

**FACTORS CONTRIBUTING TO JOB DISSATISFACTION AND ITS EFFECT
ON EMPLOYEE RELATIONSHIP MANAGEMENT (ERM):**

**THE CASE OF MANAGING EMPLOYEE TURNOVER IN
MEDICINS SDN. BHD**

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2014

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MEDICINS SDN. BHD**

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**Dissertation submitted in fulfilment of the requirements for the
degree of Masters in Business Administration
(Service Science, Management & Engineering),
Universiti Sains Malaysia**

2014



DECLARATION

We hereby declare that the project is based on our original work except for the quotations and citation which have been duly acknowledged. We also declare that it has not been previously or concurrently submitted for any other degree at USM or any other institutions.

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ACKNOWLEDGEMENT

We would never have been able to finish our management project without the guidance of our lecturers, help from friends, as well as strong support and encouragement from our family members.

We would like to take this opportunity to express our deepest gratitude to our supervisor, Tuan Haji Noor Nasir Kader Ali, Deputy Dean, Student Affairs and Networking, Graduate School of Business (GSB), Universiti Sains Malaysia (USM), for his invaluable guidance, support and encouragement throughout this assignment. We sincerely appreciate his time, expertise, and interest in this project paper. We are also overwhelmed by the dedication of Tuan Haji Noor Nasir, who on some occasions spent nearly 12 hours to give feedback and assistance to us and our classmates; individually. His relentlessness became a motivational factor for us and our classmates to deliver the best out of this project; which we hope we have done. Thank you Tuan Haji.

We wish to thank our colleagues; the Operational and Human Resources Management of MEDICINS Sdn. Bhd. for making the time and effort to accommodate our requests for survey response and interviews. They have supported us endearingly over the few months of this project timeline by providing relevant information required for the completion of this project paper.

Our sincere thanks are extended to all our fellow friends and course mates for their invaluable insights and for selflessly sharing information.

Last but not least, we wish to avail of this opportunity to express our deepest gratitude and love to our families who supported and encouraged us in spite of all the time it took us away from them. It was a long and difficult journey for us and for them; but a journey worth taking nonetheless.

TABLE OF CONTENTS

<i>Acknowledgement</i>	<i>iv</i>
<i>Table of Contents</i>	<i>v</i>
<i>List of Tables</i>	<i>xii</i>
<i>List of Charts</i>	<i>xiii</i>
<i>List of Figures</i>	<i>xiv</i>
<i>Abstrak</i>	<i>xvi</i>
<i>Abstract</i>	<i>xviii</i>
<i>Executive Summary</i>	<i>xx</i>
1.0 INTRODUCTION	1
1.1 Background of the issue	1
1.2 Problem Statement	2
1.3 Research Objective	4
1.4 Research Questions	4
1.5 Research Significance	4
1.6 Method of Analysis	6
2.0 LITERATURE REVIEW	8
2.1 What is employee turnover	8
2.2 The relationship between employee turnover and job satisfaction.	9
2.3 The impact of job satisfaction on absenteeism	9
2.4 Concept of Employee Relationship Management (ERM)	10
2.5 Relationship between job satisfaction and ERM	13
3.0 THE INDUSTRY ANALYSIS	15
4.0 CASE WRITE-UP	17

4.1 Background of the company	17
4.1.1 MEDICINS GMBH the parent company	17
4.1.2 MEDICINS Sdn. Bhd.	17
4.1.3 Organization Chart and Structure	18
4.2 Details of the Case Issue	20
4.3 Lack of Employee Relationship Management (ERM).....	23
4.3.1 Limited career growth and advancement opportunities.....	23
4.3.2 Lack of appreciation, recognition and motivation to employees	24
4.3.3 Autocratic leadership in the organization	25
4.3.4 Lack of empowerment to employees	25
4.3.5 Role ambiguity	26
4.4 Lack of interest on the job.....	27
4.4.1 Nature of work which is boring, unchallenging, routinization, manual, monotonous and repetitive.....	27
4.5 Lack of work life balance at the company	29
4.5.1 Long working hours, shortage of manpower and no replacement	29
4.6 Communication gap between management and employee	30
4.6.1 Organizational objective not reaching all employees and communication process not effective.	30
4.6.2 Lack of understanding of the information being communicated and communication not reaching the roots	30
4.7 No supervision, coaching and feedback	31
4.7.1 Management is lacking in leadership and interpersonal skills.....	31
4.8 Workload very high and continue to increase.....	33
4.8.1 One person takes the workload of others leading to work stress	33

4.8.2	Multitasking and doing many task causing work stress	33
4.8.3	Too many rules and regulations to follow causing work stress	34
5.0	CASE ANALYSIS.....	36
5.1	Lack of Employee Relationship Management (ERM).....	37
5.2	Lack of interest on the job.....	41
5.3	Lack of work life balance at the company	44
5.4	Communication gap between management and employee	47
5.5	No supervision, coaching and feedback	50
5.6	Work load very high and continue to increase.....	55
6.0	RECOMMENDATION.....	58
6.1	RECOMMENDATIONS ON CORPORATE GOVERNANCE	60
	PROBLEM 1 - Fail to review the impact of policies made on performance	
	management on career growth	60
6.1.1	<i>Solution Code 1.1 - Career growth for C rated employees</i>	61
6.1.2	<i>Solution Code 1.2 - Job enrichment.....</i>	62
6.1.3	<i>Solution Code 1.3 - Alternative performance management system</i>	62
6.2	RECOMMENDATIONS ON LEADERSHIP.....	63
	PROBLEM 2 - Lack of strategic plans to develop transactional,	
	transformational, charismatic and spiritual leaders	63
6.2.1	<i>Solution Code 2.1 - External leadership trainers and consultants</i>	63
6.2.2	<i>Solution Code 2.2 - Leadership research in collaboration with universities</i>	63
6.2.3	<i>Solution Code 2.3- Evaluate impact on leadership training.....</i>	64
	PROBLEM 6 - Lack in development of effective work culture.....	64
6.6.1	<i>Solution Code 6.1 - Frequent Team Bonding Sessions.....</i>	64
6.6.2	<i>Solution Code 6.2 - Job Rotation.....</i>	65

6.6.3 Solution Code 6.3 - Establish cross functional teams to work on company-wide problems that supports organizational strategic plans	65
6.6.4 Solution Code 6.4 - Standardize problem solving tool/ root cause analysis tool	65
6.6.5 Solution Code 6.5 - Eliminate formality in the company.....	66
6.6.6 Solution Code 6.6 - Increase percentage of contribution in the BSC.....	66
PROBLEM 7 - Lack in development of effective inter and intra departmental communication	66
6.7.1 Solution Code 7.1 - Trainings on problem solving and solutions derived in silo versus inter department and its implications to the organizational goals	67
6.7.2 Solution Code 7.2 - Frequent gathering/ dialogue sessions.....	67
6.7.3 Solution Code 7.3 - Initiate Corporate Social Responsibility (CSR) activities	68
6.7.4 Solution Code 7.4 - Establish Code of Communication	68
6.3 RECOMMENDATIONS ON PLANNING & EXECUTION.....	70
PROBLEM 3 - Manpower planning does not consider training managers as crucial (Lacking in TNA Analysis).....	70
6.3.1 Solution Code 3.1 - Hire training managers/ coordinators.....	70
6.3.2 Solution Code 3.2 - Develop training managers/ coordinators.....	70
6.3.3 Solution Code 3.3 - Collaborate with external training firms or universities	71
6.3.4 Solution Code 3.4 - Monitoring of Training Effectiveness	71
PROBLEM 4 - Ineffective strategic manpower planning	71
6.4.1 Solution Code 4.1 – Effective utilization of manpower.....	72
6.4.2 Solution Code 4.2 - Revise the job description to be more specific	72

