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**THE IMPACT OF NON-MONETARY REWARDS ON EMPLOYEE  
RETENTION IN MALAYSIA SMEs**



Thesis Submitted to  
College of Business  
Universiti Utara Malaysia,  
In Partial Fulfillment of the Requirement for the  
Master of Human Resource Management



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Nama Penyelia : **PROF. MADYA DR. FAIZUNIAH BT. PANGIL**  
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## ABSTRACT

Nowadays, employee retention has become a critical challenge for organisations, especially in the context of SMEs in Malaysia. As monetary rewards have slowly lost their power of influence to retain employees in one organisation, followed by the change in working patterns and employee behaviour in the workplace, non-monetary rewards now play a crucial role. Therefore, this study sought to identify the impact of non-monetary rewards towards employee retention in Malaysian SMEs, particularly in flexible working arrangements, career development, recognition, and fringe benefits. In order to examine the relationship between flexible working arrangements, career development, recognition, and fringe benefits with employee retention in Malaysian SMEs, quantitative research through the distribution of questionnaires to eight Malaysian SME companies has been conducted. A sample size of 165 participants who worked in the eight selected SME companies was involved in this research to provide their opinions and insights by referring to their experiences in current work. Furthermore, the SPSS system was used to conduct data analysis, including preliminary tests, descriptive, correlation, and regression analysis. After the analysis, the findings suggest that career development and fringe benefits have a positive impact towards employee retention in Malaysian SMEs, while flexible working arrangements have a reverse relationship. For recognition, it was found to be not significant in this study. On top of that, among the two independent variables that contribute to a positive relationship, career development stands as the most significant influence towards employee retention. Finally, from the results obtained, it hopes to provide valuable insights to the HR practitioners in SME companies a focal point to be emphasized in order to better retain their employees and thus reduce turnover costs.

**Key words:** flexible working arrangements, career development, recognition, fringe benefits, employee retention

## ABSTRAK

Pada masa kini, pengekalan pekerja telah menjadi salah satu cabaran yang kritikal bagi setiap organisasi, terutamanya dalam konteks PKS (SME) di Malaysia. Memandangkan ganjaran kewangan telah kehilangan kuasa pengaruhnya untuk mengekalkan pekerja dalam satu organisasi, diikuti dengan perubahan dalam corak kerja dan tingkah laku pekerja dalam organisasi, ganjaran bukan kewangan kini memainkan peranan yang penting. Oleh itu, kajian ini bertujuan untuk mengenal pasti kesan ganjaran bukan kewangan terhadap pengekalan pekerja dalam PKS Malaysia, khususnya dalam pengaturan kerja yang fleksibel, peluang pembangunan kerjaya, pengiktirafan dan faedah sampingan yang ditawarkan oleh organisasi. Untuk mengkaji hubungan antara pengaturan kerja yang fleksibel, peluang pembangunan kerjaya, pengiktirafan dan faedah sampingan dengan pengekalan pekerja dalam PKS Malaysia, penyelidikan kuantitatif melalui pengedaran soal selidik kepada lapan Syarikat PKS Malaysia telah dijalankan. Saiz sampel seramai 165 peserta yang bekerja di lapan syarikat PKS yang dipilih telah terlibat dalam penyelidikan ini untuk memberikan pendapat dan pandangan mereka dengan merujuk kepada pengalaman mereka dalam kerja semasa. Seterusnya, sistem SPSS digunakan untuk menjalankan analisis data, termasuk ujian awal, deskriptif, korelasi, dan analisis regresi. Selepas analisis, keputusan menunjukkan bahawa peluang pembangunan kerjaya dan faedah sampingan akan memberi kesan positif terhadap pengekalan pekerja dalam PKS Malaysia, manakala pengaturan kerja yang fleksibel mempunyai hubungan negatif. Untuk pengiktirafan, ia didapati tidak signifikan dalam kajian ini. Antara dua pembolehubah bebas yang menyumbang kepada hubungan yang positif, peluang pembangunan kerjaya menjadi pengaruh yang paling ketara terhadap pengekalan pekerja diperolehi. Akhir sekali, kajian ini juga berharap dapat memberikan pandangan yang berharga kepada pengamal HR dalam syarikat PKS sebagai titik fokus yang perlu dititikberatkan bagi mengekalkan pekerja mereka dengan lebih baik dan seterusnya mengurangkan kos pusing ganti.

**Kata kunci:** pengaturan kerja fleksibel, peluang pembangunan kerjaya, pengiktirafan, faedah sampingan, pengekalan pekerja

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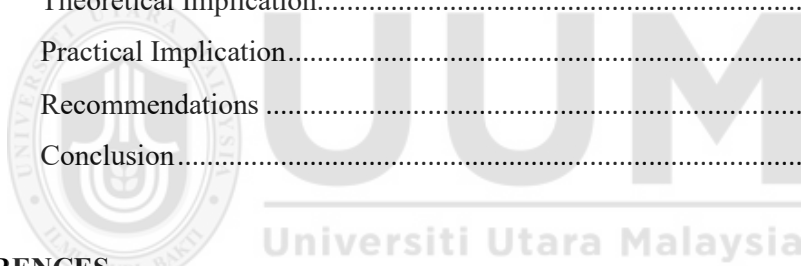
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# **CHAPTER ONE**

## **BACKGROUND OF STUDY**

### **1.1 Introduction**

In today's competitive business environment, particularly in Malaysia SMEs, skilled workers retention is very important for the continuous success of organizations. Traditionally, monetary rewards have been thought of as one of the important factors to retain employees. However, a growing amount of research indicates that non-monetary rewards significantly enhance commitment and job satisfaction, leading to employee retention. Hence, this study aims to investigate the impact of non-monetary rewards on employee retention in Malaysian SMEs. Details on the ideas for producing this study were discussed further below.

### **1.2 Background of Study**

In Malaysia, SMEs make up over 97% of all firms and form the foundation of the country's economy (Reuters, 2023). They supply about half of all jobs in Malaysia, with a total of 7.95 million workers in the market (HR Asia, 2023). Despite their growing employment figures and vital position in the economy, SMEs still have a hard time holding on to competent workers (Tee, 2013). The implementation of the minimum wage policy to RM1,500 in 2022 has had limited impact on SMEs because many SMEs have long adopted the mandated minimum wage and paying their employees a monthly salary higher than the minimum wage to attract employees (Zulkiflee, 2023).

Employee retention is considered as how an employee is willing to stay in an organization for some time (Bidisha & Mukulesh, 2013). An effective staff retention strategy aims to lower employee turnover and minimize recruitment costs (Iqbal & Hashmi, 2015). High retention rates are a sign of a happy workplace and contented employees, where employees are more motivated to efficiently (Charles-Leija et al., 2023). Conversely, turnover intention often arises when an employee feels unmotivated, underappreciated, or performs poorly at work (Bhayo et al., 2017), leading to increased costs and disruptions for the organization.

Moreover, according to the New Straits Times (2024), Malaysia's employee retention rate had risen from 14.9% in 2022 to 16.2% in 2023. The continuous shifts in talent strategy and the persistent imbalance between the supply and demand of talent are reflected in this rise. According to Al-Suraihi et al. (2021), when mentioning employee turnover intention, employees are more likely to leave the organisation if they are stressed, unhappy with their job, the working environment, and the total rewards package, or demotivated. Hence, many organisations are struggling to find strategies to retain their workers as replacing a departing employee can be costly and result in lost productivity.

Historically, monetary rewards such as salaries and bonuses have been used as one of the strong motivators to attract and retain employees in the first place (Mokhniuk, 2016). However, the 2024 Asia Salary Guide by HAYS reveals a shift towards non-monetary benefits, as employees now prioritize factors like flexible working arrangements and work-life balance over financial rewards. This shift has been further accelerated after COVID-19, as people are now more concerned about work-life

balance and spending quality time with their loved ones (Brace, 2022). Now, non-financial rewards including career advancement, learning opportunities, and recognition are essential for preserving employee motivation and engagement (AIHR, 2024).

Furthermore, as millennials and Generation-Z (Gen-Z) gradually make up a majority of the total workforce, their preferences are shaping the benefits landscape (Timmes, 2022). These generations are more concerned about a job that creates more meaningful value and combines it with leisure, valuing flexibility and work-life balance over traditional monetary incentives (Beaudoin). Consequently, employers have no choice but to consider creating spaces catering to their desires to better attract and retain top-notch in their organization. This also explains the fact that monetary benefits have lagged behind non-monetary benefits in today's employment market.

### **1.3 Problem Statement**

As standing as the majority number of firms in Malaysia, SMEs supply more than half of the employment opportunities in the Malaysian labour market (HR Asia, 2023). However, SMEs typically have a more casual and natural setting, and often lack a reward system that may inspire and keep employees in such an informal setting compared to larger organizations (Pee et al., 2022). These challenges pose a threat to SMEs' operational continuity and growth (Cleartax, 2024). With the rising prominence of employer branding and marketing, awards such as the 'Graduate Choice Award' highlight the growing importance employees place on such recognitions when choosing an employment opportunity (The Star, 2024). Weak employer branding, therefore, puts SMEs at a disadvantage in attracting and retaining talent.

Salary, once the primary motivator for employee retention is no longer the sole reason nowadays. Employees now rank flexible work arrangements as the most significant factor when deciding whether to stay with the company (HAYS, 2024). This shift prompted the inclusion of flexible working arrangements as one of the indicators that examined its influence on employee retention. The post-pandemic demand for workplace flexibility is evident, with nearly half of Malaysians claiming that they would seek other career opportunities if work flexibility were unavailable after COVID-19 (Ernst & Young, 2021). However, SMEs may find it difficult to adjust to such market shifts due to their budding nature (Lee, 2024).

In addition, prior studies on flexible working arrangements show mixed findings. It was found several studies show a positive relationship between flexible working arrangements with employee retention (Sanda & Ntsiful, 2021; Suprayitno, 2024; Mansor & Idris, 2015; Azami et al., 2023). Conversely, Kotey and Sharma (2015) argued that the impact of flexible working arrangements on retention depends on factors such as SME size, industry norms, and the skill levels of workers. Specifically, flexible working arrangements will only improve employee retention when the SME's size is bigger, as smaller SMEs often have a hard time implementing the work arrangements due to resource constraints. Hence, this raises the question: Are flexible working arrangements able to help in retaining employees in SMEs?

Besides, it was also noticed that people's needs for non-monetary rewards change as they age. Fox (2022) claims that when millennials and Gen-Z decide to remain with their current companies, they give top priority to work-life balance, opportunities for professional career growth, and an attractive compensation and benefits package.



Deloitte (2019) further notes that Gen Z considers the attractiveness of the industry, job value, and career progression rather than financial benefits. Unlike previous generations, these younger generations who grew up in a technological age with a highly industrialized economy demonstrate less loyalty to employers (Pee et al., 2022), and they are more likely to decline jobs that could not bring further advancement to them. In light of this, career development plays a critical role in employee retention nowadays. Looking at past studies, most research concludes that career development will increase employee intention to stay (Ali et al., 2022; Azami et al., 2023; Kahiga et al., 2019; Merican et al., 2022). However, some present contrasting evidence. Hosain (2016) and Frimayasa (2021) reported a reverse impact of career development on retention, highlighting inconsistencies that need to be further investigated.

