Universiti Teknologi MARA
Cawangan Perlis
Jurnal Intelek

Volume 17 Issue 2 (August) 2022

Determinants of Employee-Turnover Intention: Understanding the Role of Job Satisfaction, Compensation Practice, and Leadership Style

Nasyaruddin Mohamed[1], Khalid Amin Mat[2*], Farah Ahlami Mansor[3], Nasiha Abdullah[4], Nur Shafini Mohd Said[5], Siti Rapidah Omar Ali[6]

[1,2,4,5,6]Faculty of Business and Management, Universiti Teknologi MARA, Cawangan Terengganu, Dungun Campus, 23000 Dungun, Terengganu, Malaysia

[3]Faculty of Business and Management, Universiti Teknologi MARA Cawangan Kelantan, Machang Campus, 18500 Machang, Kelantan, Malaysia

*Authors' Email Address: [1]nasyaruddinmohamed@gmail.com, *[2]khalid2841@uitm.edu.my, [3]farah865@uitm.edu.my, [4]nasiha@uitm.edu.my, [5]nurshafini@uitm.edu.my, [6]sitirapidah@uitm.edu.my*

Received Date: 15 May 2022
Accepted Date: 6 June 2022
Revised Date: 12 July 2022
Published Date: 31 July 2022

*Corresponding Author

ABSTRACT

This study examines the influence of job satisfaction, compensation practice, and leadership style on employee-turnover intention. A questionnaire consisting of five sections A to E has been distributed to collect the needed information: Section A, statements regarding job satisfaction; Section B, compensation practice; Section C, leadership style; and Section D, demographic background of respondents. The population for this research is 300 people among private-sector employees from Koperasi Kakitangan Petronas Berhad (KOPETRO), and out of that amount, 160 respondents have successfully participated. The Statistical Package for Social Science (SPSS) Version 26 has been used to generate the results of this study. The reliability test for all independent variables has tested good to excellent internal consistency as the leadership style is the highest variable with the result of 0.954, followed by job satisfaction with the result of 0.861, and compensation practice, which carries the result of 0.722. In the meantime, the Pearson's correlation has been used to investigate the relationship between job satisfaction, compensation practice, and leadership style with the dependent variable. The test has revealed that all the independent variables have a significant relationship with employee-turnover intention, where the significant test result ($p \leq 0.05$). In conclusion, the researchers have found out that all three hypotheses are accepted, which means that, from Hypothesis One until Hypothesis Three, it has been discovered that job satisfaction, compensation practice and leadership style have a significant relationship with employee-turnover intention. Lastly, the researchers hope that all the employers and top management of the private sector can gain benefits from this study.

Keywords: *Compensation Practice, Employee-Turnover Intention, Job Satisfaction, Leadership Style, Private-Sector Employees*

ISSN: 2231-7716 / E-ISSN 2682-9223
DOI: http://10.24191/ji.v17i2.18201
Copyright © Universiti Teknologi MARA

INTRODUCTION

Malaysia recorded the third-highest voluntary-turnover rate at 9.5% and second-highest involuntary-turnover rate at 6.0% in the South East Asia in 2015, according to an article titled *Key Insights to Attract, Reward and Retain Talent in Malaysia: Aon Hewitt's Views*. Productivity is crucial for every organisation to ensure the well-being of the organisation itself, while turnover is considered one of the most significant factors that could jeopardise the stability of the organisation. Being one of the most challenging issues for organisations nowadays, the turnover issues could easily or usually be found mostly in the sectors that provide low-paying wages. Employee turnover can be extremely upsetting and disturbing for any companies. Employers face difficulties to deal with voluntary turnover in order to maintain successful and stable operations (Kwame, Mahama, Boahen, & Denu, 2017).

