Employee Turnover in the Malaysian Retail Industry

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Abstract

Purpose: The purpose of this general review paper is to highlight the importance of the retail industry to Malaysia and hence emphasizing a need to resolve high turnover rates amongst employees in this industry.

Approach: Statistics from relevant governmental bodies and review on existing literatures are compiled and studied.

Findings: Acknowledged as one of the most active sub-sectors in the Malaysian economy, the retail industry has contributed significantly to the country’s income and created mass employment opportunities. Despite playing this important role, little attention has been given to this industry’s major challenge; high employee turnover.

Practical Implications: Findings of this study can be used as foundation for future research that may result in verdicts that can be used to assist the government in their current efforts towards establishing the country as a prime regional shopping destination and subsequently curb the country’s overall retail employee turnover rates.

Value: The study contributes to the employee turnover and retail literatures in providing insights on current statistics/data and identifying research gaps. The study also recommends practical directions for future research.

Keywords: Employee Turnover, Malaysia, Retailing, Retail Industry

Paper Type: Conceptual Paper

Introduction

Food is the basic need for every human. From the beginning of history, humans have fulfilled this need by hunting, growing, and fishing. The excess of these activities were exchanged among themselves. This act was later then called the barter trade. Soon, this activity evolved to hawkers and peddlers where retail; the sale of goods to public for the purpose of consumption (Oxford, 2006), actually started. In the nineteenth century, the first large-scale retail establishment recorded in history known as the department store originally from Paris diffused across United Kingdom to the United States and eventually formed the retail framework in the present-day world (Sun et al., 2009). The retail concept continued to spread from the West to Asia with the aid of economic expansion and globalization (Sun et al., 2009).

In Malaysia, there is indication of minor trading activities as early as the seventh century (Mui et al., 2003). Hawkers and peddlers had already been seen in the more modern areas. As a country rich in natural resources, Malaysia lured many foreign traders. These traders in due course took over the country’s major trading hubs, for an example, Malacca. With the rapid development of tin and rubber industries, expanding the country’s transportation system was a necessity. Hence, resource-based towns were connected to ports which subsequently lead up to urbanization. Permanent retail outlets became a convenient idea in many urban centres. Majority of the retail outlets were dominated by the Chinese and were rather effective, which in fact are still remaining today.
However, it is only in 1957, after the British colonial period, that the European style retail outlet was introduced to this country (Choo, 2010). The co-existence of small-scale (e.g. hawker stalls and peddlers) and large-scale retail establishments (e.g. departmental stores, shopping centres, supermarkets, hypermarkets) is unique to this country’s retailing industry (Mui et al., 2003). The Malaysia Retailer-Chain Association (MRCA) claims that there are more than 200 retail chain stores in Malaysia which are made up of at least 6500 outlets in total (Tong et al., 2012). Retail covers a wide range of businesses and is acknowledged as the most consumer-centric industry. Over the years, there has been extreme transformation of the industry which has witnessed consumers making lesser trips and spending a reduced amount at old-style shops since they are more attracted to modern retailing concepts. New-fangled and massive retail players have threatened and taken away the prospects of small local players (Hassan, Sade, & Rahman, 2013).

**Literature Review**

**Malaysian Retail Industry**

With the escalating number of large-scale foreign retailers (e.g. Tesco and Carrefour) in the past decade, the retailing atmosphere in Malaysia is undergoing extensive changes (Choo, 2010). The Malaysian government has formulated strategies such as allocating new shopping areas, launching many shopping campaigns, and hosting shopping carnivals throughout the year to institute the country as a prime regional shopping destination (Mui et al., 2003). These efforts have highlighted the importance of the retail trade to the country due to its significant contribution to overall economy and ability to generate mass employment (Sun et al., 2009).

Table 1 shows Gross Domestic Product (GDP) by economic activity from the year 2005 to 2012 as reported by the Department of Statistics, Malaysia. The wholesale and retail trade has contributed in a constantly increasing amount each year. It can also be seen that, the wholesale and retail industry is the second largest contributor after the manufacturing industry.

On the other hand, Table 2 highlights that, as reported by the Malaysian Economic Transformation Programme (ETP) 2013, there are approximately 950,000 employees engaged in this industry.

