



**Faculty of Technology Management and Technopreneurship**

**EMPLOYEE RETENTION IN CALL CENTRE INDUSTRY**

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## **ABSTRACT**

Employee retention is a challenge in many organizations. Demographical and economic change have created a more confident and demanding employee, which makes it necessary for organizations to be competitive and work harder at meeting employees needs in order to retain their loyalty. The purpose of this study was to indentify the factors that impact employee retention in call centre organization. The literature review that framed of this study focused on employee retention, learning and working climate. The study was conducted using a set of questionnaire as the primary data to gathering strategy and recommendations were made based on the data that collected according to the topics reviewed in the literature section. From the study, learning does have no any relationship to intention to stay or employee retention in call centre. The selected demographic variables namely age, tenure and level of education also does have no relationship into employee retention in call centre. However, the variables under working climate namely pressure of work and following procedures has significant impact to employee retention in call centre.

## ABSTRAK

Pengekalan pekerja adalah satu cabaran bagi sebuah organisasi. Perubahan demografi and ekonomi persekitaran membuka peluang kepada bakat pekerja yang cemerlang sekaligus menjadi tunggak kepada organisasi kompetitif dan cabaran dalam memenuhi permintaan pekerja bagi memastikan pengekalan pekerja di dalam organisasi. Matlamat kajian ini adalah untuk mengenalpasti factor yang memberi impak kepada pengekalan pekerja di dalam organisasi perhubungan awam. Dalam bahagian ulasan karya, rangka kerja focus kepada pengekalan pekerja, pengajian and persekitaran pekerjaan. Kajian ini menggunakan set soalan sebagai data utama yang diperolehi dari bahagian ulasan karya. Hasil dari kajian, pengajian tidak mempunyai hubungan kepada pengekalan pekerja di dalam organisasi ini. Faktor seperti umur, tempoh kerja and tahap pengajian tidak mempunyai hubungan kepada pengekalan pekerja di dalam organisasi ini. Walaubagaimanapun, faktor persekitaran pekerjaan mempunyai impak kepada pengekalan pekerja di dalam organisasi.

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## DECLARATION

I declare that this thesis entitle “Employee Retention in Call Centre Industry” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature : ..... *Shukri* .....

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

Employees today's are different. They are not the ones who don't 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 they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees.

In this current competitive business world, retaining employees is a game which employers have to compete with others to retain their employee. Employers need to keep the employees from leaving the organization in a short duration for the success of the venture. And in most cases, employee departure is not an isolated event. Instead, turnover is frequently associated with significant worker behaviors and outcomes which precede the act of leaving itself, namely, absenteeism, diminished loyalty, lower job satisfaction and productivity (McCom S.A., Bourne K.A, Barringer M.W, 2003).

Successful organization understands that the real key to maintain a world-class workforce is not just hiring the best employee but to keep them once they are hired. Organizations are focused on keeping great employees as the same effort they do on finding great employees. Many times organization that less focus on the welfare of their employee

will lead to dissatisfaction among employees and at the end with effect the employees' performance, thus will result in the employees leaving the company for better opportunity, better benefit and most importantly caring employer.

Recruiting the right employee may be challenging, but retaining the existing employee has increasingly become even more challenging. As employee turnover increase within organization, the organization will start to focus on employee retention. Turnover within any organization is costly, while the retention of top employees is a fundamental issue for manager (Mitchell Terence R, Holtom Brooks C., Lee Thomas W., 2001). Another study by (Ing-Chung Huang, 2006) claimed employee replacement will associate with hidden cost and it resulted to the high cost need to bear by organization.

Retention of valuable and talented employee who has been working long has become challenging in nowadays business climate. According to (Cascio, 2006) and (Fredric D. Frank, Richard P. Finnegan, Craig R. Taylor, 2004), it is becoming harder than ever to replace workers with individual who are qualified and skilled. This phenomenon will lead to scarcity of skilled workers. Organization may need more qualified people, but there have been fewer and fewer qualified individuals to fill the available positions. There is a need for effective plan and action to prevent employee turnover from happen. High employee turnover will lead to the organization failure. An organization's main asset is its employee, without them, organization cannot be successful.

