouraged to exert greater and extra efforts in completing tasks that have been assigned, primarily by rewarding them for their efforts put in making their jobs, such as performance appraisal and fascinating rewards (Yahya et al., 2017). A company can provide performance feedback to their employees or by rewarding them financially to enhance employees' motivation.

Lastly, Opportunity refers to giving employees more opportunities to seek their engagement and involvement by creating innovative possibilities to the companies. Opportunity-enhancing HRM practices are defined as transferring the decision-making power and responsibility from higher levels of hierarchy to lower management through information exchange (Bello-Pintado, 2015). Through collective work efforts, this HRM practice accelerates company growth and increases employee trust among the company (Rodjam et al., 2020).

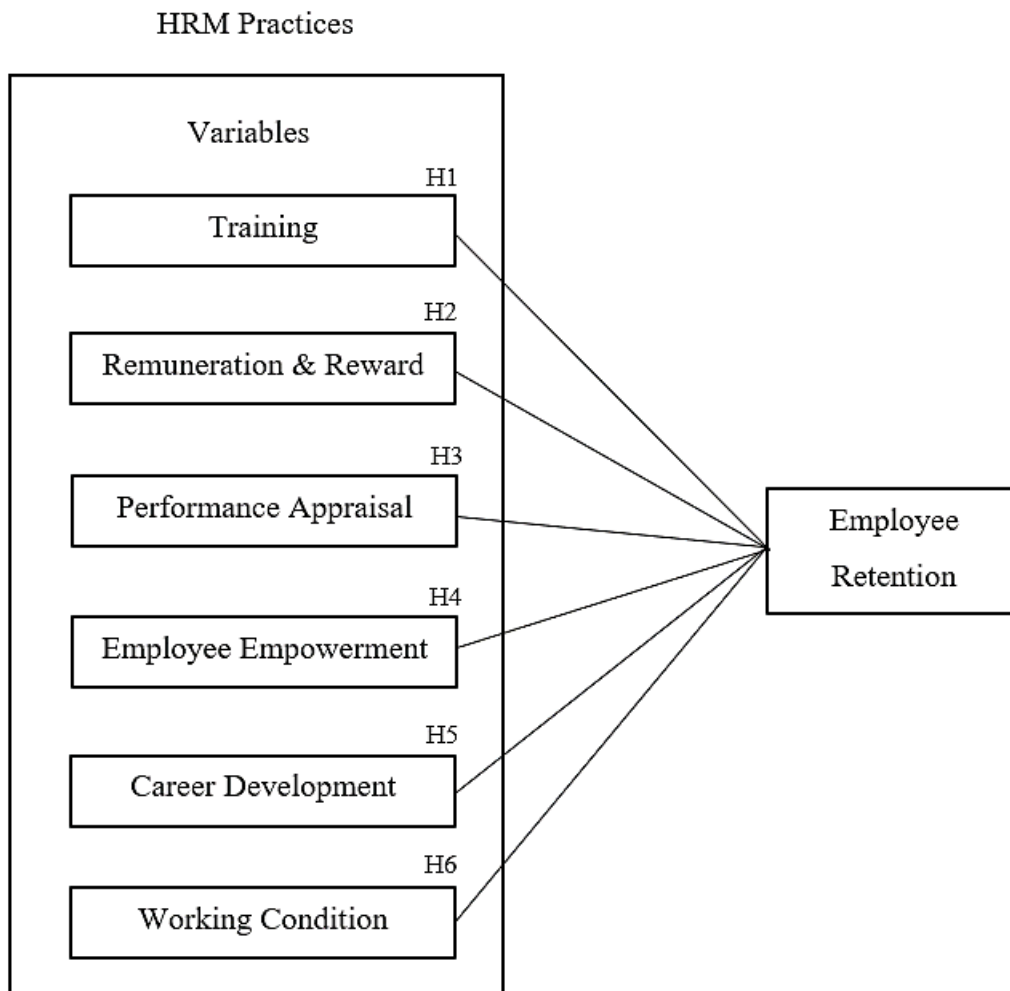
Under this AMO theory, it proves that HRM practices in seeking employees' ability, motivation, and opportunity will further retain their intention to stay in their companies if practices are carried out efficiently and effectively.



## 2.3 Proposed Conceptual Framework

Figure 2.1 shows a proposed conceptual framework of this study, consists of six independent variables of HRM practices which are training, remuneration and reward, performance appraisal, employee empowerment, career development, and working condition, while the dependent variable is employee retention. This study used AMO theory and Human Capital theory as both complement the importance of strategic investments in HRM practices for employee retention in a company. Training, remuneration and reward, and performance appraisal aligned with AMO theory while employee empowerment, career development, and working condition aligned with Human Capital theory.

**Figure 2.1: Proposed Research Framework**



Source: Developed for the research

## **2.4 Hypotheses Development**

### **2.4.1 Training**

Several studies have found that training has significant positive effects on employee retention (Akther & Tariq, 2020; Fletcher et al., 2018). Besides, Aburumman et al. (2020) found that perceived positive training practices reduce employees' intent to leave. It has also been argued that training will enhance job satisfaction, leading to increased employee retention (Nabi et al., 2017) as well as other studies showed similar significant results (Boon et al., 2019; Jeffrey & Prasetya, 2019). Therefore, the hypothesis was made:

H1: There is a significant relationship between training and employee retention in Malaysian SMEs.

### **2.4.2 Remuneration and Reward**

Previous research studies have emphasized the connection between remuneration and reward toward employee retention (Hassan, 2022; Atan et al., 2021; Malik et al., 2020) and have provided insights into what employee desires to accomplish and how they perceive remuneration and reward are positively related to retention. Similar significant relationship of remuneration and reward practice on employee retention have been observed in other studies in different context from Hanai & Pallangyo (2020) and Khalid & Nawab (2018). Thus, it can be inferred that the perceived fairness of remuneration and reward contribute to the enhancement of employee retention with hypothesis developed:

H2: There is a significant relationship between remuneration and reward and employee retention in Malaysian SMEs.

### **2.4.3 Performance Appraisal**

Based on the previous studies, providing feedbacks on performance appraisal can help employees and managers or superiors as well as subordinates to communicate more effectively whereby it will strengthen the relationship between one another since

feedbacks can motivate employees to boost for job improvement and effectiveness (Jamaiudin, 2021; Rodjam et al., 2020). Also, studies conducted by Malik et al. (2020) and Aleem & Bowra (2020) have shown that performance appraisal has a significant and positive effect on employee retention. Hence, the hypothesis has been proposed:

H3: There is a significant relationship between performance appraisal and employee retention in Malaysian SMEs.

#### **2.4.4 Employee Empowerment**

According to the study of Ohunakin et al. (2019), employee empowerment will guide the company success and boost more commitment and contribution for business efficacy, while trust and effective communication will improve due to the sense of worthiness among employees. Furthermore, studies conducted by Gil et al. (2017) and Hanaysha & Tahir (2016) have demonstrated that employee empowerment leads to increased interest in work and higher employee retention in company. Thus, the hypothesis developed:

H4: There is a significant relationship between employee empowerment and employee retention in Malaysian SMEs.

#### **2.4.5 Career Development**

Career development directly impacts employee retention as the study found a correlation between employee turnover and the opportunities for career growth possibilities (Putri & Handoyo, 2020). If employees were given promotions and career progression to work for more challenging tasks, the employee engagement and their intention to stay in the company will rise as it makes employees sense their value (Sari & Dewi, 2020; Ramadhani et al., 2020). The perceived career success has significant implication toward employee retention as most employees were greatly impacted by the absence of meaningful work and prospects for advancement, thus they quit their companies (Ahmad et al., 2017; Burnette et al., 2020). Therefore, the hypothesis is proposed:

H5: There is a significant relationship between career development and employee retention in Malaysian SMEs.

#### **2.4.6 Working Condition**

Besides, Esthi (2020) claimed that employees' decision to remain and stay with the company might be significantly impacted by their working environment. Another finding from Al-Hamdan et al. (2017) and Umamaheswari & Krishnan (2016) found that there exists a significant association between working condition and employee retention. Similarly, Yam et al. (2018) proved working condition include company policies and procedure significantly impact employee retention. Thus, the hypothesis is proposed:

H6: There is a significant relationship between working condition and employee retention in Malaysian SMEs.

### **2.5 Conclusion**

This chapter has explored the impact of independent variables on the dependent variable based on the conceptual framework and hypotheses developed by previous researchers. However, Chapter 3 will delve deeper into the methodology employed in this study.

## **CHAPTER 3: METHODOLOGY**

### **3.0 Introduction**

This chapter discussed the methodology employed to examine the correlation between the six independent variables and employee retention in SMEs. It includes a detailed explanation of the research design, sampling design, data collection method, and proposed data analysis tool that aided in generating the research findings.

### **3.1 Research Design**

#### **3.1.1 Descriptive Research**

The study is designed as descriptive-based research. Descriptive research is used to describe and analyze research problems effectively. According to Roberston et al. (2018), descriptive research is a purposeful process of gathering, analyzing, classifying, and tabulating data about current conditions and practices. It ascertains the actual facts in a group that is being studied and yields results that help to describe various characteristics associated with the people, groups, and target population (Roberston et al., 2018). Hence, this research will make an effort to investigate the HRM practices that are prevalent among SMEs that cause employee retention.

#### **3.1.2 Quantitative Research**

A quantitative research method will be applied in this study. This is because quantitative research seeks to gather a large amount of data with the intention of generalizing the data (Kindberg et al., 2018). Quantitative research is to gather information from a statistical analysis of the relationship between the independent and dependent variables (Apuke, 2017). According to Bryman & Bell (2011), as cited in Kindberg (2018), the collected data will be quantified in order to be statistically and numerically analyzed. This is supported by the study of Apuke (2017), that quantitative

research involves the use of methods such as surveys and data collection instruments to gather statistical data in order to test a hypothesis derived from a theoretical framework.

## **3.2 Sampling Design**

### **3.2.1 Target Population**

According to Barnsbee et al. (2018), the target population refers to the specific group of people that the research intervention aims to study and gain insights from. The research aims to focus on the target population of full-time employees that are currently working in Malaysian SME firms from either manufacturing, services, or other sectors. As of 2021, there are 7,315,000 SME employees, which has accounted for 47.8% of total employment in Malaysia (DOSM, 2021).

