

TURNOVER INTENTION AMONG MALAYSIAN OPERATORS IN ELECTRICAL AND ELECTRONICS SUB-SECTOR: LEADERSHIP STYLE PERSPECTIVE

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ABSTRACT

Job turnover is traditionally faced by organizations in many industries. Resource wastage and low productivity can be derived from turnover issue. Turnover intention was found to be a reliable predictor of actual turnover in previous studies. Consequently, this paper provides some insights on turnover intention issue, especially within Malaysian context. This paper will concentrate on determining the relationship of leadership style on turnover intention among manufacturing operators in focusing on Electrical and Electronics sub-sector. The survey was taken amongst the operators of manufacturing industry in Peninsular Malaysia (N=800). Considering that Malaysia manufacturing industry has recorded a substantial economic growth through heavy investment in economic activities, it is significant for all manufacturing companies to retain talented employees and reduce turnover problem in order to be more competitive. The findings had accepted the research hypothesis. Dimensions of leadership style (i.e. transactional) had significantly correlated and contributed to the turnover intention. The findings had contributed to the theoretical significance through the examination of direct relationships between leadership style on turnover intention among local operators in manufacturing sector based on the high turnover rate in Malaysia manufacturing sector between the years 2008 until early of 2011.

Keywords: Leadership Style, Transactional, Turnover Intention and Manufacturing

INTRODUCTION

Since 2010, Malaysia manufacturing sector has shown a strong economic growth through large investment in economic activities. As a result, job vacancies available in the manufacturing sector have raised compared to other sectors at 39 percent of total positions out of the 1.8 million positions offered (Economic Report, 2010). With the high employment opportunities in this sector, it is important for all manufacturing companies to retain talented employees and reduce turnover problem in order to be more productive and competitive. Furthermore, with significant contribution to Malaysian economy based on its reputation and fast development, the real value-added per worker in the manufacturing sector has increased from RM49,013 in 2000 up to RM78,707 in 2010 (Economic Report, 2010).

However, being globalised orientation these days, manufacturing sector is struggling to stay substantial in marketplaces in many ways (Zhang & Sharifi, 2000; Fathi, Eze & Goh, 2011), including reducing the turnover rate among employees. The turnover issue is a common

problem that is constantly faced by the management in companies and industries. In a recent development, Malaysia manufacturing sector has become a critical sector for employee turnover issue compared to other sectors.

Besides, even with job opportunities are highly offered, high employee turnover is recorded in this sector and has become a crucial stage in the manufacturing sector to address this issue. The turnover rate in the manufacturing sector in many countries, including Malaysia is high compared to the other sectors due to employee turnover complexity. According to Ministry of Human Resource Malaysia (2011) also known as MOHR, the manufacturing sector is the highest sector with job turnover difficulty since 2008 until 2010 as shown in Table 1.1.

Based on the report, a total of 36,392 employees in the manufacturing sector was involved in job turnover crisis. This number represents 75 percent of the total turnover rate from all sectors in Malaysia. Although the unemployment rate is high, the Labour Department of Peninsular Malaysia (2010) reported that 11,957 of the employees left companies voluntarily from year 2008 until 2010 and 86 percent of the total number came from manufacturing companies.

Voluntary turnover spells disaster for companies because of the loss of money and time resource spent on recruitment, re-skilling as well on training and development activities for new joiners. As stated by Hasin and Omar (2007), in order to retain and develop excellent performance in organizational, managers have to focus on actual voluntary turnover due to the high cost involved in the loss of employees. To avoid such waste, companies should manage it by investigating more on turnover intention aspect as the best predictor for actual voluntary turnover is turnover intention (Mobley, 1982).

The current number stated for voluntary turnover in Table 1.1 is a precursor to the importance of examining the rationality and causes that influence turnover intention. As stated by Foreman (2009), high rate of turnover correlates with turnover intention compared to those employees who plan to stay in companies. As a result, the purpose of this study is to examine factors that lead to turnover intention among manufacturing workers in Malaysian environment.

Table 1.1
Statistics of Voluntary and Involuntary Turnover Based on Sector from Year 2008 to 2010.

