



How to cite this article:

Deraman, N., Norsyamimi, N., Nor, M., & Zainuddin, N. (2019). Transactional Leadership Style On Turnover Intention Among Electrical And Electronic Sub-Sector Employees In Malaysia. *Journal of Technology and Operations Management*, 13(1), 42–54. <https://doi.org/10.32890/jtom2018.13.1.5>

TRANSACTIONAL LEADERSHIP STYLE ON TURNOVER INTENTION AMONG ELECTRICAL AND ELECTRONIC SUB-SECTOR EMPLOYEES IN MALAYSIA

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Received: 27/12/2017 **Revised:** 5/02/2018 **Accepted:** 11/04/2018 **Published:** 27/06/2018

ABSTRACT

Job turnover is traditionally faced by organisations in many industries. Implications such as resources wastage and low productivity can be derived from the turnover issue. The turnover intention was found to be a reliable predictor for actual turnover in previous studies. Consequently, this demands some insights on turnover intention issue, especially within the Malaysian context. This paper will focus on determining the relationship of transactional leadership styles on turnover intention among manufacturing operators, particularly in Electrical and Electronics sub-sector. The study was conducted amongst the operators of manufacturing industry in Peninsular Malaysia (N=800). Considering that Malaysia manufacturing industry has shown a strong economic growth through substantial investment in economic activities, it is essential for all manufacturing companies to retain talented employees and reduce the turnover problem in order to be more productive and competitive. The findings had accepted the research hypothesis. Dimensions of transactional leadership styles (i.e. contingent rewards, management-by-exception passive) significantly correlated and contributed to the turnover intention. The findings had contributed to the theoretical significance through the examination of direct relationships between transactional leadership styles on turnover intention among local operators in the manufacturing sector in Malaysia.

Keywords: Turnover intention, transactional leadership styles, manufacturing industry

INTRODUCTION

In the human resources field, the high turnover rate is a crucial primary issue that often highlighted (Foreman, 2009). As noted by Govaerts, Kyndt, Dochy and Baert (2011), most companies nowadays give lots of effort to gain talented employees and retain them in the organisation at the same time. Reduction in turnover means the reduction of total loss cost for organisations resources. Mobley (1982) describes employee turnover as “the cessation of membership in an organisation from an individual who received monetary compensation from the organisation” (p.10). Companies must devise ways to reduce turnover and find the explanation for this phenomenon (Udo, Guimaraes & Igbaria, 1997). This is because highly skilled and knowledgeable employees who are involved with turnover may result in high replacement and recruitment cost. Consequently, it becomes a form of disruption for the firms. Also, substantial costs related to recruiting, re-skilling, and hidden costs such as the difficulties to complete projects and disruption in team-based work environments may incur as a result of losing highly skilled staff member through turnover (Niederman & Sumner, 2003).

Generally, turnover can be classified into two types, namely voluntary and involuntary turnover. Voluntary turnover can be described as an act of resignation (Ukwendu, 1997) for the reason of dissatisfaction with the current job or work environment. Another reason could be the people work to gain working experiences, especially after graduation. Voluntary turnover is perceived as a malfunction for companies because this action shows the failure of employers to retain and satisfy their employees. Therefore, a managerial concerned in ages had been focusing on employee’s voluntary turnover (Lee & Mitchell, 1994; Ciftcioglu, 2011).

Contrary to voluntary turnover, involuntary turnover is an action taken by managerial people to reduce some of the workforces for some reasons. Involuntary turnover is an action that happens due to dismissal, unacceptable job performance, insubordination, and theft behaviour and incapable of fulfilling the job aspects (Stumpf & Dawley, 1981) which subsequently may expose companies to low productivity and incompetence. Also, turnover can be distinguished regarding actual turnover and the intent to turnover. The actual turnover is the final action taken by employees, and as mentioned by Wheeler, Harris and Harvey (2010), managers are helpless to control the situation when it comes to actual turnover in industries.

On the other hand, the intent to turnover describes the final step before the withdrawal behaviour takes place (Zimmerman & Darnold, 2009). Moreover, Bigliardi, Petroni and Dormio (2005) determined turnover intention as the perceived probability of staying or leaving with their current employer. It is also known that a consistent predictor towards turnover behaviour is an intention to turnover which can illustrate the relationship between actual turnover and intention to turnover (Ajzen & Fishbein, 1980). Thus, the focus of this study will be on turnover intention subject based on the importance to control current turnover rate for industries in Malaysian scenario.

Since 2010, Malaysia manufacturing sector has shown strong economic growth through substantial investment in economic activities. With the high employment opportunities in this sector, it is essential for all manufacturing companies to retain talented employees and reduce the turnover problem in order to be more productive and competitive. Furthermore, with a 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, the manufacturing sector is struggling to stay substantial in marketplaces in many ways (Zhang & Sharifi, 2000; Fathi, Eze & Goh, 2011), including to reduce turnover rate among employees. The turnover issue is a common problem that is always 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's turnover is recorded in this sector and has become the crucial stage for 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 the Ministry of Human Resource Malaysia (2011) also known as MOHR, the manufacturing sector is the highest sector with job turnover since 2008 until 2010 as shown in Table 1.1.