Similarly, Pee et al. (2022) highlighted that employees are more likely to decline jobs that conflict with their perceived values and when they are not recognised in the workplace. While Shujaat and Alam (2013) highlighted that recognition does not significantly improve job satisfaction and employee retention, their findings lack consistency with broader research emphasizing the value of recognition in retaining employees (Pokhrel 2023; Ghimire et al., 2021; Mngomezulu et al., 2015). These conflicting findings highlight a gap in understanding the true impact of recognition on employee retention and underscore the necessity of a deeper investigation on the subject of Malaysian SMEs. In addition, HR professionals in the SMEs examined in this study revealed that employee resignations in their respective organisations were primarily driven by limited career progression and lack of recognition from their superiors, these findings need to be further reconfirmed within the context of SMEs.

Furthermore, Hu et al. (2021) discovered a significant correlation between employee retention and fringe benefits. Workers are less likely to quit a company when they are happy with the perks it offers, like family-plan programs and educational opportunities for their children. Given the declining influence of monetary benefits on employee retention, can organisations effectively retain employees by shifting their focus to supplementary fringe benefits as a new mechanism to retain their employees?

By referring back to the above, despite the research gaps found within the variables, it was found that existing literature predominantly concentrates on financial incentives, leaving a crucial gap in understanding the effectiveness of non-monetary benefits in reducing employees' intention to leave (Chinyio et al., 2018; Mokhniuk, 2018). Hence, instead of monetary rewards, there is a need to focus on non-monetary rewards in this study, particularly in flexible working arrangements, career development, recognition, and fringe benefits. This gap is particularly concerning for Malaysian SMEs, which frequently face resource constraints and need innovative tactics to attract and retain people. With SMEs characterized by diverse organizational cultures and limited resources, an important question arises: can non-monetary rewards serve as effective tools for retaining employees?

This study intends to fill these gaps by investigating how non-monetary rewards affect employee retention in Malaysian SMEs. By examining these facets, the study seeks to offer valuable advice on how to improve Malaysian SMEs' retention tactics, helping them maintain their competitiveness and long-term viability in the business sector.

#### **1.4 Research Questions**

- a) What is the relationship between non-monetary benefits and employee retention?
- b) Does employee retention in Malaysian SMEs have a relationship to flexible working arrangements, career development, recognition, and fringe benefits?

#### **1.5 Research Objectives**

- a) To identify the relationship between non-monetary rewards and employee retention in SMEs in Malaysia.
- b) To examine the relationship between flexible working arrangements, career development, recognition, and fringe benefits on employee retention in Malaysian SMEs.

#### **1.6 Scope of Study**

The scope of this study focuses on employee retention and attrition data recording among SMEs in Malaysia over the period from year 2013 until 2023. Besides, the components of compensation and benefits are also collected in order to meet the research objectives.

Furthermore, this study is only focused on the eight selected SMEs that are currently facing employee retention issues, whereas they found that the main reason for employee turnover in their companies is not dissatisfaction with monetary rewards, but lack of non-monetary rewards.

## **1.7 Significance of Study**

Staff retention is critical for Malaysian SMEs, which account for the majority of jobs and economic growth in the country. The ability of SMEs to retain quality employees directly impacts their productivity, stability, and long-term success. With monetary rewards losing prominence, this research hopes to explore the relationship of non-monetary rewards with employee retention in Malaysian SMEs, aiming to equip SMEs with the insights needed to enhance their HRM strategies in a competitive employment market.

It is expected that the findings of this study will provide valuable insights and practical recommendations to academics, legislators, human resource managers, and SME owners. For instance, HR managers and SME owners in the eight selected SMEs can apply these insights to develop more effective non-monetary reward schemes, ultimately leading to increased employee satisfaction, reduced turnover, and sustained business success. In addition, scholars and legislators will also gain a deeper understanding of the changing human resource landscape in SMEs, which will benefit future research and policymaking.

Additionally, this study addresses a critical gap in the existing literature by focusing on the importance of non-monetary rewards on employee retention in Malaysian SMEs. In doing so, it hopes to offer practical solutions that can enhance organizational performance and long-term viability in a market that is becoming more and more dependent on human resources.

## **1.8 Definitions of Key Terms**

The following conditions are used for this study, and the terms concerned are closely linked to the study.

### **Small and Medium Enterprise (SME)**

SME stands for Small and Medium-sized Enterprise. SMEs build up from two industries, which are manufacturing and services. SMEs in the manufacturing line are required to have no more than 200 full-time employees or annual revenue of no more than RM50 million. While for services, it should not be more than RM20 million in annual sales or more than 75 full-time employees (LHDN, 2024).

### **Employee Retention Rate**

Employee retention rate is a way of measuring the ability of an organization to keep a stable workforce in their organization with a low number of resignations (Vulpen). It shows the percentage of employees who remain with the company over a given time frame compared to the total number of employees during that period.

### **Employee Turnover Rate**

The percentage of workers that leave the company over a specific time period is known as the employee retention rate. There are two types of employee turnover: involuntary and voluntary turnover. Involuntary turnover arises when a person is requested to quit their position, whereas voluntary turnover happens when an individual leaves an organisation by their own will, usually to work for another company. Reduced employee morale, expensive replacement costs, a shortage of skilled and experienced applicants, etc, can all result from a high turnover rate (Shweta, 2024).

## **Compensation and Benefits**

Vulpen believes that compensation and benefits are the company's return to employees' labour. Through attractive compensation and benefits programs, it is possible to attract and retain top talents and maintain or improve their work happiness, enthusiasm and participation. Compensation and benefits are divided into two categories: monetary rewards and non-monetary rewards.

### **Non-Monetary Rewards**

Non-monetary benefits are rewards that an organization offers to its employees that are not monetary in nature. Non-monetary rewards are a way of providing employees with something more than just conventional pay and benefits; they can take the form of recognition, learning opportunities, career development, etc (AIHR, 2024).

### **Generation X (Gen-X)**

People born between the 1960s and 1980s are referred to as Gen-Xers (Slepian et al., 2024). Kagan (2024) claims that because Gen-Xers were born between the Baby Boomer and Millennial generations, they are now of the age where they are raising and educating their children in addition to taking care of their aging parents. Generation X workers have a strong emphasis on their pay and the prospects for professional growth they can obtain at work (Bejtkovsky, 2016).

### **Millennials (Gen-Y)**

Millennials, also known as Generation Y, are generally defined as the generation born between 1981 and 1996 (Slepian et al., 2024). People born in Generation Y usually live surrounded by the internet as it was the era when the internet was slowly emerging

into the world (Dimock, 2019). According to Adkins (2023), it was found that millennials are known for job-hopping and tend to look for a new job if it appears to be a better opportunity in the market or keep looking until they find the job worthwhile.

### **Generation Z (Gen-Z)**

Gen-Z refers to people born between 1997 and 2012 (Slepian et al., 2024). Generation Z is often identified as being born into an environment that is changing rapidly, such as the evolution of the digital era, climate anxiety, the changing financial landscape, and the outbreak of COVID-19. The first generation of Gen Z was when the internet and new technologies have gradually become part of their daily lives, and they are known for working and socializing online (McKinsey & Company, 2023). According to Deloitte (2019), people of Generation Z value the joy of work more than salary.

### **1.9 Organization of Study**

There are five chapters that examine this subject. The study's overall concept was presented in Chapter 1, which also included the research background, problem statement, research questions, objectives, significance of the study, and definitions of key terms used in the study. In order to hypothesise the results, Chapter 2 covered the literature review on non-monetary rewards, such as flexible working arrangements, career development, recognition, and fringe benefits for employee retention. Next, the research methodology was discussed in Chapter 3. The research techniques employed in the study were listed, while the data collection methods and data analysis for this study also being discussed in this section.

Furthermore, Chapter 4 discusses the hypothesis in detail and presents the analysis and findings that pertain to the study topics. The information gathered from the questionnaire survey and a few additional sources were explained and analysed here. In addition, the study's main conclusion is covered in the final chapter, Chapter 5, which also included a summary and discussion of the statistical analysis and findings, as well as the limitations of the study. Chapter 5 also discusses the recommendations and suggestions for further research.

### **1.10 Summary**

In conclusion, there are significant ramifications for HRM theory and practice from the study on the relationship between non-monetary benefits and employee retention in Malaysian SMEs. This study intends to offer useful insights that might aid in the creation of focused strategies to maintain talent and promote organizational resilience in Malaysia's dynamic SME sector, thus helping the company achieve long-term sustainability.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The components of non-monetary rewards, including flexible working arrangements, career development, recognition, and fringe benefits were discussed in this chapter. Besides, the outcomes from prior research and studies by different researchers were included to provide a deeper understanding of the concept of this study.

#### **2.2 Employee Retention**

Employee retention is the dependent variable of this study. Employee retention can be defined as the willingness of employees to continue working in an organisation over the long term (Bidisha & Mukulesh, 2013). It can also be explained as a way for an organization to strive to retain its competitive workforce and achieve the operational requirements parallelly (Mita et al., 2014). Employee retention can be measured through the retention rate, which calculates the number of employees who remain in the organisation as a percentage of the company's total workforce.

Employee retention is important to prevent the loss of high-skilled workers as their leave could adversely affect the organisation (Goud, 2014). Low employee retention can negatively impact a company's competitiveness, diminished productivity, and increased financial performance associated with recruiting, onboarding, and training replacements (Al-Suraihi et al., 2021; Lee et al., 2016). For instance, inexperienced employees often hired to fill these gaps, are more prone to errors and mishaps

compared to experienced counterparts, and this can contribute to a decline in overall company performance.

In addition, previous studies have found that employee retention is affected by a variety of factors and human resource management is considered to be one of the crucial factors in managing employees' willingness to stay (Choi et al., 2014; Imna et al., 2015). According to Melinde and Desiree (2013), it has been found that the top eight factors of employee retention are employee commitment, remuneration, job scopes, learning and training opportunities, career development, supervisor support, work-life balance initiatives, and intention to leave. Although various factors influence employee retention, it is essential to identify the most impactful factors to develop effective retention strategies.

However, based on Choi et al. (2014), the study showed that employees' decision to stay in an organization is influenced by two factors, including 'perceived ease of movement', which is the employee's perception of how easily it is to leave their current job and switch to another position or organization, and 'perceived desirability of movement', a factor that is influenced by personal, organizational, and market factors that determine the employee's satisfaction with their current role. Therefore, when job satisfaction is low among employees and the market opportunity is attractive, employees will tend to leave the company. At this point, an effective compensation and benefits system in SMEs is crucial in attaining a competitive advantage to better retain their employees.

### **2.2.1 Herzberg's Two-Factor Theory with Employee Retention**

Employee retention is closely linked to job satisfaction, which can significantly influence an individual's decision to stay in an organization. Herzberg's Two-Factor theory (1959) theorized that employee satisfaction can be further discussed by hygiene and motivation factors.

Hygiene factors address the basic requirements of a job, it includes work environment, safety, fairness, and pay. Low and Panatik (2019) stated that hygiene factors are not the major contributors to job satisfaction, but when hygiene factors do not occur as expected, employees become dissatisfied, thus forcing employees to resign. In addition, the authors also indicated that motivational factors help encourage employees to persist and advance in their positions. This factor includes career development opportunities, recognition, and achievements. According to Herzberg's theory, if employees believe they cannot further develop and grow in their current positions, they may lose interest in their jobs. Therefore, employees will start to seek other career opportunities that will advance their professional development (Mohammed et al., 2017).

Understanding and addressing hygiene and motivational factors is critical for organizations aiming to improve employee satisfaction and employee retention. By ensuring basic needs are met and providing growth opportunities, organizations can develop a more engaged and motivated workforce, thus able to retain employees more effectively.