### **3.2.2 Sampling Frame**

The sampling frame of this research can be any position category within an SME firm, including top management, senior and middle management, entry-level positions, non-managerial employees, factory workers, and service crews who are aged between 18 to 60 and above. Besides, the SME company that the employee is working under must be earning company sales turnover that is lesser than RM50 million, as well as having 200 and below employees in the particular company.

### **3.2.3 Sample Technique**

According to Showkat & Parveen (2017), sampling technique includes non-probability sampling and probability sampling. Non-probability consists of convenience sampling, judgmental sampling, quota sampling, and snowball sampling. In this research, convenience sampling will be used due to limited time, budget, and easy accessibility to participants based on convenience at any time (Etikan, 2016).

### **3.2.4 Sampling Size**

Sample size refers to a subset of a population that is necessary to obtain enough data for drawing valid conclusions (Memon et al., 2020). According to Sekaran & Bougie (2016), a sample size ranging from 30 to 500 is appropriate and adequate for most studies. Therefore, this research will be requiring a sample size of 250 sets of responses from the targeted respondents, Malaysian SME employees.

## **3.3 Data Collection Methods**

According to Kabir (2016), data collection refers to the systematic process of gathering and measuring information in order to address specific research questions, test hypotheses, and evaluate outcomes. The purpose of data collection is to obtain high-quality evidence that can be used for data analysis and ultimately provides reliable answers to the research questions (Kabir, 2016). Two types of data collection methods are available in this research, which are primary data and secondary data.

### **3.3.1 Primary Data**

Primary data is the data collected from first-hand information that has not yet been published and has not been modified (Taherdoost, 2021). Primary data is considered more reliable, objective, and authentic than secondary data which can be obtained from various sources such as surveys, questionnaires, and interviews (Kabir, 2016; Taherdoost, 2021). In this study, a self-administered survey approach is conducted in way of close-ended questions that are created through Google Form. The primary data of the online questionnaire survey will be distributed to the respondents through online platforms such as Facebook, Whatsapp, Instagram, XiaoHongShu, and Survey Circle due to the quickness and effectiveness of collecting data.

### **3.3.2 Secondary Data**

Secondary data refers to the historical data that was previously collected and compiled for a research problem other than the current one, and the data can be obtained from internal or external sources which are relatively low cost than primary data (Unachukwu et al., 2018). It was not originally collected for the current research study but was collected by a party unrelated to this study for a different purpose at a different time in the past (Martins et al., 2018). This research obtained secondary data from various sources of journals, articles, theses, and published textbooks from the internet such as ResearchGate, Emerald Insight, SAGE, ScienceDirect, and Google Scholar. Secondary data is important in this research as it provides valuable information from previous studies and serves as a necessary foundation for the study's background information (Taherdoost, 2021).

## **3.4 Research Instrument**

### **3.4.1 Questionnaire Design**

The survey questionnaire has been split into two sections and it was designed in the English language with all close-ended questions.

Section A consists of 9 questions which required the respondents to provide their general demographic information and some screening questions to qualify the respondents based on the targeted characteristics. For instance, the number of employees in their company, age, gender, education level, monthly income level, years of working in the company, and the company's sales turnover amount.

Section B includes 36 questions that pertain to the independent and dependent variables of training, remuneration and reward, performance appraisal, employee empowerment, career development, working condition, and employee retention. The measurement items in this section will be based on a Five-Point Likert Scale, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree.



The origin of constructs will be illustrated in Table 3.1 below and Appendix 3.1, obtained from various published literature and has been adopted the existing survey instruments as below:

**Table 3.1: Origin of Construct**

<b>Construct</b>	<b>No. of Items</b>	<b>Sources</b>
Training	5	Jun et al. (2006); Fletcher et al. (2018); Bibi et al. (2018)
Remuneration and Reward	7	Ayaru (2012); Jun et al. (2006); Mikander (2010)
Performance Appraisal	5	Jun et al. (2006); Vignaswaran (2008)
Employee Empowerment	5	Frye et al. (2020)
Career Development	4	Presbitero et al. (2016)
Working Condition	5	Frye et al. (2020)
Employee Retention	5	Ayaru (2012)

Source: Developed for the research

### **3.4.2 Pilot Test**

According to Lowe (2019), a pilot test is a preliminary investigation that aims to test various aspects of the methods intended for a more extensive and thorough investigation before conducting the main study. A pilot test is to verify the chosen direction or validate the accuracy of the developed questionnaire of the researcher on the feasibility of the study on a small scale of respondents (Dźwigoł, 2020).

The pilot test survey questionnaire was distributed to 30 respondents to assess the strength of consistency and reliability of items in the instrument, with the supported estimated sample size of 30 from Ullah et al. (2023) and Farahiyah et al. (2020). To test the reliability, Cronbach's Alpha is used to evaluate the internal consistency of data and the reliability between several items, measurements, or ratings with the responses from the pilot test results (Bujang et al., 2018). The range of Cronbach's Alpha is shown in Table 3.2 below:

**Table 3.2: Cronbach's Alpha Range**

<b>Cronbach's Coefficient Alpha</b>	<b>Strength of Association</b>
< 0.6	Poor reliability
0.6 to < 0.7	Moderate reliability
0.7 to < 0.8	Good reliability
0.8 to < 0.9	Very good reliability
0.9 >	Excellent reliability

Source: Farahiyah et al. (2020)

In this research, 30 respondents were selected for pilot testing and the collected data were tested using Statistical Package for the Social Sciences (SPSS) software to run the reliability test.

**Table 3.3: Cronbach's Alpha of Pilot Test**

<b>Variables</b>	<b>Cronbach Alpha's</b>	<b>No. of Items</b>	<b>Strength of Association</b>
Training (TR)	0.842	5	Very good reliability
Remuneration and Reward (RR)	0.884	7	Very good reliability
Performance Appraisal (PA)	0.887	5	Very good reliability
Employee Empowerment (EE)	0.896	5	Very good reliability
Career Development (CD)	0.894	4	Very good reliability
Working Condition (WC)	0.777	5	Good reliability
Employee Retention	0.937	5	Excellent reliability

Source: Developed for the research

The table above indicates that all independent variables have a good and very good association with the dependent variable. The Cronbach's Alpha for all variables is greater than 0.6, indicating that all variables are in an acceptable range and reliable in this study. The result above indicated that employee retention has the strongest association with EE (0.896), followed by CD (0.894), PA (0.887), RR (0.884), TR (0.842), and WC (0.777).

## **3.5 Construct Measurement**

### **3.5.1 Scale of Measurement**

#### **3.5.1.1 Nominal Scale**

The nominal scale serves as a label for the identification or classification of data, which involves gathering information that can be divided into categories that are mutually exclusive and have no specific ranking order (Dalati, 2018). The scale is used in Section A for the identification of each respondent's demographic information including the age, gender, ethnicity, marital status, education level, income level, working years, amount of company's sales turnover, and the number of employees in their company.

#### **3.5.1.2 Ordinal Scale**

The ordinal scale arranges and classifies objects according to their degree of importance in an ordered relationship, from highest to lowest such as the Likert scale with responses of never, sometimes, often, and always (Allanson & Notar, 2020). Five-point Likert scale is being applied to the questionnaire in Section B to determine the agreeability of the respondents towards the statements of each variable in this study. The options available for the respondents to choose from are 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree.

## **3.6 Data Processing**

### **3.6.1 Data Checking**

Data checking is the process of ensuring the questionnaire is all completely constructed without any potential errors of grammar mistakes and ambiguity of the questionnaire that can lead to confusion among the respondents and can have a substantial impact on the research objective. Therefore, the researcher may check the data by reviewing and improving the questionnaire before distributing it to the targeted respondents.

### **3.6.2 Data Editing**

Data editing is a process that involves reviewing collected data to ensure consistency, identifying errors and outliers, and making corrections to enhance its usefulness for research purposes (Naeem, 2019). In data editing, researchers must decide how to handle problematic data that shows inconsistencies, such as missing or multiple responses to a question. Therefore, the data collected from the target respondents should be carefully checked and edited to ensure its quality, data accuracy, complexity, and free of bias before proceeding with the data analysis.

### **3.6.3 Data Coding**

Data coding involves the process of numerical or symbolic representations of responses, allowing them to be sorted into a limited number of categories or classes. This method allows the researcher to organize the questionnaire items by assigning a number or code to indicate the expected response to each question for easier categorization. In this research, the Excel sheets serve as a way for data analysis to ensure clear tracking of which questions correspond to which columns, as well as facilitate data entry. For instance, the questionnaire in Section B indicated from 1 to represent “strongly disagree” to 5 to represent “strongly agree” can be decoded from 1 to 5.

## **3.7 Data Analysis**

Data analysis refers to the systematic process of cleaning, transforming, and structuring data to draw a conclusion about that information into an easy-to-understand, conclusive, and more legible format to avoid misunderstanding (Islam, 2020). In this research, SPSS has been used to analyze the collected data and thereafter test the reliability to save the researcher’s time and effort in data analysis.

### **3.7.1 Descriptive Analysis**

According to Rawat (2021), descriptive analysis refers to a type of data analysis that aims to show, describe, and constructively summarize the data points which enable the researcher to determine the similarities among variables and detect outliers. The

descriptive analysis involves the process of identifying patterns in the data to answer the fundamental questions regarding the “who”, “what”, “when”, and “to what extent” phenomenon (Loeb et al., 2017). Thus, in this research, the data gathered from Section A in the questionnaire will be displayed in the format of bar graphs, pie charts, and tables to evaluate the general information.

