

Motivation Model for Employee Retention: Applicability to HRM Practices in Malaysian SME Sector

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Abstract

In the Vision 2020, Malaysian government aims at achieving a developed nation status by the year 2020. To realize the vision, the country needed the support and motivation from all Malaysians. Hence, human resource management (HRM) plays an important role for the said vision since it is a significant capital in the operation of an organization. For Malaysian entrepreneurial firms, it is crucial to retain their employees in order to achieve their ultimate goal i.e. maximizing profits. Such small, growth-oriented firms are considered vulnerable to lose even one key employee because it may aggravate extensive consequences and, at the extreme, may imperil exertions to attain organizational objectives. Employee retention becomes a vital human capital objective for entrepreneurial companies which are seeking to grow and capture market share. Motivation is essential in leading the employees towards achieving organizational goals besides fostering the organizational commitment. Such organizational attachment and motivation has implications for whether an employee will opt for remaining with the organization or not. With HRM, the human resource (HR) model would regard humans as being inspired by an intricate collection of interconnected aspects, such as recognition, interpersonal relation, and desire for meaningful work. HR managers must endeavour to redesign the job to be more varied and decentralized in order to encourage sovereignty among employees. Therefore, motivation model is relevant to be employed in HRM practices for employee retention. This paper is primarily based on literature review. Extensive literature study is used to identify relevant information and references. This paper intends to elucidate one particular issue with regards to Malaysian SMEs which is employee retention and in more specifically, this study will aim

to produce a model for employee retention conjoining it with organizational strategies, organizational culture and benefits factors. To attain this aim, the two-factor, or motivation-hygiene theory (Herzberg, 1968) was taken as the basic foundation.

Key words: Motivation-hygiene; Vital human capital; Sovereignty; JEL Codes: C11, J12

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INTRODUCTION

Small and medium enterprises (SME's) have a crucial role in the country's economy and are contemplated to be the backbone of industrial development. Cardon & Stevens (2004) suggest that SME managers face many unique HRM challenges, such as difficulty in attracting and retaining talented employees. By retaining skilled employees, Small Medium Enterprises (SME's) can create a feasible environment in this competitive free market economy which would ultimately augment their returns. Comprehending employee viewpoints and analysing their retention factors are significant to an organization success. Small, growth-oriented firms may jeopardize their attempts to achieve organizational objectives if they lose even one principal employee. A study revealed that 47% out of 434 CEOs of fast growth companies declared the lack of skilled workers was an obstacle to their companies' development (Frazee, 1996). Considering the fact that entrepreneurial companies are endeavouring to capture market share in the competitive free market economy, employee retention happens to be an essential

human capital goal. HRM might be a constructive basis for SMEs to study, because of their growth rate and diversity (Sethakaset & Santimataneedol, 2008).

Retaining and attracting existed employees cost less than acquiring new talents as organizations have already known their employees and what they want. Employers attempt to keep their workers from leaving or going to work for other companies because of the great expenses related to recruiting and retraining new employees. In doing so, they have to focus on creating a proper surroundings in which employees, having favourable perceptions of workplace practices, can extend to the fullest potential. Failure to offer such an atmosphere would theoretically result in employee disappointment and could lead to poor performance, low job satisfaction, and increased withdrawal from the organization. Employees with strong organisational commitment and motivation would have lower turnover or intention to leave (Porter & Steers 1973, Allen & Meyer 1990). The fundamental motivational concept related to HRM practices is simple and instinctive. Studies have corroborated the positive HRM-motivation model by stating that when employees are given an opportunity to fully utilise their abilities at what they enjoy, they will be motivated to execute more challenging work competently (Gong *et al.*, 2009; Macky & Boxall 2008; Takeuchi *et al.*, 2009).