Beverly Kaye, Sharon Jordan-Evans (2000) pointed out that retention is increasingly important as a result of the shortage of skilled workers, changes in employee attitudes, the

availability of new employment options, the high costs associated with hiring new talent, and the fact that in the new global economy, having talented employees is the differentiator.

Sometimes organizations are faced with unavoidable turnover. This occurs when employees retire or move for non-job-related reasons. A study by (Susan E. Jackson, Randall S. Schuler, Steve Werner, 2011) argued that turnover due to the upcoming retirement of Baby Boomers is expected to have major implications for future recruiting activities. Furthermore, they also state that not all turnovers are bad. A study by Susan et al., (2011) suggested that in order to reduce turnover, an organization should diagnose the reasons that good talent voluntarily decides to look elsewhere for employment.

One research of more than 2,000 respondents from diverse industries and functions shows a results that the most common reasons respondents gave for wanting to stay with a company are career growth, learning, and development, exciting work and challenge, meaningful work, making a difference and a contribution, great people, being part of a team, recognition for work well done good boss, autonomy, sense of control over one's work, flexible work hours and dress code and fair pay and benefits (Beverly Kaye, Sharon Jordan-Evans, 2002). The study also claimed pay is the least important among of 50 identifies retention factors and managers responsible and accountable for keeping good employees.

A previous research finding by (Tracey, Timothy R. Hinkin, J. Bruce, 2010) viewed that every year since 1998, *Fortune* magazine has published a list of the one hundred best companies in the United States to work for. *Fortune's* researchers examining a wide range of corporate human resources policies and practices within these companies. The researchers examine the factors are job growth, voluntary turnover, and the number of job applicants,

training provided for salaried and hourly employees, compensation and benefits for hourly and salaried positions, including health care coverage work-life balance and job design; and diversity initiatives, percentage of minorities, and non-discrimination policies.

The researchers had identified six categories of human resources practices used by the companies in the sample of hospitals, grocery stores, and hospitality organizations. These include 1) a culture of caring for employees and open communication 2) flexible scheduling to meet the needs of a changing workforce 3) innovative methods to attract, select, and retain a loyal and competent workforce 4) training programs that are viewed as an investment in people with emphasis on career tracks and promotion from within 5) performance management systems that are aligned with organizational objectives and 6) compensation programs that reflect the values of the organization and link pay to performance.

Employers know that there is a fine balance – they have to be mindful of the immediate need to keep the business afloat while ensuring good talent is retained. With this in mind, the ability to understand the needs of employees – keeping them happy and motivated – is more important than ever. Globally, surveys have shown that employers struggle when it comes to the younger work force (Star, 2009).

According to Customer Relationship Management and Contact Centre Association of Malaysia (CCAM), there were 250 organizations with 575 call centers throughout Malaysia. Total call centre seats in Malaysia in 2008 is about 33,000. The average seat per centre in the year 2008 is expected to be 167 compared to only 90 last year. It's approximately 67% of the total contact centers in Malaysia are serving local consumers. At the same time, there is an

increase in number of outsourced based contact centre work. In addition to that, the availability of local in Malaysia who speaks numerous for global languages like Mandarin, Bahasa Melayu, Cantonese, Tamil and others is very attractive for global companies. This feature has made Malaysia the potential Asia Pasific Regional Hub for call centres.

A call centre is an office where a company's inbound calls are received or outbound calls are made. Call centre are increasingly popular in modern society, in which many companies have centralized customer service and support functions. Call centre employ many staff members in customer service, sales and support functions. Call centre are often large offices staffed with representatives who either make or receive phone calls. Depending on the size of the call centre, a single office could have less than a dozen representatives more than 100 staff members. In this study the organization employs approximately 500 employees and this call centre serve about four million consumer and business customer in Singapore. It operates 24 hours and 7 days a week. It handles about 1 million call service for activation, termination and changer service required in a month.

