Research Paper

TURNOVER INTENTION AMONG GENERATION Y WORKFORCE IN BUSINESS PROCESS OUTSOURCING (BPO) INDUSTRY IN SELANGOR MALAYSIA

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ABSTRACT

This research is aimed at ascertaining the relationship between turnover intention and the three independent variables, transformational leadership, employee empowerment engagement and innovation. 167 respondents formed the basis of this research and consisted of Gen Y workforce in Malaysian Business Process Outsourcing. To study the data obtained, SPSS Statistics 2.1 was used to analyze the data. It is found that turnover intention is negatively related to employee empowerment, transformational leadership and employee engagement. A variance of 32% in turnover intention among the Gen Y workforce was found with employee empowerment and transformational leadership. Also, turnover intention is found to be non-significantly related to innovation.

Key Terms: Turnover intention, Innovation, Empowerment, Employee engagement

1. INTRODUCTION

The delegation of business process or IT operations to an external provider is termed as Business Process Outsourcing (BPO). The responsibility of the external provider includes the administration of the select processes within a stipulated business performance level agreement. The advancement in the field of telecommunications and information technology is driving force behind the fast growing segment of BPO. Globalisation is also another driving factor for the boom in this sector of the industry. Companies wanting to stay on top and want to achieve the economies of scale will need to keep with the advancement in the technology sector (Porter, 1980).

Many BPOs face the ongoing problem associated with turnover. This does not only impact the on the organization but also affects the staff members that stay on within the team. Is a study conducted on this matter, it is noted that it costs approximately USD78,000 to recruit and train an new joiner (Ramsey Smith, 2004). With the BPO being largely a service oriented industry, it is important for operation management and Human Resources
departments to delve deeper into the causes and effects of employee turnover and at the very least look at ways of retaining the top talent. This will ensure that the organization remains competitive as mass turnover and the drain of process knowledge will affect the service quality resulting in client complaints & loss of business. Not forgetting the added workload on the shoulders of the stayers which will drive down morale thus carrying on the vicious cycle of employee turnover.

In today’s society, many organizations face the issue of voluntary turnover regardless of the nature of their business. The impact of the turnover not only costs organization money but has an impact on staff morale as well. Prior research has examined the costs of an employee’s decision to voluntarily leave an organization. It has been found to cost a company in the region of USD 78,000 to recruit a replacement (Ramsey-Smith, 2004).

In recent times, the number of voluntary attrition has become very worrying. Since this is a service-oriented sector with Malaysia ranking number one in the Asia Pacific region (SSON, 2017), organizations should begin to look at appropriate steps to plug this drain. At the very least, from an HR point of view, steps should be taken to look at retaining the subject matter experts as to ensure that the service quality of the organization is not affected, thus leading to lower performance of the organization and losing market share. Turnover if not taken seriously can have a knock on effect on the stayers within the organization as it drives down morale as they are having to pick up extra work beyond their capacity resulting in long working hours, sickness, stress and eventual attrition.

Being compared to the more senior Gen X and Baby Boomer generation, it is found that the Gen Y display a higher intention to leave. This is based on the generational differences and innate characteristics as described by Park and Gursoy (2012), once again proving that it is imperative that organizations learn how to keep the Gen Y engaged. To add further, a study conducted on Malaysian Gen Y population has uncovered that approximately 88% of the respondents would prefer to be employed in a role that encourages mobility or is a foreign location (Price Water House Coopers, 2009). It is expected that this study into the antecedents that affect the turnover in Gen Y BPO workforce will be able to shed some light and guide management within the industry to understand expectations of Gen Y workforce and devise steps in order to increase employee engagement thus reducing the turnover intention.

This research aims to find aspects that affect turnover intention within the Gen Y in the BPO industry. Specific objectives are listed below:

✓ To determine whether there is a significant relationship between employee empowerment and turnover intention of Gen Y towards the organization.
✓ To determine whether there is a significant relationship between transformational leadership and turnover intention of Gen Y towards the organization.
✓ To determine whether there is a significant relationship between innovation and turnover intention of Gen Y towards the organization.

The research offers a comprehensive overview on the relationship between transformational leadership, innovation and employee empowerment and turnover intention amongst Gen Y workforce within the BPO industry especially in Malaysia. This research in all aspects are limited in terms of geographical location as the researcher could only carry out the survey in the state of Selangor, therefore limiting the diversity of the responders. Hence, the responses received in the state of Selangor may vary from other parts of Malaysia. The benefit is that it is focused in an area where data can be used to gauge a similar group that undergoes similar situations and cost of living. In fact, there is no evidence why the results of
this research cannot be used in other states within Malaysia, although a larger sample size from a larger geographical aspect would offer more diverse examples.