Herzberg's Motivation-Hygiene theory, also called the Two-factor theory, examined employees' intensity of job satisfaction within an organisation (Hersey & Blanchard 1993). The theory precisely highlighted about the nature of the work itself and how it has the potential for stimulating both satisfaction and dissatisfaction. Its applicability to HRM practices in Malaysian small and medium enterprises, constructed into a proposed model, could be used to warrant further research in the area of employee retention and turnover behavior.

1. MALAYSIAN SMES

Representing a majority of the businesses (99.2 per cent) and offering employment for about 56 per cent, Malaysian SMEs have contributed significantly to the national economy and are regarded as the pillar of industrial growth (NSDC, 2009). Hashim (2010) reports that besides supporting the large-scale industries (LSIs), SMEs also have a substantial role of in creating more employment, economic outputs, income generation, export capabilities, training, encouraging competition, innovation and promoting entrepreneurship.

Malaysian SMEs are categorised into three groups: micro, small and medium enterprises, based on either the annual sales turnover or number of full-time employees, as denoted in the table 1 (SME Corp, 2010b).

Table 1
The Malaysian SMEs Categories

Size Category	Micro Enterprise	Small Enterprise	Medium Enterprise
Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM250,000 OR full-time employees less than 5	Sales turnover between RM250,000 and less than RM10 million OR full-time employees between 5 and 50	Sales turnover between RM10 million and RM25 million OR full-time employees between 51 and 150
Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM200,000 OR full-time employees less than 5	Sales turnover between RM200,000 and less than RM1 million OR full-time employees between 5 and 19	Sales turnover between RM1 million and RM5 million OR full-time employees between 20 and 50

Source: <http://www.smecorp.gov.my/node/33>

2. THE HUMAN RESOURCES MANAGEMENT FROM A MOTIVATIONAL PERSPECTIVE

From a motivational perspective, people will be motivated to execute at a higher level when given a chance to do challenging, pleasant work and would put their fullest abilities to perform such enjoyable work. Challenging jobs which require skills and abilities would promise intrinsic benefits to the workers (Appelbaum *et al.*, 2000). Human Resource Management (HRM) is actually designed to provide jobs that are more satisfying and involve employees motivation. It views humans as being motivated by an intricate set of interrelated factors, such as money, need for affiliation, and desire for meaningful work. Therefore, managers must make an effort to formulate the job to, for instance, make it more varied,

autonomous, or allow decentralization and trust (Mabey & Salaman, 1995). In instilling motivation, employers must be able to utilise the workforce's resources efficiently, assist employees in the achievement of organizational and individual goals, and encourage workers to participate in decision making (Porter *et al.*, 2003).

Motivation was a vital contemplation in the Maslow's Hierarchy of Needs, Alderfer's ERG theory, and McClelland's Learned Needs theories. Nevertheless, the understanding of motivation's specific importance in the workplace was highlighted by Frederick Herzberg who studied and practised clinical psychology in Pittsburgh, where he researched the work-related motivations of thousands of employees. Herzberg's Motivation-Hygiene Theory underlines the factors that involve job content (motivation factors) tend to motivate if they are present - such as achievement, advancement, recognition and

responsibility. While, factors that involve job context (hygiene factors) can demotivate if they are not present - such as supervision, physical working conditions, company policy, salary, managerial style, and relations with work colleagues (Porter et al 2003).

HR manager adopts the concept of motivation factors when he or she makes work more rewarding or satisfying by adding more meaningful tasks to an employee’s job as to comply with the high motivational needs of employees (self-fulfillment and self-esteem), while reaching long-term job satisfaction and performance goals (Herzberg, 1968). The thought of hygiene factors could also work well in HRM when the manager gives attention to the discontentment of the employees because of routine or boredom. He or she may strive to attain a motivational atmosphere, for instance, by initiating multi-tasking or transforming the conditions to the betterment (Mabey and Salaman 1995).

Human Resource Management practices play a vital role in increasing productivity, performance and survival of SMEs. Studies highlight a common set of job content factors, taken from the point of view of employees, which are main providers to the failure of SMEs to progress their competitiveness. Consequently, SMEs are facing difficulty

to retain their talented workers (Batra & Tan, 2003) when the affected employees choose to leave the organizations.