Sector	Voluntary Turnover	Involuntary Turnover	Total
	No of Worker	No of Worker	
Real Estate, Renting & Business Services	336	2,274	2,610
Community, Social & Personal Service Activities	209	1,496	1,705
Electricity, Gas & Water Supply	5	156	161
Hotels & Restaurants	26	796	822
Health & Social Work	0	125	125
Finance	196	568	174
Construction	150	775	925
Manufacturing	10,321	26,071	36,392
Education	0	22	22
Transport, Storage & Communication	359	880	1,239
Public Administration, Defence & Compulsory Social Security	27	179	206
Wholesale & Retail Trade, Motor Vehicle, Motorcycle, Household	296	2,080	2,376
Mining & Quarrying	32	210	242
Agriculture, Hunting & Forestry	0	996	996
Total	11,957	36,628	48,585

Source: Report from Labour Department of Peninsular Malaysia (2010).Ministry of Human Resource Malaysia.

OBJECTIVE

To determine the significance relationship of transactional leadership styles on turnover intention among manufacturing operators, particularly in Electrical and Electronics sub-sector.

LITERATURE REVIEW

There is some evidence on the relationship between leadership style and turnover discipline. Mobley (1982) has declared that one of the contributors toward employee's turnover is the supervision adopted by leaders within organization. The failure to organize and structure will be affected on subordinate's behaviour outcomes. The importance of leadership study on withdrawal behaviour also has been established by Jackofsky and Slocum (1987). A model of an integrated process of turnover and performance, which are discussed as leader's behaviour is a moderator in influencing the thoughts of quitting, intention to quit as well actual job turnover for a final step. The application of appropriate leadership techniques are important to persuade employees for better performance and subsequently reducing job turnover.

According to Krackhardt, McKenna, Porter and Steers (1981), the aim direction to reduce turnover rate is still not comprehensible although the role of supervisor towards employees is appeared as a crucial factor. Moreover, intention to quit was associated with lower job satisfaction that caused by manager's supervision practices (Westlund, 2007). Hence, the supervision styles should be comprised of high efficiency in vision, judgement and communication for turnover intention reduction (Riley, 2006).

The definition of leadership is based on the perspective of the researchers itself. Leadership refers to a "social influence process shared among all members of a group" (Hughes, Ginnett & Curphy, 1993, p 8). According to Allen (1987), the manners and approaches used by a responsible leader in conducting followers are considered as leadership behaviour. Meanwhile, leadership styles can be described as a leader's action towards his/her employees that are shown through the attitudes which may well affect employees' perspective (Huang, 1994).

Lee and Chuang (2007) defined contemporary leadership style as an interactive practice based on different setting such as transformational and transactional leadership style. A transformational-transactional is a leadership theory that based on Full Range Leadership model developed by Burns in 1978. The transformational approach is an "exchangeable value" between leaders and followers which contains of commitment values such as respect and trust to both side parties. On the other side, a "mutual exchange" between leaders and followers as employees will be rewarded based on performance desired by employers and it reflects the concept of transactional leadership style (Kuhnert & Lewis, 1987). Dissimilarity approaches between transactional leadership style and transformational leadership style have lead to the comparison study and independently examined of both styles.

In Taiwan context, the impact of transformational and transactional leadership style on job stress and turnover intention particularly in insurance industry has been tested by Lee and Chuang (2007). Findings showed that both leadership styles have a positive relationship on turnover intention meanwhile job stress has brought to high turnover intention among insurance

operators. To conclude, managers in insurance industry are recommended to apply of both leadership styles for operator's motivation and performance.

The variables of transactional and transformational leadership styles were discussed in term of job satisfaction in Malaysia insurance industry (Ho, Fie, Ching & Ooi, 2009). The researchers claimed that it is important to evaluate the effectiveness of leadership styles for employee's satisfaction. According to Spector, Allen, Poelmans, Lapierre, et al., (2007), work satisfaction is accomplished through good performance and lower turnover intention. Results indicated that both of leadership styles are valuable to job satisfaction development.