6.4.3 Solution Code 4.3 - Just-in-Time talent	72
6.4.4 Solution Code 4.4 – Develop strategic workforce planning framework.....	73
6.4.5 Solution Code 4.5 – Analyze the relationship of job description with departmental targets and organizational goals and its effect on strategic workforce planning framework.	74
PROBLEM 5 - Lacking in SOP training and evaluation on production and planning process.....	74
6.5.1 Solution Code 5.1 - Schedule and organize more training sessions.....	74
6.5.2 Solution Code 5.2 - All trainings to be centralized.....	74
6.5.3 Solution Code 5.3 - Implement e-learning	75
7.0 CONCLUSION	76
8.0 LESSONS LEARNT	83
9.0 LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS	86
10.0 REFERENCES.....	87
11.0 APPENDICES.....	90
Appendix 1 - Research Methodology	90
Appendix 2 - The Questionnaire (Survey), through Google Analytics	92
Appendix 3 - Interviewees	99
Appendix 4 - SWOT Analysis for MEDICINS	106
Appendix 5 - Fish Bone Analysis for MEDICINS.....	107
Appendix 6 - Interview Transcripts	108
Appendix 6a - Interview with Mr. ZAW	108
Appendix 6b - Interview with Ms. SKS.....	111
Appendix 6c - Interview with Mr. SAA	114
Appendix 6d - Interview with Mr. FAA	116

Appendix 6e - Review of the resignation letter of Mr. TKA.....	118
Appendix 6f - Review of the resignation letter of Ms. SA	119
Appendix 6g - Interview with Mr. RA.....	120
Appendix 6h - Review of resignation letter of Ms RSH.....	123
Appendix 6i - Interview with Mr. KN	124
Appendix 6j - Interview with Mr. MN.....	126
Appendix 6k - Interview with Mr. KA	127
Appendix 6l - Interview with Ms. CF.....	129
Appendix 6m - Interview with Ms. SNT	130
Appendix 6n - Interview with Mr. SIK.....	131
Appendix 6o - Interview with Ms. SGL	132
Appendix 6p - Interview with Mr. KSY	133
Appendix 7 - List of Document Reviewed	134
Appendix 8 - Process Flow of Employee Turnover	135
Appendix 9 - SVP Framework with Solutions.....	136
Appendix 10 -Survey Results	137
Appendix 10a - I am satisfied with my job.....	137
Appendix 10b - Career development path is clearly defined for me	138
Appendix 10c - I often receive appreciation or recognition from my superior/boss for my contributions. It could be as simple as the phrase “Well Done!” or a pat on the shoulder.....	139
Appendix 10d - The company leadership culture has impressed me in a positive way.....	140

Appendix 10e – My superior/boss listens to my suggestions and gets me involved in his/her decision making process. He/she empowers me to do my work independently	141
Appendix 10f - My superior/boss provides me the necessary information for me to do my job effectively and efficiently	142
Appendix 10g - I frequently feel that I enjoy my job. This is what I want to do for living	143
Appendix 10h - My job is interesting and challenging, I get to socialize with many people and do different things which keeps me motivated.....	144
Appendix 10i - On average, the percentage of my day is spent on my routine job versus my non-routine jobs are	145
Appendix 10j - I am able to enjoy work balance in my current job	146
Appendix 10k - I often get timely information about organizational directives.	147
Appendix 10l - I understand the communication being distributed to the employees via regular Business Update Meeting (BUM) or Bulletin Board very well	148
Appendix 10m - My superior/boss is very quipped on interpersonal skills	149
Appendix 10n - My superior/boss is very quipped on management skills	150
Appendix 10o - I often take task / workload of others	151
Appendix 10p - Multitasking is a regular thing for me	152
Appendix 10q - I am allowed to make decision on situations where it calls for deviation from the often normal work procedure	153
Appendix 11 - The Method of Analysis - Symptom Versus Problem (SVP) Framework	154

LIST OF TABLES

	Page
Table 1	80
Proposed collaborations and responsibilities to solve specific solution codes with implementation duration	

LIST OF CHARTS

		Page
Chart 1	Employee turnover rate in the general manufacturing industry; globally, in the AP region and locally compared with that of MEDICINS	16
Chart 2	Result of survey question 'I am satisfied with my job'	22
Chart 3	Demographic distribution of survey respondents	83

LIST OF FIGURES

		Page
Figure 1	Summary of the company employee turnover data for 2012 and 2013	3
Figure 2	Organizational Chart for MEDICINS	19
Figure 3	SVP Framework relates 6 major symptoms that causes job dissatisfaction	20
Figure 4	SVP Framework explodes from the Lack of Employee Relationship Management (ERM)	37
Figure 5	SVP Framework explodes from the Lack of Interest on the Job	41
Figure 6	SVP Framework explodes from the Lack of Work Life Balance at the Company	44
Figure 7	SVP Framework explodes from Communication gap between management and employee	47
Figure 8	SVP Framework explodes from the No supervision, Coaching and Feedback (Tier 8j)	50
Figure 9	SVP Framework explodes from the No supervision, Coaching and Feedback (Tier 8k, 8l, 8m)	51
Figure 10	SVP Framework explodes from Work Load very high and continue to increase	55
Figure 11	SVP framework with identification of links to major problems	58
Figure 12	Summary of the major problems with categorization	59

Figure 13	Distribution curve for the forced ranking distribution in MEDICINS	61
Figure 14	Proposed strategic workforce planning framework for MEDICINS	73
Figure 15	Summary of problems with related solutions	76
Figure 16	House of Pillars - Building a strong base to achieve MEDICINS's Strategic goals.	77
Figure 17	Value add of the recommendations from this case study to MEDICINS	78
Figure 18	Responsible parties to carry out the recommendations	79
Figure 19	Research Methodology	90
Figure 20	SVP theory and concept (tier 1 symptom to tier 4 symptom)	159
Figure 21	SVP theory and concept (tier 4 symptom to tier 9 problem)	160

ABSTRAK

MEDICINS Sdn. Bhd. (MEDICINS) sedang menghadapi kadar tukar-ganti pekerja yang tinggi; iaitu peningkatan sebanyak 1.76% dari tahun 2012 ke 2013. Kadar tukar-ganti pekerja bagi MEDICINS pada tahun 2013 adalah 12.64 %, manakala pada tahun 2012 kadar tersebut adalah 10.88 %. Data ini menunjukkan bahawa organisasi tersebut kehilangan bakat pada kadar yang cepat jika dibandingkan dengan kadar purata bagi industry pembuatan. MEDICINS telah membentuk satu pasukan untuk mengenalpasti factor-faktor yang membawa kepada kadar tukar-ganti pekerja. Pasukan yang dinamakan TARI (*Turnover, Attendance, and Retention Initiative*) ini juga dipertanggungjawabkan untuk mencadangkan langkah-langkah yang boleh diambil oleh pihak syarikat untuk mengurangkan kadar tukar-ganti pekerja bagi tahun yang akan datang. Objektif laporan ini adalah untuk menggariskan kajian yang telah dijalankan untuk mengenal pasti sebab-sebab utama rasa tidak puas hati di kalangan pekerja MEDICINS dalam usaha untuk mengurangkan kadar tukar-ganti pekerja. Cadangan akan dikemukakan kepada ahli projek TARI untuk membantu syarikat meningkatkan kadar pengekalan pekerjanya. Rangka '*Symptom versus Problem*' (SVP) digunakan untuk menggerudi ke punca masalah. Kaedah analisis terperinci ini telah menimbulkan tujuh punca utama rasa tidak puas hati dikalangan pekerja MEDICINS.

Masalah yang dikenalpasti adalah 'Gagal untuk mengkaji kesan dasar-dasar yang dibuat ke atas pengurusan prestasi kepada pertumbuhan kerjaya', 'Kekurangan pelan strategik untuk membangunkan pemimpin transformasi, berkarisma & rohani', 'Perancangan tenaga manusia tidak menganggap latihan pengurus sebagai penting (Kekurangan dalam Analisis TNA)', 'Perancangan strategik tenaga kerja yang tidak berkesan', 'Kekurangan dalam latihan SOP & penilaian ke atas pengeluaran dan proses perancangan', 'Kurangnya pembangunan budaya kerja yang berkesan', dan 'Kurangnya

pembangunan komunikasi yang berkesan'. Ketujuh-tujuh masalah ini boleh dikategorikan kedalam tiga kelompok, iaitu masalah Tadbir Urus Korporat, masalah Kepimpinan, dan masalah Perancangan & Pelaksanaan. Cadangan yang dibentangkan oleh kertas ini adalah selari dengan usaha pihak syarikat untuk mengarahkan tumpuan syarikat daripada Pengurusan Sumber Manusia (HRM) ke Pembangunan Modal Insan (HCD). Penyelesaian yang menangani masalah Tadbir Urus Korporat adalah '**Kajian semula sistem penilaian prestasi**', '**Sistem penilaian prestasi alternatif**', dan '**Kepelbagaian kerja**'. Penyelesaian yang menangani masalah Kepimpinan adalah '**Membangunkan budaya kerja yang baik**', '**Komunikasi**', dan '**Mewujudkan pemimpin yang hebat**'. Penyelesaian yang menangani masalah Perancangan & Pelaksanaan adalah '**Perancangan tenaga kerja strategik**' dan '**Latihan SOP & penilaian**'. Melalui pelaksanaan yang disebutkan, MEDICINS Sdn. Bhd. akan dapat mengurangkan kadar perletakan jawatan pekerja dengan meningkatkan tahap kepuasan pekerja mereka dalam pekerjaan. Kesan tambah nilai kepada syarikat akan diterjemahkan dalam bentuk penjimatan kos, menjadikan syarikat tempat kerja terbaik, dan juga membantu syarikat mencapai matlamat organisasi.