The stressful nature of call centre work has been well documented. According to Bain, Phil Taylor and Peter (1999) point out that the inherent nature of call centre environments that involves repetitious work and lowered employee autonomy frequently leads to burnout among employees. In addition, call centre work environments have been characterized as stressful.

Working at call centre normally will be closely associated with high stress levels and moderate pay. Call centre are the focal point to to answer question by customers every hour of the day throughout the 365 days in the years. It handles the majority of inbound customer calls from information requests, queries about contract of service, user manuals, invoices and

products, and complaints. The two types of call centre jobs are inbound, in which calls are received, and outbound, in which calls are made. The way contact centre agents handle these different types of call therefore has a fundamental impact on the customer experience, which can determine whether the customer remains loyal to the company.

Call centre industry also has been dominated with employees with the low qualification job and become a centre to gain experience before employees enter the real career. In the call centre industry, no one can deny that generation Y's are the driving force behind the call centre industry, yet this generation is the most difficult to engage with, manage and retain. This phenomenon may be a direct result of the often monotonous nature of the job role, but it may also be due to the lack of understanding amongst call centre employers about how young people born into this generation works, and how their needs and career wishes can differ from the rest of the workforce.

Generation Y is widely known as the generation born between 1980 and 2000. This generation is confident, independent, and goal-oriented. Although, technology advances began in the Gen X era, Generation Y was born into technology and often knows more about the digital world than their teachers and parents. The enhanced technological knowledge has launched this generation into an era that is accessible everywhere to anyone. Gen Y has high self-esteem; they are the trophy generation that allows every child to get a medal or praise, leaving no one behind (Justin Meier, Stephen F. Austin, Mitchell Crocker, Stephen F. Austin, 2010).

As the study have already explored, Generation Y are hungry for stimulation and they like to be challenged. Their own development is very important to them and, in fact, they

expect significant contribution from their employer in this area. Structuring their learning and development by using approaches that will support their individualism, provide variety and be meaningful will likely have the best results. They are bright people who have a great deal to offer providing they are stimulated, so there is a significant up-side for a company if they can tap in to Generation Y effectively (Weyland, 2011).

A study by Justin et al. (2010) claimed a company's work environment has risen to the top of many lists as a reason for choosing a company to work for. It is important for different generations to understand realities of today's working environment. In the survey among 85 Gen Y employees, 72% of them listed work environment as a motivational characteristic that they look are looking for in the workplace. The study added that Generation Y is not looking for a company where they sit in a cubicle everyday from 8-5 and have no communication with fellow employees. Gen Y is looking for a place here they will be successful, while having a good time, create a continuous learning environment where skills are developed at a steady pace. Generation Y master skills very quickly if they are motivated to do so. In addition to investment in courses and workshops, consider job shadowing, temporary assignments and functional moves. And remember web based training which is now common place would appeal too (Weyland, 2011).

Training courses are an excellent way to give learners new skills, knowledge and technique. However to improve performance, the learning must be embedded and transferred to workplace. The impact performance effectively, organizations must maximize the skills, knowledge and behavior available to them, which means that they need to ensure individuals are learning, not just new skills and knowledgeable but also how to use the ones they have



more effectively and in new situation along with learning how to learn (James R. Davis, Adelaide B. Davis, 2000).