Later, Heravi et al., (2010) claimed that there is lack of literature discussions on how leadership styles employ may affect on turnover intention. Based on the study, the preferences of IT workforce is on transformational instead of transactional leadership style in Iran context. It means that there is no significant relationship between transactional style and turnover intention for IT personnel. Other factors such as intrinsic motivation and non-monetary factor are found significantly predict turnover intention.

Subsequently, there were three types of leadership style namely transactional, transformational and laissez faire has been analyzed for identify intention to leave among telecommuter by Overbey (2010). Both transformational and laissez faire techniques showed significant relationships on turnover which transformational affected on intention to stay while laissez faire influenced on turnover intention. This study suggested that transactional leadership style is more effectual to produce high retention rate. As stated by Riaz and Haider (2010), transactional leadership practice also has contributed on job satisfaction such as job and career success.

According to Bass (1985) "transactional leadership is most likely to appear in more routine, stable environment where goals and structures are clear and/or where members work under formal contracts" (Hoogh, Hartog & Koopman, 2005; p.843), and this description is relevant to production operators environment. It is because operators are not allowed to perform tasks that are unstated within agreement contacts. Additionally, transactional leadership is a tradition method for leaders to gain desired outcomes among lower level employees (Rich, 2002). As claimed by Fleishman (1998), supervisors who are exercising a high structured manner of leaderships (i.e. transactional leadership and autocratic) towards followers has lead to lower job satisfaction and actual turnover. The prior studies (Riley, 2006; Lee & Chuang, 2007; Heravi et al., 2010) have defined transactional leadership style as predictor in examining turnover intentions.

The continuing for literatures contribution in leadership subject has presented by Wells and Peachey (2011) study. Similar to other studies discussed, this study has used both transformational and transactional to examine turnover intention and job satisfaction as mediating role among sportspersons. This study revealed that leadership styles in sport setting have direct and indirect influence on turnover intention outcome. The findings also indicated that people in sports industry are surrounding with reward-based and competitiveness and has made transactional leadership as preferable instead of transformational leadership.

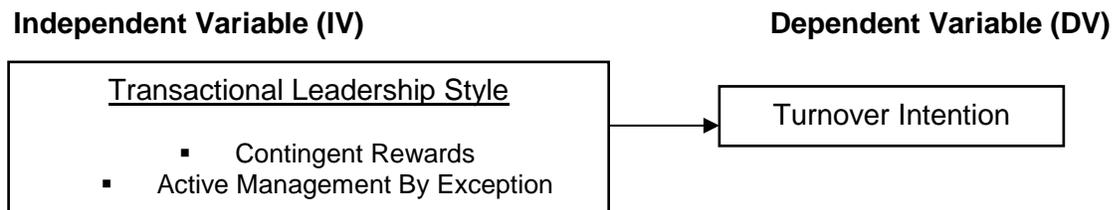
There are two types of "management by exception" of transactional leadership named as active or passive. Both styles of management are defined differently in nature as well towards employee's perspective. As stated by Velkova (2011), followers are able to perform according to standards through the implementation of transactional leadership style. It is based on extra

effort for task accomplishment and to sustain in status quo. In contrast, passive management by exception is perceived as less involvement of leaders except for any error occurs. As in contingent rewards dimension, literature on the relationship between both styles of management by exception have been discussed in numerous studies.

The dimensions included in transactional leadership style (contingent reward, active management by exception and passive management by exception) have found to be influenced turnover intention diversely based on context of study. Contingent rewards approach capable to provide some great impacts on leader's effectiveness and satisfaction and gain some extra effort from followers (Chan & Chan, 2005). Numerous studies (i.e. Epstein, 2005; Overbey, 2010; Riley, 2006; Russell, 1996) discovered that the subordinate's perception towards leader's contingent reward method has significantly influenced in negative relationships on turnover intention. Environment of salesperson, professional, nurses and telecommuter has been covered on directly relationship between transactional leadership and turnover intention. However, the literature expended for this subject is needed for manufacturing context particularly in Malaysia.

