

Employee Retention in Pharmaceutical Companies in Malaysia

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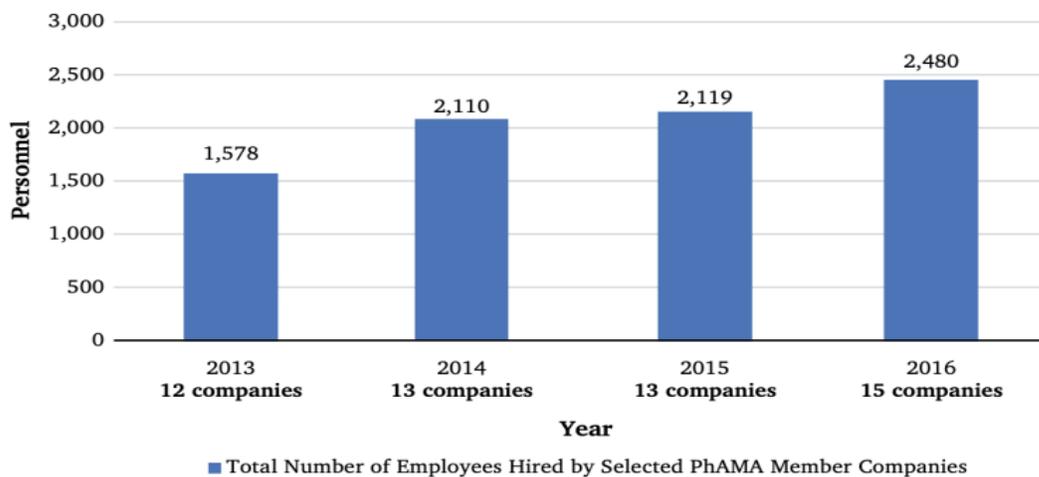
Abstract: In today's global economy, more companies are going global, and employees are actively seeking better career opportunities and growth. This dynamic has made employee retention a significant focus for Human Resources Management. The main purpose of this study is to understand the factors that influence employee retention at pharmaceutical companies in Malaysia. The research objectives were to examine whether factors such as reward, career advancement, and manager engagement have a significant influence on employee retention in pharmaceutical companies in Malaysia. The population in this study is made up of employees of pharmaceutical companies in Malaysia. This research was conducted in a natural setting in a non-contrived manner using non-probability convenience sampling. Of the 400 surveys provided, 365 were answered by Malaysian pharmaceutical company employees, regardless of status. The validity and reliability of the questionnaire were checked, and responses were collected and analyzed via SPSS software. The result suggests that rewards, career advancement, and manager engagement positively influence the retention of employees in pharmaceutical companies in Malaysia. For hypothesis testing, all independent variables show a significant relationship with employee retention.

Keywords: *Employee Retention, Career Advancement, Manager Engagement, Pharmaceutical Companies*

1. Introduction and Background

Employee retention is becoming an important parameter in assessing the success of an organization (Aguenza & Som, 2018). One of the most valuable dimensions in an organization is employee retention (Ivana & Chiripuci, 2020). For an organization to be competitive, it has to maintain an experienced and efficient workforce, and employee retention is affected by multiple factors (Kalyanatamitra et al., 2020). Due to its growing population and longer life expectancy, Malaysia expects to increase healthcare expenditures to improve facilities and services (MIDA, 2020). Figure 1 shows that the number of companies and employees in the pharmaceutical industry continues to grow year by year.

