

A STUDY ON FACTORS INFLUENCING EMPLOYEE'S RETENTION IN PHARMACEUTICAL INDUSTRY IN MALAYSIA

Shahrul Sherrina Yanti Khairul Zaman
Open University Malaysia

Lawrence Arokiasamy
Asia Pacific University
lawrence.arokiasamy@yahoo.com

Zuraidah Abd Hamid
Open University Malaysia

Abstract

This study provides the analysis of the factors influencing employee retention in pharmaceutical industry in Malaysia. The purpose of this study is to identify and understand the various factors such as compensation, leadership, training and development and work environment that influence employee retention in the organization particularly in pharmaceutical industry in Malaysia. Literatures and the theories behind the research were summarized. As pharmaceutical industry having the bright future, by conducting this study, the companies in the pharmaceutical industry especially in Malaysia will understand the various factors that influence the employee retention. The companies will be able to take necessary proactive action in retaining their good talent and to ensure the healthy life and survival of the companies in the industry.

Keywords: Employee retention, compensation, leadership, training and development, work environment

1.0 Introduction

According to Malaysian Investment Development Authority (MIDA) (2019) it is stated that pharmaceutical industry having a bright future as it has been steadily growing over the last decade. Malaysian manufacturers have demonstrated their capabilities and capacities to produce pharmaceutical products in almost all dosage forms, including sterile preparations, injectables, and time-release medications, as well as developed and launched off-patent generic drugs and herbal products under their own brands. Malaysia is a member of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Cooperation/Scheme (PIC/S), enabling locally manufactured pharmaceutical products to be accepted globally, particularly in other PIC/S member countries.

As at 2017, a total of 251 facilities were licensed by the Drug Control Authority (DCA), Ministry of Health Malaysia. They are categorized into 158 (63%) facilities that produce traditional medicine, 83 (33%) facilities that produce pharmaceuticals and 10 (4%) facilities

that produce veterinary products. A total of 23,650 pharmaceutical products are DCA-registered, including traditional products (51.6%), prescription medication (27.7%), non-prescription/over-the-counter medication (13%), health supplements (4.7%), and veterinary medicine (3%). MIDA, 2019). Responding to the growing demand for such products in the SEA region, leading Malaysian pharmaceutical companies are moving into the production of biologics, oncology drugs, and high value-added generic compounds. Nine pharmaceutical projects approved in 2017, comprising investments of RM517.9 million. These approvals indicated major breakthroughs in the ecosystem, as they enabled more sophisticated, higher value-added, and frontier pharmaceutical products to be manufactured in Malaysia (MIDA, 2019).

In addition to the above, according to MIDA (2019) investors seeking a niche in the pharmaceutical industry with significant growth potential should consider the halal sector. The halal pharmaceutical industry globally is a multi-billion dollars industry with expenditures of US\$75 billion in 2017, growing to an estimated US\$132 billion by 2021. Malaysia is fast becoming recognized as the leading global halal hub, as well as the global reference and trade center for the mainstream halal industry. It had also established the world's first halal pharmaceutical standard, MS2424:2012 Halal Pharmaceutical – General Guidelines, with JAKIM's Halal Hub Division being the first accreditation body in the world to certify halal pharmaceutical products.

Another great opportunity that can be seen for the growth of pharmaceutical industry in Malaysia is in medical tourism. According to MIDA (2020) Malaysia, is one of Asia's most recognized developing countries, that has been chosen as preferred healthcare travel destination for the world. Healthcare in Malaysia is an attractive proposition, offering world-class quality healthcare, which is easily accessible and competitively affordable, for patients' peace of mind. In supporting the positive trend of the above Malaysia has received many awards such as Malaysia 'Medical Travel Destination of the Year' for the third consecutive year at the International Medical Travel Journal's Medical Travel Awards 2017. Malaysia also ranked first as the 'Four Countries with The Best Healthcare in The World for 2017' by the International Living, beating Costa Rica, Colombia and Mexico. Furthermore, Malaysia ranked sixth (out of 10 countries) as the 'Best Retiree Healthcare on The Planet for 2017' by the International Living (Mexico, Panama, Ecuador, Costa Rica, Colombia, and Malaysia). In other words, with this recognition received at the International level, Malaysia should continue producing the high quality of its pharmaceutical products and at the same time putting the right people by upskill their existing qualification to consistently sustain the reputation in the healthcare arena.