ABSTRACT

MEDICINS Sdn. Bhd. (MEDICINS) is facing unfavourable employee turnover; an increase of 1.76% from 2012 to 2013. The employee turnover rate in 2013 was 12.64% and in 2012 it was 10.88%. This situation indicates that the organization is losing talents at a fast pace. MEDICINS formed a cross functional project team. TARI project is short for *Turnover, Attendance, and Retention Initiative*. TARI project seeks to identify the factors leading to employee turnover and to introduce effective and cost efficient retention strategies. The objective of this paper is to outline the case study undertaken to identify the main reasons of job dissatisfaction among employees of MEDICINS in an effort to reduce its employee turnover. Solutions and recommendations will also be proposed to the TARI project committee, to help the company increase its employee retention rate. The Symptom Versus Problem (SVP) Framework is used to drill down to the root cause of the problem from the identified visible symptom. This very detailed method of analysis resulted in the finding of seven major causes of employee dissatisfaction.

The seven major problems are ‘Fail to review the impact of policies made on performance management on career growth’, ‘Lack of strategic plans to develop transformational, charismatic & spiritual leaders’, ‘Manpower planning does not consider training managers as crucial’, ‘Ineffective strategic manpower planning’, ‘Lacking in standard operating procedure (SOP) training & evaluation on production and planning process’, ‘Lack in development of effective work culture’, and ‘Lack in development of effective inter & intra communication’. These seven major problems can be categorized into three groups which are Corporate Governance, Leadership and Planning & Execution. The recommendations proposed by this paper is in line with redirecting the company focus from human resources management (HRM) to human

capital development (HCD). Solutions that addresses Corporate Governance are ‘Review of performance appraisal system’, ‘Alternative performance appraisal system’, and ‘Job enrichment’. Solutions that addresses Leadership are ‘Developing good work cultures’, ‘Communication’, and ‘Creating great leaders’. Solutions that addresses Planning & Execution are ‘Strategic manpower planning’ and ‘SOP training & evaluation’. With these recommendations in place, the company will be able to drastically improve its employee turnover rate by increasing employee satisfaction. The impact and value add to MEDICINS will be translated into cost savings, turning the company into best working place, as well as help the company achieve its other organizational goals.

EXECUTIVE SUMMARY

MEDICINS Sdn. Bhd. (MEDICINS) is one of Malaysia's major medical devices manufacturing facility. It is found that the company's employee turnover rate has increased higher than the industry-average in similar industry; an increase of 1.76% in 2013 compared to 2012. The employee turnover rate in 2013 was 12.64% and in 2012 it was 10.88%.

A task force was then formed by the company to tackle the above said issue; with the project being named TARI (*Turnover, Attendance, and Retention Initiative*). The objective of TARI project is to improve the company turnover rate, to maintain a healthy attendance by reducing absenteeism, to devise a method to monitor the company turnover rate and to introduce effective and cost efficient retention strategies.

This case study will focus on the "T" = Turnover portion of the TARI project objective and seek to identify the actual root cause to job dissatisfaction which leads to the high absenteeism and employee turnover in MEDICINS. Recommendations for solutions will then be proposed so MEDICINS is able to improve its employees' job satisfaction which in turn will fulfil the objectives of the TARI project.

For this case study, the Symptom Versus Problem (SVP) Framework provided better results than any other conventional root cause analysis tools. Problems in one specific department can be related to another department and the organization as a whole. SVP helps to relate the identified issues to provide solutions for all major problems in the organization. Extensive literature review, survey and interviews are also carried out to complement the results of the analysis.

This case study identified seven major problems leading to MEDICINS employee dissatisfaction, which can be categorized into three groups. The seven major problems are ['Fail to review the impact of policies made on performance management](#)

on career growth’, ‘Lack of strategic plans to develop transformational, charismatic & spiritual leaders’, ‘Manpower planning does not consider training managers as crucial’, ‘Ineffective strategic manpower planning’, ‘Lacking in standard operating procedure (SOP) training & evaluation on production and planning process’, ‘Lack in development of effective work culture’, and ‘Lack in development of effective inter & intra communication’. These problems can be categorized into Corporate Governance, Leadership, and Planning & Execution.

Solutions from the case study is summarized in the ‘House of Pillars’ (Figure 16). This proposed ‘House of Pillars’ for MEDICINS will focus on building the company Leadership as the strong foundation and base, aimed at building an effective work culture, strong communication and developing great leaders. This will set a strong foothold for Planning & Execution to be the house’s concrete pillars and bricks by redirecting the focus from human resources management (HRM) to human capital development (HCD) through strategic manpower planning and SOP training & evaluation. These, in turn will enable the company to have bullet-proof Corporate Governance structure by review of performance appraisal system, as well as alternative performance appraisal and job enrichment; leading to the achievement of company strategic goals. Implementing solutions to address MEDICINS leadership, planning & execution and corporate governance factors will help to increase employee job satisfaction and employee retention; at the same time reducing the employee turnover rate to 7% in year 2014 and 2015. This will help MEDICINS to achieve its strategic goals.

The outcome of this case study will provide significant impact and value added advantages to MEDICINS by translating the cost of employee turnover into cost saving (reduction in employee turnover and its related costs, decrease in absenteeism,

abscondment & resignation rate and decrease in overtime), making MEDICINS the best working place (increased job satisfaction, increased employee retention and recognizing employees as an investment) and help MEDICINS to achieve its organizational strategic goals (retention of organizational knowledge, increase in productivity and improved customer relationship)

There were a few constraints faced in this management project. The proposed solutions should not incur more cost, time and resources to MEDICINS. These solutions need to be implemented easily without major restructuring of the organization.

An important point was discovered during the execution of this case study; working with individuals from multiple generations may seem like a daunting task because no single system and structure will keep all three generations satisfied with the job and be loyal to the company. There are huge differences in the work culture and expectations between employees from Gen-X, Gen-Y, Baby Boomers and Veterans. As such, it is strongly recommended that future researchers look into the generational differences and its impact on job dissatisfaction and employee turnover.

1.0 INTRODUCTION

1.1 Background of the issue

Dr James^a was sitting through his monthly Human Resources (HR) Operations meeting one fine January morning. Everything was peachy except for one needle in the haystack issue that have been bugging many company leaders like himself, since the beginning of the industrial age. One issue that many have still not managed to tackle at the root cause. The question of why employees leave a company.

The HR Operations meeting is attended by HR representatives and division heads from all production plants. This meeting is hosted and lead by Dr James himself, the Senior Vice President of Operations and Head of MEDICINS Sdn. Bhd.^b in Malaysia. The objective of this meeting is to review the monthly headcount development trend, current status and future manpower needs, employee turnover rate, employee absenteeism rate, and all other matters related to employee relationship management (ERM).

Dr James has had enough. The overall employee turnover rate for MEDICINS^c has increased by 1.76% in 2013 compared to 2012. The employee turnover rate was 12.64% in 2013, 10.88% in 2012, 10.45% in 2011, 9.68% in 2010 and 8.74% in 2009. There is an increasing trend to this key indicator.

^aAll names have been changed

^bThe name of the company has been changed to ensure confidentiality

^cMEDICINS and MEDICINS Sdn Bhd refers to the same entity and will be used interchangeably

Why are employees leaving? Would he be seeing a turnover rate of more than 13% in 2014? Is MEDICINS employee turnover rate comparable with the industry average? How are the competitors of MEDICINS doing with regards to this indicator? No one can answer him at that point. Dr James then turned to his HR General Manager, Ms. Alicia^a and instructed her to form a project team with the objective to find answers to his questions, to propose solutions and to give feasible recommendations on ways to reduce the turnover rate for MEDICINS. He wants the employee turnover rate of MEDICINS Sdn. Bhd. to be 7% for the year 2014 to 2015.