2. LITERATURE REVIEW

Meeusen, Van Dam, Brown-Mahoney, Van Zundert and Knape (2011) turnover intention is defined as mindsets of employees develop prior to the choosing to turnover. It also defined as employees leaving an organisation (Kaur, Mohindru & Pankaj, 2013). Theory of Planned Behavior states (Ajzen, 1991), turnover intention is said to be a clear sign of actual turnover being the behavior following. Takase (2009) indicated that turnover intention is a made up of the following multi-stage: (1) psychological, (2) cognitive, and (3) behavioral. In stage 1, psychological responses such as displeasure towards negative aspects of organization are believed to trigger employees withdrawal reactions. Stage 2, cognitive, is seen as the heart of the matter, as this is where the idea is born to turnover. This leads to stage 3, behaviour, where perception is turned to actions, by the member of staff is seen less productive, is often absent and has lower commitment to the organisation. It is generally agreed amongst researchers that turnover intention will lead to the definite turnover in organization (Arnold & Feldman, 1982; Griffeth, Hom & Gaertner, 2000; Takase, 2009; Tett & Meyer, 1993). They also concur that turnover intention does not necessarily result in actual turnover due to other factors that stops them from making that move. Turnover intention is said the result of the developed mindset (Mobley, Horner & Hollingsworth, 1978).

Thomas and Velthouse (1990) stated empowerment as ‘increased task motivation manifested in four cognitions: (1) meaning, (2) competence, (3) self-determination, and (4) impact. Spreitzer (1995) refers to the degree to which an individual believes and cares about work goals’. Competence denotes self-efficacy specific to work and it is based on an individual’s capability and self-confidence in his knowledge to accomplish the task with skill. Self-determination is ‘the initiative taken by individuals who feels causal responsibility for his work and impact is defined as ‘the experience of having an influence on strategic, administrative, or operating outcomes at work to make a change’.

Job characteristics theory (JCT) (Hackman & Oldham, 1976), suggests that an individual’s motivating score is made up particular characteristic of an employee’s job. Thus, empowered employees are motivated by the jobs characteristics (Champoux, 1991) and lower turnover intention is a resulting effect of employees having high levels of empowerment which acts as a positive result (Spreitzer, 1995). Bhatnagar (2012) & Stander and Rothman (2010) both concur that reduced turnover is a result of higher empowerment. Solnet and Hood (2008) perceive Gen Y as lacking intention to quit as a result of empowerment as they are highly satisfied. Compared to the other generations, Gen Y is seen as eager to take the helm of making decisions with regards to their job (Martin, 2005). This thought is also shared by Spreitzer (1995) who opines that an empowered Gen Y will display responsible traits as they have the mindset and intention to do so. It can be concluded that with the awareness of what is expected of them, the Gen Y is more confident at achieving their goals and more engaged which leads to lower turnover (Mendes & Stander, 2011).

**H1: There is a significant negative relationship between employee empowerment and turnover intention among Gen Y workforce.**

Bass (1985) adopted theory of transformational leadership which constructed on the former works of Burns (1978). Bass (1985) and Gardner (1989) speak about leaders who inspire followers by boosting their morale and commitment. Transformational leaders inspires followers to perform exceeding expectation, providing undivided attention to diversity (Yammarino & Bass, 1990). Personal involvement and coaching are used to cultivate their followers and inspire them to perform their (Bass, 1990). They are also known
as a change agent by providing guidance to achieve organisation goals and mission (McShane, Von Glinow & Sharma, 2011). By showing advantageous, persuasive, and sympathetic connections, a Transformational leaders is able to change the employees’ attitudes, behaviors and values (McShane, Von Glinow & Sharma, 2011).

Transformational leaders are seen as those who are able to adapt to changing times by adjusting their approach to situations or problems while being able to paint a clear picture for their followers to be able to meet their organisations goals (Bass, 1985). The dimensions discussed earlier on inspirational motivation, intellectual stimulation, idealized influence and individual consideration which are known as Transformational leadership dimensions, promotes satisfaction at the workplace (Hassan & Yau, 2013; Lowe, Krocek & Sivasubramaniam, 1996; Nordin, 2013; Robyn & Du Preez, 2013; Sadeghi & Pihie, 2013). Larrabee, Janney, Ostrow, Withrow, Hobbs and Burant (2003) concluded in their study job dissatisfaction is a precursor for the intention to quit. Derived from previous studies on the same subject, it can be concluded that Gen Y population prefer a challenging environment where they are able to adapt to change which is a component of intellectual stimulation which promotes change and innovation. This ties with the aspect of transformational leadership who exercise practices that encourage change and innovation, so it is seen that Gen Y will be able to work well with leaders with these characteristics.