## **2.3 Independent Variable**

This study contains four independent variables, namely flexible working arrangements, career development, recognition, and fringe benefits. All these independent variables are being used to identify their relationship with the dependent variable.

### **2.3.1 Flexible Working Arrangements**

According to Ifeyinwa Stella et al (2020), flexible work arrangements are a way of allowing employees more freedom and flexibility to perform their work tasks to achieve a better work-life balance while improving the company's performance. Flexible working arrangements can further be discussed in flexible working hours, telework and hybrid work, flexible leave arrangements, etc (Groen et al., 2018). In this study, flexible working arrangements were measured by flexible work hours, which indicated the degree to employees were allowed to vary their work schedules between locations and their work time.

Flexible working arrangements have been shown to significantly impact employees' willingness to remain with the company, particularly during the outbreak of COVID-19, which has altered workplace flexibility globally (Azami et al., 2023). As highlighted by Mansor and Idris (2015) and Khan et al. (2020), flexible working arrangements help improve employee retention and reduce absenteeism. This flexibility enables employees to better manage their personal and professional lives, reduces stress, and increases loyalty to the company (Idris, 2014).

Flexible work schedules, such as flexible working hours and flexible leaves are perceived by employees as indicators of the organization's trust and support. Even if

some employees do not utilize flexible schedules, they still believe that this is how the organization's willingness to support and assist in improving employee well-being and satisfaction (Choi, 2019). For instance, providing flexibility to employees who require it can reduce voluntary turnover and foster a supportive work environment. According to Tsen et al. (2021), the authors indicated that giving employees autonomy and freedom through flexible work arrangements helps preserve their time and energy while also instilling a sense of responsibility for repaying the organization's investment. As a result, employees are less likely to leave the company.

Despite the extensive studies examining the relationship between flexible work arrangements and employee retention, most studies have been conducted internationally. Consequently, there is a limited understanding of how these arrangements impact employee retention within Malaysian SMEs. Given this, the hypothesis was established based on the above arguments:

***H1:** Flexible working arrangements have a positive relationship with employee retention in Malaysian SMEs.*

### **2.3.2 Career Development**

Career development is an ongoing process that encompasses the growth of one's beliefs, values, attitudes, abilities, character, and understanding of the working world (Sharma, 2016). Organizational career-related activities, such as interest and career orientations, motivations, training opportunities, career stagnation, etc., can be used to further examine career development. This study measures career development by

evaluating the availabilities and opportunities for employees to grow in their careers and develop their knowledge, abilities, and career paths within the organisation.

Research results consistently show a positive correlation between career development and employee retention. Azami et al. (2023) and Merican et al. (2022) pointed out in their research that career development programs can change turnover beliefs, and when employees believe that their employer is investing in their career development, they are more likely to remain in their position (Kahiga et al., 2019). Similarly, Ali et al. (2022) mentioned that employees who receive more development opportunities exhibit higher dedication and gain satisfaction from these opportunities.

Furthermore, tailored career development plans that align with individual talents also help in employee retention (Ferdiana et al., 2023). This personalized development plan not only demonstrates the organisation's intention and appreciation for the employee's contribution to the organisation but also helps reduce turnover. Hennicks (2014) added that career development opportunities foster personal motivation, encouraging employees to go beyond their basic job requirements while reinforcing their sense of value within the company.

Based on the HR from the eight SMEs, they mentioned that the limitation of career development caused a high employee turnover in their organisation. In the context of Malaysian SMEs, however, career development opportunities may be limited compared to large organizations, which often have more resources to invest in professional development. To effectively utilize career development strategies for

retaining employees, SMEs would need to allocate substantial time and resources to design and implement these plans. This consideration leads to the hypothesis that:

*H2: Career development has a positive relationship with employee retention in Malaysian SMEs.*

### **2.3.3 Recognition**

The prompt, informal, or formal acknowledgement of a person's or a group's actions, work, or result that advances the goals and values of the company is known as recognition (Sitati et al., 2019). When hard work is acknowledged, employees respond positively because it shows that their efforts are appreciated (Uwannah & Fadairo, 2023). Recognition can be gauged by the frequency, level, and type of recognition employees receive in the workplace.

Recognition has been consistently highlighted as one of the key factors influencing employee retention. Pokhrel (2023) discovered a strong correlation between receiving recognition from others and desiring to continue working for the same organization. Given the situation, if employees feel well about the benefits and accolades their company provides, they are more inclined to stay with the organization (Mngomezulu et al., 2015). This finding is further supported by other studies, which demonstrate that recognition will affect employees' intention to stay in the organization (Subramaniam et al., 2019; Tirta & Enrika, 2020).

Besides, Uwannah and Fadairo (2023) stressed that employee retention rates tend to be higher when employees feel that their abilities, efforts, and performance

contributions are recognised and appreciated by the organisation. Recognition not only validates employee's contributions but also fosters a sense of community and aligns employees with a shared vision. Aguenza and Som (2012) noted that organizations that value employee recognition will help organizations foster a creative, productive, and happy work environment. Such an environment enhances employee loyalty and commitment, as employees feel more connected to their work and confident in their ability to contribute to organizational goals.

In Malaysian SMEs, recognition may even play an important critical role in employee retention as according to the eight SMEs, recognition is one of the factors of employee leaving. By leveraging the importance of recognition in the workplace, job satisfaction can be enhanced and thus improve retention. Based on the reviewed literature, the following hypotheses were suggested:

*H3: Recognition has a positive relationship with the employee's intention to stay in Malaysian SMEs.*

#### **2.3.4 Fringe Benefits**

Fringe benefits are supplementary in nature and are not included in wages. They are usually given to all employees in the organization regardless of their performance, such as wellness programs, insurance, family-related plans, educational support, etc (Osibanjo et al., 2014). The goals of fringe benefits are to preserve and enhance the standard of living for staff members as well as to give them and their families a degree of security and protection (Chukwuma & Kifordu, 2018). It often is used as a powerful tool to attract and retain employees to work in the company.



In the highly competitive international economic environment, benefits are one of the strategies that organizations use to take the lead in the industry in attracting and retaining talent. According to Abdullah Al Mamun and Hasan (2017), fringe perks, in particular, are a powerful tool for influencing employees' desire to remain in a company. This statement was further supported by Hu et al. (2021) who found a strong correlation between employee retention and fringe benefits, noting that employees are less likely to leave the organisation if they are satisfied with the fringe benefits offered, such as family-plan programs, and education privileges for their children.

Additionally, as Bender et al. (2013) note, employees are increasingly concerned about balancing their personal and professional lives. The importance of perks, such as health insurance, wellness initiatives, pension plans, and subsidized gym membership in fostering employee loyalty as well as inspiration, and productivity has been widely emphasized (Cheptoo & Kilika, 2021). While salary still plays a role in retaining employees as an extrinsic motivator, the non-monetary fringe benefits are reflected in intrinsic value contributions to the employees. These perks allow the staff members to feel cared for outside of work and help them establish trust with the management.

For SMEs in Malaysia, offering competitive fringe benefits is particularly important for retaining talent, as SMEs typically have fewer resources than larger companies.

Given these insights, the following hypothesis was proposed:

***H4: Fringe benefits have a positive impact on employee retention in Malaysian SMEs.***

## 2.4 Summary of Literature Review and Finding

**Table 2.1**

*Summary of Literature Review and Findings*

Variables	Author	Findings
Flexible working arrangement	Azami <i>et al.</i> (2023) Khan <i>et al.</i> (2020) Idris (2014) Choi (2019) Mansor & Ldris (2015) Tsen <i>et al.</i> (2021)	Flexible working arrangements will affect the employees' retention in an organization.
Career development	Azami <i>et al.</i> (2023) Merican <i>et al.</i> (2022) Kahiga <i>et al.</i> (2019) Ali <i>et al.</i> (2022) Ferdiana <i>et al.</i> (2023) Hennicks (2014)	Employee willingness to stay with the company increases as more career development opportunities are provided.
Recognition	Pokhrel (2023) Mngomezulu <i>et al.</i> (2015) Subramaniam <i>et al.</i> (2019) Tirta & Erika (2020) Uwannah & Fadairo (2023) Aguenza & Som (2012)	Recognition increases the employees' intention to stay in the organization.
Fringe benefits	Abdullah Al Mamun & Hasan (2017) Hu <i>et al.</i> (2021) Bender <i>et al.</i> (2013) Cheptoo & Kilika (2021)	Fringe benefits have a significant impact on employee retention.

## 2.5 Summary

According to past studies, it was concluded in the literature review that the independent variables, flexible working arrangements, career development, recognition, and fringe benefits have a significant impact on the dependent variable, which is employee retention. However, there is a gap in this research where the scope

of targeted participants is different, and the relationship between the non-monetary benefits identified above with employee retention in Malaysian SMEs needs to be further explored in this study. After concluding the findings from previous research, a list of hypotheses is generated from the views and perspectives of researchers found in their studies, whereas the methodology is discussed further in the next chapter.



## CHAPTER THREE

### METHODOLOGY

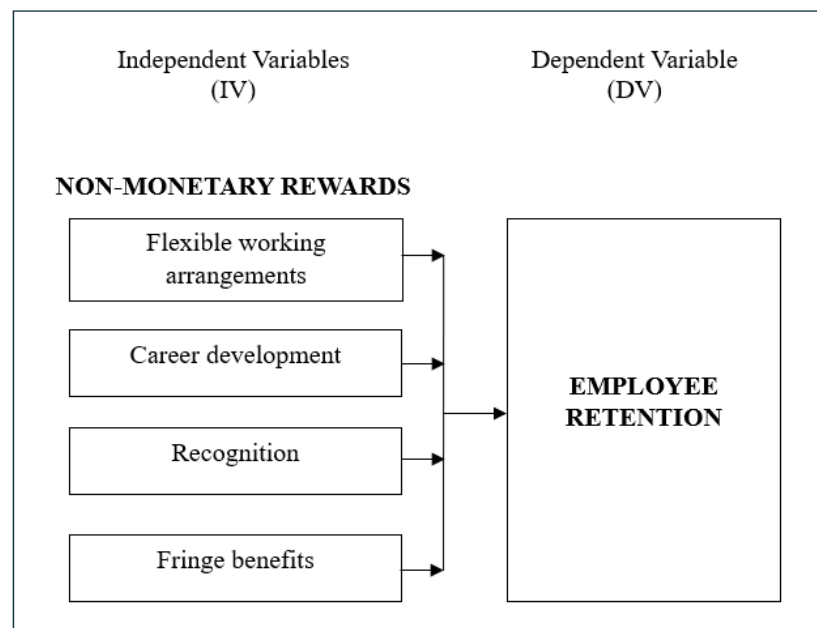
#### 3.1 Introduction

This chapter discusses the sampling techniques, tools, information-gathering methods, and statistical methods used in the field of study.

#### 3.2 Research Framework

By referring to the past studies in Chapter 2, the conceptual research framework for this statistical model was developed as follows. Flexible working arrangements, career development, recognition, and fringe benefits are the elements of non-monetary rewards, which were used as independent variables in this study, while employee retention is a dependent variable.

**Figure 3.1**  
*Conceptual Framework of the Study*



### **3.3 Research Design**

This section covered the technique, sample population, and data collection tools. Organising and planning the research action to guarantee the seamless gathering of data is the aim of the research design.