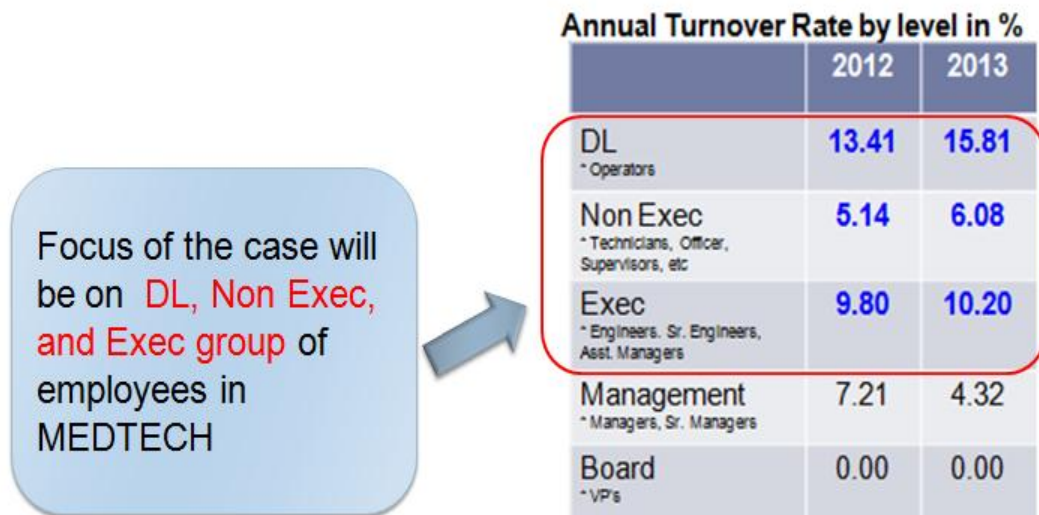
Ms. Alicia then proceeded to form a taskforce to tackle the above said issue. Representatives were selected from various areas of the company; those who have the expertise and capacity to contribute to the desired outcome of the project objective. The project was aptly named TARI Project. TARI is short for *TURNOVER, ATTENDANCE & RETENTION INITIATIVE*. The objective of TARI project is to improve the company turnover rate, to maintain a healthy attendance by reducing absenteeism, to devise a method to monitor the company turnover rate and to introduce effective and cost efficient retention strategies.

1.2 Problem Statement

This case study is intended to complement the MEDICINS initiated TARI project by focusing on the “T” = Turnover. This study seeks to identify the actual root cause for job dissatisfaction. Solutions and recommendations will then be proposed so MEDICINS is able to improve its employees’ job satisfaction which in turn will fulfil the objectives of the TARI project. The research area of focus will cover all production plants in the company; Plant M, Plant N, Plant A, Plant P and Plant F.

The **problem statement of this case study is: Employee Turnover Rate increased 1.76% in 2013 compared to 2012.** The turnover rate in 2012 was 10.88%, while in 2013 it was 12.64%.

This problem statement will also be the main symptom in the selected method of analysis for this case study. Data supporting this main symptom suggests the focus of the case study be on employees from the Direct Labour (DL), Non Executive (Non Exec), and Executive (Exec) since these are the groups showing an increase in annual turnover rate as depicted in Figure 1.



$$\text{Annual Turnover Rate} = \frac{\text{Total employee resigned}}{\text{Average of employee per month}}$$

Figure 1: Summary of the company employee turnover data for 2012 and 2013.

(Source: Human Resources Department, MEDICINS)

1.3 Research Objective

The objective of this case study is 3R. They are:

- R1: To identify the **Relationship** of employee turnover with job dissatisfaction
- R2: To identify the **Reasons** contributing to job dissatisfaction and employee turnover
- R3: To **Recommend** solutions to minimize job dissatisfaction and employee turnover rates

1.4 Research Questions

High turnover rates can negatively affect a company and its employees in many ways which leads to the following research questions that this case study will seek to answer:

1. What is causing employee dissatisfaction and employee turnover in MEDICINS? (In the perspective of the management and the employee).
2. What are the current action plans taken by MEDICINS to minimize job dissatisfaction and employee turnover?
3. What can be done to improve the job dissatisfaction and employee turnover rate in MEDICINS?

1.5 Research Significance

Losing talents or employees can be very expensive for a company. Employee turnover has a direct impact on company revenue and profitability. In MEDICINS's case, HR estimated the cost of each employee turnover to be up to 150 percent of the person's average annual salary, dependant on position. This is mainly contributed by

MEDICINS's strict hiring practice which involves many filtering layers. The recruitment, interviewing and hiring costs takes the biggest chunk; which includes advertising for vacancy costs, recruitment agencies cost, candidate background and reference checks, psychometric personality test for each employee, medical check up, IQ Test, and good manufacturing practice (GMP) test.

The induction training for new employees, loss of time and resources for orientation and training of the new employees could potentially lower productivity by increasing the work load of other members of the team affected by the activities involved in familiarizing their new team member. New employees too may suffer from low morale as they struggle to learn their new job responsibilities and procedures without a mentor to guide them. Continuation of this type of work environment can result in the company having a difficult time attracting and keeping high-quality talents.

The outcome of this case study will provide significant impact and value added advantages to MEDICINS by translating the cost of employee turnover into savings, making MEDICINS the best working place and help MEDICINS to achieve its organizational goals as follow:

- Employee Turnover decrease - Cost Savings
- Absenteeism, Abscondment & Resignation Rate decrease - Cost Savings
- Job Satisfaction increases - Best Working Place
- Recognizing Employees as Investment improves – Best Working Place
- Employee Retention increases – Best Working Place
- Cost of Employee Turnover decreases – Cost Savings
- Overtime decreases – Cost Savings

- Retention of Organizational Knowledge – Achieve Organizational Goals as in Balanced Score Card (BSC)
- Productivity increases – Achieve Organizational Goals as in BSC
- Customer Relationship improves – Achieve Organizational Goals as in BSC

1.6 Method of Analysis

To solve a problem, one must first recognize and understand what is causing the problem. Appendix 1 outlines the research methodology of this case study.

According to Wilson et al. (1993), a root cause is the most basic reason for an undesirable condition or problem. If the real cause of the problem is not identified, then one is merely addressing the symptoms and the problem will continue to exist. For this reason, identifying and eliminating root causes of problems is of utmost importance (Dew, 1991; Sproull, 2001). Root cause analysis is the process of identifying causal factors using a structured approach with techniques designed to provide a focus for identifying and resolving problems.

There are various conventional root cause analysis tools such as Fishbone (Ishikawa Diagram), SWOT, TOWS, PESTEL (PESTLE), Porters FIVE Forces Analysis, 5 Why's Method and etc. For this case study, the Symptom Versus Problem (SVP) Framework provided better results than SWOT and Fishbone analysis; or any of all the other conventional root cause analysis tools. Appendix 11 explains the SVP Framework in more detail. Appendix 9 outlines the complete SVP Framework for this case study. Appendix 4 and Appendix 5 outlines the SWOT and Fishbone respectively for this case study.

The SVP Framework was internally developed under the supervision of Tuan Haji Noor Nasir Kader in Graduate School of Business, Universiti Sains Malaysia

throughout his 10 years of service in the academic field, industry experience and consulting (Source: Unpublished MBA SSME Management Project, Employee Burnout in the Era of Headcount Downsizing: Case Analysis of Microchip Tech by Gayathiri Seladurai, 2013).

SVP is a flow chart diagram based method which identifies and displays the possible causes of a specific problem. It graphically illustrates the relationship between a given outcome and all the factors that influence the outcome. By continually asking why a problem occurs, SVP will lead researchers to other symptoms until the root cause of the problem is found.

Problems in one specific department can be related to another department or the entire organization. SVP helps to relate issues in order to provide concrete solutions for all major problems in the organization. Symptoms and problems are segregated into tiers, with linkage to each other where the final tier will be the root cause of the problem. Tier 1 is information which can be seen, observed, with data to support the observation. Information on why tier 1 happens is then gathered from literature reviews and placed as tier 2 up to tier 4 depending on the severity of the problem. The following tiers are then expanded with information gathered from surveys and interviews until the root cause of the problem is discovered.