Table 1: Contribution of the Retail Industry to the Gross Domestic Product
Table 2: Contribution of the Retail Industry to Employment Opportunity

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (RM juta/million)</th>
<th>% Change YoY</th>
<th>% Change QoQ</th>
<th>Number of persons engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>213,865</td>
<td>4.9</td>
<td>1.4</td>
<td>1,584,766</td>
</tr>
<tr>
<td>2014</td>
<td>208,192</td>
<td>2.9</td>
<td>0.5</td>
<td>1,537,008</td>
</tr>
<tr>
<td>2015</td>
<td>203,310</td>
<td>2.7</td>
<td>2.6</td>
<td>1,492,389</td>
</tr>
<tr>
<td>2016</td>
<td>204,192</td>
<td>0.9</td>
<td>1.1</td>
<td>1,456,624</td>
</tr>
<tr>
<td>2017</td>
<td>205,085</td>
<td>0.4</td>
<td>1.5</td>
<td>1,420,969</td>
</tr>
</tbody>
</table>

High Employee Turnover Rates

The retail industry is repeatedly confronted by high turnover rates in both management and sales employees which, effortlessly impact organizations’ profits (Coe, 1990). In the United States, there was a 0.2% increase in the retail employees’ turnover rate from April 2011 to April 2012 (Bureau of Labour Statistics, 2012).

In Malaysia, despite being the driver of domestic consumption which contributes 60-70% of the Gross Domestic Product (GDP), the annual retail industry employees’ turnover rate was 18% from July 2010 to June 2011 (MEF, 2004; Department of Statistics Malaysia, 2013; Inside Malaysia, July 2012). The Q110 BMI Malaysia Retail Report forecasts that total retail sales will raise from US$33 billion in 2009 to more than US$61billion by 2014 (Research and Market, 2009). It is forecasted that this industry would contribute RM 45.3 billion to the Gross Domestic Product (GDP) in 2014.
National Income (GNI) by 2020 (ETP Malaysia, 2013). To realize these estimated progresses, retail organizations require unswerving employees who increase productivity by going an extra mile and willingly pursue development prospects.

High employee turnover rate is a severe problem due to a number of reasons from the perspective of human resource management. Principally being its financial consequence. The process of recruiting, selecting, and training of new employees are necessary when employees leave their organizations. It costs at least 25% of an employee’s total annual compensation to replace a full-time, private-sector worker (Kenny, 2007). Besides, high employee turnover rate tarnishes the organization’s image, decreases chances of improvement, slows down implementation of new programmes, and degenerates productivity (Abbasi and Hollman, 2000; Ghosh et al., 2013). When a key employee leaves, an organizational phenomena known as brain drain occurs and jeopardizes all efforts towards attaining organizational objectives (Kuean et al., 2010). In addition, employees themselves suffer on the account of loss of readjustment, stress, seniority, experience, and uncertainty (Kodwani and Kumar, 2004). It is predicted that organizations that fail to reduce their employee turnover rate is expected lose their competitiveness in the long run (Ismail and Lim, 2007).

**Previous Studies**
Table 3 provides a summary of studies conducted in the employee turnover area over the past five years (2009-2013). Most studies on turnover were conducted in the Western organizational contexts. Thus, conclusions from these studies may not be relevant to organizations in Asia due to vast differences in the social, economic, and cultural environments (Cotton & Tuttle, 1986). In addition, the few researches on countries in Asia have used a limited number of variables in a few organizational settings, thus raising concerns of model specification error and generalizability.

Although a few studies have highlighted employee turnover issues in various settings in Malaysia, studies in the retail setting are rare. Kuean et al. (2010) and Makhbul et al. (2011) researched on intention to quit in a broad perspective; among working adults and comparing public and private sector employees in Malaysia respectively, while Hemdi and Nasurdin (2004) on hotel managers in Malaysia specifically. On a very recent note, Johari et al. (2012) studied turnover intention among employees of a manufacturing plant. By far, a study by Salleh et al. (2012) addressed turnover intentions among retail employees in Malaysia.

The limited knowledge on possible reasons behind the high employee turnover rates in the Malaysian retail industry warrants attention from practitioners and academicians alike.
Table 3: Summary of Studies on Employee Turnover