#### **3.3.1 Quantitative Research**

This study employed a cross-sectional, quantitative approach that examined a population at a time. This study examines the connection between employee retention in Malaysian SMEs and non-monetary rewards, such as flexible working arrangements, career development, recognition, and fringe benefits. Additionally, quantitative survey questions were used to gather data from the participants in this study. The questionnaire asked about their perceptions of the factors' power of influence as well as the non-monetary benefits offered by their organisations.

### **3.4 Population and Sampling Technique**

Sampling is essential to guaranteeing the study's validity. This section described the study's population, sample, and unit of analysis.

#### **3.4.1 Unit of Analysis**

The unit of analysis for this study is individual. Specifically, the respondents for this study are the employees of Malaysian SMEs, focusing on their opinions towards the non-monetary benefits of the company.

### 3.4.2 Study Population

In this study, SMEs in Malaysia have been determined as the research population to identify the impact of non-monetary rewards on employee retention. In this study, eight SME companies that are currently facing employee retention issues, with a total number of 290 employees were identified to collect the data. The number of employees from each company was provided by their respective HR practitioners in the company in order to accurately determine the population size. The list of the eight SME companies chosen is listed below:

**Table 3.1**  
*List of SME Companies Chosen*

No.	Company Name	Total Employees	Percentage (%)
1	Palmgold Corporate Services Sdn Bhd	52	17.93
2	Mika Premium Gift Shop Sdn Bhd	23	7.93
3	EAMS Management Sdn Bhd	14	4.83
4	Maxxan Realty Sdn Bhd	32	11.03
5	WOW Media Sdn Bhd	22	7.59
6	Inland Sports Recreational Club Sdn Bhd	33	11.38
7	Suasa Tetap (M) Sdn Bhd	39	13.45
8	Tropics Property Management Sdn Bhd	75	25.86
<b>TOTAL</b>		<b>290</b>	<b>100</b>

### 3.4.3 Sample Size

Referring to the total number of employees from the eight SME companies selected and considering that 290 is a finite and small population, the Krejcie and Morgan method has been adopted for sample size determination in this study. Krejcie and

Morgan assume a 95% confidence level and a 5% margin of error, which provides an adequate sample size and ensures sufficient representation.

The sample size was expected to be 165 respondents in this study to ensure its accuracy. Employees from the eight selected companies are expected to complete the questionnaire to examine the influence of non-monetary rewards on employee retention.

The formula of Krejcie & Morgan sample size computation is as follows:

$$n = \frac{x^2 \cdot N \cdot P(1-P)}{e^2 (N-1) + x^2 \cdot P(1-P)}$$

Where;

n = Sample size

$x^2$  = Chi-square of a degree of freedom 1 and confidence level 95%

N = Population size

P = Proportion of population

e = Acceptable sampling error

Hence, the computation of the sample size is as below:

$$\begin{aligned} n &= \frac{x^2 \cdot N \cdot P(1-P)}{e^2 (N-1) + x^2 \cdot P(1-P)} \\ &= \frac{3.841 \times 290 \times 0.50 (1-0.50)}{(0.05^2) (290-1) + 3.841 \times 0.5(1-0.5)} \\ n &= 165.49 \text{ (round-off to 165)} \end{aligned}$$

### 3.4.4 Sampling Technique

Stratified sampling was chosen as the method to collect data from the target population. Stratified sampling, which involves splitting the population into smaller groups that could differ significantly, is frequently used to capture important population characteristics in a sample (Hayes, 2024). The reliable results can be obtained by ensuring that each subgroup is fairly represented in the sample.

In this study, the subgroups from Malaysian SMEs were divided based on the category of the company in SME definition, which are small companies with 5 to less than 30 employees, and medium companies with the number of employees ranging from 30 to 75. The 8 companies have been divided into subgroups to ensure that both small and medium companies are proportionally represented in the sample, which reduces the risk of sampling bias and enhances the generalizability of the findings. There are 3 small companies in this study, including Mika Premium Gift Shop Sdn Bhd, EAMS Management Sdn Bhd, and WOW Media Sdn Bhd. The rest of the 5 companies are considered medium companies.

The anticipated sample and the number of respondents from each company were determined through proportional stratified sampling, which followed the exact ratio for each stratum. The formula of the proportional stratified sampling method is shown below:

$$\text{Sample size for stratum} = \frac{\text{Total employees in a stratum}}{\text{Total employees}} \times \text{Total sample size}$$



The calculation to determine the sample size for each stratum:

**Table 3.2**

*Calculation of Sample Size for Small Size Companies*

No.	Small Company	Sample Frame	Sample
1	Mika Premium Gift Shop Sdn Bhd	23 (7.93%)	14
2	EAMS Management Sdn Bhd	14 (4.83%)	8
3	WOW Media Sdn Bhd	22 (7.59%)	13
<b>Total</b>		<b>59 (20.35%)</b>	<b>35 (21.21%)</b>

**Table 3.3**

*Calculation of Sample Size for Medium Size Companies*

No.	Medium Company	Sample Frame	Sample
1	Palmgold Corporate Services Sdn Bhd	52 (17.93%)	30
2	Maxxan Realty Sdn Bhd	32 (11.03%)	18
3	Inland Sports Recreational Club Sdn Bhd	33 (11.38%)	18
4	Suasa Tetap (M) Sdn Bhd	39 (13.45%)	22
5	Tropics Property Management Sdn Bhd	75 (25.86%)	42
<b>Total</b>		<b>231 (79.65)</b>	<b>130 (78.79%)</b>

### 3.5 Operational Definition and Instrument Measurement

The operational definitions of dependent variable and independent variables were discussed in this section.

#### 3.5.1 Employee Retention

Employee retention is the willingness of employees to continue working in an organization for a long time (Bidisha & Mukulesh, 2013). Table 3.4 shows the distribution of the dependent variable. There were six items adapted from Mansor and

Idris (2015) pertaining to employee retention designed on a five-point Likert scale, ranging from ‘1’ “strongly disagree” to ‘5’ “strongly agree”. A reliability test with the Cronbach’s alpha value of 0.786 for the questionnaire items used in this study. Respondents were asked to indicate their level of agreement or disagreement with the items, and the items of employee retention.

Table 3.4 displays the basic information on the employee retention scale used in this study, while Table 3.5 shows the original and adapted version of the questionnaire items applied. The adaptation was done due to the change of tone that focusing individual aspects of the questionnaire.

**Table 3.4**  
*Basic Information on the Employee Retention Scale*

<b>Variables</b>	<b>Operational Definition</b>	<b>Items</b>	<b>Scales</b>	<b>Cronbach’s Alpha</b>	<b>Sources</b>
<i>Employee retention</i>	The willingness of an employee to stay in one organization for a period of time to achieve organizational goals.	6	5-point Likert scale	0.786	Mansor & Idris (2015)

**Table 3.5**  
*Items of the Employee Retention*

<b>Variables</b>	<b>Original Version</b>	<b>Adapted Version</b>
Employee retention	1. I intend to remain with this organization in the foreseeable future.	I would not consider leaving this company for another job within the next year.
	2. I am committed to contributing to the long-term success of this organization.	I am committed to contributing to the long-term success of this organization.

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3. I stay with the company because of the opportunities for growth.	The opportunities provided by this company encourage me to stay.
4. The work-life balance provided by this company makes me more likely to stay with the organization.	The work-life balance provided by this company makes me more likely to stay with the organization.
5. I will stay longer with the company if my efforts are being appreciated.	Recognition for my efforts makes me more likely to remain at this company.
6. I would leave this company if I were offered a better job elsewhere.	I would leave this company if I were offered a better job elsewhere.

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**Source:** Mansor & Idris (2015)

### 3.5.2 Non-Monetary Rewards

Based on AIHR (2024), non-monetary benefits are rewards that an organization offers to its employees that are not monetary in nature. In this study, the non-monetary rewards included flexible working arrangements, career development, recognition, and fringe benefits. The reliability test was conducted to investigate the correlation between the items in each variable and how these instruments are related as a group in the questionnaire. The Cronbach's Alpha value for the elements of non-monetary rewards was as follows: flexible working arrangements, 0.662; career development, 0.789; recognition, 0.630; and fringe benefits, 0.688. As the Cronbach's Alpha value is higher than 0.6, therefore it suggested that the questionnaire items were relevant to be used in this study (Ursachi et al., 2015).

The respondents were asked to provide their agreement and disagreement based on their feelings and experiences in their current working company. The scale used in this section was similar to the dependent variable, which was on a five-point Likert scale,

ranging from ‘1’ “strongly disagree” to ‘5’ “strongly agree”. The basic information about non-monetary rewards and the original and adapted versions of questionnaire items were displayed as follows.

**Table 3.6**  
*Basic Information on Non-Monetary Rewards Scale*

<b>Variables</b>	<b>Operational Definition</b>	<b>Items</b>	<b>Scales</b>	<b>Cronbach's Alpha</b>	<b>Sources</b>
Non-Monetary Rewards	Rewards that are not monetary in nature.				
Flexible Working Arrangements	The freedom and flexibility of employees to perform their job tasks.	7	5-point Likert scale	0.662	Govender et al. (2018)
Career Development	The ongoing process that encompasses the growth of one's employee	7	5-point Likert scale	0.789	Ali et al. (2022)
Recognition	The acknowledgement of a person's or a group's effort or result that advances the goals and values of the organization.	7	5-point Likert scale	0.630	Mngomezulu et al. (2015)
Fringe Benefits	Supplementary benefits that are not based on employee's performance.	7	5-point Likert scale	0.688	Adjeikwame (2019)

Table 3.6 summarises the information on the items in each independent variable. There were 7 items each for flexible working arrangements, career development, recognition, and fringe benefits.

**Table 3.7***Items of the Non-Monetary Rewards (Original and Adapted Version)*

No.	Original Version	Adapted Version
<b>Flexible working arrangements</b>		
1.	It is implemented in my organization.	I have access to flexible working arrangements in my current job.
2.	A flexible work arrangement will make me want to stay in my company's employ.	A flexible work arrangement will enhance my willingness to stay longer in the organization.
3.	I often need time off during working day to take care of personal commitments.	I frequently require time off during the workday to attend to personal obligations.
4.	A flexible work arrangement will help balance my work-life commitment.	A flexible work arrangement helps to balance work-life commitment.
5.	A flexible work arrangement reflect the organization's trust and value in me.	The availability of flexible working arrangements will reflect the organization's trust and value in me.
6.	Flexible schedule boosts my job motivation and productivity in the organization.	Flexible schedule boosts my job motivation and productivity in the organization.
7.	Flexible working arrangements are important to me when considering future job opportunities.	Flexible working arrangements are important to me when considering future job opportunities.
<b>Career development</b>		
8.	The organization has an effective and transparent career development process in place.	I have access to a transparent and efficient development program in my organization.
9.	My organization conducts performance evaluation to all employees with an aim of ensuring that all employees understand all their responsibilities.	My organization conducts performance evaluations to all employees to ensure that they understand their responsibilities.
10.	I am pleased with the career advancement opportunities available to me.	I am pleased with the career advancement opportunities available to me.
11.	I am satisfied that I have the opportunity to put my experience and talent in my daily duties.	I have the opportunity to put my experience and talent in my daily duties.
12.	The manager understands and supports my career aspirations.	My manager understands and supports my career aspirations.