It has been a clearly shown that pharmaceutical industry in Malaysia really having the bright future. Taking this into consideration it is very important to ensure that the industry having the competent employees to support its growth. It is very crucial for the government as well to ensure the various education institutions produce the right pool of potential candidates to cater the needs of the industry.

Nowadays employee retention not only become the global issue and only affected for certain industry, this problem also could cause the disturbance for the growth of pharmaceutical industry, particularly in Malaysia. Competent pharmacist and chemist are the two key positions in the organization of pharmaceutical industry.

Currently, most of Malaysia's universities having many graduates for these two areas however the graduates were mainly catered for clinical, or community needs instead of pharmaceutical

industries. At the same time, the negative perception towards working environment in pharmaceutical companies create even worst acceptance from the graduates' side. As a result, the industry having very limited qualified or experience pharmacist and chemist for industry. The shortage of skills personnel has been voiced to various channels up to national level which include Malaysian Investment Development Authority (MIDA), Ministry of International Trade and Industry (MITI), Ministry of Higher Education (MOHE) and Malaysian Organization of Pharmaceutical Industries (MOPI). These respective parties are fully aware on this current situation as this issue affect the local pharmaceutical manufacturers.

If this problem not properly manage by all parties, it can be a big treat to the industry. Currently, reliability on foreign talent especially from India is seen as short-term solution in managing the shortage of skills personnel. In the long run the pharmaceuticals companies should plan the transferring knowledge and skills from the Indian expatriate to the local talents. By organizing knowledge transfer program, Malaysia pharmaceutical companies not only be able to save the operations' costs but at the same time will be able to provide more job opportunities to the local talents. This will then help the country to further reduce its unemployment rate.

In view of the above, it is very crucial for the companies in the pharmaceutical industries to stay alert and aware on how to retain their employees especially for the key positions. All companies under pharmaceutical industry need to be prepared in managing the employee retention topic. One important point to be highlighted to the respective companies is that if they failed to retain especially their talented employees this will not only lead to the shortage of manpower, but it will also cause the loss of knowledge and experience that will impact the organizational productivity (Ng'ethe, Iravo, & Namusonge, 2012). In other words, employee retention is very important topic because high turnover involved many costs and consequences. Sincere efforts from the companies must be taken to ensure growth and learning for the employees in their current roles and responsibilities and for them to enjoy their work.

Therefore, this study, the companies in the pharmaceutical industry especially in Malaysia will be able to identify and understand the various factors that influence the employee retention and can take necessary proactive action to ensure the healthy life and survival of the companies in the industry.

Research Question

What are the factors that make an employee stay in the organization particularly in pharmaceutical industry?

2.0 Literature Review

Employee's Retention

In this study the dependent variable is employee retention. Employee retention is a critical issue as companies compete for talent in a tight economy situation. The costs of employee turnover are increasingly high as much as 2.5 times an employee's salary depending on the role. And there are other soft costs such as lowered productivity, decreased engagement, training costs and cultural impact (Sharon F., 2019). According to Vinod Kumar, M. et. al. (2017) employee retention is a critical responsibility for any organization in today's scenario due to immerse competition which has aroused from globalization, urbanization, and digitalization. It is not only necessary to attract the best talent but also to motivate and retain the right resources in an organization.

Mita, Aarti and Ravneeta (2014) defined employee retention as a method used by organizations to hold the important workforce to achieve the requirements of the operation. According to Michelle et. al. (2018) retention refer as a voluntary move by an organization to create an environment which engages employees for the long term. Another researchers Nausheen S. & Sahar B. (2015) stated that employee retention means keeping the employee in and with an organization. The organization retain the employees because they want to stay not because they are forced to stay. Meanwhile according to Freyermuth (2007), retention is considered as all-round element of human resource strategies and tactics. It begins with selecting right people and persists with implementing various programs to keep employees motivated and engaged in organization.

According to R. Akila (2012), employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period or until the completion of the project. One interesting point highlighted by Akila (2012) in his study is employee retention is beneficial for the organization as well as the employee and he stated that employees today are different. They are not the ones who do not have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If an employer does not do proper employee retention strategies an organization would be left with no good employees. A good employer should know how to attract and retain its employees. Davis (2013) mentioned that proper implementation of retention strategies by organizations able to ensure the employees to stay longer as well as achieve the organizational goal successfully.