Job Satisfaction

There are a lot of research regarding job satisfaction from the past one-hundred years of literature on a connection between job satisfaction and turnover, yet the issue has still been relevant to be discussed until today. Abraham Maslow, one of the famous and known individual pioneering the Theory of Needs, has outlined physiological needs to self-actualisation needs since the early of 1950s (O'Connor, 2018). Due to the theory, job satisfaction is deemed an important part of organisational effectiveness and can be related to any aspects of a job. Organisational practice by professionals and top management that focus on increasing job satisfaction have an opportunity to decrease turnover intention (Reaukauf, 2018). O'Connor (2018) has added that one of the most relevant tools to investigate employee behaviour is by using a job-satisfaction measure, which clearly looks for the influence and interaction of work-related constructs. It is generally perceived to be directly linked to productivity, as well as personal well-being. Meanwhile, job satisfaction also includes happiness felt by employees while dealing with their jobs and the sense of relief, especially when they are able to perform their tasks or duties without any interference from any parties. Basically, training, benefits, and pay can influence employees' intention to leave an organisation because they can directly influence their job satisfaction (Williams & Owusu-Acheampong, 2016). This has been supported by Calecas (2019) who has stated that both variables of job satisfaction and motivation determine employees' intention to leave their organisation; however, if the top management could change the working-environmental conditions, the employees will be loyal to the organisation for a longer duration of time.

Compensation Practice

Compensation can be fallen into either financial compensation (e.g., promotion, growth, and advancement) or non-financial compensation (e.g., health insurance, health benefit, and entertainment) (Vizano, Sutawidjaya & Endri, 2021). In addition, they have also added that compensation is primarily associated with employees' position changes or actual status in an organisation, and opportunities for career growth or promotion. In other words, the employees already have their career planning for a short or long term and seek for opportunities in the current organisation, whether it is minor compensation, such as salary increment, or major compensation, such as a new job title. A fair reward would be enough, but it should not necessarily be a high return for employee retention to be called as good compensation (Park & Min, 2020). Furthermore, the employees will continuously be working for the same organisation if they receive a generous number of benefits and compensation from their organisation (Rubel & Kee, 2015). This has been supported by many other researchers, such as Chew, Ng, and Fan (2016), who have stated that the turnover rate declines when employees receive good benefits and compensation from the current organisation, and Belete (2018), who has reported that employees may quit their current jobs without hesitation if they are offered better benefits and compensation in other organisations, of which they have not found in the current organisation. This happens when they have succeeded or performed in their task and jobs, which may be of the factors that

possibly affect the turnover intention among the employees to migrate to other organisations that provide them with a better offer of compensation.

Leadership Style

The choice of leadership style can either ruin or improve an organisation at any moments because it shows leaders' behaviours and that would be the main reason why leadership is considered very significant in any organisations (Maaitah, 2018). In the interim, he has also added that the only things that drive employees to achieve organisation goals are their leaders' behaviours and practices in planning the organisation's orientations about the future. Park and Pierce (2020) have discussed about differences between transactional leadership and transformational leadership and explained that transformational leadership is concerned with the morality and motivation of employees rather than transactional leadership, which is associated with the exchange of leaders' expectations and employees' needs. Moreover, they have further stated that transformational leadership can influence the employees to surpass their self-interest for the collective good of the organisation and, therefore, increase their loyalty and decrease turnover. Toxic leaders, however, make the employees' lives difficult and unhappy and cause them to leave their jobs because of stress-out and dissatisfaction (Zeffane & Melhem, 2017). A study made by Naseerm, Perveen, Afzal, Waqas, and Gillani (2017) has statistically proven that leadership style has a positive correlation with employee turnover where leaders, who provide equity, trust inspiration, and support to their employees, can successfully reduce the turnover rate. Meanwhile, many previous studies have also supported the similar findings of leadership style and employee-turnover intention (Suehs, 2015; Abdelhafiz, Mah'd Alloubani, Klaledeh, Mutari, & Almukhtar, 2015) by providing good working environment, paying a respect to employees, and managing to influence their employees to be loyal to their organisations.