Table 1.1.

Statistics of Employee Turnover based on Manufacturing Sub-sector from the 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 mental products	637
Fabricated metal products	1,128
Machinery & equipment	769
Electronics & electrical products	12,231
Transport equipment 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.

Table 1.2.

Statistics of Voluntary and Involuntary Turnover Based on Sector from the 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.

As noted by Ciftcioglu (2011), “a concentration on determining the causes of employee intentions to stay or leave has been one of the most recent research approaches in organisational turnover literature”. Transactional leadership style is the factor that will be examined as a predictor of employee’s turnover intention for this study. Meanwhile, Overbey (2010) noted that inappropriate leadership behaviours that conducted by managers or supervisors could contribute to the high turnover rate. Thus, an excellent relationship develops between leaders and followers throughout leadership style practised are significance for human resource strategies in order to manage human capital effectively. Future investigation of the effects of leadership styles on employee’s turnover intention is needed because of the importance of gaining the competitive advantage in the marketplace (Westlund, 2007). Therefore, the transactional leadership style is suitable to be examined for its effect towards turnover intention in the operator’s context. The objective of this paper is to determine the relationship of transactional leadership styles on turnover intention among manufacturing operators, particularly in Electrical and Electronics sub-sector.

LITERATURE REVIEW

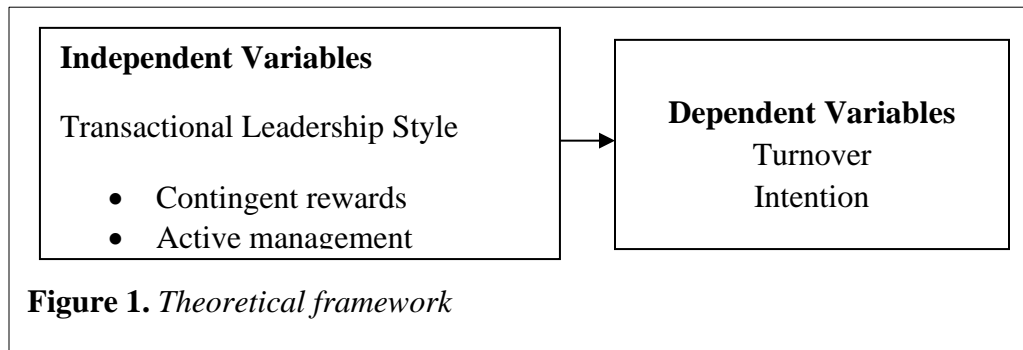
According to Lambert and Paoline (2001), actual voluntary turnover and turnover intention have significant relationships with one another. The examination of turnover intention can reflect the future condition for actual voluntary turnover in organisations. Additionally, as stated by Idrus, Salahuddin, Baharin and Abdullah (2009), business performance in Malaysia can be understood well by identifying factors that lead to turnover intention. Turnover and turnover intention variables are differently considered, but the essential cognitive variable which has the immediate causal effect of the actual turnover is the turnover intention (Bigliardi *et al.*, 2005). Turnover intention is the best predictor of actual turnover in organisations (Price, 2001; Hemdi, 2006; Samad, 2006). Besides, high rate of turnover has become a significant concern for many researchers as they are trying to comprehend what are the causes that lead to turnover intention (Tuzun, 2007; Fah, Foon, Leong & Osman, 2010).

Generally, leadership styles can be described as methods that are practised by managers to supervise their subordinate based on circumstances. According to Awan and Mahmood (2010), leadership style is the behaviour pattern used by leaders to resolve organisational issues. Furthermore, as noted by Mobley (1982), the leadership style is a practice of supervision applied by leaders that could provide some effects in influencing the follower's turnover decision.

A worker who encounters disagreement with his supervisor tends to quit from a current job as a result of little social support received from his leaders. Meanwhile, Overbey (2010) noted that inappropriate leadership behaviours that conducted by managers or supervisors could contribute to the high turnover rate. Thus, an excellent relationship develops between leaders and followers throughout leadership style practised are significance for human resource strategies in order to manage human capital effectively. The implementation of transactional leadership style is essential as this approach can sustain organisational strength through the commitment of mutual exchange relationship between leaders and followers (Daft, 1999; Park & Kim, 2009) which subsequently affects the decrease in turnover. As mentioned by Tse and Lam (2008), the transactional leadership style is unexpectedly one of the topics which have little attention in examining its influence on the turnover issue (Well & Peachey, 2011). Based on the findings from the past studies, the transactional leadership style showed inconsistent results towards its relationship on turnover intention this is depended on the set of studies. According to a study conducted by Wells and Peachey (2011) which indicated that the transactional leadership style has significant negative relationships on turnover intention.