### 3.7.1.1 Reliability Analysis

Reliability analysis helps to assist in assessing the consistency and stability of data and test the relationship between multiple items in the scale (Bujang et al., 2018). In this research, Cronbach’ alpha is used to measure the internal consistency of the variables in conducting reliability analysis with the Likert scale (Amirrudin et al., 2020). The range of Cronbach’s Alpha is displayed in Table 3.4 as follows:

**Table 3.4: Cronbach’s Alpha Range**

<b>Cronbach’s Coefficient Alpha</b>	<b>Strength of Association</b>
< 0.6	Poor reliability
0.6 to < 0.7	Moderate reliability
0.7 to < 0.8	Good reliability
0.8 to < 0.9	Very good reliability
0.9 >	Excellent reliability

Source: Farahiyah et al. (2020)

### 3.7.2 Inferential Analysis

The inferential analysis draws conclusions based on estimating and predicting the sample data to make inferences about the overall target population (Allanson & Notar, 2020). In this study, multiple linear regression and Pearson’s correlation coefficient will be conducted to analyze the data analysis.

#### 3.7.2.1 Multiple Linear Regression

Multiple Linear Regression method aids in determining if the relationships between multiple independent variables and dependent variable are correlated (Peter et al., 2019).

On the other hand, Petchko (2018) stated that multiple linear regression is a statistical technique that builds on correlation that shows mere associations between variables through a straight-line equation. According to Dawson et al. (2021), the general expression for a regression equation is being utilized and the formula is as below:

**Figure 3.1: Equation of Multiple Linear Regression**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Source: Dawson et al. (2021)

Where,

Y is dependent variable; X1, X2, X3 are independent variables

$\beta_0$  is the y-intercept (constant variable);  $\beta_1, \beta_2, \beta_3$  are the slope coefficient

$\epsilon$  is the residuals (also known as error term)

Using the equations mentioned earlier, this study formed a multiple linear regression model as shown below:

$$\text{Employee retention} = \beta_0 + \beta_1 (\text{Training}) + \beta_2 (\text{Remuneration and Reward}) + \beta_3 (\text{Performance Appraisal}) + \beta_4 (\text{Employee Empowerment}) + \beta_5 (\text{Career Development}) + \beta_6 (\text{Working Condition}) + \epsilon$$

To evaluate the fit of the model, R-squared coefficient is important to measure the proportion of variation in dependent variable that is explained by the independent variables. The larger the R-squared, the better the regression model fits the observation. Also, if the p-value is less than the significance level of 0.05, indicates that the independent variable is statistically significant and has a significant relationship on dependent variable.

### **3.7.2.2 Pearson's Correlation Coefficient**

Pearson's correlation coefficient analysis is used to determine whether there is an association between two variables as well as to measure the strength of the relationship (Hwee & Yew, 2018). For hypothesis testing, this research used Pearson's correlation coefficient to analyze the correlation relationship between the independent variables

(training, remuneration and reward, performance appraisal, employee empowerment, career development, working condition) and dependent variable (employee retention). Table 3.5 below shows the measurement of Pearson’s correlation coefficient value:

**Table 3.5: Rule of Thumb for Pearson’s Correlation Coefficient**

<b>Observed Correlation Coefficient</b>	<b>Interpretation</b>
0.00 – 0.10	Negligible correlation
0.10 – 0.39	Weak correlation
0.40 – 0.69	Moderate correlation
0.70 – 0.89	Strong correlation
0.90 – 1.00	Very strong correlation

Source: Schober et al. (2018)

### **3.8 Conclusion**

To summarize, this chapter outlined the research methodology, including the methods for data collection, questionnaire design and distribution, and pilot testing to ensure study reliability using SPSS software. It also introduced the data analysis techniques, including descriptive and inferential analysis, which will be presented in the following chapter (Chapter 4).

# **CHAPTER 4: DATA ANALYSIS**

## **4.0 Introduction**

This chapter will explain the survey result from 250 datasets questionnaire that has been distributed. The data outcomes will be analyzed and interpreted by using the SPSS software for the researcher’s convenience and ensuring data accuracy. The descriptive analysis, central tendencies measurement of constructs, Cronbach’s Alpha reliability analysis, and inferential analysis will be covered in this chapter in the form of tables, pie charts, and bar charts for better visualization and understanding.

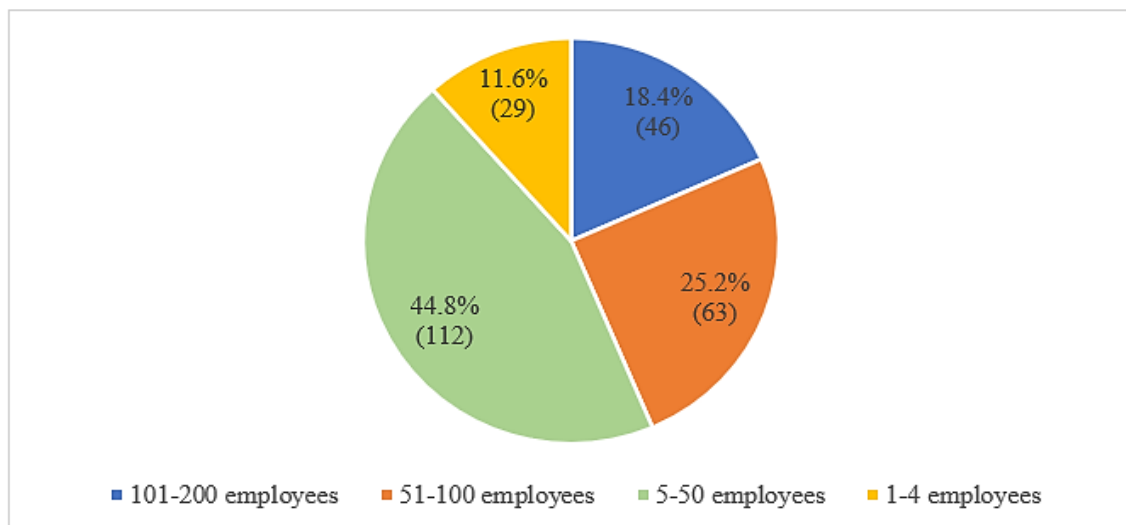
## **4.1 Descriptive Analysis**

Descriptive analysis is applied in Section A of the survey questionnaire of this study for the purpose to show and describe the respondents’ demographic profile from the extracted 250 sets of collected results.

### **4.1.1 Demographic Profile of the Respondents**

#### **4.1.1.1 Number of Full-time Employees**

**Figure 4.1: Number of Full-time Employees**



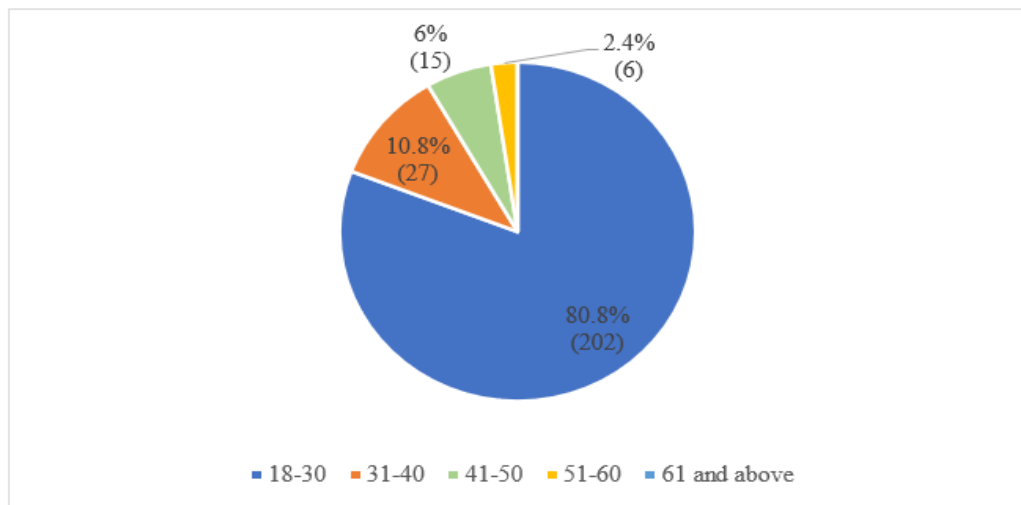
Source: Developed for the research



Among the 200 respondents, 112 respondents (44.8%) SME companies are within the estimation of 5 to 50 full-time employees; 63 respondents (25.2%) SME companies have an estimation of 51 to 100 full-time employees; 46 respondents (18.4%) SME companies have an estimation of 101 to 200 full-time employees; and, 29 respondents (1.6%) have an estimation of 1 to 4 employees in their companies.

#### 4.1.1.2 Current Age

**Figure 4.2: Age of Respondents**

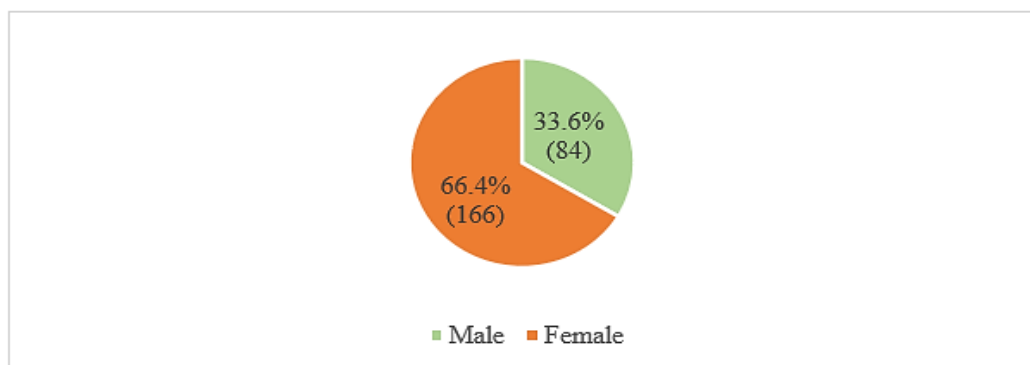


Source: Developed for the research

Based on Figure 4.2, the highest portion of the age range is between 18 to 30 years old (80.8%), followed by the second-highest portion of 31 to 40 years old (10.8%), third-highest portion with 41 to 50 years old (6%), as well as the lowest age range is 61 years old and above (2.4%).