3. PROPOSED MOTIVATION MODEL FOR EMPLOYEE RETENTION

An employee who is attached and committed to the organization for which he or she works will definitely choose to remain with the company. Studies stress that organisations with strong employee attachment and motivation, or organisational commitment, are likely to have lower turnover or intention to leave than would those with weak employee attachment (Porter & Steers 1973, Allen & Meyer 1990). In the establishment of HRM system in SMEs, a model for employee retention will promote development of HRM function, mostly from the aspect of motivation.

The major motivation of this study is adopted from the two-factor, or *motivation-hygiene theory* (Herzberg, 1968). The motivator and hygiene factors are categorized into three sets of independent variables: organizational strategies factors, organizational culture factors and benefits factors (AlKandari & Hammad, 2009). The theoretical framework of the study is depicted by the Diagram 1.

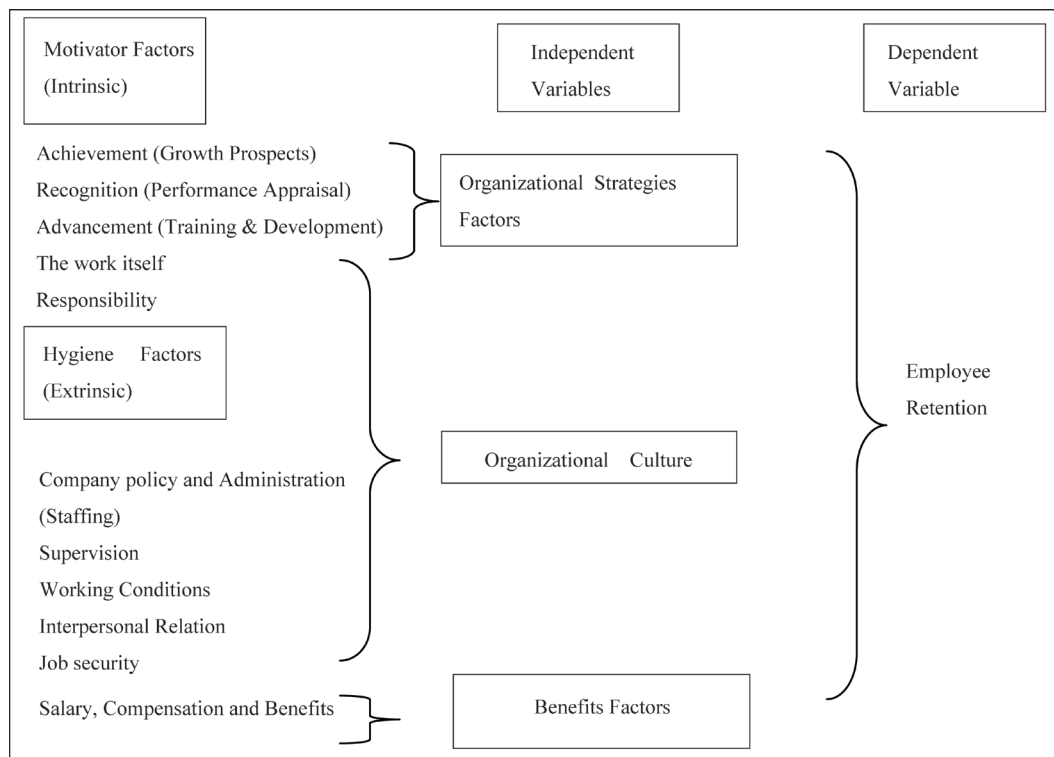


Diagram 1
Basic Structural Model for Retention of Employees (Modified Version of Herzberg’s Two-Factor Theory)

Studies have espoused the positive HRM-motivation model (Gong et al. 2009; Macky and Boxall 2008; Nishii et al. 2008; Takeuchi et al. 2009). Nevertheless, their results depend on the meanings of HRM in employees' views. Employees having positive perceptions towards the organizational practices would be motivated and have high job satisfaction as they show their fully commitments. According to Latham & Ernst (2006), employees' motivation is an essential role in the process of HRM system creation in order to obtain their endeavour and loyalty.