On the other hand, other researchers (i.e. Epstein, 2005; Westlund, 2007) have found significant positive relationships between transactional style dimensions and turnover intention. As for the work of Overbey (2010) and Heravi (2010), no significant relationships between the two variables studied were noted. As inconsistency of results has been found in the prior literature regarding relationships between transactional leadership style and turnover intention, this study will take place in examining these two variables in different population and environment. The dimensions included in the transactional leadership style (contingent reward, active management by exception and passive management by exception) have found to be influenced turnover intention diversely based on the context of the study. Contingent rewards approach capable of providing some significant impacts on leader's effectiveness and satisfaction and gaining 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. The environment of a salesperson, professional, nurses and telecommuter have been covered by direct the relationship between transactional leadership and turnover intention. However, the literature expended for this subject is needed for manufacturing context particularly in Malaysia. The theoretical framework for this paper is as follows:-



The group of hypotheses seeks to explore the relationship between transactional leadership styles adopted on employee's intention to turnover.

H1: 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 a 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 an 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 significant 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 1.1 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 1.4, 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. The aggregate distribution of all the operators based on states was as follows.

RESULTS

There were seventeen 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 summarised in 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%

Table 1.4 shows the respondents profile according to their demographic attribute. From the 645 respondents that were selected in this study, 32.1 per cent were male, and 67.9 per cent 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. Table 1.5 shows the descriptive score on the level of transactional leadership style. Mean score for overall perception towards transactional leadership style is above average in moderate level (mean=3.29, sd=0.43). This study found that respondents also moderately agreed with transactional leadership style applied and its dimensions. Respondents perceived that the management is adopted more in active management (mean=3.51, sd=0.58) compared to passive management (Mean=2.94, sd=0.58) and most of the respondents agreed with statements in this variable. Table 1.6 figures the correlation analysis to examine the relationship between transactional leadership style and turnover intention. It is found that the transactional leadership style was significantly associated with turnover intention at the value of $r=-0.127$ and $p<0.01$. This negative relationship suggests that higher respondent's preference to transactional leadership style means the lower effect to turnover intention will be. Hence, this finding has supported H2 and following dimensions of transactional leadership style. Contingent reward was found to be highest relationship with turnover intention ($r=-0.327$, $p<0.1$), followed by passive management ($r=0.203$, $p<0.01$) and active management by exception

($r=-0.152$ $p<0.01$). Hence, this finding reflected the development of H2.1, H2.2, and H2.3. Findings from this study have contributed to the literature of direct relationships between transactional leadership style and turnover intention in Malaysia manufacturing industry.

Table 1.4.

Background of the Respondents

Demographic	Frequency (n)	Percentage (%)
Gender		
Male	207	32.1
Female	438	67.9
Age		
16 to19	23	3.6
20 to 23	113	17.5
24 to 27	139	21.6
28 to 31	115	17.9
32 and above	254	39.4
Ethnic		
Malay	550	85.3
Chinese	42	6.5
Indian	50	7.8
Others	3	0.5
Marital Status		
Single	261	40.5
Married	371	57.5
Others	13	2.0
Length of Service		
Below 1 year	83	12.9
1 to 3 years	154	23.9
4 to 6 years	129	20.0
7 years and above	279	43.3
Education Level		
No formal Education	2	0.3
Primary	51	7.9
Secondary	540	83.7
Others	52	8.1

Table 1.5.

Level of Transactional Leadership Style

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
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Table 1.6.

The relationship between Transactional Leadership Style and Turnover Intention

Variable	TI	TLS	CS	PMBE	ACBE
TI	1				
TLS	-0.127**	1			
CR	-0.327**	0.755**	1		
PMBE	0.203**	0.610**	0.111**	1	
AMBE	-0.152**	0.771**	0.497**	0.175**	1

* Correlation is significant at the 0.05 level (1-tailed)

** Correlation is significant at the 0.01 level (1-tailed)

TI Turnover Intention

TLS Transactional Leadership Style

CR Contingent Reward

PMBE Passive Management

AMBE Active Management

Table 1.7.

A summary of results of hypothesis testing

H1: Transactional leadership style factors significantly correlates with turnover intention	
H1.1: Contingent reward significantly correlates turnover intention	Accepted
H1.2: Active management significantly correlates turnover intention	Accepted
H1.3: Passive management significantly correlates turnover intention	Accepted

CONCLUSION

Leaders could positively boost organisational performance based on their influence on employee's performance, job satisfaction and turnover rate. The emphasis of an organisational leader is to use useful leadership skills in order to promote job satisfaction, retain talented workers, minimise employee turnover, and manage knowledge-based employees (Chi & Gurosy, 2009; Harms & Crede, 2010). Employee turnover could influence organisations in many ways, as replacing, recruiting, and training new employees is costly to for-profit and especially nonprofit organisations (Chi & Gurosy, 2009). The problem of employee turnover is an important issue relevant across organisations and industries. Employee retention within counselling services providers is also an important issue (Knudsen, Johnson, & Roman, 2003; White & Garner, 2011). In essence, employee retention rates are crucial to the sustainability of

organisations. 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 a significant correlation with 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 to assisting management of people and companies leaders in formulating more efficient strategies to minimise turnover number among operators for the benefit and survival of the unions. Further research can be done by observing the mediating effect of employees locus control toward turnover intention.

ACKNOWLEDGMENT

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

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