- |     |  |  |
|-----|--|--|
| 13. | The organization has opportunities that align with my career goals.  | Programs for career development and training in the organization are aligned with my individual career goals.        |
| 14. | Opportunities for professional growth and learning inspire me to devote more effort to achieving company objectives. | Opportunities for professional growth and learning inspire me to devote more effort to achieving company objectives. |

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**Recognition**

- |     |   |   |
|-----|---|---|
| 15. | My employer gives recognition for good work done.                                   | My manager gives recognition for good work done.                                    |
| 16. | In my organization, innovation and creativity are highly valued.                    | Creativity and innovation are highly regarded in my organization.                   |
| 17. | I receive constructive criticism about my work.                                     | I receive constructive criticism about my work.                                     |
| 18. | The employer makes me feel important.   | The organization makes me feel important at work.                                   |
| 19. | I get credit for what I do.   | I get credit for what I do.   |
| 20. | I feel more engaged and committed to my work when I receive recognition.            | Receiving recognition increases my engagement and commitment to my work.            |
| 21. | Appreciation for my efforts influences my decision to remain with the organization. | Appreciation for my efforts influences my decision to remain with the organization. |

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**Fringe benefits**

- |     |   |  |
|-----|---|--|
| 22. | I am satisfied with my remuneration package.  | The fringe benefits offered by the organization meet my expectations.                                      |
| 23. | My remuneration package compared well to others in this field.                                | My fringe benefits compare well to others in this field.   |
| 24. | It is important for me that organization assists me to give education to my immediate family. | My organization assists me and my immediate family with education expenses.                                |
| 25. | It is important for me that organization provide with employees wellness programs.            | My organization provides employees wellness programs (e.g., gym memberships, and mental health resources). |
-

26.	I feel that for the amount of work I do, the pay is sufficient.	The rewards and benefits offered are commensurate with the amount and quality of work I have done.
27.	I stay with my organization because of the remuneration package offered.	The fringe benefits offered by the organization influence my decision to remain in my current job.
28.	I would leave my job if another organization offered similar roles with better fringe benefits.	I would leave my job if another organization offered similar roles with better fringe benefits.

### 3.6 Questionnaire Design

The questionnaire was designed into 6 sections, including sections a) demographic information of the respondents (5 questions), b) employee retention (6 questions), c) flexible working arrangements (7 questions), d) career development (7 questions), e) recognition (7 questions), and f) fringe benefits (7 questions).

Each respondent received a seven-page Google Form questionnaire that focused on satisfying the study objectives and answering the research questions. The questionnaire was delivered in English using the adapted version of the items. The distribution of questions in each part is displayed in Table 3.8 below.

**Table 3.8**  
*Questionnaire Design*

Section	Item	Coding	Number of Items
A	Demographic information	A1 – A5	5
B	Employee retention	B1 – B6	6
C	Flexible working arrangements	C1 – C7	7
D	Career development	D1 – D7	7
E	Recognition	E1 – E7	7
F	Fringe benefits	F1 – F7	7
<b>Total Questions</b>			<b>39</b>

### **3.7 Data Collection**

The data collection technique adopted for this study was the distribution of questionnaires, and the time for the data collection process was two weeks. A set of e-questionnaires in Google Form format was used as the source for this research to collect primary data from the target population. It consists of seven pages, with sections A to F that focus on demographic information, dependent variable, and independent variables.

The questionnaire was distributed to the HR from eight SMEs through the mobile application WhatsApp, and HR from each company then distributed the Google Form link to their employees by sending it to respective WhatsApp groups. Throughout the data collection period, the responses were closely observed to ensure the target sample size was achieved. Besides, a reminder has been sent to HR to update the corresponding responses from each company and encourage more employees to participate when the number of feedback is not on track. A close monitoring process successfully helped this study to achieve the targeted sample size and obtain the information from the participants.

In addition, secondary data is data collected from previous research. Secondary data contains sufficient and useful information to support the current research. Secondary data was collected from existing articles or internet materials on the research topic, including internet resources, articles, journals, etc. All the secondary data collected carries the purpose of strengthening and supporting the existing research with past research done by other researchers.



### **3.8 Data Analysis Technique**

The Statistical Package for Social Sciences (SPSS) was used to analyse the data that was gathered from the target participants. Following the collection of all respondent data, the data was coded, and imported into SPSS, and a series of statistical analysis methods were conducted to analyse and refine the collected data.

### **3.9 Preliminary Analysis**

Preliminary analysis including reliability analysis, normality test, and multicollinearity test were conducted to check the acceptability and quality of the data before further investigating the data collected. The following analyses were conducted.

#### **3.9.1 Reliability Analysis**

Reliability testing is a preliminary test conducted in data analysis to see how consistent the readings are through repeated measurements and to consider the relevance and quality of the instruments used in a specific research question (Taber, 2017). To be more precise, the reliability test aims to investigate the correlation between the items in each variable and how these instruments are related as a group in the questionnaire. In this study, the response data collected for each of the questionnaire items in dependent variable and independent variables were further processed in SPSS to determine the reliability of data.

In general, Cronbach's Alpha with a value of 0.6 to 0.7 indicates the acceptability of questions in the survey questionnaire and is reliable for further study, while 0.8 or higher indicates a very good level (Ursachi et al., 2015).

### **3.9.2 Normality Test**

Since normal data is basic premised on parametric tests, the normality test is required for many statistical studies (Mishra et al., 2019) A normality test is usually conducted before further analysing the data and making the decision whether the mean is applicable as a representative value of the data. If the data is not normally distributed, then medians are more suitable to be used (non-parametric methods) compared to the mean in the parametric test.

There are many ways to test data normality, the commonly used methods are the Shapiro-Wilk test, Kolmogorov-Smirnov test, skewness and kurtosis, or graphical methods. In this study, the normality test was explained by using the skewness of kurtosis measurement. According to Orcan (2020), skewness and kurtosis offer broader flexibility on the reference values, and the normality range is fulfilled when the skewness coefficient is between -2 to 2 (Sirin et al., 2018).

### **3.9.3 Multicollinearity Test**

According to Daoud (2017), the assumptions of regression analysis including multicollinearity, non-homogeneity, autocorrelation, etc are important in ensuring that the model is reliable and acceptable in estimating the population parameters. The multicollinearity test indicates the linear relationship between the independent variables in the study. Multicollinearity occurs when the independent variables in the regression model have a substantial correlation with both the dependent variable and one another, according to Shrestha's (2020) research.

In addition, the multicollinearity between the independent variables might lead to a major issue in one study. Therefore, in order to ensure that the independent variables used in this study are acceptable and not correlated to each other, the multicollinearity test needs to be conducted as another preliminary analysis.

Collinearity tolerance value and VIF value are generally used in determining the multicollinearity of independent variables. Based on Senaviratna and Cooray (2019) and Daoud (2017), a tolerance value of below 0.1 indicates a serious collinearity issue between the independent variables. While for VIF value, it is generally accepted when the VIF value is lesser than 10 (Yoo et. al, 2014; Senaviratna & Cooray, 2019).

### **3.10 Descriptive Analysis**

Descriptive analysis methods are often used to compute, explain, and summarize the data collected in a more rational, significant, and effective manner (Vetter, 2017). It is often used for a causal relationship evaluation where it helps to identify the occurrence or patterns in data that have not previously been identified. The researcher can determine the demographic characteristics, implementation aspects, and setting factors that are most pertinent to interpreting the results with the aid of descriptive analysis (Loeb et al., 2017). Descriptive analysis can help in hypothesis testing without unnecessary sources of bias in the study (Kemp et al., 2018).

In this study, descriptive analysis was used to describe the findings by using the mean score of each variable. Based on Jamil (1993), the mean score between 1.00 to 2.33 is considered low, while 2.34 to 3.66 is moderate. The mean score of 3.67 to 5.00 indicates that the variable has a high mean score.

### **3.11 Inferential Analysis**

Correlation and regression analysis were the major statistical methods used to make inferences about the characteristics of a population. For instance, inferential statistical analysis was used to test the hypotheses in this study.

#### **3.11.1 Correlation Analysis**

The direction and magnitude of the linear link between two variables are provided by correlation analysis, and the correlation coefficient, or  $r$ , serves as a proxy for the strength of this linear association (Zhang et al., 2015). To interpret the coefficient values, correlation coefficients below  $\pm 0.30$  indicate a weak correlation between the variables, while values between  $\pm 0.30$  and  $\pm 0.70$  show a moderate correlation. For high or strong correlation, the values are represented by coefficient values of above  $\pm 0.70$ , and a correlation coefficient of 0 indicates no correlation (zero relation) between the variables (Obilor & Amadi, 2018). A positive  $r$  number shows that as one variable increases, the other increases proportionally, and vice versa.

This study adopted correlation analysis to determine the relationship between the dependent and independent variables such as flexible working arrangements, career development, recognition, and fringe benefits among each other in Malaysian SMEs. After that, it was expected to identify the two variables linked together that indicate the highest impact.

#### **3.11.2 Regression Analysis**

According to Gallo (2015), regression analysis aims to determine the relationship between independent and dependent variable. It outlined the most and least significant

factor that affects the dependent variable, and to what extent the independent variables used in the study can influence the dependent variable. Regression analysis can further be classified into a few categories, such as simple linear, multiple linear, logistic, etc.

Since this study has multiple independent variables, multiple linear regression was used to analyse the collected data. This was done to examine the relationship between multiple independent variables and employee retention simultaneously (Gogtay et al., 2017). Similar to correlation analysis, a positive coefficient indicates that there is a positive relationship between the independent variable and employee retention and vice versa. The adjusted R-squared measures the model's ability to explain the variance in employee retention, and when the p-value is  $< 0.05$ , it indicates that the variable has a significant effect on employee retention.

### **3.12 Summary**

This chapter focuses on the research methodology and shows the development of the study. The methodology includes research design, data analysis techniques, etc. The next chapter will discuss the data findings of this study.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

This section presents the preliminary analysis of the study variables. The analysis was conducted by using the different data analysis techniques discussed in Chapter 3, including descriptive, correlation, and regression analysis. This study sought to determine whether there is any relationship between non-monetary benefits and employee retention in Malaysian SMEs. To achieve this, five-point Likert scale questions were formulated and administered to the employees from the eight targeted SMEs. Below is the analysis of the responses collected.

#### **4.2 Response Rate**

In accordance with the sample size, 165 data were collected, and a 100 percent return rate was achieved for this study. The data collected were further used to analyse and examine the relationship between non-monetary rewards and employee retention in Malaysian SMEs.

#### **4.3 Demographic Analysis**

The demographic analysis presents the background of the respondents who participated in this study. Specifically, the questionnaire asked for the respondents' demographic information such as gender, age, years in their current job, working company, and marital status. Frequency analysis was used to isolate the details to show the demographics of the respondents. Table 4.1 shows the demographics of the sample participants (n=165).

**Table 4.1**  
*Demographic Data of Respondents*

<b>Demographic</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Gender</b>		
Female	99	60.00
Male	66	40.00
<b>Age</b>		
Below 28	58	35.20
29 - 43	85	51.50
Above 44	22	13.30
<b>Marital Status</b>		
Single	98	59.40
Married	61	37.00
Divorced	3	1.80
Widowed	3	1.80
<b>Year of Service</b>		
Less than 1 year	31	18.80
1 – 5 years	91	55.20
6 – 10 years	27	16.40
More than 10 years	16	9.70
<b>Working Company</b>		
Palmgold Corporate Services Sdn Bhd	30	18.20
Maxxan Realty Sdn Bhd	18	10.90
Inland Sports Recreational Club Sdn Bhd	18	10.90
Suasa Tetap (M) Sdn Bhd	22	13.30
Tropics Property Management Sdn Bhd	42	25.50
Mike Premium Gift Shop Sdn Bhd	14	8.50
EAMS Management Sdn Bhd	8	4.80
WOW Media Sdn Bhd	13	7.90

As shown in the table above, among the 165 respondents, 99 respondents (60%) were female, and 66 were male (40%), indicating that most of the respondents who participated in this research were female employees. While for the range of age for the respondents, there were 58 respondents (35.2%) were below 28 years old, 85 respondents (51.5%) between 29 to 43 years old, and the remaining 22 respondents

(13.3%) were in the range of above 44 years old. In addition, a total of 98 respondents (59.4%) are still single, followed by 61 (37%) married respondents, and 3 respondents (1.8%) each have divorced and widowed marital status.