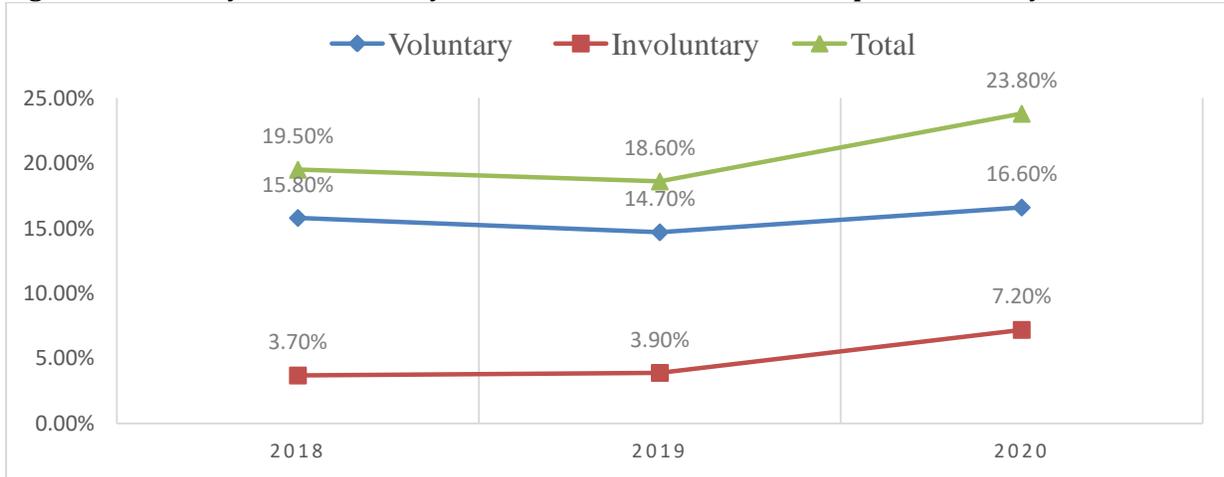
Figure 1: Total Number of Companies and Employees in Pharmaceutical Companies in Malaysia



Source: PhAMA 2018.

The Mercer survey, as reported in the Malaysian Reserve 2020 report for the first half of 2019, has a voluntary attrition rate of 6.5%. The internal data showed voluntary turnover is higher and will continue to rise from 14.7% in 2019 to 16.6% in 2020, as shown in Figure 2 below.

Figure 2: Voluntary and Involuntary Turnover in Pharmaceutical Companies in Malaysia



Source: Internal data from Tower Watson report (2018-2020).

Healthcare reforms, changes in technology, government policy, and complex relationships with stakeholders are some of the complex issues faced by pharmaceutical companies (Haider et al., 2018). Employee retention is important in assessing the success of an organization, especially when the organization has been moving towards globalization (Khandelwal, 2018). Despite many studies on factors that influence employee retention (Aquenza & Som, 2018; Sheraz et al., 2019; Subramaniam et al., 2019), there are still limited studies on employee retention in pharmaceutical industries in Malaysia.

In a previous study of the pharmaceutical industry, six factors were found to have a positive correlation with employee retention: salary and benefits, job and work conditions, work relationships, company culture, motivation, and leadership within the organization (Shamanism et al., 2023). In a comparable industry, we would like to examine the top three determining factors in Malaysia. The variables identified in this study are rewards, career advancement, and manager engagement.

The relationship between employee retention (a dependent variable) and the factors influencing employee retention (independent variables) needs to be determined to have a better understanding of how to retain employees in pharmaceutical companies. There are three specific objectives of this research project:

- R01: To determine the influence of rewards on employee retention in pharmaceutical companies in Malaysia.
- R02: To determine the influence of career advancement on employee retention in pharmaceutical companies in Malaysia.
- R03: To determine the influence of manager engagement on employee retention in pharmaceutical companies in Malaysia.

2. Literature Review

Employee Retention: Employee Retention is when an employee is motivated to stay with the organization for the longest possible period or until the fulfillment of the venture (Sheraz et al., 2019). For employers to remain competitive and profitable, they need to have a strategy to develop and retain high-quality human capital because any employer that fails to retain employees will end up understaffed (Subramaniam et al., 2019). From the employee's point of view, voluntary turnover opens doors for new opportunities, but for the company, it creates a high burden as it involves the cost of hiring new employees and the indirect and direct costs of on boarding and training (Wadhera & Bano, 2020). Employee retention, especially of high-skilled

employees, increases the company's performance, and caring for the psychological needs and social surroundings that create happy employees can save the organization from losing talented employees (Barween et al., 2020). In the current business environment, besides salary and designation, many other factors play an important role, so organizations have to make enormous efforts to attract and sustain employees (Ivana & Chiripuci, 2020). It is hard to gain a competitive advantage over other companies, especially in a challenging environment, as one of the biggest challenges is retaining experienced employees. However, effective practices in human resources can help organizations gain a competitive edge (Kalyanamitra et al., 2020).