<table>
<thead>
<tr>
<th>YEAR</th>
<th>COUNTRY</th>
<th>AUTHOR</th>
<th>SUBJECT</th>
<th>CONTEXT/TYME</th>
<th>MAIN FINDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Belgium</td>
<td>Geter et al</td>
<td>Pay-level satisfaction and psychological reward satisfaction as mediators of the organizational justice-turnover intention relationship</td>
<td>Teachers - nonprofit secondary schools</td>
<td>Satisfaction with psychological reward from supervisor mediates the relationship.</td>
</tr>
<tr>
<td>2010</td>
<td>Estonia, Latvia, Lithuania</td>
<td>Carraher, S. M.</td>
<td>Turnover prediction using attitudes towards benefits, pay, and pay satisfaction</td>
<td>General employees and entrepreneurs</td>
<td>Attitudes towards benefits are generally significant predictors of employees/entrepreneurs' turnover.</td>
</tr>
<tr>
<td>2013</td>
<td>Malaysia</td>
<td>ABattat, A. R. S. and Som A. P. M.</td>
<td>Employee dissatisfaction and turnover crises.</td>
<td>Hospitality Industry</td>
<td>Emphasizes the usage of Mobley's model to predict the case of dissatisfaction and better understand how to retain employees.</td>
</tr>
<tr>
<td>2012</td>
<td>India</td>
<td>Thomas, P. and Nagalingappa, G.</td>
<td>Consequences of perceived organizational justice.</td>
<td>White collar employees</td>
<td>Interactional justice is a strong predictor of turnover intention.</td>
</tr>
<tr>
<td>2012</td>
<td>USA</td>
<td>Morgan, W. B. and King, E. B.</td>
<td>Does supervisor breach explain intention to leave the organization?</td>
<td>Mothers - multiple organizations</td>
<td>Mothers’ intention to leave depend on fulfillment of their psychological contracts related to family and fair treatment from their supervisor.</td>
</tr>
<tr>
<td>2011</td>
<td>Maghreb</td>
<td>Frinousse et al.</td>
<td>Hybridization and internationalization of HRM: Examining the case of commitment and intention to quit.</td>
<td>Executives - MNC</td>
<td>Hybridization of HRM practices increases an employee's commitment and reduces the intention to quit.</td>
</tr>
<tr>
<td>2012</td>
<td>India</td>
<td>Ghosh et al.</td>
<td>Factors predicting employees' intention to stay.</td>
<td>Employees of manufacturing plant</td>
<td>Affective commitment, normative commitment, and goal clarity are best predictors of employees' intention to stay/leave.</td>
</tr>
<tr>
<td>2012</td>
<td>Malaysia</td>
<td>Johari et al.</td>
<td>Promoting employee intention to stay through HRM practices.</td>
<td>Employees of manufacturing plant</td>
<td>Compensation and benefits have a positive impact.</td>
</tr>
</tbody>
</table>

Future Direction
Review of literature reveals that considerably little is known about the retail industry. Table IV shows the summary of studies conducted in this area over the very recent years.

Table 4: Summary of studies on the Retail Setting

<table>
<thead>
<tr>
<th>YEAR</th>
<th>COUNTRY</th>
<th>AUTHOR</th>
<th>SUBJECT</th>
<th>MAIN FINDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>India</td>
<td>Mishra, A. and Ansal, I.</td>
<td>A conceptual model for retail productivity.</td>
<td>A regression-based conceptual model which included each of the output and input variables of retail productivity was developed. Various parameters of retail productivity was identified.</td>
</tr>
<tr>
<td>2010</td>
<td>General</td>
<td>Alexander, N. and Doherty, A. M.</td>
<td>International retail research: focus, methodology and conceptual development.</td>
<td>Reveals the development of research in international retailing over the last 20 years.</td>
</tr>
<tr>
<td>2010</td>
<td>General</td>
<td>Alexander, N.</td>
<td>Retail history in the management context: prototype, prologue or propped?</td>
<td>Highlights the importance of retail history/past on current retail management and marketing. 5 inhibitors identified were psychology, focus, methodology, capacity, and publication.</td>
</tr>
<tr>
<td>2012</td>
<td>USA</td>
<td>Chung et al.</td>
<td>Understanding multifaceted job satisfaction of retail employees.</td>
<td>Perceived organizational support, role ambiguity, and emotional exhaustion are the most influential factors.</td>
</tr>
<tr>
<td>2013</td>
<td>Malaysia</td>
<td>Hassan et al.</td>
<td>Malaysian hypermarket retailing development and expansion.</td>
<td>Industry can be expanded through product bundling, service innovations, and more formal political economy.</td>
</tr>
<tr>
<td>2010</td>
<td>General</td>
<td>Deutsch, T.</td>
<td>Exploring new insights into retail history.</td>
<td>Highlights the importance of power relations and more formal political economy.</td>
</tr>
<tr>
<td>2012</td>
<td>China</td>
<td>Twing-Kwong et al.</td>
<td>Trust in customer-salesperson relationship in China's retail sector.</td>
<td>Highlights the importance of the frontline salesperson's influence on consumer.</td>
</tr>
<tr>
<td>2011</td>
<td>China</td>
<td>Yu, W. and Ramanathan, R.</td>
<td>Effects of business environment on international retail operations: case study evidence from China</td>
<td>Foreign retailers need to be flexible and agile, adapting to the Chinese market engagement and many ways in order to succeed.</td>
</tr>
</tbody>
</table>

There is inadequate research on organizational outcomes, employee perceptions, and employee attitudes in the retail setting. Furthermore, research on the retail setting in Malaysia explicitly is very limited. Considering the significant differences in the service industries, examination of these areas may attract further research. Therefore, future research may employ a variety of management constructs to fill in this knowledge gap. These studies can

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then be used to assist the Malaysian government in their current efforts towards establishing the country as a prime regional shopping destination and subsequently curb the country's overall retail employee turnover rates.

References