**H2: There is a significant negative relationship between transformational leadership and turnover intention among Gen Y workforce.**

The first researcher who established economic concept of innovation was Schumpeter (1912). Porter and Kramer (2011) indicated that innovation in technology has been a powerful force for productivity growth, industrial development and indeed increasing the standard of living throughout the history. According to Oxford Dictionary, innovation in simple words is ‘the action or processes of introduced something new on the ideas, methods, or products’. An innovation would represent a completely new development, or most probably, partially new development. It is the mobilization of fresh idea and knowledge in the goods and services production that foster the business success (Teece, 2010). Innovation is the combination of mutual understandings to develop new ideas and the restructuring or existing methods to (Beesley and Cooper, 2008).

Innovation is highly encouraged in the cost conscious world of BPOs. This however innovation alone is not sustainable as heavy reliance is put on the workforce to conjure new ideas (Khan, Nawaz, Khan, Khan, & Yar, 2013). Organisations need to adopt technological innovations such as increase productivity and attain higher service levels without expanding more resources (Prahalad & Mashelkar, 2010). Robinson and Beesley (2010) discovered that there is a negative relationship between implementation of innovation and intention to leave. Innovative employees may create better relationships with other colleagues, experience lower stress levels, enjoy higher personal growth, and increase level of engagement as well as improved job satisfaction. Hence, this brings direct effect towards improved performance in the workplace and the organisation benefits from the lower intention to leave amongst its employees.

**H3: There is a significant negative relationship between innovation and turnover intention among Gen Y workforce.**
3. RESEARCH DESIGN AND METHODOLOGY

Quantitative research emphasizes on measurement and observation, hence collected data is founded on prearranged mechanisms that are able to produce statistical data (Creswell, 2013). Quantitative research is applied in this research as it is dependent on numerical data and analysis of statistics. The research objectives are aimed at studying the relationship between the independent variables, employee empowerment, transformational leadership and innovation and the dependent variable, turnover intention. For that reason, it can be said that research is being undertaken in the research as this study seeks out to ascertain cause-and-effect relationships concerning the variables.

Primary data collection technique was adopted for this research. Purpose of this study is to understand the perceptions of Gen Y workforce; hence, the most suitable method to collect data is by employing the primary data collection method. Secondary data collection does not meet the specific requirements of this research and is mostly out of date and obsolete. (Sekaran & Bougie, 2010). To collect useable data from qualified respondents a self-administered questionnaire survey was used for this research. Period between July to August was chosen to perform data collection. The questionnaire was only sent out to those who were born between 1980 and 2000 within the chosen BPOs.

However, there are difficulties for researcher to access the sampling frame of Gen Y workforce in Malaysia BPOs as demographic information of workforce are private and confidential information that will not be display to the public. Thus, all work force of selected BPOs in Malaysia are targeted based on non-probability techniques, judgmental sampling by utilizing certain information provided to eliminate unqualified respondents from being selected at the first place and increase the probability that Gen Y workforce is being selected.

Self-administered questionnaire survey consisting of 4 parts was created for this research. Based on the researches timing, it takes about 20 mins to complete the survey. Demographic details are covered in Part A. In total there are 41 questions employed for examining the relationship between the independent variables and dependent variable with mediating variable. There are 11 questions covering dimensions of employee empowerment, 15 questions on transformational leadership, 5 questions about innovation, and 3 questions for turnover intention. All 41 questions are in 5-point Likert scales, ranging from strongly disagree to strongly agree.

Nominal and ordinal scale questions were designed for demographic details in part A. Codes 1,2,3 and so on are assigned for each alternative of the question and missing data is coded. Gender, we assigned ‘1’ to male, ‘2’ to female whereas for alternatives under age, we assigned ‘1’ to ‘3’ for all responses. Likert scale is coded accordingly as well for part B, C and D. For example, 1= strongly disagree (SD), 2=disagree (D), 3=neutral (N), 4=agree (A), 5= strongly agree (SA) and 9 = missing data. Pearson Correlation Coefficient and multiple regressions is used to test the relationship between each independent variable with dependent variable. Strength and direction of linear relationship between two random variables is shown.

