Determinants of Working Environment, Employee Loyalty and Employee Turnover of ICT- SME Industry

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Abstract— The SME – ICT industry success or failure partly depends on people in the industry. It has been demonstrated occasion that productivity increase depend on the career development, Also conventionality with encourage employee towards achieving the compensation and rewards. The subsequent of job security and working environment indicate the performance of employee in making the comfortable and happy. Eventually the research question arise what make the employee become loyalty. Therefore, this study examined the problem of career development, compensation and rewards, job security, working environment and employee loyalty. Data was collected and analyzed in terms of descriptive statistics and SEM was used to test the significance of relationship the variables. Result indicates that there was significant relationship among the variable. The entire five hypotheses accepted and recommended that SME- ICT to look in to the strategy that is more competitions by including all the elements from the hypotheses. Thus future research recommended including satisfaction for better career opportunity.

Index Terms— career development, compensation and rewards, job security, working environment, employee loyalty.

I. INTRODUCTION

This study focuses on the SME – ICT environment towards the employee perception career development, compensation and rewards, job security, working environment, employee loyalty in the setting of Malaysia context. SMEs recorded one of the highest numbers of turnover which is 19% for small enterprises and 22% for medium-sized enterprises. Currently, employee turnover is high and the organization will lose the talent, skilful, and experience employees. On the other hand, failure in retaining the unskilful employees will turn into higher cost for training and employ new employees.

Career development plays an important and it become emerge as more flexible and coping with the fast-paced changes. Over the previous not many decades, the implementation regarding practices aimed at career development and retention has been problem in reproduction of the financial condition especially with regards to SME Industry. In the literature, career development, compensation and rewards, job security, working environment consider as an applicable factors into promoting organizational initiatives relating to employee loyalty. While partial regarding this elements help in conformity with approve the relevance on investing in employee turnover (Reh, 2014).This study attempt to fill in

the gap of the human resources problems and issues related employee turnover.

II. LITERATURE REVIEW

Career development and abilities development amongst engaged persons are composite in conformity with continuing discipline opportunities and accessibility Investments. In addition, the SME industry also conventionality with encourage employee towards capabilities development and career development. The subsequent the effects of career development on employee performance been lifelong study perspective (Kakui &Gachunga, 2016) as so the organizational tactics conforming the employees 'long life careers (Ismajli, Krasniqi, and Qosja, 2015).

Compensation and rewards given to employee that perceived as benefit and enhance productivity (Holt, 1993). Addition compensation and rewards systems must be designed to encourage knowledge-sharing behaviours. Compensation and rewarding sends a strong indication to the employee's organization performance (Kaku &Gachunga, 2016). Compensation and rewards can be financial or non-financial compensation and most important component to eliminate employee's dissatisfaction (Hewitt, 2009). Structure of compensation in which employees perform better paid more than average performing employees will increase the performance of the organization (Khan, 2010) When organizations do provide job security, it can have a positive contact on the organization's performance. This relates to the idea that job security both increases an employee's commitment, and has an important effect on an employee's rank of enthusiasm (Abdullah, Musa, Zahari, Razman Rahman, &

Khalid, 2011).

When the economic crisis or unstable, the employees are worry their job because the income of the employees are based on the job. When the under that situation, employers are promise given job security to the employees, employees will loyal to their organization because their jobs are secure.

The factors of workplace environment impact the employee satisfaction towards the job and affect the loyalty to organization are performance feedback, manager support and mentoring, co-workers' teamwork, and environmental factors. Due to the trend of working environment created positive outcome , most organization faces new challenge is to generate a work environment that attract, maintain, and motivate the workforce (Al Anzi , 2009) . Therefore, the work environment has to be where employees enjoy and

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reach the organization productivity and create loyalty towards the organizations .

According Mehta, Singh, Bhakar & Sinha, (2010)) found that trust, loyalty and related norms may have a crucial economic role to play and it does not follow that regulation should be used to foster their development. In addition, according to Cunha et al. (2002) state that the relationships of the interplay between culture, structure and leadership which are managed to build employee loyalty. These processes are effective because the employees reinforce with one another