Employee-Turnover Intention

Many previous researchers have attempted to understand employee-turnover questions and sought to answer the main questions, such as "*Why do employees want to remain working in the organisation?*" or "*Why do employees want to leave the organisation?*". The employees can be attracted by offers made by other organisations, such as better benefits, higher pays, or better career-growth potentials if skills that the employees possess are in demand (Fursso, 2015). It may be relevant to say that the employees may be interested to go for much higher payments to trade with their higher skills and migrate from one organisation to another. Ugural, Giritli, and Urbanski (2020) have explained about employee-turnover intention that can either be a voluntary or involuntary movement, such as low-performance appraisal results. In this study, the scope will be limited to the voluntary movement initiated by the employees themselves. Approximately, 50% of the employees who are in the managerial positions in the fast-food industry are voluntary turnover, which costs a lot of money because some of them are well-trained managers who already cost the organisation the process of selection, recruitment, and training programmes (Cross, 2017). The same situation has happened in the hospital industry in Indonesia, where, each year, 10% of employees hopped from one hospital to another, causing the industry to bear the cost of re-recruiting and re-training new employees (Rindu, Lukman, Dasman, Hafizurrahman, & Bachtiar, 2020). Hence, it is evident that the purpose of this study is to determine factors affecting the employee-turnover intention by understanding the role of job satisfaction, compensation practice, and leadership style, and helping employers to reduce the costs incurred by turnover to their organisations.

Therefore, based on the conceptual framework displayed in Figure 1, the following hypotheses have been developed:

H_1 There is a significant relationship between job satisfaction and employee-turnover intention.

H_2 There is a significant relationship between compensation practise and employee-turnover intention.

H_3 There is a significant relationship between leadership style and employee-turnover intention.

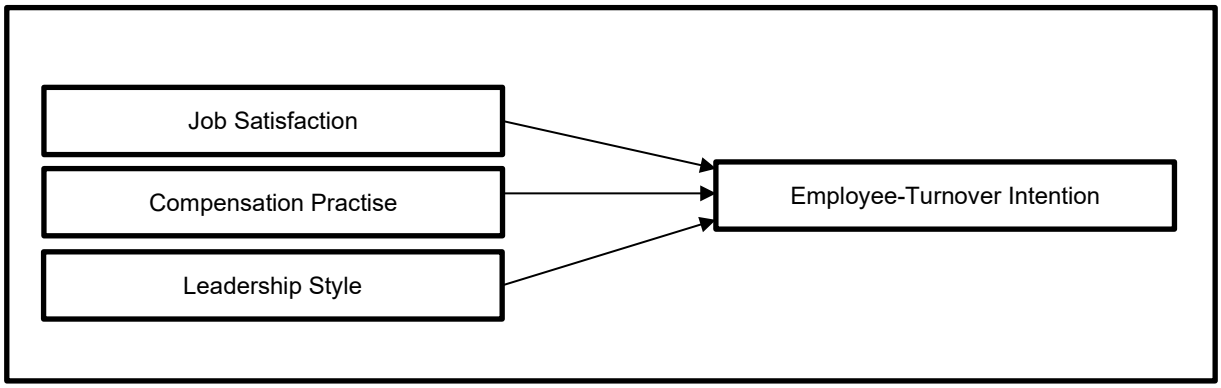


Figure 1: Conceptual Framework

MATERIALS AND METHODS

Since this is a quantitative study, the answers and feedback gained from the respondents have been analysed by using the statistical-analysis software package, called the Statistical Package for Social Science (SPSS) Version 26. The data from the systems have been analysed to find out a correlation between the independent variables with the dependent variable tested in this study. The descriptive data have also been analysed by using the SPSS, and the details, such as gender, age, working duration, etc., have been analysed by using the descriptive statistics, which mainly involved frequencies and percentages.

Sample Size

The target population involved in this study has been the employees from both the supporting level and managerial level, consisting of the directors and heads of the departments from the different departments, who are now working at Koperasi Kakitangan Petronas (KOPETRO) Berhad located in the East-Coast Region. Based on the total population of this study, which is 300, the recommended sample size has been based on the desired accuracy with the confidence level of 95% (Gill, Johnson, & Clark, 2010), and the appropriate sample size for the current research has been 168 respondents. This means that 168 employees have been included as a representative sample for the whole-study population.