Rewards: Effective rewards and recognition strategies can determine the success or failure of an organization because highly engaged and motivated employees are more productive and offer superior service compared to disengaged employees (Madhani, 2020). Compensation connects employee and organizational goals, and it is a bridge between the macro issue of retention in an organization and the micro behavior of its members in the organization (Sarkar, 2018). Financial awards are given to employees as part of an economic exchange for better performance when the employee displays better work in their job and responsibilities (Diah et al., 2020). Compensation is used as an effective tool because people work to earn a living, so compensation is a key factor in retaining employees (Sarkar, 2018). Subramaniam et al. (2019) found rewards and recognition significantly influenced employee retention, and employees are more likely to stay in the organization if they have positive perceptions about the rewards and recognition it offers.

H1: Rewards increase employee retention at pharmaceutical companies in Malaysia.

Career Advancement: One of an organization's Human resources policies is retention policies relating to the career development of employees, which include performance management practices, training, and development of employees (Houssein, 2020). Investment in employee development has a positive impact on employee retention, improves the working attitude of employees, and eventually increases profitability (Diah et al., 2020). Career development has a positive and significant relationship with employee retention (Houssein, 2020). Offering tasks that can help professional development can keep motivation high, and since most people want to learn and enhance their skills, employees will work towards enriching their work to achieve greater accountability, thus making, they more interested in their work (Sylqa, 2020). Besides focusing on performance management, organizations should expand efforts to show employees their career paths and offer them opportunities to develop their careers (Subramaniam et al., 2019).

H2: Career advancement increases employee retention at pharmaceutical companies in Malaysia.

Manager Engagement: An organization must use proper HR practices, including the support of supervisors, as part of human resource management factors to retain employees (Bibi et al., 2018). Employees who perceive a high level of support from supervisors are less likely to leave the organization (Gordon et al., 2019). Manager engagement and retention are vital to the success and organizational performance of many organizations (Aldamatmaz et al., 2016). Bussin (2018), in his book on retention strategies, wrote, as the saying goes, People don't quit jobs, they quit managers, and he emphasized the importance of supervisory management and the positive employee-supervisor relationship to improve retention. Khoele & Daya (2014), in a study on the turnover of middle and senior managers in pharmaceutical companies in South Africa, revealed the importance of relationships with managers in determining employee turnover. Another similar study in Hyderabad stated that interaction with managers is an important aspect of employee engagement (Jindal et al., 2017).

H3: Manager Engagement increases employee retention at pharmaceutical companies in Malaysia.