#### 4.1.1.3 Gender

**Figure 4.3: Respondents' Gender**

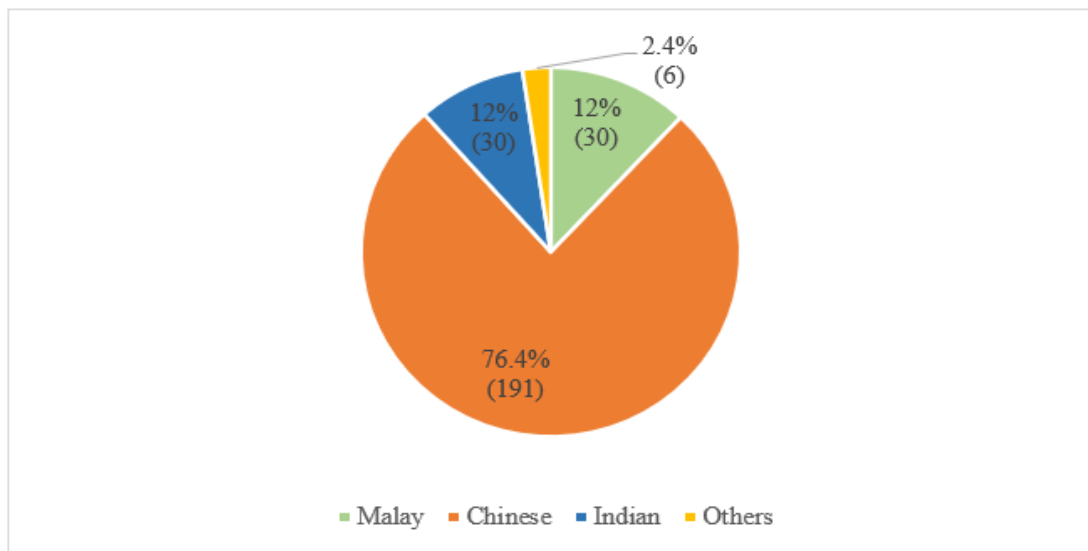


Source: Developed for the research

Figure 4.3 shows the respondents' gender, in which 166 respondents (66.4%) are female and 84 respondents (33.6%) are male.

#### 4.1.1.4 Ethnicity

**Figure 4.4: Respondents' Ethnicity**

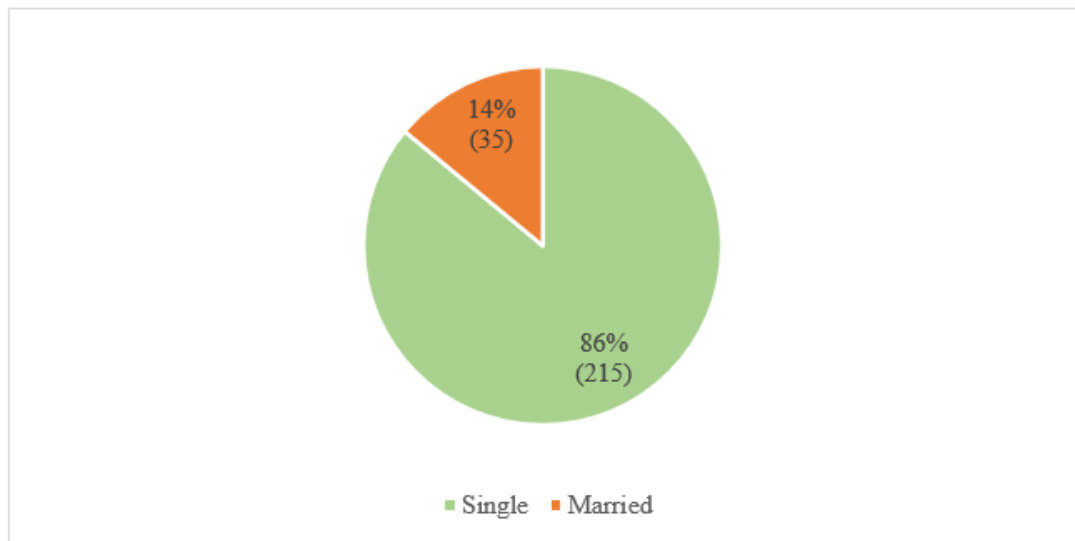


Source: Developed for the research

Figure 4.4 shows the respondents' ethnicity, whereby the highest frequency of 191 respondents (76.4%) is Chinese, followed by the second-highest with a same number of 30 respondents each (12%) from Indian and Malay, as well as the lowest frequency is others ethnicity with 6 respondents (2.4%).

#### 4.1.1.5 Marital Status

**Figure 4.5: Respondents' Marital Status**

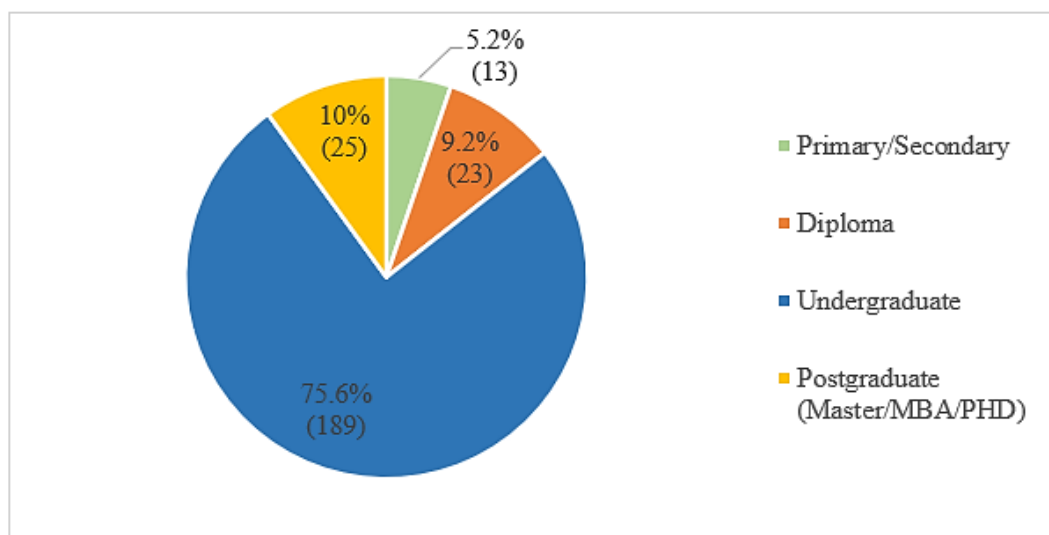


Source: Developed for the research

Figure 4.5 shows that 215 respondents (86%) that participated in this survey are single, leading significant difference with the 35 married respondents (14%).

#### 4.1.1.6 Education Level

**Figure 4.6: Respondents' Education Level**

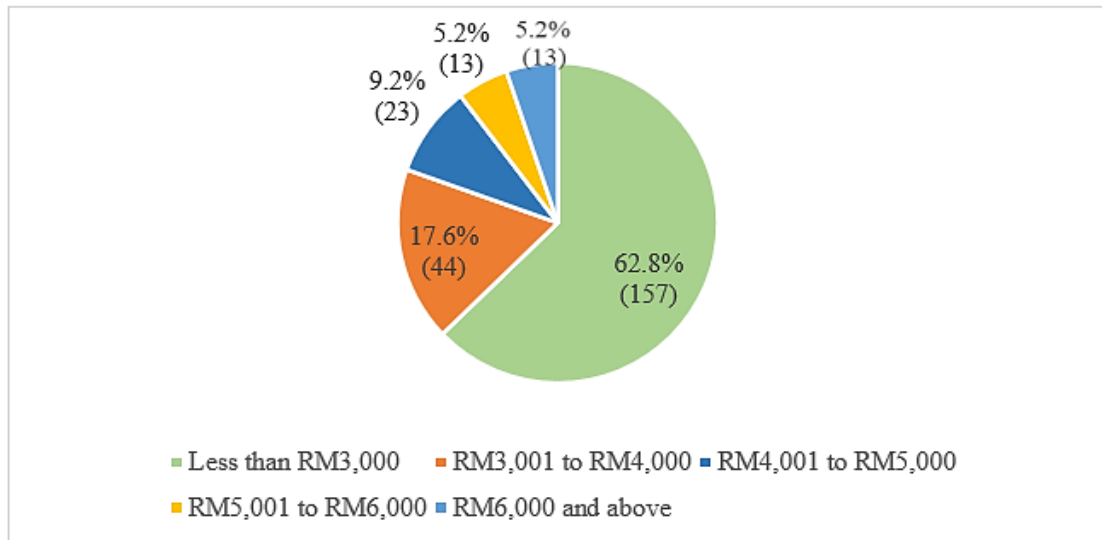


Source: Developed for the research

Based on Figure 4.6, most respondents' education level fall on undergraduate (75.6%), followed by postgraduate respondents with 10%, diploma respondents with 9.2%, and lastly with the minority respondents' sector from primary or secondary school at 5.2%.

#### 4.1.1.7 Monthly Income Level

**Figure 4.7: Respondents' Monthly Income Level**

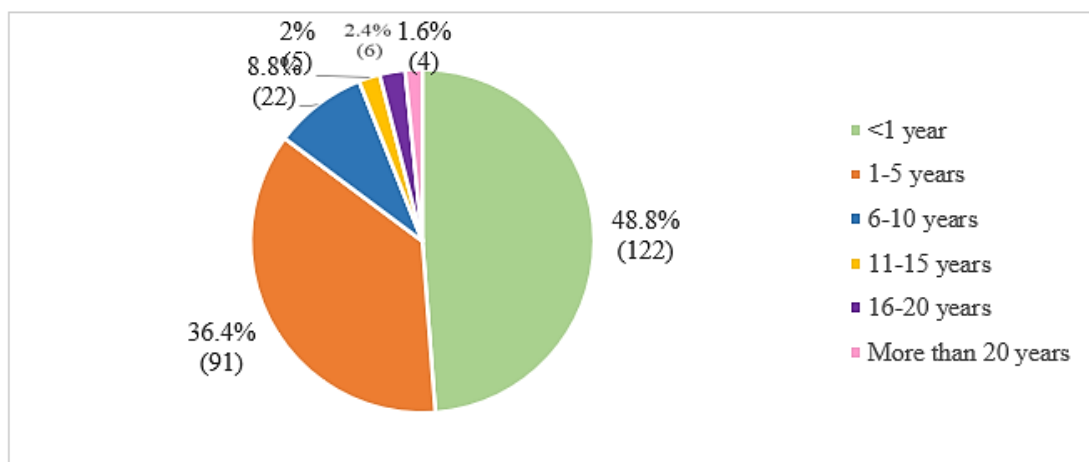


Source: Developed for the research

Based on Figure 4.7, the highest respondents' frequency in earning a monthly income level falls in the category that less than RM3,000 with 62.8% of them. There are 44 respondents (17.6%) earn RM3,001 to RM4,000 in their companies, followed by 23 respondents (9.2%) who earn RM4,001 to RM5,000. Both categories of RM5,001 to RM6,000 and RM6,000 and above monthly income level have the same number of respondents with 13 of them (5.2%).