Most of Asian firms like Malaysia and Thailand prefer to practise transactional leadership style in supervision as this approach can support high collectivism culture and high power distance (Brazier, 2004; Limsila & Ogunlana 2007) including in manufacturing sector (Rich, 2002). Thus, the transactional leadership approach is chosen to identify the influence of its dimensions namely contingent rewards, active management by exception and passive management by exception on turnover intention in Malaysia environment. Moreover organizational commitment can be affected by transactional leadership method which mostly practised in Malaysia manufacturing industry setting (Lo et al., 2009).

The theoretical framework for this paper is as follows.



The hypothesis seeks to examine the relationships between dimensions of transactional leadership style on employee's turnover intention.

H 1: Transactional leadership style significantly correlates with turnover intention.

H1.1: Subordinate's perception of leaders' contingent reward leadership significantly correlates with turnover intention.

H1.2: Subordinate's perception of leaders' active management by exception leadership significantly correlates with turnover intention.

H1.3: Subordinate's perception of leaders' passive management by exception leadership significantly correlates with turnover intention.

METHODOLOGY

This research had adopted a quantitative approach by using structured set of questionnaires. The research conducted was based on field study and it was in a non-contrived setting which means this research has engaged with the natural environment. There were two phases involved in data collection which are: (1) pilot study for examining the reliability and validity of instruments adopted while (2) main study which using the revised instrument to examine the relationships among variables. The unit of analysis for this study is individual operator in manufacturing companies. Based on data reported by MOHR (2010), there were about 302,925 of operator's population in Peninsular Malaysia. Meanwhile, the E&E sub-sector of manufacturing was chosen to be the scope for this study due to the significance contribution to Malaysian economic (Economic Report, 2010). The interest on E&E sub-sector is highlighted instead of the other sectors because of E&E sub-sector is recorded as the highest contributor on employee's turnover since year 2008 until 2010 as showed in the table below.

Table 1.2
Statistics of Employee Turnover based on Manufacturing Sub-sector from Year 2008 to 2010

Manufacturing Sub-sector	No. of Turnover
Food products	1,309
Beverages & tobacco products	116
Textiles	5,651
Leather products	54
Wood products	1,693
Paper, printing & publishing products	361
Chemicals & chemicals products	445
Furniture products	662
Petroleum products	32
Rubber & plastics product	3,928
Non-metallic mineral products	915
Basic metal products	637
Fabricated metal products	1,128
Machinery & equipments	769
Electronics & electrical products	12,231
Transport equipments products	1,234
Basic pharmaceutical products & pharmaceutical preparations	10
Electricity, gas, steam & air conditioning supply	12
Other sub-sector	5,195
Total	36,392

Source: Report from Labour Department of Peninsular Malaysia (2010). Ministry of Human Resource Malaysia.

According to the Labour Department (2010), there are 302,925 operators in Peninsular Malaysia. The sample chosen is based on the table provided by Krejcie and Morgan (1970) (as in Sekaran and Bougie, 2010) that generalized scientific guidelines for the sample size decisions. Based on Table 1.3 384 out of 302,925 operators are needed as the sample in the study. However, this study had distributed 800 sets of questionnaires to the respondents. The cronbach alpha for the reliability test is 0.83.

FINDINGS

There were seventeen of electrical and electronics manufacturing companies that are involved with data collection activity. Based on respondent's feedback, a total of 645 sets of fully answered questionnaires were received.

The information related to the distribution of questionnaires is summarized in the Table 1.3 below.

Table 1.3
Response Rate

Item	No of Questionnaire Sets
Total questionnaires distributed	800
Questionnaires returned	770
Incomplete questionnaires	125
Usable questionnaires	645
Response rate	81%

The characteristics of respondents according to their demographic profile. From the 645 respondents that were selected in this study, 32.1 percent were male and 67.9 percent were female. Most of them were aged 32 years old and above (39.4%), followed by the age category of 24 to 27 years (21.6%), 28 to 31 years (17.9%), 20 to 23 years (17.5) and lastly from 16 to 19 years old (3.6%). The majority of respondents were Malay (85.3%) followed by Indians (7.8%), Chinese (6.5%) and others (0.5%) respectively.