Another researcher, Shyam S. I.et. al. (2016) mentioned that the main objective of retention is to reduce unwanted voluntary turnover by valuable people in the organization. In today's business environment, the knowledge of employees become very critical to ensure the sustainability of the organization. This is also supported by Bartlett & Ghoshal (2013), where they highlighted that in the competitive environment, the retention of skilled employees is very difficult. The researchers Nausheen S. & Sahar B. (2015) also stated that employee retention is a continuous and planned effort of an organization to take all actions to retain the knowledgeable, skilled, and competent employees selected. In other words, the researchers agreed that employee retention is not about maintaining the total employee in an organization but rather refer to the selected employees that an organization needs to retain which depend on their employees' skills and competencies. Referred to this part, it is the responsible of the organization to establish the proper strategic workforce planning.

Compensation

Compensation packages normally different from one company to another company. Commonly, employees continuously have high expectations on the compensation's packages offered by the company they are recruited. According to Kimberlee L. (2019), smart employers know that keeping quality employees requires providing the right compensation and benefits package. Aguenza & Som (2012) defined compensation as something that offer to the employees depended on the contribution and performance of the employee by the organizations and considered as satisfaction of needs for the employees. Compensation includes wages, salaries, bonuses, and commission structures. Employers should not ignore the benefits portion of employee compensation and benefits, because the benefits sweeten employment contracts with the priorities that most employees need. Properly compensating employees shows the company value them as workers and as human beings. When people feel valued, they feel better about coming into work. The compensation for the employees is an important factor that motivate the employees have a good work performance, and a factor for people to search for a

job that meet their expectation hence they will contribute their ability and creativity (Odunlade, 2012).

According to Hammed, Ramzan, and Zubair (2014), they stated that an employee is more willing to stay when the benefits they received is equal to their effort. Overall company morale increases, and people are motivated to come to work and do a good job. In short, compensation play an important role to retain employee in the organization and have direct relationship with employee retention.

Leadership

Leadership style will affect the employees directly or indirectly to decide to stay or leave the organization. The leaving of the employees might cause by leaving of the manager but not the organization (Azeez, 2017). According to Lisa M. (2018), the superior-subordinate relationship should be clearly defined in the workplace. As a manager, it is the primary responsibility for building and maintaining a good working bond with each employee. Set up specific protocols designed to facilitate manager-worker relations. The manager needs to hold the subordinates accountable in treating him or her with respect and adhering to the company's policies. Wakabi (2016) found the leadership style and retention of staff has a positive relationship in the organizations. Meanwhile the study by Kroon and Freese (2013) stated that the leadership acts as important role in the retention of the employees. In short, leadership is one of the important factors that can influence employee retention in the organization.

Training and Development

Training and development are defined as the growth of attitudes, knowledge and skills that required by the employees in order to perform the tasks effectively or work systematically (Tangthong, Trimetsoontorn, & Rojniruntikul, 2014). The purpose of the training and development is to establish the employees' ability to reach the organisations' human capital requirements for current and the future (Ng'ethe, Iravo, et al., 2012). Training and development also act as a driving force to increase the staff retention rates especially for the employees who want to pursue for career development (Chen, 2014). According to Tahir, Yousafzai, Jan and Hashim (2014), training and development not only can provide benefit to the organization itself but also to the individual employees. To maintain the employees in respective organization, training and development are an important driver. Therefore, the organization is encouraged to establish more training and development programs that suit the employee's career development needs as part of employee retention activities.

Another researcher, Anis et. al., (2011) mentioned that training is a tool for retaining employees. This is also supported by another researcher Waleed et al., (2013) when they stated that training is one of the most important factors in retaining employees in the organization. According to these researchers by knowing the effect of training on retention can help the organization to retain the employees which has high turnover rate. Furthermore, these researchers also stated that training is an important part of various Human Resource Management practices, which are used for retention and development of employees due to different kinds of training given to employees, like on-the-job training, vocational training, general and specific training will give an impact for employee retention.

However, in one article wrote by Peter C. (2020) argued that although training can help to address some of the problems that drive turnover, he felt that this would not cure everything. The similar opinion mentioned by Lin G. (2019) that the link between employee training and retention is clear and supported by much research but training alone is not enough to retain the

employees. According to this writer the support from the manager is critical for employee's training and development success. The writer also highlighted about the important of coaching to the employees where the in the article it is mentioned that coaching from respective manager will be able to promote learning ability, employees' commitment and engagement, productivity, retention rates and perception of upper-level leadership.