4. RESULT AND DISCUSSION

Reliability analysis is proven by analyzing both internal regularity and constancy. Cronbach’s alpha coefficient (α) is used to indicate how well the internal consistency and correlation of the items in the questionnaire. The higher the internal consistency reliability, the closer the Cronbach’s alpha is to 1 (Sekaran & Bougie, 2010). The description of the coefficient alpha is showed in Table below.
Table 1: Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dimensions</th>
<th>Cronbach’s Alpha values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variable</td>
<td>Employee Empowerment</td>
<td>0.795</td>
</tr>
<tr>
<td></td>
<td>Transformational leadership</td>
<td>0.964</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>0.651</td>
</tr>
<tr>
<td>Dependent Variable</td>
<td>Turnover intention</td>
<td>0.832</td>
</tr>
</tbody>
</table>

Overall, there are 167 respondents took part in this research project. These respondents are made up of Gen Y workforce in Malaysia BPOs. Almost all of the respondents are Malaysians with more than half of respondents are female (50.3%). Majority from the total respondents are from Malay ethnicity (48.5%). 58.1% of total respondents fall in the age range of 31-35 years old. 115 respondents who make up 68.9% of the sample size hold bachelor’s degree and majority earn above RM5000 (37.7%) per month. 73 respondents (43.7%) have worked for over 8 years whereas 62 respondents who make up 37.1% of total sample size have worked 3-5 years for the organisation.

Pearson’s correlation coefficient is employed to indicate the direction, strength and significance of the bivariate relationships among all the variables that were measured at an interval or ratio level. Negative relationship would be indicated by a negative coefficient, thus, when one variable increases, another will decrease. On the contrary, when one variable increases and the other variable increases indicates a positive.

Table 2: Correlations

<table>
<thead>
<tr>
<th></th>
<th>Employee Empowerment</th>
<th>Transformational Leadership</th>
<th>Innovation</th>
<th>Turnover Intention</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Empowerment</strong></td>
<td>Pearson Correlation</td>
<td>Sig(2tailed)</td>
<td></td>
<td>N 167</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-0.512</td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-0.339</td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-0.216</td>
<td></td>
<td>0.001</td>
</tr>
</tbody>
</table>

Based on Table above, it shows that all of the variables are significant at p-value less than 0.05. From the table, it shows that employee empowerment (-0.512), transformational leadership (-0.339), innovation (-0.216) are significantly negative related with turnover intention. Employee empowerment is moderately related with turnover intention whereas transformational leadership and innovation have a small but definite negative relationship with turnover intention as refer to the Table. Hence, Hypothesis 1, 2 and Hypothesis 3 were accepted.

**Multiple Linear Regression Analysis:**

Multiple linear regression is when more than one independent variable exists and is used to explain variance in a dependent variable. This researcher would like to scrutinize whether these three independent variables (employee empowerment, transformational leadership and innovation) are significantly clarifying the variance in turnover intention.

Table 3: Model Summary

<table>
<thead>
<tr>
<th></th>
<th>Employee Empowerment</th>
<th>Transformational Leadership</th>
<th>Innovation</th>
<th>Turnover Intention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N 167</td>
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<td></td>
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<td>-0.512</td>
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<td></td>
<td></td>
<td>-0.216</td>
<td></td>
<td>0.001</td>
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</tbody>
</table>
R square offers a degree of how well the data points are replicated by model, as the ratio of total variation of outcomes explained by the model. The coefficient of determination value (R²) is equal to 0.320. This means that 32% variations of turnover intention can be explained by the three independent variables. On the contrary, it specifies that 68% variation of the turnover intention remained unexplained under this model and can be explained by other variables.

### Table 4: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>113.811</td>
<td>3</td>
<td>38.58</td>
<td>35.451</td>
<td>0.000</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>232</td>
<td>1.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>341.882</td>
<td>235</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: DV turnover intention  
b. Predictors: (Constant), IV3_innovation, IV1_employee_empowerment, IV2_transformational_leadership

F-test is used to investigate whether the two populations of variances are equal. The aim of F-test is to discover the model which best suits the population from which the data were tested and collected. Referring to table shown, the F-value is 35.451 with a p-value of 0.000. As the p-value of ANOVA is less than the significance level 0.05, it means that the three independent variables have a significant relationship with turnover intention. Therefore this model is reliable and fit to determine the relationship between these variables.