In this case study, the **problem statement is: Employee Turnover Rate increased 1.76% in 2013 compared to 2012.** This will be the tier 1 symptom in this case study's SVP Framework. Data collected to support this tier 1 symptom is shown in Figure 1.

2.0 LITERATURE REVIEW

Literature topics selected are in relations to the problem statement of this case study. Information gathered from the literature will support the tier 2 to tier 4 symptoms in the SVP Framework. Recommended solutions from the literature will also be considered, depending on its relevancy to the company and its employee culture.

Topics being looked into are the definition of employee turnover, the already established relationship between employee turnover and employee satisfaction, the impact of job satisfaction on absenteeism, the concept of employee relationship management (ERM), and the relationship between job satisfaction and ERM. All related key points from the literature are cross-referenced to the SVP Framework from Figure 3 to Figure 10 in this report.

2.1 What is employee turnover

According to Reggio (2003), employee turnover “refers simply to the movement of employees out of an organization”. It is a negative aspect, which might lead to the failure of employee retention strategies in the organization. “Leaving of job appears to reflect significant workplace problems, rather than opportunities for advancement into better jobs” (Holzer and Wissoker, 2001). Turnover of employee disrupts teams, raises costs, reduces productivity, and results in lost knowledge. So, it is essential for the management to realize the consequence of employee turnover.

“It is very costly for the Organization and the cost is due to termination, advertising, recruitment, selection, and hiring” (Abasi & Hollman, 2008). When an employee leaves an organization, the ability of the remaining employees to complete their duties may be affected. Job satisfaction has been identified as an important factor in the working lives for all occupational groups. Employees who are satisfied, are

more likely to be committed to their organizations and decrease the intention of quitting from a job.

2.2 The relationship between employee turnover and job satisfaction.

Cohen 1993; Hom & Griffeth 1995 and Allen, Shore & Griffeth 2003 explored that turnover intentions have represented a reliable indicator of actual turnover and were heavily influenced by job satisfaction (Refer SVP Tier 1 and 3a, Figure 3). Hom & Griffeth (1995) maintained that employees decided to leave their organization when they become dissatisfied with their jobs (Refer SVP Tier 1 and 3a, Figure 3).

Likewise, Meyer & Herschovitch (2001) argued that when employees were dissatisfied with their jobs, their desire to remain in their organization started to erode (Refer SVP Tier 1, 2a, 2b and 2c, Figure 3). In fact, initial consequences of these negative effects, in the form of low job satisfaction were turnover cognitions. Research by Allen & Griffeth (2001), Allen et al. (2003), and Chiu & Francesco (2003) have shown that job satisfaction was a strong predictor of turnover intentions (Refer SVP Tier 1 and 3a, Figure 3).

Job satisfaction with the current job reflects an indicator to predict employee turnover in the organizations may be low in finding another job due to a positive experience with their organization's policies. Employees who are satisfied have higher intentions of persisting with their organization, which results in a decreased turnover rate (Mobley 1982).

2.3 The impact of job satisfaction on absenteeism

Kehinde (2011), through his research work investigates the impact of job satisfaction on employee absenteeism (Refer to Tier 2a and 3a, Figure 3). The analysis of the

study shows that 78.4% relationships exist between absenteeism and job satisfaction. The absenteeism of workers in an organization may be caused by lots of factors which in most cases are due to the dissatisfaction of the employees. The result obtained at the end of the analysis by Kehinde (2011) reveals that there is a direct linkage between employee absenteeism and job satisfaction (Refer to Tier 2a and 3a, Figure 3).

Seven major extrinsic sources of job satisfaction relative to absenteeism including pay, promotion (Refer to Tier 5a, Figure 4), work interest (Refer to Tier 4b, Figure 3 and Figure 5), supervision (Refer to Tier 4e, Figure 3 and Figure 8), co-workers, working condition (Refer to Tier 5h and Tier 6d, Figure 6) and fairness of supervisors are considered. It is thus highly recommended for employers to strategically design, develop and implement company-standard, employee motivational policies relative to pay, promotion, work interest, supervision, coworkers, working condition and fairness of supervisors as this will invariably motivate and encourage employees to be more present and punctual in their place of work and strategically flush out employee absenteeism.

2.4 Concept of Employee Relationship Management (ERM)

Management is not only about managing resources and controlling expenses. Another extremely important function of management is the ability to manage employees, especially since they are the lifeline of any business.

Employees don't only need guidance from their managers or leaders, but they also need to know that they will be there to help them when they need them or to help put things back on the right track. Kellerman (2007) points out that, “like good leaders, bad leaders are characterized by traits such as intelligence, high energy,

strong drive for power and achievement, decisiveness, and determination” (Refer to Tier 5c, Figure 4). Bad leaders have a skill set that ranges from being good at communicating to being good at decision making. Kellerman (2007) also describes bad leaders as, “incompetent, rigid, intemperate, callous, corrupt, insular, and evil” (Kellerman, 2007, Pg. 17). McGowan (2010) also notes, “Leadership can’t lead if it can’t see” (McGowan, 2010, Pg. 3).

Many leaders/managers are not successful due to their authoritative leadership styles, (Refer to Tier 5c, 6b and 7b, Figure 4) resulting in an increased communication gap (Refer to Tier 4d, 5i, 5j, 6g 7g, 8h and 9c, Figure 7) with their employees. Such leaders are unable to earn the respect and loyalty of their employees, who simply follow their orders because of their authority. Accordingly, there is a greater possibility of turnover and absenteeism by the valuable workforce (Ahmed, Shields, White, & Wilbert, 2010, Pg. 108). Fowlie & Wood (2009) (Refer to Tier 1 and 2a, Figure 3), further illustrate from one of their studies that, “bad leadership equates to a lack of self-management and relationship management competencies” (Fowlie & Wood, 2009, Pg. 568). Lack of communication (Refer to Tier 4d, 5i, 5j, 6g 7g, 8h and 9c, Figure 7) and guidance from management (Refer to Tier 4e, Figure 8) simply exacerbates existing or potential problems. As a result, this could then leave the employees feeling like no one is listening and the relationship between employees and management starts deteriorating.

Once the relationship between employees and management starts to deteriorate (Refer to Tier 10e, Figure 8 and Tier 7j, Figure 10), this can then lead to motivational issues (Refer to Tier 5b, Figure 4). Managers need to realize that every employee is different. Some employees prefer to work independently while others like the continued feedback and support from their leaders. As Lazenby (2008) notes, “a one-

size-fits-all approach to employee motivation doesn't work. Challenges that motivate one person might actually discourage another. Some individuals seem to have a high need for praise and recognition, even when their work is mediocre; others don't seem to care about those things" (Lazenby, 2008, Pg. 22).

While some employees might be motivated by monetary rewards, managers also need to be aware that motivation could also depend on the age of the employee. Although one might not think that age is a factor when it comes to motivating workers; it actually is. Younger employees tend to be more motivated by monetary rewards and older employees are generally motivated by other factors. As Kauffman (1987) points out, "aging, in itself, does not lead to mental impairment, such as memory loss or a breakdown in intellect. They [older workers] may no longer be striving for top pay; they may see the need for better balance between work life and home life (Refer to Tier 4c, Figure 6); their children may be self-supporting and their monetary needs are no longer a driving force" (Kauffman, 1987, Pg. 43). Not motivating employees can then lead to interdepartmental or departmental conflict; especially if employees believe inequality exists.

Conflict in the workplace is not always a bad thing. However, conflict that is not managed properly can certainly lead to bigger problems (Refer to Tier 6i, Figure 10). Occasional conflict, if managed appropriately, can lead to creativity, better decision-making, and improved results. However, too much conflict can lead to a decrease in performance and group cohesion (Sikes, Gulbro, & Shonesy, 2010, Pg. 48). Culture wars can occur when the beliefs and habits of one cultural group come to dominate the norms of the workplace (Refer Tier 7b, Figure 4), making it difficult for members of other groups to be included, understood, and to attain success (Turner, 2007, Pg. 244).