#### 4.1.1.8 Working Years

**Figure 4.8: Respondents' Working Years**

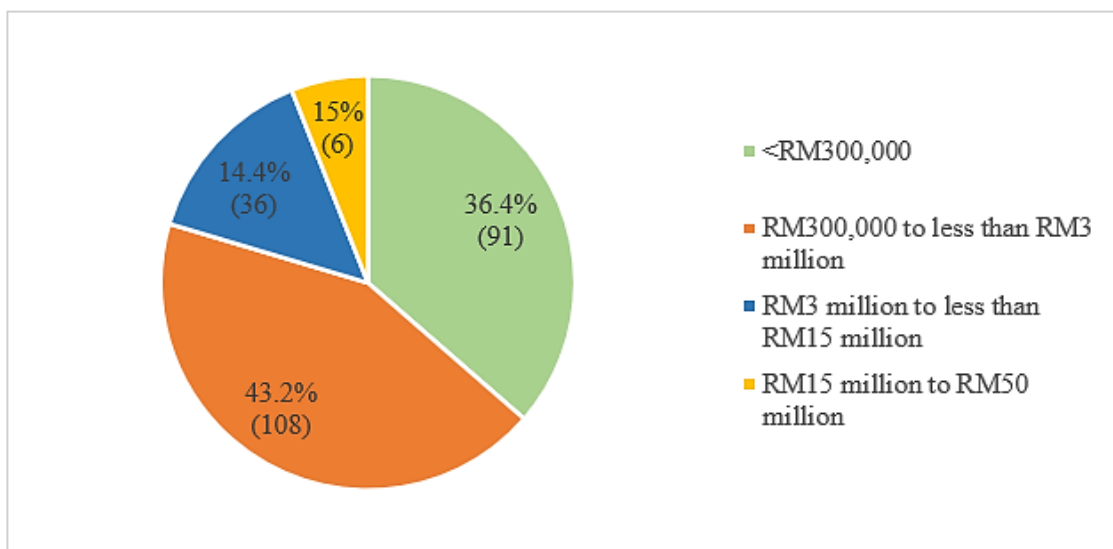


Source: Developed for the research

Figure 4.8 indicates the respondents' working years in their SME companies, whereby most respondents of 122 (48.8%) work less than 1 year in the company, 91 respondents (36.4%) worked between 1 to 5 years, 22 respondents (8.8%) work 6 to 10 years, 6 respondents (2.4%) work 16 to 20 years, followed by 5 respondents (2%) work around 11 to 15 years, lastly with the lowest category frequency of 4 respondents (1.6%) work more than 20 years in their companies.

#### 4.1.1.9 Amount of Company's Sales Turnover

**Figure 4.9: Respondents' Company Sales Turnover Amount**



Source: Developed for the research

Figure 4.9 illustrated the respondents' company sales turnover amount that is under the Malaysian SME companies' range below RM50 million in a financial year. The highest portion of 108 respondents (43.2%) is located in the category of RM300,000 to less than RM3 million in terms of their company's sales turnover. The second-highest portion of 91 respondents (36.4%) indicates that their companies have less than RM300,000 sales turnover, followed by 36 respondents (14.4%) companies earn RM3 million to less than RM15 million sales turnover. Lastly, the lowest frequency of respondents is 6 (15%), claimed that their companies earn RM15 million to RM50 million in sales turnover.

## 4.2 Central Tendencies Measurement of Construct

**Table 4.1: Central Tendencies Measurement of Independent Variables**

<b>Descriptive Statistic of Variables</b>		
	<b>Mean</b>	<b>Standard Deviation</b>
Training	3.861	0.671
Remuneration and Reward	3.796	0.700
Performance Appraisal	3.878	0.650
Employee Empowerment	3.820	0.711
Career Development	3.840	0.720
Working Condition	3.890	0.673

Source: Developed for the research

Table 4.1 shows the descriptive analysis of central tendencies measurement on independent variables, including mean score and standard deviation. The IV “working condition” has the highest mean of 3.890, whereas IV “remuneration and reward” has the lowest mean. Besides, the mean scores of employee empowerment, career development, training, and performance appraisal are 3.820, 3.840, 3.861, and 3.878 respectively.

The results of the descriptive table indicate that, on average, most respondents believed that the independent variables had an impact on SME companies’ employee retention. The mean scores for all variables fell within the range of 3.796 to 3.890, which means average respondents answer “agree” options in the research questions and indicate a high level of agreement among the study participants. The standard deviation is between 0.650 to 0.720, which indicates the data is consistent, and reliable, and the sample is more tightly clustered around the mean.

### 4.3 Reliability Test

**Table 4.2: Reliability Statistic for Actual Research**

<b>Variables</b>	<b>Cronbach Alpha Coefficient</b>	<b>No. of Items</b>
Training	0.838	5
Remuneration and Reward	0.892	7
Performance Appraisal	0.813	5
Employee Empowerment	0.833	5
Career Development	0.841	4
Working Condition	0.847	5
Employee Retention	0.900	5

Source: Developed for the research

Table 4.2 above is the reliability test generated from the data collected from the 250 respondents, and all variables have shown an alpha value that is above 0.6, which is considered a very good reliability strength. From the result obtained, the dependent variable of employee retention has the highest Cronbach's Alpha value of 0.900 and this proves that the measurement items from this variable are the most stable, accurate, and consistent. Remuneration and reward come after as second-highest alpha value of 0.892, followed by working condition with 0.847, career development with 0.841, training with 0.838, and employee empowerment with 0.833. The lowest alpha value is performance appraisal with 0.813, but it is still considered as very good reliability.

## 4.4 Inferential Analysis

### 4.4.1 Multiple Linear Regression

**Table 4.3: Model Summary of Multiple Regression Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 <sup>a</sup>	.503	.491	.62730

a. Predictors: (Constant), Working Condition, Training, Employee Empowerment, Remuneration and Reward, Career Development, Performance Appraisal

Source: Developed for the research

Table 4.3 shows the result of the independent variables (TR, RR, PA, EE, CD, WC) have positive influence on the dependent variable, employee retention with the R-value of 0.709, which conveys that there is a high correlation between both independent and dependent variables. The value of adjusted R square is 0.491, indicating that approximately 49.1% variation of employee retention can be explained by the six independent variables.

**Table 4.4: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.732	6	16.122	40.971	.000 <sup>b</sup>
	Residual	95.620	243	.393		
	Total	192.353	249			

a. Dependent Variable: Employee Retention

b. Predictors: (Constant), Working Condition, Training, Employee Empowerment, Remuneration and Reward, Career Development, Performance Appraisal

Source: Developed for the research

The table (Table 4.4) above indicates that the F-test value is 40.971, and the p-value is 0.000 ( $p < 0.05$ ), which means that the regression model with six independent variables accurately explains the variation in employee retention. Hence, the findings



demonstrate a significant relationship between all the independent variables and employee retention, as the significance level is less than 0.05.

**Table 4.5: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.325	.280		-1.161	.247
	Training	-.040	.078	-.031	-.511	.610
	Remuneration and Reward	.136	.090	.108	1.506	.133
	Performance Appraisal	.046	.109	.034	.421	.674
	Employee Empowerment	.296	.099	.240	3.008	.003
	Career Development	.243	.093	.199	2.612	.010
	Working Condition	.347	.086	.266	4.030	.000

a. Dependent Variable: Employee Retention

Source: Developed for the research

The linear equation presented below is formed based on the output in Table 4.5:

$$Y = -0.325 - 0.040 (TR) + 0.136 (RR) + 0.046 (PA) + 0.296 (EE) + 0.243 (CD) + 0.347 (WC)$$

Table 4.5 demonstrates a significant relationship of EE, CD, and WC with employee retention, indicated by the p-values below 0.05. In contrast, TR, PA, and RR have p-values above 0.05, indicating no relationship with employee retention.

Thus, from the equation formed, it can explain that an increase of one unit in RR results in 0.040 unit decrease in employee retention, with all other predictors held constant. Conversely, an additional unit in RR leads to a 0.136 unit increase in employee retention, holding all other predictors constant. Similarly, adding one unit in PA yields a 0.046 unit increase in employee retention while keeping all other predictors constant. An increase of one unit in EE will result in a 0.396 unit increase in employee retention while other predictors remain unchanged. Adding one unit to CD increases employee retention by 0.243 units, with constant predictors. Lastly, an extra unit in WC leads to 0.374 unit increase in employee retention, with constant predictors.

From Table 4.5, it can be concluded that working condition is the most significant predictor affecting employee retention, with the highest standardized coefficients beta value of 0.266 in this study.

#### 4.4.2 Pearson's Correlation Analysis

**Table 4.6: Pearson's Correlation Analysis**

		<b>Correlations</b>						
		TR	RR	PA	EE	CD	WC	EMRT
Training (TR)	Pearson Correlation	1	.513**	.600**	.534**	.595**	.484**	.420**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Remuneration and Reward (RR)	Pearson Correlation	.513**	1	.696**	.674**	.606**	.662**	.574**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Performance Appraisal (PA)	Pearson Correlation	.600**	.696**	1	.764**	.703**	.583**	.569**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Employee Empowerment (EE)	Pearson Correlation	.534**	.674**	.764**	1	.730**	.588**	.624**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	250	250	250	250	250	250	250
Career Development (CD)	Pearson Correlation	.595**	.606**	.703**	.730**	1	.638**	.615**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	250	250	250	250	250	250	250
Working Condition (WC)	Pearson Correlation	.484**	.662**	.583**	.588**	.638**	1	.610**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	250	250	250	250	250	250	250
Employee Retention (EMRT)	Pearson Correlation	.420**	.574**	.569**	.624**	.615**	.610**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	250	250	250	250	250	250	250

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

Source: Developed for the research

The results of Pearson's correlation analysis for each variable are presented in Table 4.6, where the correlation values range from 0.420 to 0.624. This indicates that there is a correlated relationship between the independent variables and dependent variable.