Furthermore, while discussing employee retention, the year of service in current employment is an important question to be asked in the survey. According to the data obtained, the majority of the respondents with a number of 91 respondents (55.2%) have attached their current employment for a range of 1 to 5 years. It continues with 31 respondents (18.8%) who have worked in their current company for less than 1 year, and 27 respondents (16.4%) who have worked for 6 to 10 years. For the year of service more than 10 years, it carries a number of respondents of 16 employees, with a percentage of 9.7% among the 165 respondents.

By referring to the sampling technique in Chapter 3, it has been clearly described the distribution of sample size in accordance with the stratified sampling method by using the size of the company. Among the 165 respondents, Tropics Property Management carries the majority of the respondents with a number of 42 employees (25.5%), followed by Palmgold Corporate Services Sdn Bhd (30 respondents, 18.2%), and Suasa Tetap (M) Sdn Bhd (22 respondents, 13.3%). Maxxan Realty Sdn Bhd and Inland Sports Recreational Club Sdn Bhd carried the same number of respondents, which was 18 employees (10.9%) for each, while Mika Premium Gift Shop Sdn Bhd, WOW Media Sdn Bhd, and EAMS Management Sdn Bhd are 14 respondents (8.5%), 13 respondents (7.9%), and 8 respondents (4.8%) respectively.



#### 4.4 Data Screening

Data screening such as data recode, reliability, normality, and multicollinearity tests were conducted to ensure that the data is suitable and acceptable to be further carried out in the analysis process.

##### 4.4.1 Data Recode

One item from the dependent variable, item B6 in the questionnaire was recoded due to a negative reversible question. A recoding of negative questions is important to ensure the reliability test will be carried out successfully and to obtain more accurate data.

##### 4.4.2 Reliability Analysis

Based on Table 4.2 below, Cronbach's Alpha value for the dependent variable, employee retention was 0.786. For independent variables, flexible working arrangements ( $\alpha = 0.662$ ), career development ( $\alpha = 0.789$ ), recognition ( $\alpha = 0.630$ ), and fringe benefits ( $\alpha = 0.688$ ) were also greater than 0.6. This shows the instruments of questionnaire items tested in this study are reliable and acceptable to determine the impact of flexible working arrangements, career development, recognition, and fringe benefits towards employee retention in Malaysian SMEs.

**Table 4.2**

*Output of Reliability Analysis: Cronbach's Alpha Coefficients*

Variables	No. of Items	Cronbach's Alpha ( $\alpha$ )
Employee retention	6	0.786
Flexible working arrangements	7	0.662
Career development	7	0.789
Recognition	7	0.630
Fringe benefits	7	0.688

#### 4.4.3 Normality Test

Based on the skewness and kurtosis value from Table 4.3 below, flexible working arrangements, career development, and recognition are negatively skewed with the skewness statistics of -0.841, -0.321, and -0.602 respectively. While fringe benefits have a positive value of 0.593 and are positively skewed to the right. In light of this, it is clear that the skewness value for all the independent variables was between -2 and 2, which demonstrates that the independent variables used in this study are normally distributed and mean is applicable to be used as representative data in the analysis later on. Hence, a parametric method was used in this study.

**Table 4.3**

*Output of Normality Analysis: Skewness and Kurtosis Ratios*

Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Flexible working arrangements	-0.841	0.189	3.144	0.376
Career development	-0.321	0.189	-0.205	0.376
Recognition	-0.602	0.189	0.568	0.376
Fringe benefits	0.593	0.189	0.176	0.376

#### 4.4.4 Multicollinearity Test

Based on Senaviratna and Cooray (2019) and Daoud (2017), a tolerance value of below 0.1 indicates a serious collinearity issue between the independent variables. While for VIF value, is generally accepted when the VIF value is less than 10 (Yoo et. al, 2014; Senaviratna & Cooray, 2019).

From the result obtained, since the collinearity tolerance value and VIF value for all the independent variables were greater than 0.1 and less than 10 respectively, the

independent variables in this study are not correlated, and the model is acceptable to further investigate.

**Table 4.4**  
*Output of Multicollinearity*

Variables	Collinearity Tolerance	Statistics VIF
Flexible working arrangements	0.881	1.135
Career development	0.754	1.326
Recognition	0.671	1.490
Fringe benefits	0.776	1.288

#### 4.5 Descriptive Analysis

Table 4.5 displays the output of descriptive statistics. As this study was shown parametric, therefore mean score was used to interpret the analysis. The mean scores for career development and recognition were 3.7557 and 3.7341 respectively, which is considered high overall. However, flexible working arrangements and fringe benefits were moderate at a mean score of 3.6335 and 2.8727 respectively.

**Table 4.5**  
*Output of Descriptive Statistics and Correlation of Variables*

Variables	Mean	Std. Deviation	1	2	3	4	5
1 Employee retention	3.6545	0.55371	-				
2 Flexible working arrangements	3.6335	0.59212	-0.003	-			
3 Career development	3.7557	0.60359	0.493**	0.235**	-		
4 Recognition	3.7341	0.53881	0.397**	0.151	0.463**	-	
5 Fringe benefits	2.8726	0.65097	0.392**	0.285**	0.175*	0.412**	-

\*\* . Correlation is significant at the 0.01 level (2-tailed)

\* . Correlation is significant at the 0.05 level (2-tailed)

#### **4.5.1 Correlation Analysis**

Pearson Correlation analysis measures the inter-correlation between the dependent and independent variables as to whether they are positively or negatively related or not related in any way (Obilor & Amadi, 2018).

Based on Table 4.5 above, we can see that career development ( $r = 0.493$ ), recognition ( $r = 0.397$ ), and fringe benefits ( $r = 0.392$ ) are positively correlated with the dependent variable, and they have a moderate correlation with employee retention. Flexible working arrangements is negatively associated with employee retention and the correlation is very weak ( $r = -0.003$ ).

Recognition and career development have the most significant correlation among the independent variables as the coefficient value is the highest at 0.463. The variables that have a moderate correlation include career development and recognition ( $r = 0.463$ ), and recognition and fringe benefits ( $r = 0.412$ ). For example, the fact that recognition was slightly associated with career development and fringe benefits implies that employees who receive recognition also have positive perceptions of these elements. While for low correlation relationships, there are flexible working arrangements with career development ( $r = 0.235$ ), recognition ( $r = 0.151$ ), and fringe benefits ( $r = 0.285$ ), not to forget the correlations between career development and fringe benefits ( $r = 0.175$ ).

#### **4.6 Hypothesis Testing**

Multiple regression analysis was conducted to test the hypothesis developed in this study.

#### 4.6.1 Regression Analysis

Regression analysis is used to determine the correlations between variables that have a causal relationship and to make predictions for the topic based on this relationship, while multiple regression analysis involving multiple independent variables attempts to explain the changes in both the independent and dependent variables (Uyanık & Güler, 2013).

Based on Table 4.6 below, the value of adjusted R square is 0.372, indicating that 37.20% of the employee retention was explained by flexible working arrangements, career development, recognition, and fringe benefits. The remaining 62.80% of employee retention in Malaysian SMEs is explained by other independent variables that are not included in this study.

The results show that flexible working arrangements are significant in influencing employee retention in Malaysian SMEs, but it leads to a negative impact on the willingness of employees to remain in the organization ( $\beta = -0.204$ ,  $p = 0.001$ ). For instance, each 1 unit increase in flexible working arrangements will decrease employee retention by 20.40% units.

Furthermore, career development ( $\beta = 0.409$ ,  $p < 0.001$ ), and fringe benefits ( $\beta = 0.291$ ,  $p < 0.001$ ) both significantly and positively impact employee retention in SMEs. On top of that, career development has the strongest relationship with employee retention in Malaysian SMEs when compared to other independent variables as it carries the highest beta value. This suggests that when career development increases by 1 unit, employee retention will subsequently increase by 40.90% units. However, it was found

that even recognition positively impacts employee retention, but it was tested not significantly influence employee retention in Malaysian SMEs ( $\beta = 0.085$ ,  $p = 0.276$ ). It shows that recognition does not have a meaningful impact on employee retention in Malaysian SMEs compared to other independent variables.

**Table 4.6**  
*Regression Results of Independent Variables and Employee Retention*

<b>Independent Variables</b>	<b>Unstandardized Coefficients Beta</b>	<b>t</b>	<b>Sig.</b>
Flexible working arrangements	-0.204	-3.303	0.001
Career development	0.409	6.260	<0.001
Recognition	0.085	1.092	0.276
Fringe benefits	0.291	4.862	<0.001
F Value	25.275		
R Square	0.387		
Adjusted R Square	0.372		
Durbin Watson	1.753		

Based on the results of regression analysis, it can be concluded that the hypotheses for H2 and H4 are supported, whereas H1 and H3 are rejected. Career development and fringe benefits are positively associated with employee retention in Malaysian SMEs, while flexible working arrangements have a negative relationship. Recognition was found to be not significant in this study as the significant value  $p > 0.05$ , this shows that recognition is not important in discussing employee retention in this study. The findings of the hypothesis test are summarized below.

**Table 4.7**  
*Summary of Hypothesis Results*

<b>Hypothesis</b>	<b>Description</b>	<b>Results</b>
H1	Flexible working arrangements have a positive relationship with employee retention in Malaysian SMEs.	Rejected

H2	Career development has a positive relationship with employee retention in Malaysian SMEs.	Accepted
H3	Recognition has a positive relationship with the employee's intention to stay in Malaysian SMEs.	Rejected
H4	Fringe benefits have a positive impact on employee retention in Malaysian SMEs.	Accepted

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#### 4.7 Summary

The study was conducted among 165 respondents with a 100 percent response rate. The analysis was conducted from several preliminary tests before further investigating the findings of the data. After the analysis performed, it can be concluded that two of the hypotheses are supported by the multiple regression analysis while the remaining two are rejected. After that, the discussion of the results and analysis will be discussed in Chapter 5.



## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter discussed the summary of findings, the limitations that have been identified throughout the research period, and proposed recommendations that might be useful for future research.

#### **5.2 Summary of Findings**

This study looked into how non-monetary incentives, such as flexible work arrangements, career development, recognition, and fringe benefits, affected employee retention in Malaysian SMEs. Based on the literature study, four hypotheses were created to further examine the connection between the independent factors and employee retention. Two of the hypotheses were accepted, one of which was that employee retention was positively correlated with career advancement and fringe benefits. The flexible working arrangements hypothesis, however, was rejected since the data showed the opposite outcome, and recognition was also rejected because it had no significant effect on staff retention in Malaysian SMEs.

##### **5.2.1 Relationship between Flexible Working Arrangements and Employee Retention**

Based on the previous studies, this study hypothesized that flexible working arrangements would have a positive relationship with employee retention in Malaysian SMEs and was expected to create a better work-life balance, greater freedom and autonomy in their work, and foster employee loyalty to their organizations. However,



the data result collected from the 165 respondents across eight SMEs in Malaysia indicated that flexible working arrangements did not statistically reduce turnover, but instead increased employees' intention to leave the organization. This finding suggests that contrary to expectations, flexibility itself may not be a key factor in influencing employee retention in Malaysian SMEs.