It is found that respondent's perceived leadership style of the leaders were moderate agreement, with overall mean was above average (mean=3.29, sd=0.43) and most of respondents agreed with statements in this variable. Table 1.4 shows the descriptive score on the level of transactional leadership style.

Table 1.4

Variable/Dimension	Mean	sd	Level
Transactional Leadership Style	3.29	0.43	Moderate
Contingent rewards	3.42	0.62	Moderate
Passive management	2.94	0.62	Moderate
Active management	3.51	0.58	Moderate

Whereas the overall perceptions on turnover intention were below average (mean=2.90, sd=1.04) and suggested that the respondents are not willing to quit from their current job. Table 1.7 shows that the descriptive score on the perception level on turnover intention.

Table 1.5
Perception towards Turnover Intention

Variable/Item	Percentage (%)					Mean	sd	Level
	1	2	3	4	5			
Turnover Intention						2.90	1.04	Moderate
Think to leave the current job	10.2	20.0	39.5	16.6	13.6	3.03	1.15	Moderate

Looking for a new job by next year.	8.7	24.7	33.6	20.6	12.4	3.03	1.14	Moderate
Leaving the organization as soon as possible	16.6	37.5	23.1	11.5	11.3	2.63	1.21	Moderate

Table 1.6
A Summary of Results of Hypotheses Testing

Hypothesis	Description	Outcome
H2	Transactional leadership style factors significantly correlates turnover intention	Accepted
H1.1	Contingent reward significantly correlates turnover intention	Accepted
H1.2	Active management by exception significantly correlates turnover intention	Accepted
H1.3	Passive management by exception significantly correlates turnover intention	

The dimensions of transactional leadership style that is contingent reward and active management by exception were indicated a significant influence for negative relationships on operator's intention to quit. Contrary, a style of passive management by exception has indicated a positive relationship on turnover intention. Contingent reward is perceived as an important aspect for employee's intention to quit. Operators who are experienced higher level of rewards exchange in form of praise, pay increase, bonuses and acknowledgement produced lower tendency to turnover. Similarly, previous studies by Riley (2006), shown that contingent rewards aspect have significantly influenced with a negative relationship on turnover intention in study salesperson environment.

Similarly, active management by exception have found to influence a negative relationship on operator's intention to quit. An active management of leadership by manager has lead to the high retention for operators in manufacturing industry. It means leaders who take the active role to monitor follower's performance and mistake have successfully reduced turnover intention decisions for this study. The follower's high satisfaction can be gained through the strong implementation of active leadership style (Westlund, 2007) which in turn created lower turnover intention.

The last dimension of transactional leadership is passive management by exception style. Operator's perception towards leader's passive management style has significantly influenced the turnover intention. Factors of low intervene and unconcern from leaders has have negative outcomes for employee's future action. Based on study conducted by Oluokun (2003), leader who's highly applied a passive management in public organization has influenced to the high turnover intention. Hence, current finding is parallel with the previous research. In simple words, manager who has adopted transactional style to take charge of operators has influenced to low turnover intention.

The transactional leadership style factors have slightly more contribution on turnover intention with 16.5 percent of contribution, the dimensions of contingent rewards and passive

management by exception jointly have contributed to turnover intention. From the results, it can be concluded that turnover intention among operators in manufacturing industry is influenced by the combination of all three studied dimensions.

CONCLUSION

The purpose of this study is to identify variables that may predict operator turnover intention toward their manufacturing companies. The findings have provided perceptiveness to some prediction factors that have significant effects in explaining operator's turnover intention in Malaysian manufacturing context. Findings showed that transactional leadership style has significant correlation with turnover intention. Dimensions of contingent reward, active management by exception and passive management by exception have contributed to turnover intention. In general, the study has provided some information to understand the issue of turnover intention among manufacturing operators. Practically, the findings may contribute in assisting management people and companies leaders in formulating more efficient strategies to minimize turnover number among operators for the benefit and survival of the unions.

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