The call centre industry employs over half a million people in the UK, and many of these are of the Generation Y era. But what does this mean for call centre employers? No one can deny that Generation Y's are the driving force behind the call centre industry, yet this generation is by far the most difficult to engage with, manage and retain. Gen Y expects their managers adapt with them and leave the "old school" practices behind. They believe they should be learning new practices and not having to teach them to their managers. (Justin et al., 2010)

Many generations Y is not driven by getting their manager's job. They work hard, but many feel that the benefit of any incremental money does not outweigh the additional pressure. They have seen their parents chained to their desks and become stressed, all for money. Salary and status are not high on the priority list, according to the study by Talentsmoothie, a firm that consults companies in banking, professional services and the law on the changing workforce. Generation Y's main concern is to do meaningful work in an environment that gives them stimulation, responsibility, fun and flexibility. After all, they have their parents' financial support to keep them a float (Weyland, 2011). A report from Star Online also mentioned more young employees in Malaysia prefer of job hoping due to security of family member.

Retaining this generation has become a pressing priority, because many Generation Y employees are most likely to change their jobs regularly. With the economic downturn now

beginning to ease, employee retention will become increasingly important as more and more young people begin to look around for new jobs (The Star, 2009).

Sutton (2002) indicated that younger employees were “less loyal to the company”. As a result, younger employees may take the view that nothing is permanent, and may disproportionately emphasize the importance of work environments that match their preferences. They may become more dissatisfied and more willing to leave if these work environment preferences are not actualized.

The study conclude that there’s much that organizational can do to improve the engagement of their employee. Above all, they must work to promote a culture of retention and one of the best way to accomplishing this is by leveraging learning opportunities and working climate in a more effective and strategic manner.

There has been little research about the positive influence of learning and working climate on employee retention. For this reason, the main objective of the present study is to explore the link between learning and working climate towards employee retention in call centre industry. Perhaps it can help in strategies retention culture in the organization.

## **1.2 Statement of Problem**

There has been a significant amount of research on the subject of employee retention but a few researchers have conducted studies to determine learning and working climate to retain employee. This study was performed using employees in one of the outsourced telecommunication call centre in Malacca. The aim of the study is to explore the relationship of learning and working climate and employee retention in call centre. It was hoped that

insight provide a findings would help in increase the competitiveness of organization in reducing employee turnover thus increasing employee retention among highly skilled employees. When too many employees leave an organization, this turnover has a negative effect on organizational competitiveness (Cascio, 2006). The study is attempted to explore on the prediction of intention to stay or otherwise and what are the factors that influence them to stay in the organization.

The primary objective is to understanding of employee perception about the retention process in the organization impact to the decision to stay or to leave.

In conclusion, there are increasingly serious problems in the area of retaining employees who want to leave the organization. The problem is addressed in this study so that others can benefit from the findings.

### **1.3 Research Objectives**

The primary objective of this study was to investigate the variable factors and how they impact on employee retention at call centre. More specifically, the objectives were to:

- 1.3.1 To provide evidence the influence of learning and working climate on employee retention in call centre
- 1.3.2 Explore the relationship of the personal characteristic level of education, seniority age and gender to employee retention in call centre

### **1.4 Purpose of the Study**

There has been little research about the positive influence of learning and working climate on employee retention. For this reason, the main objective of the present study is to

explore the link between learning and working climate towards employee retention in call centre industry. Perhaps it can help in strategies retention culture in the organization.

## **1.5 Key Concepts**

This section provides the operational definition for the purpose of clarity of the key terms as contained and related to the title of the thesis that will be used throughout the thesis. Details discussions on these concepts are presented in the following chapter of this thesis.

### **1.5.1 Employee Retention**

Employees refer to a pool of human resources under the firm's control in a direct employment relationship. For the purpose of this study, employees (workers) refer to non-managerial employees who are below the management levels of the organization.

### **1.5.2 Call Centre**

A call centre or call centre is a centralized office used for the purpose of receiving and transmitting a large volume of requests by telephone. A call centre is operated by a company to administer incoming product support or information inquiries from consumers. Outgoing calls for telemarketing, client, product services, and debt collection are also made. In addition to a call centre, collective handling of letters, faxes, live chat, and e-mails at one location is known as a contact centre.