Conflict is almost certain to occur in work teams due to the fact that they are comprised of different people possessing different perceptions, personalities, and behaviours. Although incredibly effective, work teams may stumble upon barriers which must be overcome to allow for growth and continuation towards the common goals of the group. Unfortunately, conflict cannot be managed by walking away. The issue has to be tackled and, “the important takeaway is not necessarily knowing how to eliminate conflict all together, but to eliminate the problems before they begin or be prepared to deal with the conflict as it is presented” (Sikes, Gulbro, & Shonesy, 2010, Pg. 48).

2.5 Relationship between job satisfaction and ERM

Job satisfaction refers to an emotional state of mind that reflects an affective reaction to the job and work situation (Dipboye *et al.*, 1994). An employee tends to react negatively towards their job which caused the withdrawal of behaviour and feeling de-motivated towards their work function. Employees who have higher job satisfaction are usually less absent, less likely to leave, (Refer to Tier 1, 2a and 3a, Figure 3) more productive, more likely to display organisational commitment, and more likely to be satisfied with their lives (Lease, 1998). Therefore, keeping one person happy in their work is intuitively appealing to employers in any organization.

Employee relationship management is a process that companies use to effectively manage all interactions with employees, ultimately to achieve the goals of the organization. Shivange Singh *et al* (2011) in her study identified the reasons for employee to leave are related to no growth opportunities (Refer to Tier 5a, 6a, 7a, Figure 4), lack of appreciation (Refer to Tier 5b, Figure 4), and stress from overwork (Refer to Tier 4f, Figure 10) and work life imbalance (Refer to Tier 4c and 8f, Figure

6). Study of (Hemdi *et al.*, 2012; Lam *et al.*, 2003; Pathak, 2012) revealed that bad working conditions (Refer to Tier 5h, Figure 6), and work stress (Refer to Tier 4f, Figure 10), will help them consider the idea of leaving their work to cause an actual turnover. Walker (2001) call for establishing a working climate for employee retention. Further, career development (Boomer Authority 2009) (Refer to Tier 5a, 6a and 7a, Figure 4), communication (Gopinath and Becker, 2000) (Refer to Tier 4d, Figure 7), and superior-subordinate relationship (Zenger, Ulrich, Smallwood, 2000) (Refer to Tier 7j, Figure 10 and Tier 10e, Figure 8), are also the factors known for prolonged stay of the employees in the organization.

3.0 THE INDUSTRY ANALYSIS

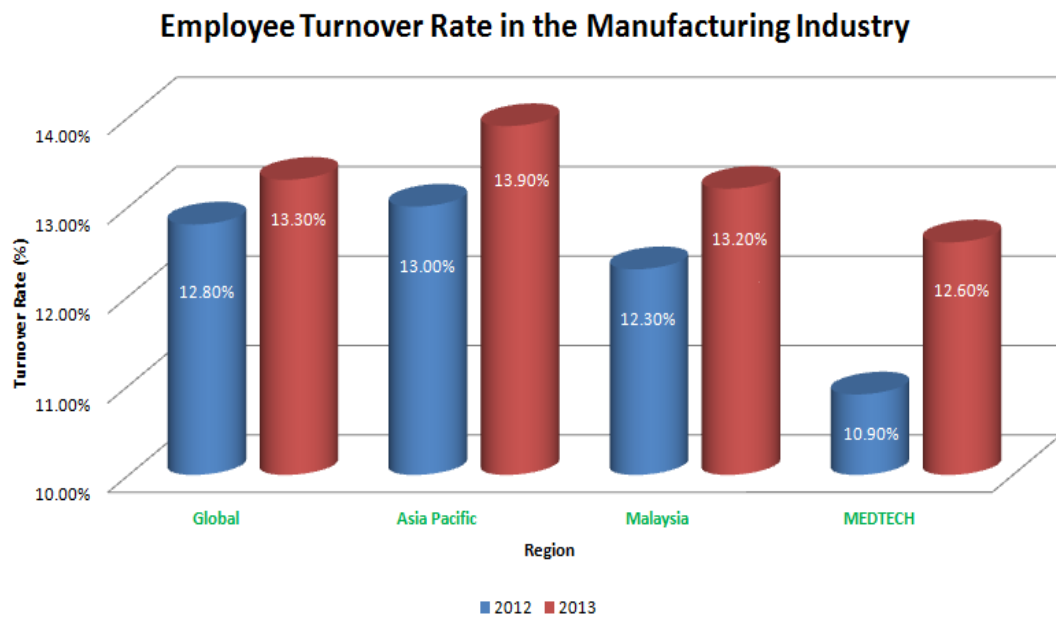
The global medical device market sales are predicted to have a compounded annual growth rate (CAGR) of 7.5% from 298 billion USD in 2013 to 440.5 billion USD by 2018. Asia's healthcare market constitutes approximately 24% of the global healthcare market sales. Asia Pacific medical device market sales also show a CAGR of 9% since 2007 until 2013. It has grown from 38.2 billion USD in 2007 to 69.9 billion USD in 2013.

With the growing world population, the industry is expected to register continuous market growth led by changing demographics such as aging population, a more affluent society, changing lifestyles, hectic daily activities, unhealthy eating habits, and increasing incidence of chronic diseases across the entire global population; providing growth opportunities for the industry players which have led to the creation of a robust domestic industry.

MEDICINS medical device market sales in Asia Pacific for the year 2013 was 811 million Euro. The competitors for MEDICINS in the Northern Corridor are Ambu, B. Braun, Symmetry Medical, Unomedical, St. Jude Medical, Teleflex, CR Bard and Covidien. However, these competitors are not direct competitors to MEDICINS because they do not produce the exact same products as MEDICINS; instead they form an ecosystem in Malaysia which produces and distributes different types of medical devices.

In the last 5 years itself, many new medical device manufacturing companies have decided to step foot in the local market. The challenge is for companies to retain their talent and to get their employees not be enticed to join the newly established competitors.

As MEDICINS is a manufacturing company, the industry analysis on employee turnover will consider the manufacturing industry as a whole. Chart 1 (with accompanying table) depicts that MEDICINS does have a larger than the industry average increase in employee turnover for the year 2012 to 2013. Therefore the selected problem statement is valid and the findings from this case study will be able to contribute to the company in a significant manner.



Year	Global	Asia Pacific	Malaysia	MEDTECH
2012	12.8%	13.0%	12.3%	10.9%
2013	13.3%	13.9%	13.2%	12.6%
Source	http://www.compensationforce.com/2014/02/2013-turnover-rates-by-industry.html Compdata Surveys is a national compensation survey data and consulting firm in the US.	http://www.towerswatson.com/en/Insights/Newsletters/Asia-Pacific/southeastasia-conversations-interactive/2012/workforce-trends-in-asia-pacific Towers Watson's surveys conducted in 13 key markets across the Asia Pacific region for salary increase, employee turnover and hiring.	http://www.towerswatson.com/ Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management.	Human Resources Department, MEDTECH for TARI Project 2014.

Chart 1 (with accompanying table): Employee turnover rate in the general manufacturing industry; globally, in the AP region and locally compared with that of MEDICINS.

4.0 CASE WRITE-UP

4.1 Background of the company

4.1.1 MEDICINS GMBH the parent company

MEDICINS GMBH is a family owned, multinational medical manufacturing industry established in 1839 and headquartered in Germany. MEDICINS GMBH supplies the global healthcare market with products for anaesthesia, intensive medicine, cardiology, extra corporeal blood treatment, surgery, as well as services for hospitals, general practitioners and the homecare sector. With approximately 50,000 employees in 61 countries, MEDICINS GMBH achieved a sales turnover 5.169 billion Euros in 2013 and 5.048 billion Euros in 2012.

4.1.2 MEDICINS Sdn. Bhd.

MEDICINS Sdn. Bhd. (also referred to as MEDICINS in this case study) was established in Malaysia in 1972. It is one of the largest manufacturing site for MEDICINS GMBH outside Europe. MEDICINS has continuously expanded its operations and currently has five different production plants with a total of 6500 employees in Malaysia. The company vision, mission, and business objective of MEDICINS are:

Vision

MEDICINS is the customers' first choice for safe Infusion Therapy worldwide.

Mission

- MEDICINS is the largest supplier for Infusion Therapy worldwide
- MEDICINS products improve safety and efficiency for patients and health care professionals
- MEDICINS is the standard for quality and reliability

Business Objectives

- Achieve No. 1 market position globally by becoming the No. 1 supplier for Infusion Therapy in Europe, No. 2 in the US and Asia Pacific by 2020.