Working Environment

As per Business Dictionary (2019), working environment can be defined as location where a task is completed. However, when pertaining to a place of employment, the work environment involves the physical geographical location as well as the immediate surroundings of the workplace, such as a construction site or office building. Narang (2013) described that working environment is the workplace for the employees expected to show their personal and working abilities as well as to fulfil their basic needs. Noah and Steven (2012) identify that the quality of comfort derivable from work environment determines the levels of job satisfaction, satisfied with their work situation and more productive. According to David I. (2019), work environment is the result and product of a company's distinct culture. Company culture includes elements such as the way in which conflicts are handled, the freedom to try new things and fail without consequences, dress code policies, predominate communication styles and other intangible details.

A good working environment should include some factors such as well communication and collaborative culture, capable leadership, practice environment, and career development as well as enough employees (Ritter, 2011). The managers and the organizations are being suggested that to promote and improve, creating and maintaining good and secure workplace environment to enhance the satisfaction of employees and build the sense of belonging to the employees toward the organizations (Fatima, 2011). When the organizations can increase the satisfaction during work of the employees toward the working environment, the level of commitment from the employees will enhance as well (Adekola, 2012). In short, proper working environment also play a major role in retaining the employee.

Another researcher, Mabuza & Proches (2014) mentioned that understanding the elements of working environment may enhance employee's motivation and can lead to employee retention. The working environment that is not conducive will affect the productivity of the employees. Meanwhile according to Appiah, Kontar, & Asamoah (2013), a safe working environment will motivate workers to give out their best, but employees experience an unsafe environment they may tempted to leave to places they consider safe.

3.0 Conclusion

This study has explored a several factors such as compensation, leadership, training, and development and working environment have the strong literature supports for employee retention among the employees in pharmaceutical industry in Malaysia. This literature review has provided some insight to the pharmaceutical companies as how the factors being studied in this study affect retention of different level job position and age group of employees in companies, thus the companies can develop a better planning to attract, promote and retain key employees in companies to fulfil the current and future needs in the industry. The companies can emphasize or improve the factors that they are lacking or relatively weak in the companies to keep the key employees for a longer period in an organization.

References

- Adekola, B. (2012). The Impact of Organizational Commitment on Job Satisfaction: A Study of Employees at Nigerian Universities. *International Journal of Human Resource Studies*, 2(2), 1.
- Anis, A., Rehman, I., Nasir, A., & Safwan, N. (2011). Employee retention relationship to training and development: A compensation perspective. *African Journal of Business Management*, 5(7), 2679-2685.
- Appiah, F., Kontar, E., & Asamoah, D. (2013). Effect of Human Management Practices on Employee Retention : Perspectives from the Mining Industry in Ghana. *International Research Journal of Arts and Social Sciences*, 2(2), 31-48.
- Aguenza, B. B., & Som, A. P. M. (2012). Motivational factors of employee retention and engagement in organizations. *International Journal of Advances in Management and Economics*, 1(6), 88–95.
- Azeez, S. A. (2017). Human resource management practices and employee retention: A review of literature. *Journal of Economics, Management and Trade*, 18(2), 1–10.
- Bartlett, C., & Ghoshal, S. (2013). Building competitive advantage through people. *Sloan Mgmt. Rev.*, 43(2).
- Chen, M. (2014). The effect of training on employee retention. In *International Conference on Global Economy, Commerce and Service Science*, Amsterdam, Atlantis Press.
- Davis, T. L. (2013). A Qualitative Study of the Effects of Employee Retention on the Organization. *Insights to a Changing World Journal*, 2013(2), 25–112.
- Fatima, H. (2011). Does employee retention affect organizational competence? *Industrial Engineering*, 1(1), 24–39.
- Freyermuth. (2007). Retaining Employees in a Tightening Labor Market, RSM McGladrey. Website:www.cfo.com/whitepapers/index.cfm/displaywhitepaper/10308654?topicid=10240327-22k
- Lin G. (2019). The critical link between effective training and retention. Retrieved from <https://hrdailyadvisor.blr.com/2019/11/18/the-critical-link-between-effective-training-and-retention/>
- Mabuza, P. F., & Proches, C. N. (2014). Retaining Core, Critical & Scarce Skills in the Energy Industry. *The Indian Journal of Industrial Relations*, 49(4), 635-648
- Michael K., Justice E.K.A. and Louis D.J.A (2015). Factors Influencing Employees' Retention at The Electricity Company Of Ghana (ECG). *International Journal of Innovative Research and Advanced Studies (IJIRAS)*, 5 (2).
- Michelle De Sousa Sabbagha, Ophillia Ledimo & Nico Martins (2018). Predicting staff retention from employee motivation and job satisfaction, *Journal of Psychology in Africa*, 28:2, 136-140
- MIDA (2019). Pharmaceuticals. Retrieved from <http://www.mida.gov.my/home/pharmaceuticals/posts/>
- MIDA (2020). Healthcare Sector. Retrieved from <https://www.mida.gov.my/home/healthcare-sector/posts/>
- Mita, M., Aarti, K., & Ravneeta, D. (2014). Study on employee retention and commitment. *International Journal of Advance Research in Computer Science and Management Studies*, 2(2014), 154–164.
- Nafisa S. (2017). A Study of Employee Retention in the Pharmaceuticals Sector in Ranchi City. *International Journal of Engineering Technology Science and Research*. ISSN 2394 – 3386 Volume 4, Issue 9
- Narang, U. (2013). HRM practices–Its impact on employee retention. *International Journal of Multidisciplinary Research in Social and Management Sciences*, 1(4), 48– 51.