Unit of Analysis

This study attempts to understand the role of job satisfaction, compensation practice, and leadership style towards employee-turnover intention among the private-sector employees of Koperasi Kakitangan Petronas (KOPETRO) Berhad located in the East-Coast Region. Therefore, the unit of analysis has been individually based, which implies that the data have been collected from those pertaining to the supporting level and managerial level who are currently working in the organisation.

Data-Collection Procedure

The primary target of this research is to test the stability of the constructs proposed in the research hypotheses, which have been based on the conceptual framework of the study. As this study has been quantitative in nature, the data have been collected through the distribution of questionnaires. The questionnaire has been based on scales adapted from the previous studies. Scales 1 (strongly disagree), 2 (disagree), 3 (mixed feeling), 4 (agree) and 5 (strongly agree) have been used for all the sections.

RESULT AND DATA ANALYSIS

As the study has involved the employees of Koperasi Kakitangan Petronas (KOPETRO) Berhad of the East-Coast Region, a set of questionnaires has been distributed virtually through Google Form. Since the study has been conducted amid the COVID-19 Pandemic, there have been no physical or printed questionnaires distributed since most of the employees have been instructed to work from home (WFH). The returned rate of the questionnaires distributed has been 95.2% (160 respondents).

Descriptive Analysis of the Respondents

The demographic profile of the respondents consists of gender, age, and working duration. The summary of the demographic profile is shown below in Table 1. According to the table, it is found that most of the respondents are females, which covers the majority of 66.3% of a total of 106 respondents, compared to only 33.8% of the male respondents with a total number of 54 respondents.

The youngest respondents are from the age range between 21 to 25 years old with only 5 respondents, totaling up to 3.1%, followed by 35 respondents with the age range between 26 to 30 years old, which covers about 21.9% of the respondents, 47 respondents from the age group between 31 to 35 years old (29.4 %), and 36 respondents from the age range between 36 to 40 years old, which represents 22.5% of the respondents. Meanwhile, the respondents from the age range between 41 to 45 years old and 46 to 50 years old cover 34 respondents (21.3%) and 3 respondents (1.9%) respectively.

In the interim, the descriptive analysis shows the percentage of the working duration of the respondents. Based on the statistics, it is discovered that there are only 4 respondents with 1 to 2 years of service, representing 2.5% of the respondents, followed by the respondents with 3 to 4 years of service with a total of 42 respondents that represent 26.3%, while 82 respondents with 5 to 6 years of service, representing the largest portion of 51.2% of the respondents. In addition, 23 respondents with years of service between 7 to 8 years, are represented by 14.4%, followed by 5 respondents with 9 to 10 years of service (3.1%), and there are only 4 respondents (2.5%) with the longest years of service, which are more than 10 years.

Table 1: Descriptive Analysis of the Respondents (N = 160)

Profile	Description	Frequency	Percent
Gender	Male	106	66.3
	Female	54	33.8
Age	21 – 25 years old	5	3.1
	26 – 30 years old	35	21.9
	31 – 35 years old	47	29.4
	36 – 40 years old	36	22.5
	41 – 45 years old	34	21.3
	46 – 50 years old	3	1.9
Working Duration	1 – 2 years	4	2.5
	3 – 4 years	42	26.3

5 – 6 years	82	51.2
7 – 8 years	23	14.4
9 – 10 years	5	3.1
10 years and above	4	2.5

Pearson's Correlation Coefficients

Meanwhile, Table 2 below shows the correlation between job satisfaction, compensation practice, and leadership style with employee-turnover intention. The results shows that job satisfaction has a significant relationship employee-turnover intention, where $p \leq 0.05$. In addition, it also indicates that job satisfaction has a moderately positive direction as the strength of the correlation with $r = 0.584$. Reaukauf (2018) has supported the same findings where job satisfaction driven by extrinsic motivations is correlated with employee-turnover intention.

In the meantime, the results have also shown that compensation practice has a significant relationship with employee-turnover intention, where $p \leq 0.05$. The r value is 0.652, which means that it has a moderately positive direction and strength of the correlation. Vizano et al. (2021) have supported the findings stating that compensation, too, has a significant relationship with employee-turnover intention.