Figure 3: Conceptual Framework

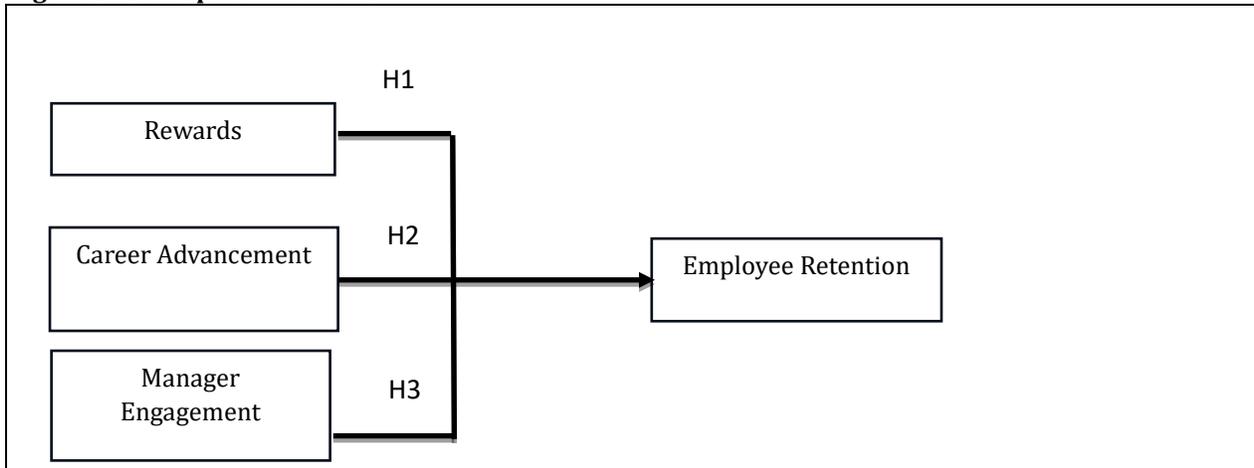


Figure 3 shows the conceptual framework developed for this study. The independent variables are the rewards, career advancement and manager engagement. The dependent variable is employee retention. The social exchange theory was used as the underpinning theory between rewards, career advancement, manager engagement and employee retention.

3. Research Methodology

This study uses quantitative methods to examine the relationship between reward, career advancement, manager engagement, and employee retention in pharmaceutical companies in Malaysia. In quantitative design, research design consists of procedures to select research participants and determine how data will be collected from those participants (Schwab, 2013). According to Krejcie & Morgan (1970), the suitable sample size is 335 respondents, and the study received 365 employees who work for pharmaceutical companies in Malaysia. The main study variables questionnaires were tailored and modified to the scope of this research for the Malaysian pharmaceutical industry based on Yong et al., (2020) and Bibi et al., (2018). Career advancement is adapted from Yong et al., (2020) and Bibi et al., (2018), whereas the questionnaire items for manager engagement are adapted from Bibi et al., (2018). The constructs used in this study are well-known in organizational behavior, and their reliable and valid measurement is also available. Four primary measures are scored on a five-point Likert scale (1=strongly disagree, 5=strongly agree). Scale scores are created by averaging the composite items for each scale. The higher the score on a scale, the higher the level of the variable being measured.

4. Results

From the 400 questionnaires distributed, respondents returned 365 questionnaires for a response rate of 91.25 percent.

Profile of Respondents: Table 1 displays a summary of the characteristics of the total sample of respondents who participated in the study.

Table 1: Demographic Profile

	Variables	Frequency	Percentage (%)
Gender	Male	154	42.2
	Female	210	57.5
Age	21-30 years	74	20.3
	31-40 years	156	42.7
	41-50 years	102	27.9
	> 50 years	32	8.8

Years of Experience			
	< 2 years	71	19.5
	2-5 years	49	13.4
	5-10 years	86	23.6
	10-15 years	71	19.5
	> 15 years	87	23.8

Multiple Linear Regression: In Table 2, the adjusted R² value is 0.458. This demonstrates that the three independent variables used in the study were able to explain about 45.8% of the variance in employee retention. Other factors that were not considered in this study might have an impact on the remaining 54.2%. The R² value of 0.12 indicates a low effect size; 0.13-0.25 is medium; and 0.26 and above is a high effect size (Cohen, 1988). The adjusted R² value of 0.458 is below 0.5, which meets the rule of thumb of > 0.4, suggesting the model fit is strong between the three independent variables and dependent variables.

Table 2: Multiple Linear Regression Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.680 ^a	0.462	0.458	0.626

ANOVA and Beta coefficient: Table 3 and Table 4 on Regression ANOVA and Beta coefficient show significant p-values, meaning rewards, career advancement, and manager's engagement have a significant relationship with employee retention. Multicollinearity (VIF) is between 0.1 and 10, which is within the acceptable threshold, indicating the constructs are well distributed with a lower chance of skewness. Rewards, career advancement, and manager engagement have a positive and significant effect on employee retention. Result from a standardized regression coefficient of 0.318 for rewards, 0.269 for career advancement, and 0.206 for manager's engagement. This result is proof that a unit increase in rewards, career advancement, and manager engagement will result in a unit increment in employee retention in the organization. The beta coefficient is higher for rewards, followed by career advancement, then manager's engagement, showing the degree of influence is higher in rewards towards employee retention, followed by career advancement, and lastly manager's engagement. This result also indicates that the independent variables have a different influence than the dependent variables. All independent variables show a significant beta coefficient with a p-value of 0.00 for rewards and career advancement and 0.001 for manager engagement.