III. METHODOLOGY

Quantitative research has been used to conduct this research study due to the large number of respondents who participated and where evidence was evaluated, and hypotheses were generated. In this research, the target population was the employees who're working in SMEs in Kuala Lumpur City – Malaysia and at lower level position. Research chooses lower level employees because most of the employee turnover problem is happen in lower level employees. According to Zikmud , Babin, Carr (2010) data is collected by using structure form, causal research form and results which are objective and less researcher observe involved. A non-probability sampling method employed systematic in selecting sampling that represented other population without compromising standard (Hair, Black, Rabin, & Anderson, (2010) Besides that, the analysis used in this research was SMART- PLS method of systematising the research data.
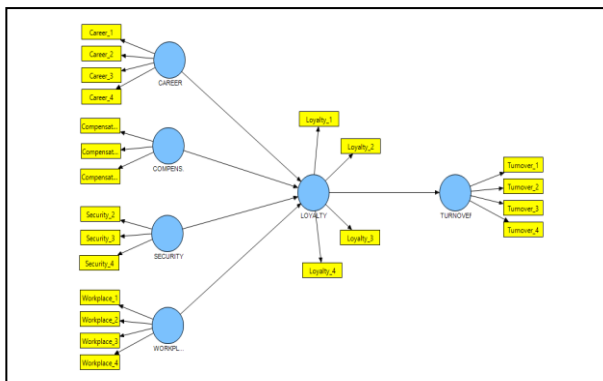
IV. RESULT

Figure 1.1 Overall Corrected Measurement Model Results.

Figure 1.1 indicates the component in measurement model analysis. The path model has five exogenous (independent) construct namely career development (CAREER), compensation and rewards (COMPENSATION), job security (SECURITY), working environment (WORKPLACE) and employee loyalty (LOYALTY) one dependent construct namely employee turnover (TURNOVER). The corrected model consists of 22 indicators from six constructs.

Table 1.2 Results of Path Coefficient and t-statistics

H	Pathway	t value	Sig.	p values	Decision
H1	CD → EL	10.919	***	0.001	Accepted
H2	CR → EL	4.118	***	0.001	Accepted
H3	JS → EL	3.770	***	0.001	Accepted
H4	WE → EL	0	***	0.001	Accepted
H5	El → ET	3.687	***	0.001	Accepted
		9.684	***	0.001	

***Statistically significant $p<0.001$ NS=No statistically significant different

As shown in table 1.2, the path coefficient results for relationship between career development and employee loyalty (β_s = 0.764, $p<.001$), relationship between compensation and reward, and employee loyalty (β_s = 0.242, $p<.001$), relationship between job security and employee loyalty (β_s = -0.573, $p<.001$), relationship between working environment and employee loyalty (β_s = 0.494, $p<.001$), and relationship between employee loyalty and employee turnover (β_s = -0.709, $p<.001$) were significant.

The results indicated that career development, compensation and rewards and working environment had positive relationship with employee loyalty meanwhile job security has negative relationship with employee loyalty. Furthermore, employee loyalty shows negative relationship with employee turnover. According to the results, research hypothesess 1 to 5 was accepted.

The descriptive data of the respondents revealed that overall from 300 respondents, majority of the employees were male (64.3%) aged between 25 to 29 years old and single (61.7%) Furthermore, most of them were Chinese (41.3%) and holding a Malaysian citizenship (84.7%).

In job designation section, majority of the employees working as customer service representative (33.7%), were a degree holder (38.3%) and had two to three years of working experience (53%).

The normality test indicates that skewness and kurtosis that has been measured was between range of +2 or -2 and +5 or -5 that all data was normally distributed. Meanwhile, reliability test indicates 22 out of 24 values for six scales were within acceptable range.

The corrected measurement model testing results indicates that all values of indicators through assessment of Internal Consistency (composite reliability), Indicator reliability, Convergent validity (Average Variance Extracted – AVE) and Discriminant validity (Fornell-Lacker criterion) has been met the criteria. Thus, it indicates the model is reliable and valid.

Furthermore, the structural model testing results indicates that there was statistically significant relationship between career development, compensation and rewards, job security and working environment with employee loyalty and there was also a statistically significant relationship between employee loyalty and employee turnover.

V. RECOMMENDATION

Therefore, the conceptual model for this study well fit in; therefore, study has provided an additional contribution to Human resources literature. In addition, the policy maker of the ICT Human Resources department may apply the concept of work design model more vigorously to minimise the turnover of their employees. In spite of not being spelt out, these objectives of this study are dependable with the conceptual model which was set for this present study and unreservedly, it provide a justification to the inconsistency of employee responses in terms of organisation common goals. Future study should consider the mixed mode method to explore more on the actual perception of the staff towards compensation system.

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