- Odunlade, R. O. (2012). Managing employee compensation and benefits for job satisfaction in libraries and information centres in Nigeria. *Philosophy and Practice*, 2012, 2–3.
- Peter C. (2020). Employee Retention: Is training really the answer? Retrieved from <https://www.allencomm.com/blog/2020/06/employee-retention-is-training-really-the-answer/>
- R. Akila (2012). A study on employee retention among executives at BGR Energy Systems Ltd, Chennai, *International Journal of Marketing, Financial Services & Management Research*, Vol.1 Issue 9, September 2012, ISSN 2277 3622.
- Ritter, D. (2011). The relationship between healthy work environments and retention of nurses in a hospital setting. *Journal of Nursing Management*, 19(1), 27–32.
- Nausheen S. & Sahar B. (2015). Factors Influencing Employee Retention: An Integrated Perspective. *Journal of Resources Development and Management*, Vol.6, 2015
- Ng'ethe, J. M., Iravo, M. E., & Namusonge, G. s. (2012). Determinants of academic staff retention in public universities in Kenya: Empirical review. *International Journal of Humanities and Social Sciences*, 2, 205–212.
- Shyam S. I. and Dr Shivani M. (2016). A study on influence of employee compensation, job satisfaction, working environment on employee retention. *International Journal of Multidisciplinary Research and Development*, Online ISSN: 2349-4182, Print ISSN: 2349-5979, Impact Factor: RJIF 5.72 Volume 3; Issue 7; July 2016; Page No. 103-116
- Sharon F., (2019). Employee retention: 8 strategies for retaining top talent. Retrieved from <https://www.cio.com/article/2868419/how-to-improve-employee-retention.html>
- Tahir, N., Yousafzai, I. K., Jan, S., & Hashim, M. (2014). The Impact of Training and Development on Employees Performance and Productivity A case study of United Bank Limited Peshawar City, KPK, Pakistan. *International Journal of Academic Research in Business and Social Sciences*, 4(4), 86-98.
- Tangthong, S., Trimetsoontorn, J., & Rojniruntikul, N. (2014). HRM practices and employee retention in Thailand--A literature review. *International Journal of Trade, Economics and Finance*, 5(2), 162–166.
- Vinod Kumar, M. and Dr. Prakash Babu (2017). A review on the factors affecting employee retention at workplace. *International Journal of Current Research*, 9, (11), 61791-61794.
- Wakabi, B. M. (2016). Leadership style and staff retention in organisations. *International Journal of Science and Research*, 5(1), 412–416.
- Waleed Hassan, Amir Razi, Rida Qamar, Rida Jaffir & Sidra Suhail (2013). The Effect of Training on Employee Retention, *Global Journal of Management and Business Research Administration and Management*, 13(6), 112-123

For instructions on how to order reprints of this article, please visit our website:
<https://ejbm.apu.edu.my/>