Table 3: ANOVA Result

Model	Sum of Squares	DF	Mean Square	F	Sig.
1 Regression	114.565	3	38.188	97.442	.000^b
Residual	133.249	340	.392		
Total	247.814	343			

Table 4: Coefficient and Multicollinearity Result

	Unstandardized Coefficients	Std. Error	Standardized Coefficients	T	Sig	Tolerance	VIF
(Constant)	0.879	0.195		4.508	.000		
Rewards	0.318	0.053	0.318	5.963	.000	0.556	1.798
Career Advancement	0.269	0.054	0.280	4.997	.000	0.504	1.983
Manager engagement	0.206	0.061	0.187	3.380	.001	0.515	1.942

Discussion: This study confirmed the factors related to employee retention and provided results indicating rewards, career advancement, and manager engagement as important factors in retaining employees in the organization. Pharmaceutical companies need to review their compensation benefits to remain competitive. Intervention in the form of training and development is needed as part of human resource strategies for retaining employees. The role of the manager in engaging employees is often neglected; hence, companies need to look into the manager's effectiveness during performance management, providing feedback, and coaching.

This research provides a better understanding of employee retention in pharmaceutical companies given the lack of similar studies in Malaysia. Despite studies on employee retention in pharmaceutical companies done outside Malaysia, no such study has been conducted in Malaysia. Three influencing factors have been selected in this research about employee retention. Nevertheless, other factors can influence employee retention, but they are beyond the scope of this study. The findings from this study will pave the way for future studies to study the factors that influence employee retention in Pharmaceutical companies in this country. This research can be a reference for academicians to refer to when carrying out further research.

5. Managerial Implications and Recommendations

Overall compensation on top of basic salary is an important determinant; hence, benchmarking the current rewards vs. other companies in the same industry must be done regularly to maintain competitiveness. Companies should review financial and non-financial rewards, as these are the two categories of rewards used in many organizations. Multinational corporations tend to have well-established and effective reward and recognition systems that feature attractive compensation packages and a strong emphasis on internal and external equity. Financial rewards include wages, performance bonuses, and benefits, e.g., childcare, allowances, company cars, etc., while non-financial rewards focus on recognition, appreciation, team building, etc (Malik et al., 2015).

The highest loading in the career advancement item is "My organization provides formal developmental training to employees to increase their chances of promotion." Employees must be aware of their career progress and the skill improvements required to increase their chances of promotion. Job rotation can improve skills and be perceived as a better chance of promotion among employees. Organizations can employ interventions, including learning and development, a career plan, job rotation, mentoring, and coaching, that are important to upgrade employee skills, knowledge, competency, and attitudes as part of an employee's career progression. A company can offer training or professional development by providing an opportunity to challenge and advance within the company, and if employees know that the organization is willing to train and help them grow professionally, they are likely to stay in the organization (Sylqa, 2020). Rotating jobs between sales and marketing allows employees to have a better understanding of the rewards and challenges faced by other departments and will increase sales and marketing collaboration (Fitzhugh & Massey, 2019).

The company must ensure effective performance appraisal with ongoing feedback by the manager and continue to build the interpersonal relationship between employee and manager. A structured performance management system with a periodic feed-forward system that captures the discussion between employees and managers is essential. As part of performance management and a renewed approach to performance management, manager's roles are increasingly shifting to acting as coaches to their direct reports (Ellinger et al., 2014). There is a positive correlation between turnover intention when employees are not appraised appropriately and employee motivation; hence, they start to look for another job (Ninroon et al., 2020). Malaysia is viewed as a country with high power distance but is highly collectivistic, and despite formal hierarchy, supervisors play a pivotal role in employee engagement as they can play a supportive role and provide feedback to assist employee learning and development (Lee et al., 2019).

Conclusion: The analysis and findings in this study showed that rewards, career advancement, and manager engagement positively influenced the retention of employees in pharmaceutical companies in Malaysia. This result is consistent with the previous findings in other industries (Mahadi et al., 2020, Pareek et al., 2019) and in pharmaceutical companies, outside Malaysia (Asif & Gul 2021,). As this research is the first in this industry, it creates a path for industry and academia as per the recommendations discussed.

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