Lastly, the results equally show that leadership style has a significant relationship with employee-turnover intention, where $p \leq 0.05$, which also indicates that leadership style has a moderately positive direction as strength of the correlation with $r = 0.775$. Naseer et al. (2017) have supported the findings stating that leadership style has a significant ($p \leq 0.05$), positive correlation ($r = 0.586$) with employee-turnover intention in their previous studies. Therefore, all the three hypotheses in this study are accepted.

Table 2: Pearson's Correlation Coefficients

Dependent Variable	Item	Employee-Turnover Intention	Result
Job satisfaction	Pearson's Correlation	.584	Accepted
	Sig. (2-tailed)	.000	
	N	160	
Compensation practice	Pearson's Correlation	.652	Accepted
	Sig. (2-tailed)	.000	
	N	160	
Leadership style	Pearson's Correlation	.775	Accepted
	Sig. (2-tailed)	.000	
	N	160	

RESEARCH RECOMMENDATIONS

The main objective of this study is to identify the relationship between job satisfaction, compensation practice, and leadership style with employee-turnover intention among the employees of Koperasi Kakitangan Petronas (KOPETRO) Berhad located in the East-Coast Region. Based on the results of the study, all the three variables have been statistically proven to have a correlation with employee-turnover intention in the organisation. Thus, to conclude the study, the researchers have found out that job satisfaction, compensation practice, and leadership style are the significant factors that eventually lead to employee-turnover intention among the employees of Koperasi Kakitangan Petronas (KOPETRO) Berhad of the East-Coast Region. Hence, it is recommended that higher authorities may enforce and practise positive communications among the employees by organising programmes that will help them to build relationships between the employees and the leaders.

Other than that, the organisation should also identify amd troubleshoot any problems regarding the leadership style or any wrongdoings that have been done or committed in the organisation, which lead to any uncomfortable relationships among the employees with their leaders. In order to avoid any biases in reporting the wrongdoings or unethical behaviours, the organisation should perform a 360-degree appraisal, which includes the peers and subordinates' appraisal towards the leaders. This could hopefully offer the organisation the bird-eye overview of the situation, and any necessary actions could be taken post-appraisal. Moreover, the organisation could also identify any necessary training required for all of its employees and leaders in order to promote healthy communications and relationships among them and, at the same time, encourage transparency among them while working together. On top of that, the leaders could also be trained on how to lead and practise good downward communications with their subordinates.

For future research, the researchers would like to recommend them to introduce other alternative variables that could eventually determine factors that could possibly affect the turnover rate among the employees of Koperasi Kakitangan Petronas (KOPETRO) Berhad of the East-Coast Region.

ACKNOWLEDGEMENTS

We would like to express our thanks and utmost gratitude to our committee for their continuous encouragement and support. It has been a great relief and comfort to know that everyone involved has willed to provide good cooperation and we really appreciate all participations, be they directly or indirectly, from all parties, including the persons involved in answering the questionnaires, distributing the surveys, throwing positive and constructive comments, providing stimulating suggestions and encouragement, and assisting in the coordination of this research project, particularly in writing this research paper.

AUTHORS' CONTRIBUTION

Nasyaruddin M. and Khalid A. M. have created, distributed, and collected the questionnaire. Khalid A. M. has also carried out the data preparation and data analysis. Farah A. M., Nasiha A., Nur S., and Siti R. O. A. have worked together to contribute the interpretation of the results. Khalid A. M. has taken the lead in writing the manuscript. All the authors have provided critical feedback and helped to shape the research, analysis, and manuscript.

CONFLICT OF INTEREST DECLARATION

We hereby certify that the article is the Authors' and Co-Authors' original work. The article has not received prior publication and is not under consideration for publication elsewhere. This research/manuscript has not been submitted for publication nor has it been published in whole or in part elsewhere. We testify to the fact that all the Authors have contributed significantly to the work, validity and legitimacy of the data, and its interpretation for submission to Jurnal Intelek.