Although flexible working arrangements are widely advocated as a strategy to improve employee satisfaction and retention, the findings of this study indicate that the impact can differ for Malaysian SMEs. Job independence is one of the elements that could help explain why flexible working arrangements did not improve retention. Tsen et al. (2021) mentioned in their study that employees who perceive their jobs as highly interdependent and operate in a team structure encounter difficulties since flexible working arrangements restrict communication and interaction within the team. This is especially important for SMEs because they are smaller compared to large corporations, and their employees may require more communication between the team members to ensure the smooth completion of tasks. This is because most employees in SMEs wear multiple hats, and the restriction of interactions and communication breakdowns may directly affect employee morale, leading to their resignation.

Besides, Timms et al. (2015) indicated that flexible working arrangements may have an impact on employees' careers, place additional burdens on coworkers, and cause dissatisfaction in the workgroup. The researchers further explained that flexible working arrangements may moderate supervisor's judgements of employee commitments because employees believe that only 'visible' work is recognized, not

work performed offsite. Therefore, this explains why flexible working arrangements can hurt employee retention.

Moreover, mental distress caused by flexible working arrangements may be another reason why flexible working arrangements are negatively impacting employee retention in SMEs. Based on Brecheisen (2023), it was noted that remote workers feel more stress and anger than on-site employees when their emotions are affected and have a higher intention to leave. This situation is even more serious if there is a lack of support from the company and superiors.

Based on past studies, the relationship between flexible working arrangements and employee retention is examined in a broader framework, however, this study only focuses on SMEs. Consequently, differences in company size, culture, and resources may lead to differences and variations in results. On top of that, the study also found that most participants in the eight SME companies selected in this study said that they had no access to flexible working arrangements in their workplace. This may be particularly caused by resource constraints, and SMEs usually have a hard time implementing the work arrangements as large organizations.

As the findings show a negative impact, HR practitioners in the eight SMEs need to consider the possible issues that arise if implementing flexible working arrangements in their company, especially when the job assignment is interdependent and requires high communication. A contingency plan and the type of company support that can be provided to the employees should be discussed before the implementation to ensure

that the companies are ready to handle the possible negative effects of flexible working arrangements.

### **5.2.2 Relationship between Career Development and Employee Retention**

This study hypothesized that career development opportunities would positively impact employee retention in Malaysian SMEs, and the hypothesis was accepted. Throughout the 165 responses collected, it was found that career development is the most significant factor influencing employee retention in Malaysian SMEs, with a significant positive correlation, surpassing other variables such as flexible working arrangements, recognition, and fringe benefits.

Career development is a critical factor in retaining employees in SMEs. Abraham et al. (2023) cited in their research that most employees anticipate better career development support, which will influence their decisions to remain at their current job. In Malaysia, SMEs may not be able to compete with larger corporations on salary or extensive benefits packages, so career development becomes a unique, non-monetary way for these businesses to retain talent. SMEs can show their dedication to employee's future by investing in the skill development and career advancement of their staff, which increases employee loyalty.

Learning can be obtained through the lifelong process of career growth. Further in Azami et al. (2023) research, the researchers indicated that employees are more likely to experience greater job satisfaction and have a lower intention to leave their current position when they are allowed to acquire new skills and accomplish professional

goals for a better career. This implies that development opportunities satisfy both career and personal goals.

In light of this, the eight SMEs in this study can prioritize implementing career development initiatives to deliver immediate value to employees and serve as an indication of the company's long-term commitment to employee success. As mentioned by HR from the eight companies, they often faced retention issues where the resigned employees indicated that limitation of career progression was one of the reasons for the employee leaving. Therefore, HR practitioners could take this research as a starting point by conducting a series of career development programs to demonstrate their dedication to employee growth. It is believed that career development can be an effective retention tactic to promote employee loyalty when the employee can see a future with the organization.

Hence, based on the current research result and the support from past research, it is proven that career development has a positive relationship with employee retention. Career development opportunities in SMEs play a crucial role in retention, especially in contexts where financial rewards are no longer the priority as a tool for employee retention.

### **5.2.3 Relationship between Recognition and Employee Retention**

The relationship between recognition and employee retention was examined as part of this study. The data supports the idea that recognition contributes to employees' decision to remain with the company by showing a positive correlation between recognition and employee retention. However, the results show that while the

relationship is positive, it is not statistically significant compared to other variables. Therefore, the hypothesis was rejected.

This result suggests that even recognition would help in retaining employees in the SME context, but the power of influence is comparatively lower when put together with career development, flexible working arrangements, and fringe benefits in this study. Although the positive result is supported by many past studies when the hypothesis was built based on their pieces of literature, it lacks statistical significance evidence that would be able to discuss the role of recognition in employee retention, especially in the Malaysian SME context.

Referring back to when the resigned employees in the eight SMEs said that lack of recognition is another reason for leaving, but this study showed that recognition is not an important and impactful variable in keeping employees. HR in the eight SME companies may consider prioritising the impact of some other non-monetary rewards over the recognition factor when tailoring the retention strategies as their employees perceived that the other non-monetary factors are more important compared to recognition. Recognition may stand last to be considered when the prioritized factors are fulfilled.

#### **5.2.4 Relationship between Fringe Benefits and Employee Retention**

The relationship between fringe benefits and employee retention was investigated in this study, and the results provide strong support for the hypothesis that fringe benefits have a positive relationship with employee retention, with a statistically significant positive correlation.

According to the findings, employees in the eight SMEs who thought their company's fringe benefits were worthwhile typically reported higher employee retention and loyalty. Loyal employees can put the organization's interests ahead of their personal interests, they will feel more committed to company success, and vow to stay with the company. This is further supported by Tarafdar et al. (2021) who claim that fringe benefits serve as a boost to job satisfaction, which is the main factor in employees' loyalty to the company and, consequently, lowers their intention to leave.

In addition, these findings are consistent with existing literature by Abdullah Al Mamun and Hasan (2017), Hu et al. (2021), Bender et al. (2013), and Cheptoo and Kilika (2021) who suggest that competitive fringe benefits are an important factor in an employee's decision to stay with an organization. Hence, with the support from past studies, this study further affirmed that fringe benefits have a positive impact on employee retention in Malaysian SMEs. The eight SMEs in this study could consider the design and implementation of market-competitive benefits packages to ensure the company keep up with the market demands thus improving retention rates and fostering employee loyalty.

### **5.3 Limitations of Study**

The purpose of this study was to investigate the relationship between non-monetary benefits with employee retention in Malaysian SMEs, particularly the impact of flexible working arrangements, career development, recognition, and fringe benefits. There are several limitations to consider in this study, even though it offers insightful information about the elements affecting employee retention in Malaysian SMEs. First, while 165 participants are a suitable sample size for statistical analysis, it does not

accurately reflect the diversity of employees in Malaysia's SME companies across various industries and areas. This restricts the generalizability of the findings to all Malaysian SMEs. Additionally, different industries in the SME sector may have different opinions about the non-monetary benefits offered by the company, however, this study was only focused on a broad SME context which may not be feasible for some industries in SME.

Furthermore, as the study was focused on the SME context, the restrictions of past literature concerning SME topics are limited as a reference to support the study. Most studies on the retention topic tend to focus on larger organizations, as a result, the findings of this research may be influenced by the lack of comprehensive, SME-specific literature on retention factors in Malaysia.

Lastly, the adjusted R square of 0.372 indicates that only 37.2% of the employee retention in Malaysian SMEs was discussed by flexible working arrangements, career development, recognition, and fringe benefits. There is a big gap of 62.8% shows that this study was unable to cover some other factors that may influence employee retention, such as company culture, leadership styles, etc. It is believed that all these factors might be crucial and play an important role in SMEs when we talk about employee retention. This limitation should be taken into consideration as a future study related to employee retention in SMEs.

#### **5.4 Theoretical Implication**

This study provides significant theoretical implications for Herzberg's Two-Factor Theory in the context of employee retention in Malaysian SMEs, and it was able to

explain the findings by using the two factors in Herzberg's Theory, which are the hygiene factor and the motivational factor.

The positive relationship between career development and recognition with employee retention supports the idea that the motivational factor enhances job satisfaction and greater motivation among employees. If employees believe they cannot further develop and grow in their current positions, they may lose interest in their jobs. Moreover, the study also demonstrates that hygiene factors, such as fringe benefits and flexible working arrangements also play a big role in keeping employees and preventing dissatisfaction in SMEs. For instance, when the fringe benefits offered by the organization are satisfactory, it would reduce the dissatisfaction of employees in continuing work in the company, thus employee retention is achieved.

Overall, the results broaden the use of Herzberg's Two-Factor Theory by showing that both hygiene and motivational factors are important in employee retention. The study suggests that HR strategies in SMEs should emphasize improving both hygiene factors to prevent dissatisfaction, and motivational factors to foster job satisfaction.

## **5.5 Practical Implication**

The findings of this study offer valuable insights for SME managers and human resource practitioners to enhance employee retention strategies within Malaysian SMEs. As the result shows that career development is the strongest and most significant variable that affects employee retention in Malaysian SMEs, human resource practitioners in the eight companies may take this study as a guideline to focus and develop an effective development program in offering skill-building



opportunities, mentorship programs, and clear progression paths to show employees that their professional growth is supported.

Furthermore, it also reminded the HR practitioners to review their fringe benefits offered in the organization and update with the current market trend to ensure they meet employee's needs, such as healthcare, retirement plans, and family-related benefits. This would be beneficial in reducing turnover intention as hygiene factors help to prevent dissatisfaction thus enhancing employee retention. Additionally, it also highlighted to the HR practitioners the importance of being updated with the labour market trend about the latest employee benefits plan to ensure an effective retention strategy maintained within the organization.

When talking about flexible working arrangements, HR practitioners could take this research as a reference before considering of the implementation flexible working arrangements in their organization. As the result shows a reverse relationship with employee retention, HR practitioners may take this opportunity to review again the necessary implementation and the standard operating procedures if implementation is needed.

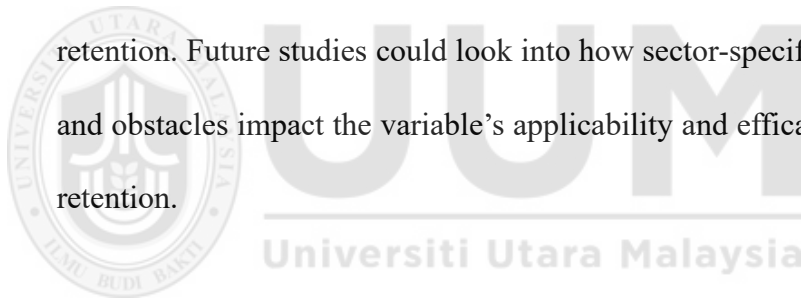
## **5.6 Recommendations**

Referring to the current study, the input for future research to be undertaken is suggested as below:

- i. To have a larger sample size of participants when conducting the research improves the representation and generalizability of the study outcome to

society. A larger sample size may be more appropriate to represent the whole SMEs and to better avoid any bias from the data collected.

- ii. A more in-depth exploration of some other variables such as leadership style and organizational culture that might influence employee retention in SMEs. This would help to determine the most significant variables that would affect the employee turnover intention, thus helping the HR practitioner to focus on that factor when creating an effective retention strategy in the organization.
- iii. Conduct sector-specific research that accurately represents the industry in the SME context. Different industries, like manufacturing and services, may have varied requirements and factors that influence employee retention. Future studies could look into how sector-specific opportunities and obstacles impact the variable's applicability and efficacy in employee retention.