4.1.3 Organization Chart and Structure

Figure 2 depicts the organizational chart for MEDICINS. The organizational structure in MEDICINS is designed by functional structure. Functional departmentalization is the basis for grouping together jobs that relate to a single organizational function or specialized skill. The chain of command in each function leads to a functional head who in turn reports to the top manager.

The functional design enhances operational efficiency as well as improvement in the quality of the product because of the specialists being involved in each functional area and also because resources are allocated by function rather than being duplicated or diffused throughout the organization.

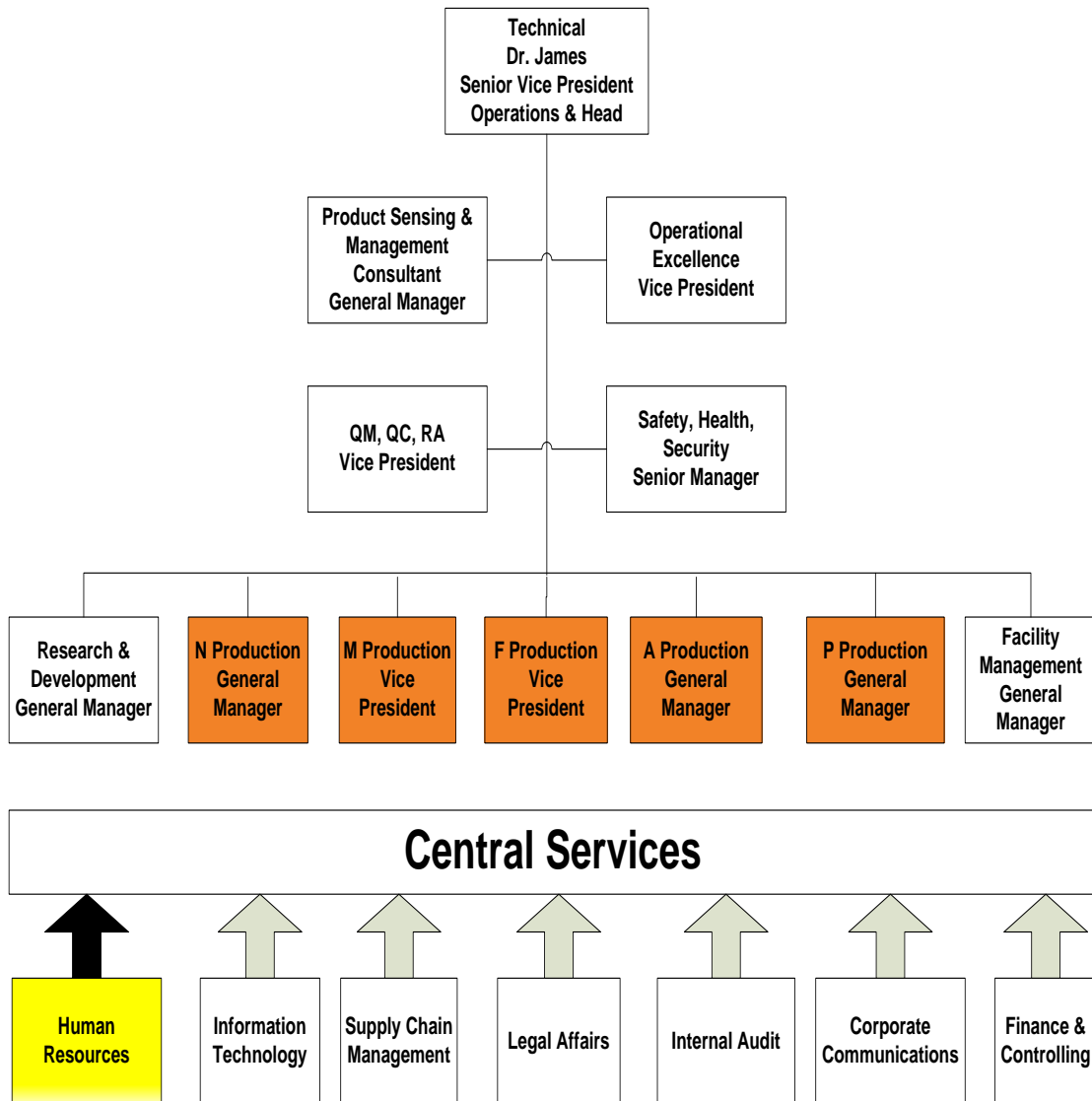


Figure 2: Organizational Chart for MEDICINS

(Source : MEDICINS Technical Organization Chart, Issue 27, December 1st 2013)

Area of focus of this research covers production plant N, M, F, A and P. Each individual or function plays important roles in ensuring its employee loyalty to the overall organization. Recommendations from this case study will be linked back to the organization chart to ensure the right people from the right function is put in charge of executing the solution to the TARI project.

4.2 Details of the Case Issue

From literature review, Symptom Versus Problem (SVP) framework (Refer to Figure 3) was developed up to tier 4.

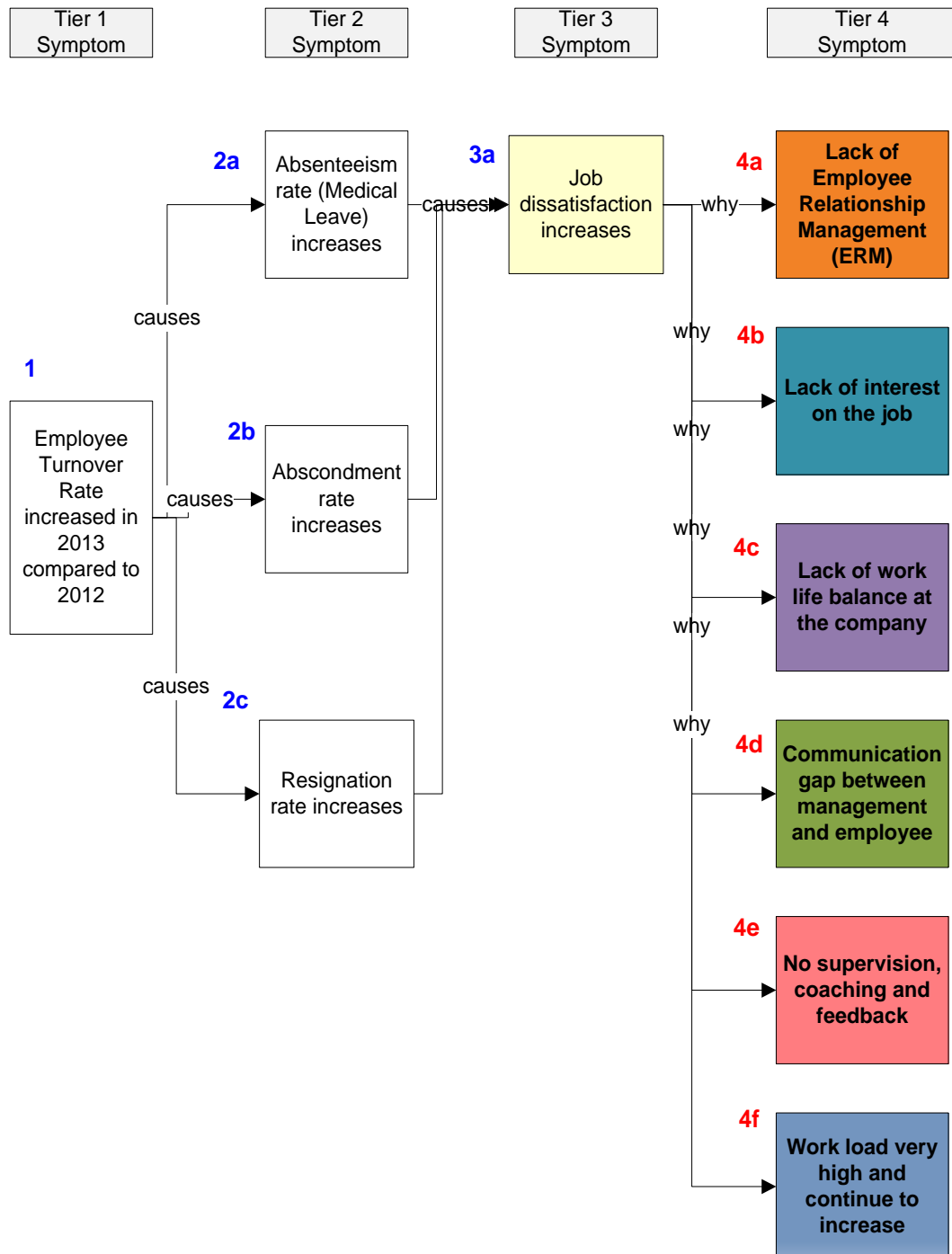


Figure 3: SVP Framework relates 6 major symptoms that causes job dissatisfaction

Literatures suggested six main factors contributing to employee dissatisfaction. They are lack of employee relationship management (ERM), lack of interest on the job, lack of work life balance at the company, communication gap between management and employee, employees feel they have no supervision coaching and feedback from their superiors, and employees are burdened with heavy workload.