Organizational Strategies Factors

Managers should understand the needs of employees besides showing concern and consideration to promote job satisfaction and motivation (Mitchell & Daniels, 2003). Those needs are essential for high goal employees who are targeting on self-actualization within the firm (Van – Dijk & Kluger, 2004. Cascio (2002) highlights that organisations should pay more attention to employees' training and development systems to gain the competitive edge in the open market. SMEs tend to obtain advantageous market position if the employees are motivated to receive new knowledge and ascertain their retention in the company. Good HRM practices in an organization will be depicted through its satisfied high performing employees who are motivated to grasp any recent information and knowledge (Tsai et al., 2007)

Organizational Culture Factors

During creation of HRM system, managers should concentrate more in creating conducive workplace as to increase of the employees job satisfaction (Maierhofer et al., 2002; Tsai et al., 2007). This is of distinctive significance in SMEs (Mayson & Barrett, 2007). Superiors' concern on the employees' welfare creates psychological safety among them, hence results in employees' satisfaction and loyalty toward firm. According to Cascio (2002), workers' social security comprises of safety and social components. These elements have crucial importance for future HRM strategy development.

Benefits Factors

Hard to compete with larger firms in term of salaries, SMEs have concentrated on employees' compensation (Burrett & Khan, 2004). Compensation and benefits are regarded as the sign of significant care from superiors, which in turn could be supplementary motivational factor for more efficient execution. Considering those elements in the HRM strategy would establish the commitment and loyalty of the employees. According to Dalton et al., (2002), SMEs' employees are demotivated for the past two decades due to managers' ignorance of compensation and benefits. Compensation system advocates material gratifying of the employees. Enlightening motivation values through compensation system is of special importance in small and medium industries. Ample compensation system in the organization facilitates achieving rewarding standard

of living (Baker *et al.*, 2005), which promotes family and work life balance among employees.

4. LIMITATIONS

This paper has areas of limitation in the emphasis on an organisational perspective to motivation and the implications of extracting results from their specific context.

Most studies identified in SME Sector looked at motivation from an organisational management perspective, i.e. to reduce turnover and increase productivity and performance. Hence, some of the technical and personal aspects of motivation have been neglected. The writers propose further issues in Malaysian SME sector that underpin motivation is scrutinized in order to improve and augment the model presented in this paper.

The motivation model presented here is a consequence of pooling answers to research questions that were obtained from the original studies. A course of this approach, there might be a loss of coherence that was present in the original studies.

5. FUTURE RESEARCH

The proposed motivational model presented here is based on existing literature. It needs to be investigated through empirical work with the current Malaysian SME employees to form a sound basis and foster concrete realization for any of such work. In constructing this model, the emphasis is given in current literature on the organisational view of motivation rather than the individual view. The writers maintain that individuals are intense to ensure that their jobs match their own motivation outline, just as organisations are to retain employees.

CONCLUSION

A motivation model for employee retention will elevate development of HRM function in the establishment of HRM system in SMEs. A new model therefore has been constructed by adopting the two-factor, or Herzberg's motivation-hygiene theory and pulling together previous research findings on motivation. Hence, the writers believe that this refined model is a credible picture of the current literature on motivation in Malaysian SME Sector and applicable to its HRM Practices. This indicates that it will be an indispensable starting point for practitioners to understand their own motivation and managers to get an insight into their team's behaviour. Besides providing a platform on which the writers and other researchers can establish their empirical studies, the new model also would facilitate HRM managers in organizational practices to generate motivated employees with high job satisfaction. Such committed employees would have lower turnover or intention to leave.

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