## **5.7 Conclusion**

In a nutshell, this study was conducted to investigate the relationship between non-monetary benefits and employee retention in Malaysian SMEs, including flexible working arrangements, career development, recognition, and fringe benefits. Studies show that career development and fringe benefits have a positive relationship with employee retention in the SME context. However, flexible working arrangements have a reverse relationship compared to other factors, and recognition is not significant in this study.

Overall, this study highlights how important non-monetary benefits are to keeping employees in Malaysian SMEs. These elements are crucial for raising job satisfaction and developing a supportive workplace culture that motivates staff members to work for an extended period of time. Therefore, concentrating on these non-monetary aspects can be a cost-effective and effective way for HR professionals and SME leaders to increase employee retention. This is crucial for establishing a work environment where employees feel appreciated, supported, and involved. Lastly, it is believed that emphasising these non-monetary benefits would provide SMEs with limited financial resources with a long-term solution to increase retention and lower turnover costs.



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# APPENDICES

## APPENDIX A

### SURVEY FORM

The Impact of Non-Monetary Rewards on Employee Retention in Malaysian SMEs

jjazet6900@gmail.com [Switch accounts](#)

Not shared

\* Indicates required question

**SECTION A: BACKGROUND INFORMATION**

Gender \*

Male


Female

Age \*

Below 28

29 - 43

Above 44



Marital Status \*

- Single
- Married
- Divorced
- Widowed

Year of service in current employment \*

- Less than 1 year
- 1 - 5 years
- 6 - 10 years
- More than 10 years

Working company \*

- Palmgold Corporate Services Sdn Bhd
- Maxxan Realty Sdn Bhd
- Inland Sports Recreational Club Sdn Bhd
- Suasatetap (M) Sdn Bhd
- Tropics Property Management Sdn Bhd
- Mika Premium Gift Shop Sdn Bhd
- EAMS Management Sdn Bhd
- WOW Media Sdn Bhd
- Other: \_\_\_\_\_



## SECTION B: EMPLOYEE RETENTION

This section contains 6 questions to identify the level of agreement with the statements in relation to employee retention in your current employment. They are based on your opinion and experience at the company/organization you are working at the moment. Read the statement carefully and provide the best answer based on a 5-point Likert scale provided.


- 1: Strongly Disagree
- 2: Disagree
- 3: Neutral / Uncertain
- 4: Agree
- 5: Strongly Agree

I would not consider leaving this company for another job within the next year. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am committed to contributing to the long-term success of this organization. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree



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The opportunities provided by this company encourage me to stay. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

The work-life balance provided by this company makes me more likely to stay with the organization. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

Recognition for my efforts makes me more likely to remain at this company. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

I would leave this company if I were offered a better job elsewhere. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

### SECTION C: IMPACT OF FLEXIBLE WORKING ARRANGEMENTS ON EMPLOYEE RETENTION

This section contains 7 questions to examine the impact of flexible working arrangements on employee retention. They are based on your opinion and experience at the company/organization you are working at the moment. Read the statement carefully and provide the best answer based on a 5-point Likert scale provided.

- 1: Strongly Disagree
- 2: Disagree
- 3: Neutral / Uncertain
- 4: Agree
- 5: Strongly Agree

I have access to flexible working arrangements in my current job. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

A flexible work arrangement will enhance my willingness to stay longer in the organization. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

I frequently require time off during the workday to attend to personal obligations. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

A flexible work arrangement will help balance my work-life commitment. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

The availability of flexible working arrangements will reflect the organization's trust and value in me. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

Flexible schedule boosts my job motivation and productivity in the organization. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

Flexible working arrangements are important to me when considering future job opportunities. \*

1      2      3      4      5

Strongly Disagree                  Strongly Agree

SECTION D: IMPACT OF CAREER DEVELOPMENT ON EMPLOYEE RETENTION

This section contains 7 questions to examine the impact of career development on employee retention. They are based on your opinion and experience at the company/organization you are working at the moment. Read the statement carefully and provide the best answer based on a 5-point Likert scale provided.

- 1: Strongly Disagree
- 2: Disagree
- 3: Neutral / Uncertain
- 4: Agree
- 5: Strongly Agree

I have access to a transparent and efficient development program in my organization. \*

1      2      3      4      5

Strongly Disagree                        Strongly Agree

My organization conducts performance evaluation to all employees to ensure that they understand their responsibilities \*

1      2      3      4      5

Strongly Disagree                        Strongly Agree

I am pleased with the career advancement opportunities available to me. \*

1      2      3      4      5

Strongly Disagree                        Strongly Agree

I have the opportunity to put my experience and talent in my daily duties. \*

1      2      3      4      5

Strongly Disagree                        Strongly Agree

My manager understands and supports my career aspirations. \*

1      2      3      4      5

Strongly Disagree                        Strongly Agree

Programs for career development and training in the organization are aligned with \*  
my individual career goals.

1 2 3 4 5

Strongly Disagree      Strongly Agree

Opportunities for professional growth and learning inspire me to devote more \*  
effort to achieving company objectives.

1 2 3 4 5

Strongly Disagree      Strongly Agree

**SECTION E: IMPACT OF RECOGNITION ON EMPLOYEE RETENTION**

This section contains 7 questions to examine the impact of career development on employee retention. They are based on your opinion and experience at the company/organization you are working at the moment. Read the statement carefully and provide the best answer based on a 5-point Likert scale provided.

- 1: Strongly Disagree
- 2: Disagree
- 3: Neutral / Uncertain
- 4: Agree
- 5: Strongly Agree

My manager gives recognition for good work done. \*

1 2 3 4 5

Strongly Disagree      Strongly Agree

Creativity and innovation are highly regarded in my organization. \*

1 2 3 4 5

Strongly Disagree      Strongly Agree

I receive constructive criticism about my work. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

The organization makes me feel important at work. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I get credit for what I do. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Receiving recognition increases my engagement and commitment to my work. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Appreciation for my efforts influences my decision to remain with the organization. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

## SECTION F: IMPACT OF FRINGE BENEFITS ON EMPLOYEE RETENTION

This section contains 7 questions to examine the impact of fringe benefits on employee retention. They are based on your opinion and experience at the company/organization you are working at the moment. Read the statement carefully and provide the best answer based on a 5-point Likert scale provided.

- 1: Strongly Disagree
- 2: Disagree
- 3: Neutral / Uncertain
- 4: Agree
- 5: Strongly Agree

The fringe benefits offered by the organization meet my expectations. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My fringe benefits compare well to others in this field. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My organization assists me and my immediate family with education expenses. \*

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My organization provides employees wellness programs (e.g., gym memberships, \* and mental health resources).

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

The rewards and benefits offered are commensurate with the amount and quality \* of work I have done.

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

The fringe benefits offered by the organization influence my decision to remain in \* my current job.

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I would leave my job if another organization offered similar roles with better fringe \* benefits.

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree



## SPSS OUTPUT DATA

## 1. Demographic Analysis

**Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	98	59.4	59.8	59.8
	Male	66	40.0	40.2	100.0
	Total	164	99.4	100.0	
Missing	System	1	.6		
Total		165	100.0		

**Age**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 28	58	35.2	35.2	35.2
	29 - 43	85	51.5	51.5	86.7
	Above 44	22	13.3	13.3	100.0
	Total	165	100.0	100.0	

**MaritalStatus**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	98	59.4	59.4	59.4
	Married	61	37.0	37.0	96.4
	Divorced	3	1.8	1.8	98.2
	Widowed	3	1.8	1.8	100.0
	Total	165	100.0	100.0	



### ServiceYear

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	31	18.8	18.8	18.8
	1 - 5 years	91	55.2	55.2	73.9
	6 - 10 years	27	16.4	16.4	90.3
	More than 10 years	16	9.7	9.7	100.0
	Total	165	100.0	100.0	

### Company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Palmgold Corporate Services Sdn Bhd	30	18.2	18.2	18.2
	Maxam Realty Sdn Bhd	18	10.9	10.9	29.1
	Inland Sports Recreational Club Sdn Bhd	18	10.9	10.9	40.0
	Suasa Tetap (M) Sdn Bhd	22	13.3	13.3	53.3
	Tropics Property Management Sdn Bhd	42	25.5	25.5	78.8
	Premium Gift Shop Sdn Bhd	14	8.5	8.5	87.3
	EAMS Management Sdn Bhd	8	4.8	4.8	92.1
	WOW Media Sdn Bhd	13	7.9	7.9	100.0
	Total	165	100.0	100.0	

## 2. Reliability Test

### a. Employee Retention

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.786	.799	6

b. Flexible Working Arrangements

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.662	.734	7

c. Career Development

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.789	.793	7

d. Recognition

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.630	.668	7

e. Fringe Benefits

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.688	.715	7

### 3. Normality Test

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
EmployeeRetention	165	1.83	4.67	3.6545	.55371	-.752	.189	.457	.376
FlexibleWorkingArrangements	165	1.00	5.00	3.6335	.59212	-.841	.189	3.144	.376
CareerDevelopment	165	2.29	5.00	3.7557	.60359	-.321	.189	-.205	.376
Recognition	165	2.00	5.00	3.7341	.53881	-.602	.189	.568	.376
FringeBenefits	165	1.57	4.86	2.8726	.65097	.593	.189	.176	.376
Valid N (listwise)	165								

### 4. Correlation

		EmployeeRetention	FlexibleWorkingArrangements	CareerDevelopment	Recognition	FringeBenefits
EmployeeRetention	Pearson Correlation	1	-.003	.493**	.397**	.392**
	Sig. (2-tailed)		.968	<.001	<.001	<.001
	N	165	165	165	165	165
FlexibleWorkingArrangements	Pearson Correlation	-.003	1	.235**	.151	.285**
	Sig. (2-tailed)	.968		.002	.052	<.001
	N	165	165	165	165	165
CareerDevelopment	Pearson Correlation	.493**	.235**	1	.463**	.175*
	Sig. (2-tailed)	<.001	.002		<.001	.024
	N	165	165	165	165	165
Recognition	Pearson Correlation	.397**	.151	.463**	1	.412**
	Sig. (2-tailed)	<.001	.052	<.001		<.001
	N	165	165	165	165	165
FringeBenefits	Pearson Correlation	.392**	.285**	.175*	.412**	1
	Sig. (2-tailed)	<.001	<.001	.024	<.001	
	N	165	165	165	165	165

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

### 5. Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.622 <sup>a</sup>	.387	.372	.43884	1.753

a. Predictors: (Constant), FringeBenefits, CareerDevelopment, FlexibleWorkingArrangements, Recognition

b. Dependent Variable: EmployeeRetention

### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.469	4	4.867	25.275	<.001 <sup>b</sup>
	Residual	30.813	160	.193		
	Total	50.282	164			

a. Dependent Variable: EmployeeRetention

b. Predictors: (Constant), FringeBenefits, CareerDevelopment, FlexibleWorkingArrangements, Recognition

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.706	.310		5.497	<.001		
	FlexibleWorkingArrangements	-.204	.062	-.218	-3.303	.001	.881	1.135
	CareerDevelopment	.409	.065	.446	6.260	<.001	.754	1.326
	Recognition	.085	.078	.083	1.092	.276	.671	1.490
	FringeBenefits	.291	.060	.342	4.862	<.001	.776	1.288

a. Dependent Variable: EmployeeRetention



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