Survey using questionnaire (Refer to Appendix 2 for the complete questionnaire) is then conducted to gain more insight into the problems faced by the employees of MEDICINS with relations to the identified six factors. This method is used to obtain quantitative data to support qualitative findings. There were 214 respondents from various age group, gender and production plant. The survey questionnaire has 28 questions, including five main demographic factors such as division, occupation, education level, year of birth and gender. The 28 questions are designed to gauge deeper into the symptoms or problems that potentially can be at tier 5, tier 6 and above; till a problem is identified. Data from the survey is then analysed using the Crosstab method from SPSS Statistical Software.

The objective of the questionnaire was to understand whether there is any relationship between job dissatisfaction among employees of MEDICINS with ‘lack of ERM’, ‘lack of interest on the job’, ‘lack of work life balance at the company’, ‘communication gap between management and employee’, ‘no supervision, coaching & feedback’ and ‘work load very high and continue to increase’. The analysis of the questionnaire shows that job dissatisfaction (tier 3 symptom) has very strong relationships with all the factors developed in tier 4, 5 and 6 symptoms of the SVP Framework.

For the utmost important question, “I am satisfied with my job”, out of 214 respondents in MEDTECH, 28.5% or 61 respondents (36 female, 25 male) selected slightly dissatisfied, 20% or 43 respondents (19 female, 24 male) selected moderately dissatisfied and 7% or 15 respondents (6 female, 9 male) selected extremely dissatisfied. These 3 groups make up 55.5% (119 respondents) of employees. Highest dissatisfaction comes from Plant F (41 respondents) with 21 respondents from direct labour group followed by Plant A (25 respondents) with 15 respondents from direct labour group (Refer to Appendix 10a).

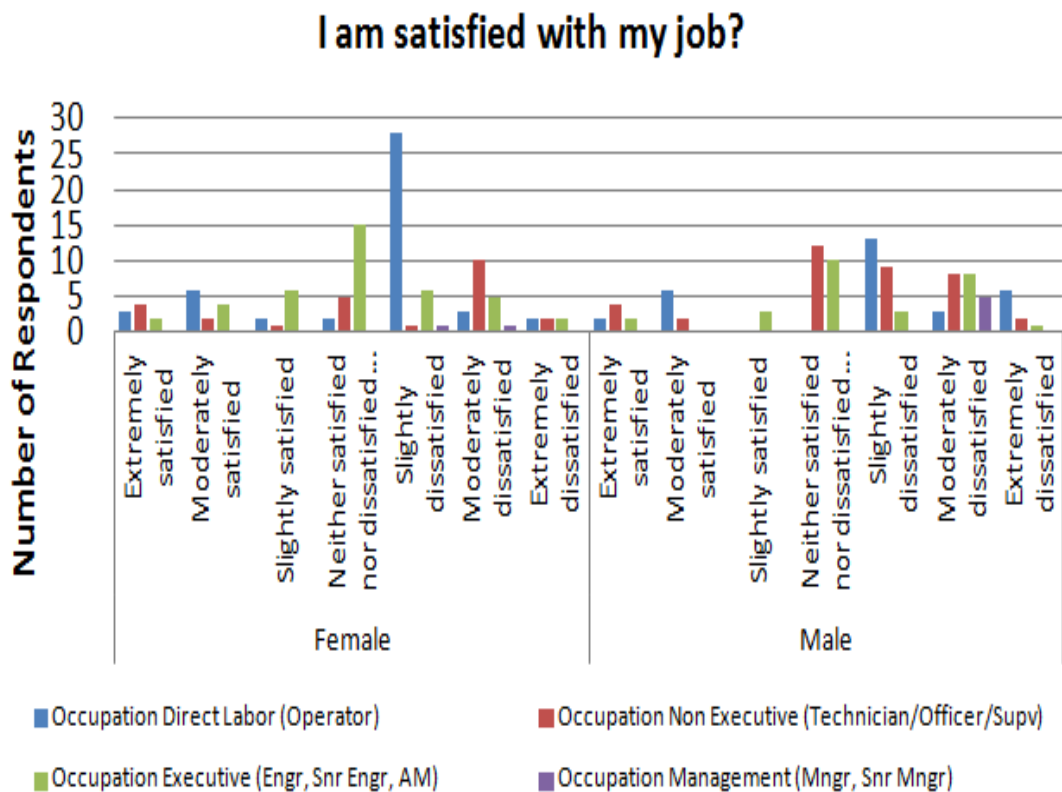


Chart 2: Result of survey question ‘I am satisfied with my job’

From the analysis, management is moderately satisfied with their job. Executive, non-executive and operator (direct labour) are slightly, moderately and extremely dissatisfied with their job or no feeling (neither satisfied or dissatisfied). This survey result complements the data from Figure 1 as provided by MEDICINS Human Resources department, which shows a strong relationship with employee

turnover as there is obvious increase in percentage of turnover for direct labour from 13.41% in 2012 to 15.81% in 2013, non-executive from 5.14% in 2012 to 6.08% in 2013 and executive from 9.80% in 2012 to 10.20% in 2013. As for management, there is a reduction from 7.21% in 2012 to 4.32% in 2013.

Management is extremely, moderately and slightly satisfied to continue their tenure in MEDICINS compared to executive, non-executive and direct labour who has higher tendency to leave MEDICINS.

The 6 main symptoms as depicted in Figure 3 will be discussed in their respective sections; with reference to survey results and interviews that was conducted. These symptoms will be further expanded, some up to tier 13, depending on the information gathered.

4.3 Lack of Employee Relationship Management (ERM)

4.3.1 Limited career growth and advancement opportunities

For the question, “[Career development path is clearly defined for me](#)”, out of 214 respondents in MEDICINS, 35% or 74 respondents (41 female, 33 male) selected slightly well defined, and 30% or 65 respondents (33 female, 32 male) not well defined. These 2 groups make up 65% (139 respondents) of employees who has voiced out that the career development in MEDICINS is very limited. Limited career growth and advancement opportunities are highly felt by employees from Plant M (42 respondents) with the majority 25 respondents from executive group feeling they have limited career advancement opportunities. This is followed by Plant A (35 respondents) with majority 21 respondents from the direct labour group feeling the same way. These groups of employee are highly likely to leave the company if there

is better advancement opportunity outside. Survey results show that management level employees of MEDICINS feel their career development is very well and moderately well defined. This is not the case for executive, non-executive and operator as they believe their career development is slightly well defined and not well defined. As such executive, non-executive and operator has a higher tendency to look for job outside MEDICINS due to dissatisfaction of not getting development opportunities in MEDICINS (Refer to Appendix 10b). This survey results supports SVP as in Figure 3 and Figure 4.

4.3.2 Lack of appreciation, recognition and motivation to employees

For the question, “I often receive appreciation or recognition from my superior/boss for my contributions. It could be as simple as the phrase “Well Done!” or a pat on the shoulder”, out of 214 respondents in MEDICINS, 27.5% or 59 respondents (39 female, 20 male) selected slightly often and 27.5% or 59 respondents (27 female, 32 male) selected never. These 2 groups make up 55% (118 respondents) of employees who has voiced out the lacking of appreciation, recognition and motivation in MEDICINS. Lack of appreciation and recognition has a high relationship with job dissatisfaction which can lead to employee turnover. Lack of appreciation, recognition and motivation to employees is high in Plant F (40 respondents) with 25 respondents from direct labour group followed by Plant A (35 respondents) with 21 respondents from the direct labour group. Management, executive and non-executive receive appreciation very often and moderately often. Direct labour operators receive appreciation slightly often and never; leaving this group with higher chance of facing job dissatisfaction (Refer to Appendix 10c). This survey results supports SVP as in Figure 3 and Figure 4.