### Table 5: Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>1</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>6.006</td>
<td></td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>1</td>
<td>.-602</td>
<td>-.466</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>IV1_employee_empowerment</td>
<td>-.274</td>
<td>-.210</td>
<td></td>
<td>.002</td>
</tr>
<tr>
<td>IV2_transformational_leadership</td>
<td>-.183</td>
<td>-.110</td>
<td></td>
<td>.072</td>
</tr>
</tbody>
</table>

a. Dependent Variable: DV turnover intention

To scrutinize the relationship concerning more than one independent variable and one dependent variable the multiple linear regression analysis is used. According to the equation above, employee empowerment and transformational leadership have a significant negative relationship with turnover intention of Gen Y workforce in BPOs as the substantial level is less than 0.05. Innovation also has a negative relationship with turnover intention; it however is not significant to explain the variance of turnover intention in this model as the significance level 0.072 is more than 0.05.

Based on Table, employee empowerment is the forecaster variable that provides the highest to the variation of turnover intention because β value under standardized coefficients is -0.602, higher than the other two variables. This means that employee empowerment make the strongest unique contribution to explain the variation in turnover intention when other variables in the model are hold constant. By holding other variables constant, the second highest contributor to the variation of turnover intention is transformational leadership with β value (-0.210) under consistent coefficients. Innovation has the smallest contribution against turnover intention with β value -0.100 under standard coefficients.
From the β of unstandardized coefficient, it can be said that every 1 unit increases in employee empowerment will result in 0.601 decrease in turnover intention among Gen Y workforce in BPOs by holding other variables constant. As for transformational leadership, every 1 unit increases in transformational leadership will result in 0.284 decrease in turnover intention among Gen Y workforce in BPOs by holding other variables constant.

Based on the study of Horeczy et al. (2012), Gen Y characteristics of embracing change and exploring new approaches are closely linked to their leadership preference. Turnover intention amongst Gen Y is found to be related to transformational leadership (Robyn & Du Preez, 2013), consistent with the result of this study. Thus, it can be determined that Gen Y workforce in Malaysia BPOs are likely to work for guidance of transformational leaders who displays the traits that matches the generational characteristic of Gen Y which supports in dropping the turnover intention.

Based on the research carried out it is found that innovation is not a significant factor in enlightening the variance of turnover intention. It can be deduced that innovation is not a significant factor influencing the turnover intention of Gen Y workforce in Malaysia BPOs, which contradicts to Robinson and Beesley (2010) study where application of innovation is found to be negatively significant related to turnover intention. Heavy workload experienced by the Gen Y workforce may be a driving factor (Hashim & Mahmood, 2011) which my result in longer working hours as a result of needing to learn new methods of performing their tasks as a result of the innovation. As a common trait of the human being, resistance is common when new ideas or methods are introduced as they fear that this may introduce added responsibility and work and forces them out of their comfort zones where they are familiar with the requirements (Zwick, 2002) and is seen as the reason for the non-significant relationship between innovation and turnover intention.

5. CONCLUSION

H1 is accepted as it has a correlation coefficient value of -0.511 indicates moderate correlation in forte with p-value 0.000 less than α-value 0.05. Therefore, it displays that there is a negative and significant relationship between employee empowerment and turnover intention. The result of this study is consistent with Erturk and Vurgun (2015) where the authors found that empowerment is negatively related to turnover intention. H2 is accepted as it has correlation coefficient value of -0.329 which indicates small but definite moderate correlation in strength and its p-value 0.000 is less than α-value 0.05. Therefore, transformational leadership is significant negatively related to turnover intention. This negative relationship had been supported by Herman, Huang and Lam (2013) where transformational leadership is found to have a negative relationship with turnover intention. Robyn and Du Preez also found an adverse effect of transformational leadership on Gen Y workforce” turnover intention. H3 is accepted as it has correlation coefficient value of -0.183 which indicates small but definite correlation relationship in strength and its p-value 0.001 is less than α-value 0.05, indicating the significant negative relationship between innovation and turnover intention. With the increasing number of Gen Y workforce in the workforce, BPOs management would need to be more flexible and change their management style to cater to Gen Y”s needs in order to retain them. Mustapha and Ghee (2013) found that workforce will be more motivated if they are given a reasonable workload. Although reduction of workload is unlikely to occur due to lack of manpower, the process of doing the task can be simplified through the use of technology and innovative approaches. Employee empowerment and transformational leadership stand out as the most significantly negatively related to turnover intention. It is recommended that the management within BPOs look at this aspects of the Gen Ys career to ensure they are kept engaged and reduce turnover
REFERENCES


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