The highest correlation value is recorded between employee empowerment and employee retention, which is 0.624. This represents that there is a moderate correlation between these two variables and employee empowerment has the highest impact on employee retention among the six independent variables.

Career development is the second most influential variable with a correlation value of 0.615, followed by working condition of 0.610, remuneration and reward of 0.574, and performance appraisal of 0.569 respectively. These independent variables have a moderate relationship with employee retention as they fall in the moderate range of 0.40 to 0.69.

Furthermore, the correlation value between training and employee retention has the lowest correlation value of 0.420. This means that training has a moderate correlation with employee retention.

Other than that, the p-value for all independent variables (TR, RR, PA, EE, CD, WC) is 0.000, which is less than 0.01. This means that the null hypothesis of each variable is supported and accepted.

## **4.5 Conclusion**

This chapter has discussed the results and findings obtained from the data collected from the target respondents. The researcher has utilized the inferential analysis of multiple linear regression and Pearson's correlation analysis to report the hypothesis testing of this study.

Pearson's correlation analysis tested the significant correlations between independent variables and dependent variables, whereby all variables have shown moderate correlation with employee retention and a p-value below 0.01. Multiple linear regression also tested the significant p-value of all variables, in which only career development, employee empowerment, and working condition contributed p-value below 0.05.

## **CHAPTER 5: DISCUSSIONS, CONCLUSIONS, AND IMPLICATIONS**

### **5.0 Introduction**

The findings of previous chapter will be discussed and summarized in this chapter. Following that, this chapter will outline both practical and managerial implications, limitations as well as recommendation in this study for future researchers.

### **5.1 Discussions of Major Findings**

In Table 5.1 below, Pearson's correlation value of each item showed that all independent variables have moderate correlation to employee retention, and the p-value from Pearson's correlation analysis for all variables is 0.000, which is lower than the significance level of 0.01, showing that all the hypotheses are supported and indicating a very significant relationship between both independent and dependent variable. The results indicate that H1 ( $r=0.420^{**}$ ,  $P < 0.01$ ), H2 ( $r=0.574^{**}$ ,  $P < 0.01$ ), H3 ( $r=0.0569^{**}$ ,  $P < 0.01$ ), H4 ( $r= 0.624^{**}$ ,  $P < 0.01$ ), H5 ( $r=0.615^{**}$ ,  $P < 0.01$ ), H6 ( $r=0.610^{**}$ ,  $P < 0.01$ ). Thus, all the 6 hypotheses are supported.

The study found a positive relationship of the 6 HRM practices that will impact SME employee retention in Malaysian SME companies. Firstly, H1 is supported as training will improve job efficiency, satisfaction, and commitment, resulting in increased employee retention. Secondly, H2 is supported as employees who tend to show positive feeling to remuneration and reward provided by companies are likely to report turnover intention and instead, remain in the company. Thirdly, H3 is supported as performance-based evaluation will enhance employee performance and inspire the employees to improve their abilities while staying in current company. Fourthly, H4 is supported as SME employees prefer to be empowered with more decision-making power since it will exhibit higher levels of confidence and exert greater effort towards meeting their self-goal and company's expectation, which will

contributed to employee retention. Fifthly, H5 is supported as if the SME employees are being promoted to higher level of responsibility and substantial growth opportunities for their career development, it will fulfil the employee commitment to be attached in current company. Lastly, H6 is supported as Malaysian SME employees found to be agreed that a supportive, motivating, safe, and healthy working condition has a positive impact on employee retention to reduce the intentions to leave.

**Table 5.1: Major Findings on Hypothesis Testing**

<b>Hypothesis Testing</b>	<b>Value Scored</b>	<b>Result</b>
H1: There is a significant relationship between training and employee retention in Malaysian SMEs.	$r = 0.420^{**}$ $p\text{-value} = 0.000 < 0.01$	Supported
H2: There is a significant relationship between remuneration and reward and employee retention in Malaysian SMEs.	$r = 0.574^{**}$ $p\text{-value} = 0.000 < 0.01$	Supported
H3: There is a significant relationship between performance appraisal and employee retention in Malaysian SMEs.	$r = 0.0569^{**}$ $p\text{-value} = 0.000 < 0.01$	Supported
H4: There is a significant relationship between employee empowerment and employee retention in Malaysian SMEs.	$r = 0.624^{**}$ $p\text{-value} = 0.000 < 0.01$	Supported
H5: There is a significant relationship between career development and employee retention in Malaysian SMEs.	$r = 0.615^{**}$ $p\text{-value} = 0.000 < 0.01$	Supported
H6: There is a significant relationship between working condition and employee retention in Malaysian SMEs.	$r = 0.610^{**}$ $p\text{-value} = 0.000 < 0.01$	Supported

Source: Developed for the research

### **5.1.1 Relationship between Training and Employee Retention**

Based on the result findings, H1 reveals that the  $r = 0.420^{**}$  and  $P < 0.01$ , which means training and employee retention are moderately correlated. This also indicated that there is a very significant positive relationship between training and employee retention in this study. In short, H1 is supported in this study.

This research is in line with the findings from Chepkosgey et al. (2019), Elsafty & Oraby (2022), and Aleem & Bowra (2020), show that training will affect employee retention positively. The study's result herewith is consistent with previous studies' findings of the significant relationship as by providing training, the employees can develop greater problem-solving confidence and job commitment, ultimately leading to increased employee retention.

### **5.1.2 Relationship between Remuneration and Reward and Employee Retention**

H2 reveals that remuneration and reward resulted with  $r=0.574^{**}$  and  $P < 0.01$ , which means a moderate correlation exists between remuneration and reward and employee retention. This also proves that there is a very significant positive relationship between remuneration and reward in this study. Thus, H2 is supported in this study.

The previous study by Syahreza et al. (2017) showed that remuneration and reward have a significant effect on employee retention because employees feel that their employers value their needs if they are well remunerated; aligned with findings from Orajaka (2021) that employees will retain in a company to work harder with better performance if they get better pay. Also, Alhmoud & Rjoub (2019) revealed a positive result of rewards to provide a higher level of effectiveness on employee retention.

Despite an opposite result that has been exposed by Ki et al. (2022) that indicated no significant relationship between remuneration and reward and employee retention, the findings from this study showed a consistent positive influence on employee retention.

### **5.1.3 Relationship between Performance Appraisal and Employee Retention**

H3 performance appraisal has resulted with  $r=0.0569^{**}$  and  $P < 0.01$ , which means a moderate correlation exists between performance appraisal and employee retention. This also indicates that there is a very significant positive relationship between performance appraisal and employee retention.

This can be explained by the past study of Aleem & Bowra (2020), Malik et al. (2020), and Abdoulaye (2018) found that performance appraisal has a positive and significant relationship with employee retention. The previous findings have indicated an effective performance appraisal system can enhance job performance, motivate and foster employees' positive perception of being valued in the company will lead to greater employee retention.

Although the opposite results were revealed by Hassan (2022), that no significant relationship between performance appraisal on employee retention, is aligned with Kalyanamitra et al. (2020). Yet, in line with Aleem & Bowra (2020), Malik et al. (2020), and Abdoulaye (2018), the finding in this study showed a significant relationship between performance appraisal on employee retention, hence, H3 is supported.

### **5.1.4 Relationship between Employee Empowerment and Employee Retention**

H4 shows that employee empowerment has resulted with  $r=0.624^{**}$  and  $P < 0.01$ , which means a moderate correlation exists between employee empowerment and employee retention. This means that there is a very significant positive relationship between employee empowerment and employee retention.

This can be supported by the past research of Turatsinze & Tarus (2021), Sergio & Rylova (2018), Frye et al. (2020), and Kambere (2018) that proved the employee empowerment will affect employee retention. They found that employees will have greater confidence in their capabilities with their personal skills and knowledge, leading them to feel less tied to employer to make own decisions. This indicates that while investing in employees, self-learning and decision-making could enhance employees to retain in the company. Therefore, H4 is supported.

### **5.1.5 Relationship between Career Development and Employee Retention**

H5 shows that career development has resulted with  $r=0.615^{**}$  and  $P < 0.01$ , which means a moderate correlation exists between career development and employee retention. This also proves that there is a significant positive relationship between career development and employee retention.

According to the results from previous studies from Thwin et al. (2023) and Houssein et al. (2020), a positive and significant relationship between career development and employee retention has been proven. The findings showed that career advancement opportunities are highly valued, and the employees are likely to remain loyal and retained in the companies that offer such prospects. However, the significant relationship is contradicted by research done by Hassan (2022), stating that there is no relationship between career development and employee retention due to the limited size of the community, and most employees across different industries are closely linked. In this study, H5 is supported.

### **5.1.6 Relationship between Working Condition and Employee Retention**

H6 shows that working condition has resulted with  $r=0.610^*$  and  $P < 0.01$ , which means a moderate correlation exists between working condition and employee retention. This also indicates that there is a very significant positive relationship between working condition and employee retention.

This finding is aligned with the previous research studies done by Halim et al. (2020), Xuecheng et al. (2022), and Hanai (2021) that proved that working condition has a significant relationship with employee retention. These studies found that if working condition is suitable for the employees, they tend to stay rather than quit their job in the company. Hence, companies can retain employees by identifying the working condition features that are highly valued by the employees to be implemented. A study by Yen & Yee (2019) stated that working condition has no association with employee retention



even if it is not safe and conducive as employees focus on pay and career development opportunity to retain in the company. Since most of the studies have shown positive relationship between working condition and employee retention, H6 is supported.

## **5.2 Implications of Study**

### **5.2.1 Managerial Implications**

Employee retention in the Malaysian SME industry is important to be studied to understand whether the current application of HRM practices effectively influences employees' perception to retain in this war with talent.