REFERENCES

Abdelhafiz, I. M., Mah'd Alloubani, A., Klaledeh, M., Mutari, N., & Almukhtar, M. M. (2015). Impact of leadership styles among head nurses on level of job satisfaction among staff nurses. *European Scientific Journal*, 11(10).

Belete, A. K. (2018). Turnover intention influencing factors of employees: An empirical work review. *Journal of Entrepreneurship & Organization Management*, 7(3), 1-5.

Calecas, K. J. (2019). Job satisfaction, employee engagement, and turnover intention in federal employment. Walden Dissertation and Doctoral Studies. Walden University ScholarWorks.

Chew, H. G., Ng, K. Y. N., & Fan, S. W. (2016). Effects of alternatives opportunities and compensation on turnover intention of Singapore PMET. *International Journal of Humanities and Social Sciences*, 10(3).

Cross, D. D. (2017). Employee retention strategies in the fast food industry. Doctoral dissertation, Walden University.

Fursso, A. R. (2015). The causes and effects of employees' turnover: The case of oromia water works design and supervision enterprise. Master Of Business Administration (MBA) Degree. Addis Ababa University Of Ethiopia.

Gill, J., Johnson, P., & Clark, M. (2010). Research methods for managers. Sage Publications.

Kwame, K. E., Mahama, F., Boahen, P. A. N., & Denu, M. K. W. (2017). The effect of employee turnover on the performance of Zoomlion Ghana Limited. *Journal of Business and Economic Development*, 2(2), 116-122.

Maaitah, A. M. (2018). The role of leadership style on turnover intention. *International Review of Management and Marketing*, 8(5), 24-29.

Naseer, A., Perveen, K., Afzal, M., Waqas, A., & Gillani, S. A. (2017). The impact of leadership styles on staff nurses' turnover intentions. *International Journal of Academic Research in Business and Social Sciences*, 7(12).

O'Connor, J. (2018). The impact of job satisfaction on the turnover intent of executive level central office administrators in Texas public school districts: a quantitative study of work related constructs. *Journal of Education Sciences*, 8(69), 1-13.

Park, J., & Min, H. (2020). Turnover intention in the hospitality industry: A meta analysis. *International Journal of Hospitality Management*, 90.

Park, T., & Pierce, B. (2020). Impacts of transformational leadership on turnover intention of child welfare workers. *Children and Youth Services Review*, 108.

Reaukauf, J. A. (2018). The correlation between job satisfaction and turnover intention in small business. Walden Dissertation and Doctoral Studies. Walden University ScholarWorks.

Rindu, Lukman, S., Dasman, H., Hafizurrahman, Bachtiar, A. (2020). Turnover intention factors among private hospital nurses in Indonesia. *Journal of Clinical and Diagnostic Research*, 14(7).

Rubel, M. R. B., & Kee, D. M. H. (2015). High commitment compensation practices and employee turnover intention: Mediating role of job satisfaction. *Mediterranean Journal of Social Sciences*, 6(6).

Suehs, D. (2015). Emotional intelligence and employee engagement: A quantitative study to explore the relationship between the emotional intelligence of frontline managers and supervisors and the degree of employee engagement of their direct reports in a tertiary care health care setting.

Ugural, M. N., Giritli, H., & Urbanski, M. (2020). Determinants of the turnover intention of construction professionals: A mediation analysis. *Sustainability*, 12, 954.

Vizano, N. A., Sutawidjaya, A. H., & Endri, E. (2021). The effect of compensation and career on turnover intention: Evidence from Indonesia. *Journal of Asian Finance, Economics and Business*, 8(1), 471–478.

Williams, A., & Owusu-Acheampong, E. (2016). Human resource management practices and their effect on employee turnover in the hotel industry in Cape Coast, Ghana. *Global Journal of Human Resource Management*. 4(4), 35-45.

Zeffane, R., & Melhem, S. J. (2017). Trust, job satisfaction, perceived organizational performance and turnover intention. *Employee Relations*, 39(7), 1148-1167.