### **1.5.3 Working Climate**

A work climate is the workplace environment. Effective work climates ensure that employees are clear about their purpose in the larger realm of the company and

know exactly what is expected of them. In this way, companies can better function as a whole to meet their goals.

#### **1.5.4 Learning**

It's involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviors to enhance the performance of employees. Learning is also a more universal activity, designed to increase capability, and is facilitated formally and informally by many types of people at different levels of the organization

#### **1.5.5 Generation X**

Generation X (Gen Xers) is used to describe individual Born between 1965 and 1980.

#### **1.5.6 Generation Y**

Generation Y (Gen Yers) is used to describe individual born between 1981-1995.

#### **1.5.7 Turnover**

Turnover include both voluntary and involuntary employee

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Employee Retention

Attracting, motivating and retaining knowledge workers have become important in a knowledge-based and tight labor market, where changing knowledge management practices and global convergence of technology has redefined the nature of work.

Retention is the result of mutual satisfaction between the employee and the employer. The employer seeks to retain the satisfactory worker whose abilities serve its needs while at the same time the employee seeks to remain in the organization that fulfils his or her needs. To keep the workforce satisfied and at the same time advance organizational effectiveness, companies must promote employee learning and development and try to satisfy other employee needs.

Employee retention can be defined as "the effort by an employer to keep desirable workers, in order to meet business objectives Frank et al (2004). On the other hand, voluntary turnover is "the unplanned loss of workers who voluntarily leave and whom employers would prefer to keep" Frank et al. (2004).

According to study by (Frank M. Horwitz, Chan Teng Heng Hesam Ahmed Quazi, 2003), the most popular retention strategies are performance incentive/bonuses, competitive pay package, challenging work freedom to plan and work independently and top management. However, the study revealed that challenging work is the top strategy used as a highly effective retention strategy followed by highly competitive pay package, having performance incentive/bonuses, opportunities to develop in a specialist field and top management support.

Challenging jobs that offer growth opportunities also associated with intention to stay and employee commitment (Walsh, 2007). This makes development and learning critical for attracting and retaining employees because talented employees are inclined to leave if they feel they are not growing and stretching (Ed Michaels, Helen Handfield-Jones, Beth Axelrod, 2001).

The fact that effective training and opportunities to learn and develop, enhance employee retention is also confirmed by other researchers as (Hiltrop, 1999). High integrity and involvement on the part of the manager, empowerment, responsibility, and new possibility / challenge are also important for retention. The positive influence of work experience and tenure has been confirmed by other researchers (Gunz, 2007). A study by Birt, M. Wallis, T. Winternitz (2004) also found that the perception and experience of the employees with regards to these factors has the greatest influence on the employee retention. Therefore, it can be concluded that learning and development can be considered as important retention enhancing strategies.

Research has also shown that as long as employees feel that they are learning and growing, they will be less inclined to leave. On the other hand, once employees feel they are no longer growing, they began to look externally for new job opportunities (Rodriguez, 2008).

Research by (David Finegold, Susan Mohrman, Gretchen M. Spreitzer, 2002) young people grown up in very different career landscape and may be strategically better prepared for job mobility than older people. Researchers have found in decisions to change jobs, younger people are more likely than older people to consider whether the organization will allow them sufficient opportunities to develop wide range of job skill. For the older worker, they might still face age discrimination in the outside labor market if they lose their current job (Elizabeth M. Weiss, Todd J. Maurer, 2004).

Another study by Thomas Li-Ping Tang, Jwa K. Kim, David Shin-Hsiung Tang (2000) found that earning more money has only indirect influence on employee retention. This factor influence when the job satisfaction of an employee is low. This study proof that some of the employee condition where money no longer become priority in measuring employee retention.

Further study by (Hiltrop, 1999), elements of work environment such as employee satisfaction, job quality and workplace support are considered more some individuals more important than money. However, money remains near the top of the list and includes financial gains. Better career development and greater job challenge have been identified as other important aspects of a job.