First of all, the study is able to provide beneficial insight to the business owners and managers of Malaysian SMEs since it could have a positive impact on the business world by enhancing the stability of the Malaysian SMEs industry, which can result in a possible increase in talented employee retention to maintain a sustainable business environment. Business leaders of Malaysian SMEs could use well-enhanced HR policies and practices to reduce turnover intention. Based on these research findings, the researcher found that the employees are willing to retain in their companies with a significant positive result in employee empowerment, career development, and better working condition, training, performance appraisal, and remuneration and reward for higher rate of employee retention. SME companies need to consider these HRM practices because a skilled employee with high motivation from reward and performance appraisal system will allow employees to have a sense of belongingness to be retained in the company. By referring to the information of this research, SMEs in Malaysia can determine the effective HRM practices to be utilized for higher employee retention in the new generation.

Besides, this research will contribute to the broader goal of promoting sustainable economic development in Malaysia by enhancing the productivity and competitiveness of SMEs. SMEs are a vital component of the Malaysian economy, accounting for a significant share of Malaysian employment and GDP. Knowing effective HRM practices will reduce the high employee turnover rates that can be detrimental to SMEs and build a more stable and reliable workforce, due to SMEs often have limited resources and cannot afford to lose talented and experienced employees. By applying HRM practices that have the most significant impact on employee retention, this study provides practical insights for SMEs to improve their employee retention rate. This study will help to create a more stable and productive workforce, which can in turn contribute to sustainable economic growth and development.

In addition, this research will bring positive effects on society as a whole. SMEs can improve employees' well-being and social mobility by adopting effective HRM practices of employee empowerment, working condition, and career development in their companies. Also, it can have positive spill-over effects on other business sectors such as construction, manufacturing, and service; also, served as a reference for business start-ups and contribute to the overall human capital development of Malaysia. In short, Malaysian SMEs can contribute to a more prosperous and inclusive society that benefits employees, communities, and businesses alike.

### **5.2.2 Theoretical Implications**

This study supports the Human Capital Theory and AMO Theory to expand the knowledge base on existing research and investigate the impact of HRM practices specifically on SME employees to be retained in their companies. Future researchers can apply the theoretical framework as a reference for this context as the result of variables is conducted successfully. The study has provided empirical evidence on six significant HRM impacts that will influence employee retention which are training, remuneration and reward, performance appraisal, employee empowerment, career development, and working condition using Pearson's Correlation analysis that showed significant relationship between these practices to employee retention in Malaysian SMEs.

Besides, many previous studies have commonly established that the HRM impacts of training, remuneration and reward, and performance appraisal are significant predictors of employee retention in a company, but this study also presented inconsistently when being applied in Multiple Linear Regression analysis method with a different perspective on this matter, that is, proven no relationship. Therefore, this research also has offered a new insight and benchmark for future researchers to consider the relationship between employee retention with the three insignificant impacts of training, remuneration and reward, and performance appraisal in the Malaysian SMEs industry.

### **5.3 Limitations of Study**

The researcher discovered that there is a limitation in the part of the questionnaire design for the age range of respondents. The result findings have collected 80.8% of respondents with an age range between 18 to 30, but there is a lack of data responses from other age ranges in 31 to 40, 41 to 50, and 51 to 60. This situation happened due to each age gap being between 10 years as one category. Based on the data collected on the respondents' working years, 48.8% of respondents have less than 1 year of working experience and 36.4% of respondents are between 1 to 5 years of working experience, most of them are the respondents from the age range of 18 to 30. It showed not evenly distributed the questionnaire with over-occupied of the same age category, but with ranging working years. Also, the number of respondents from age group 41 to 50 and 51 to 60 is insufficient, thereby the researcher is unable to collect more comprehensive data to know more perspectives on the company's HRM practices to influence employee retention in the ages of 41 and above since the respondents are concentrated in 18 to 30 age group.

Besides, due to the time constraint, the researcher collected the data using convenience sampling method with close-ended questionnaires on online platforms where it is easier for questionnaire distribution, low cost, and time-saving. The researcher distributed the survey to easily accessible and readily available employees that are willing to conduct the survey on Facebook, Survey Circle, and XiaoHongShu. This method is convenient, quick, and easy, but it may not result in biased sample that does not accurately represent the target population of whole Malaysian SMEs.

Furthermore, the quantitative data collection method yields insufficient information. Although the self-administered survey enables researcher to collect data quickly and easily, it limits the respondents' ability to fully express their opinions on certain questions as they are just allowed to pick readily choices which caused the restriction of respondents being truly voicing out their opinions freely.

## 5.4 Future Recommendation

In terms of limitations in demographic questionnaire designing, future researchers have to ensure that the questionnaire design for the age range must be between five years as one category so that the demographic for ages can be evenly grasped and a more detailed age range can be differentiated. This is also to avoid confusion and ensure all surveys are evenly distributed to all age categories for a well-diverse data collection perspective from different age groups on HRM practices that contributed to employee retention. To get sufficient data from older age groups of 41 and above, future researchers could approach targeted respondents through physical visits to various SME companies in different sectors, seeking permission to collect data for the survey. Alternatively, they could write an email requesting permission and assistance in collecting data for the study.

Next, if there is ample time for future researchers to conduct research, it is recommended to apply stratified sampling method in data collection by dividing the target population into subgroups. The researcher may divide the employees into subgroups based on their job position such as managers, supervisors, and line staff, then randomly select representative samples from each subgroup. This is to ensure a greater precision in estimating population characteristics and reduces the risk of bias compared to convenience sampling.

Lastly, future researchers are recommended to use both quantitative and qualitative data collection methods to gather more in-depth explanations of the respondents' choices. The researchers will obtain broader range of distinctive and personal opinions from the respondents on how the HRM practices are able to make them retain in their companies in more detail.

## **5.5 Conclusion**

In conclusion, this study has investigated and identified the six independent variables (training, remuneration and reward, performance appraisal, employee empowerment, career development, working condition) that directly influence and has a significant relationship with employee retention in Malaysian SMEs. This study also highlighted the limitations and provided recommendations for future researchers. With this study, it serves valuable reference for researchers, provides beneficial insights to the Malaysian SME industry as to which HRM practices they should consider for greater employee retention.

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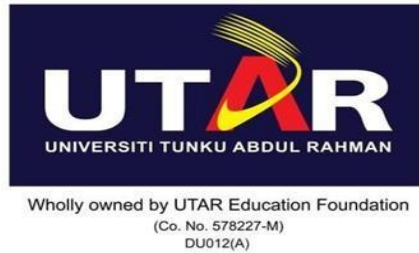
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# APPENDIXES

## Appendix 3.1: Questionnaire



**UNIVERSITI TUNKU ABDUL RAHMAN**

**FACULTY OF ACCOUNTANCY AND MANAGEMENT**

**BACHELOR OF INTERNATIONAL BUSINESS (HONS)**

**“Era with War of Talent”: Impact of HRM Practices on Employee Retention among  
Malaysian SMEs**

**Survey Questionnaire**

---

Dear Sir/ Madam,

I am Ooi Joe Yee, a final year undergraduate student pursuing a Bachelor of International Business (Hons) at Universiti Tunku Abdul Rahman (UTAR).

The purpose of conducting this study is to investigate the impact of HRM practices on employee retention among Malaysian SMEs in this era with war of talent. This survey may roughly take you 10 to 15 minutes to complete. Please be assured that all the responses will be kept completely confidential and used solely for academic purposes. We deeply appreciate your help in participating in this survey. If you have any questions regarding this survey, please do not hesitate to contact me at [ooijoeeyee@lutar.my](mailto:ooijoeeyee@lutar.my).

Thank you for your time in contributing your efforts to this research.

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## Section A: Demographic Profile

Please tick the item that best describe you.

### Qualifying Question

#### 1. There are how many numbers of employees in your company?

- 1) 101-200 employees       2) 51-100 employees
- 3) 5-50 employees       4) 1-4 employees

- 2. Your Age:**
- 1) 18-30       3) 41 - 50       5) 61 and above
- 2) 31-40       4) 51 - 60

- 3. Your Gender:**
- 1) Male       2) Female

#### 4. Please select your ethnicity.

- 1) Malay       2) Chinese
- 3) Indian       4) Others

- 5. Your Marital Status:**
- 1) Single       2) Married

- 6. Education Level:**
- 1) Primary/Secondary       2) Diploma
- 3) Undergraduate       4) Postgraduate (Master/MBA/PHD)

#### 7. Your Monthly Income Level?

- 1) Less than RM3,000       2) RM3,001 to RM4,000
- 3) RM4,001 to RM5,000       4) RM5,001 to RM6,000
- 5) RM6,000 and above



**8. How long have you been working in your company?**

- |                |                      |                       |                      |
|----------------|----------------------|-----------------------|----------------------|
| 1) <1 year     | <input type="text"/> | 2) 1-5 years          | <input type="text"/> |
| 3) 6-10 years  | <input type="text"/> | 4) 11-15 years        | <input type="text"/> |
| 5) 16-20 years | <input type="text"/> | 6) More than 20 years | <input type="text"/> |

**9. What is the amount of your company's sales turnover?**

- |  |                                       |
|--|---------------------------------------|
| 1) <RM300,000                            | 2) RM300,000 to less than RM3 million |
| 3) RM3 million to less than RM15 million | 4) RM15 million to RM50 million       |

## Section B: Survey Questionnaires

Please mark to what extent do you agree or disagree with the statements based on the scale below:

*Note: 1= Strongly Disagree (SD), 2= Disagree (D), 3= Neutral (N), 4= Agree (A), 5= Strongly Agree (SA)*

### Dependent Variable: Employee Retention

Questions / Items		Evaluation Scale				
<b>EMPLOYEE RETENTION</b>		SD	D	N	A	SA
1	I intend to stay working in this company.	1	2	3	4	5
2	I will return to work here if I have to leave my job in the future due to unforeseeable situations.	1	2	3	4	5
3	I would prefer to continue working in this company as long as possible.	1	2	3	4	5
4	I might not start looking for a new job soon.	1	2	3	4	5
5	I do not think of leaving this company.	1	2	3	4	5

### Independent Variables:

Questions / Items		Evaluation Scale				
<b>TRAINING</b>		SD	D	N	A	SA
1	I have received sufficient training from the company to perform my work well.	1	2	3	4	5
2	I am being offered with training on a regular basis.	1	2	3	4	5
3	I am encouraged to learn new skills and knowledge.	1	2	3	4	5
4	I often go through training programs in this current position.	1	2	3	4	5
5	There are formal training programs provided to new hires the skills they need to perform on their tasks.	1	2	3	4	5

Questions / Items		Evaluation Scale				
<b>REMUNERATION AND REWARD</b>		SD	D	N	A	SA
1	My company has a remuneration and reward plan offered to the employees.	1	2	3	4	5
2	My company offers attractive remuneration and reward packages as compared to other firms nearby.	1	2	3	4	5
3	I am motivated to improve the quality of my job with my remuneration.	1	2	3	4	5
4	My work effort was rewarded.	1	2	3	4	5
5	The reward has a positive impact on my workplace atmosphere.	1	2	3	4	5

6	I am satisfied with the standard or quantity of the reward.	1	2	3	4	5
7	I am prepared to put more effort into my work in order to gain the reward.	1	2	3	4	5

Questions / Items		Evaluation Scale				
<b>PERFORMANCE APPAISAL</b>		SD	D	N	A	SA
1	I receive regular feedback on my job performance.	1	2	3	4	5
2	My work quality will be taken into consideration to evaluate my job performance.	1	2	3	4	5
3	My company seems to be keener to provide positive feedback for excellent performance than criticizing poor performance.	1	2	3	4	5
4	I am satisfied with the existing performance appraisal system.	1	2	3	4	5
5	I can identify my strengths and weaknesses with the performance rating.	1	2	3	4	5

Questions / Items		Evaluation Scale				
<b>EMPLOYEE EMPOWERMENT</b>		SD	D	N	A	SA
1	My company provides me the opportunity to try out some of my own ideas.	1	2	3	4	5
2	My company provides me the opportunity to develop new and more effective ways to do my job.	1	2	3	4	5
3	My company permits me to make my own decisions.	1	2	3	4	5
4	My company offers me the opportunity to utilize my strongest competencies.	1	2	3	4	5
5	My company allows me to try something different and new.	1	2	3	4	5

Questions / Items		Evaluation Scale				
<b>CAREER DEVELOPMENT</b>		SD	D	N	A	SA
1	I have sufficient opportunities to advance my career.	1	2	3	4	5
2	I have the opportunities to develop skills needed for career advancement.	1	2	3	4	5
3	In my company, adequate time and effort are spent on career planning.	1	2	3	4	5
4	I was offered with more challenging tasks within the company.	1	2	3	4	5

Questions / Items		Evaluation Scale				
<b>WORKING CONDITION</b>		SD	D	N	A	SA
1	I am satisfied with my company's working condition.	1	2	3	4	5
2	I am satisfied with my company's policies and practices toward all employees.	1	2	3	4	5
3	I am satisfied with my company's physical surroundings.	1	2	3	4	5

4	The physical working condition is in line with my expectations.	1	2	3	4	5
5	I feel safe and secure in my company environment.	1	2	3	4	5

## Appendix 3.4.2: Pilot Test Result

### Reliability Statistics of Employee Retention

Cronbach's Alpha	N of Items
.937	5

### Reliability Statistics of Training

Cronbach's Alpha	N of Items
.842	5

### Reliability Statistics of Remuneration and Reward

Cronbach's Alpha	N of Items
.884	7

### Reliability Statistics of Performance Appraisal

Cronbach's Alpha	N of Items
.887	5

### Reliability Statistics of Employee Empowerment

Cronbach's Alpha	N of Items
.896	5

### Reliability Statistics of Career Development

Cronbach's Alpha	N of Items
.894	4

### Reliability Statistics of Working Condition

Cronbach's Alpha	N of Items
.777	5

## Appendix 4.1: Demographic Profile

		Number of Full-time Employees			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	101-200 employees	46	18.4	18.4	18.4
	51-100 employees	63	25.2	25.2	43.6
	5-50 employees	112	44.8	44.8	88.4
	1-4 employees	29	11.6	11.6	100.0
	Total	250	100.0	100.0	

		Current Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	202	80.8	80.8	80.8
	31-40	27	10.8	10.8	91.6
	41-50	15	6.0	6.0	97.6
	51-60	6	2.4	2.4	100.0
	Total	250	100.0	100.0	

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	84	33.6	33.6	33.6
	Female	166	66.4	66.4	100.0
	Total	250	100.0	100.0	

		Ethnicity			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Malay	30	12.0	12.0	12.0
	Chinese	191	76.4	76.4	88.4
	Indian	23	9.2	9.2	97.6
	Others	6	2.4	2.4	100.0
	Total	250	100.0	100.0	

**Marital Status**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	215	86.0	86.0	86.0
	Married	35	14.0	14.0	100.0
	Total	250	100.0	100.0	

**Education Level**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary/Secondary	13	5.2	5.2	5.2
	Diploma	23	9.2	9.2	14.4
	Undergraduate	189	75.6	75.6	90.0
	Postgraduate (Master/MBA/PHD)	25	10.0	10.0	100.0
	Total	250	100.0	100.0	

**Monthly Income Level**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than RM3,000	157	62.8	62.8	62.8
	RM3,001 to RM4,000	44	17.6	17.6	80.4
	RM4,001 to RM5,000	23	9.2	9.2	89.6
	RM5,001 to RM6,000	13	5.2	5.2	94.8
	RM6,000 and above	13	5.2	5.2	100.0
	Total	250	100.0	100.0	

### Working Years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<1 year	122	48.8	48.8	48.8
	1-5 years	91	36.4	36.4	85.2
	6-10 years	22	8.8	8.8	94.0
	11-15 years	5	2.0	2.0	96.0
	16-20 years	6	2.4	2.4	98.4
	More than 20 years	4	1.6	1.6	100.0
	Total	250	100.0	100.0	

### Amount of Company's Sales Turnover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<RM300,000	91	36.4	36.4	36.4
	RM300,000 to less than RM3 million	108	43.2	43.2	79.6
	RM3 million to less than RM15 million	36	14.4	14.4	94.0
	RM15 million to RM50 million	15	6.0	6.0	100.0
	Total	250	100.0	100.0	



## Appendix 4.2: Reliability Analysis

### Case Processing Summary

		N	%
Cases	Valid	250	100.0
	Excluded <sup>a</sup>	0	.0
	Total	250	100.0

a. Listwise deletion based on all variables in the procedure.

### i. Training

#### Reliability Statistics of Training

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.838	.837	5

#### Scale Statistics

Mean	Variance	Std. Deviation	N of Items
19.30	11.249	3.354	5

### ii. Remuneration and Reward

#### Reliability Statistics of Remuneration and Reward

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.892	.892	7

#### Scale Statistics

Mean	Variance	Std. Deviation	N of Items
26.57	23.989	4.898	7

### iii. Performance Appraisal

#### Reliability Statistics of Performance Appraisal

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.813	.812	5

#### Scale Statistics

Mean	Variance	Std. Deviation	N of Items
19.39	10.568	3.251	5

iv. **Employee Empowerment**

**Reliability Statistics of Employee Empowerment**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.833	.834	5

**Scale Statistics**

Mean	Variance	Std. Deviation	N of Items
19.10	12.637	3.555	5

v. **Career Development**

**Reliability Statistics of Career Development**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.841	.842	4

**Scale Statistics**

Mean	Variance	Std. Deviation	N of Items
15.36	8.304	2.882	4

vi. **Working Condition**

**Reliability Statistics of Working Condition**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.847	.847	5

**Scale Statistics**

Mean	Variance	Std. Deviation	N of Items
19.45	11.333	3.366	5

vii. **Employee Retention**

**Reliability Statistics of Employee Retention**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.900	.901	5

**Scale Statistics**

Mean	Variance	Std. Deviation	N of Items
18.14	19.313	4.395	5

## Appendix 4.3: Multiple Linear Regression

### Appendix 4.3.1: Model Summary of Multiple Linear Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 <sup>a</sup>	.503	.491	.62730

a. Predictors: (Constant), Working Condition, Training, Employee Empowerment, Remuneration and Reward, Career Development, Performance Appraisal

### Appendix 4.3.2: ANOVA of Multiple Linear Regression

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.732	6	16.122	40.971	.000 <sup>b</sup>
	Residual	95.620	243	.393		
	Total	192.353	249			

a. Dependent Variable: Employee Retention

b. Predictors: (Constant), Working Condition, Training, Employee Empowerment, Remuneration and Reward, Career Development, Performance Appraisal

### Appendix 4.3.3: Coefficients of Multiple Linear Regression

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.325	.280		-1.161	.247
	Training	-.040	.078	-.031	-.511	.610
	Remuneration and Reward	.136	.090	.108	1.506	.133
	Performance Appraisal	.046	.109	.034	.421	.674
	Employee Empowerment	.296	.099	.240	3.008	.003
	Career Development	.243	.093	.199	2.612	.010
	Working Condition	.347	.086	.266	4.030	.000

a. Dependent Variable: Employee Retention

#### Appendix 4.4: Pearson's Correlation Coefficient

		Correlations						
		TR	RR	PA	EE	CD	WC	EMRT
Training (TR)	Pearson Correlation	1	.513**	.600**	.534**	.595**	.484**	.420**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Remuneration and Reward (RR)	Pearson Correlation	.513**	1	.696**	.674**	.606**	.662**	.574**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Performance Appraisal (PA)	Pearson Correlation	.600**	.696**	1	.764**	.703**	.583**	.569**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Employee Empowerment (EE)	Pearson Correlation	.534**	.674**	.764**	1	.730**	.588**	.624**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	250	250	250	250	250	250	250
Career Development (CD)	Pearson Correlation	.595**	.606**	.703**	.730**	1	.638**	.615**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	250	250	250	250	250	250	250
Working Condition (WC)	Pearson Correlation	.484**	.662**	.583**	.588**	.638**	1	.610**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	250	250	250	250	250	250	250
Employee Retention (EMRT)	Pearson Correlation	.420**	.574**	.569**	.624**	.615**	.610**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	250	250	250	250	250	250	250

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