



Factors Affecting Employee Retention: A Case Study of Private Companies in Cambodia

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Abstract: Employee turn-over is often associated with “employee retention”. Employee retention plays an important role to keep up with other companies amidst the rapid evolvement of global economic environment. The objective of the study was to understand the importance of employee retention or human capital, assess the factors affecting retention of private employees in Cambodia such as compensation, promotion and opportunity and growth; work environment, training and development and work-life balance and job satisfaction thus provide suggestions to private companies on what to undertake to retain its employees. Knowing the importance of the “staff retention” in an organization, the researcher sought an answer on the following questions (1) To what extent employee retention is important for private companies in Cambodia? (2) What factors influence employee retention of private companies in Cambodia? (3) What are the most influencing factors on employee retention of private companies in Cambodia? The researcher employed two methods to come-up with conceptual model. The methods are namely model synthesis and Delphi method. After pilot testing, the researcher surveyed 420 respondents using stratified random sampling technique distributed equally to financial services, manufacturing, tourism and hospitality industry; education, retails and others (professional services, hospital, construction etc.). At the end, the researcher collected 410 qualified sample size after data screening. Descriptive statistics such as frequencies, percentages, mean and standard deviations were used. The research model and research hypothesis were successfully tested by Confirmatory Factor Analysis (CFA) and Structural Equation Model (SEM) using SPSS and Amos 26 as research tools. Based on the study, “job satisfaction” is driven by compensation and work-life balance. They are the most influencing factors that make private employees stay in a company. Work environment, promotion, opportunity and growth; and training and development are the least significant factors affecting employee retention.

Index Terms - employee retention, compensation, promotion and opportunity and growth; work environment, training and development and work-life balance and job satisfaction

I. INTRODUCTION

Employee retention plays an important role to keep up with other companies amidst the rapid evolvement of global economic environment. Competition put pressure on companies to maintain their competitive edge. In this continuous, fast changing and competitive business environment with the thunder-like evolution of technology, in order for a company to be able to deliver and maintain superior service to its customers or produce products of high quality at low cost, aside from innovative process, effective management and operation system; retaining employees or at least key employees are necessary. As Das and Baruah (2013) said, long-term health and success of any organization depends upon the retention of key employees.

Nowadays, employee retention has become a major concern for many private organizations in the modern business. The highest level of turnover normally found in private sectors (Shamsuzzoha,2008). Although the salary and benefits in private sectors are generally high, job security is less. When the business is experiencing growth, job security typically increases. However, it also decreases when the business is down thus resulting downsizing (Shamsuzzoha,2008).

It is critical to retain employees especially from those companies heavily relying on the on human capital. The concept of human capital and knowledge management is that people possess skills, experience and knowledge, and therefore have economic value to organizations.

A company with a low retention rate (high turnover) means the company will not benefit from their investment in recruitment, training and development and management inputs and lose their internal know-how, intelligence and experience. When turnover is high, a vicious and expensive cycle of recruitment, induction, training starts and both internal as well as external relationships with customers may suffer (Ses & Nil , 2015)

Employees have been important resources to any organization. Based on their critical character, they can be termed the life-blood of an organization. To remain more competitive, organizations need therefore not to only attract the best talents but also to retain them on the job for a long term. The toughest challenge that organizations encounter nowadays is not only how to manage the people but also how to keep them on the job as long as possible and how to maintain them vigorous and ambitious (Kossivi, et al., 2016).

Managing turnover is proving to be a challenge to many organizations. Organizations incur very high costs as a result of voluntary turnover (Terera, & Ngirande, 2014). According to Gering & Conner (2002) retaining good workers is critical to any organization. If an organization is not able to retain its employees, it will not be able to capitalize on human assets developed within the organization (Gering & Conner, 2002).

The success of any organizations relies on the quality of its employees. With the challenge in keeping skilled workforce amidst increasing demand on quality products or services with tight turn- around time, the companies, particularly HR must develop strategies in recruitment, engagement, retention, training, compensation and benefits, motivation and succession planning.

II. NEED OF THE STUDY

On the average company loses approximately \$1 million with every 10 managerial and professional employees who leave the organization. Combined with direct and indirect costs, the total cost of an exempt employee turnover is a minimum of one year's pay and benefits, or a maximum of two years' pay and benefits. There is significant economic impact with an organization losing any of its critical employees, especially given the knowledge that is lost with the employee's departure. This is the knowledge that is used to meet the needs and expectations of the customers. Knowledge management refers to the process involving the creation, collection and application of knowledge for improving organizational performance (Nyangi, 2011)

According to Catalyst.Org. (2020), the greatest year-over-year increases in the talent shortage have been in the United States, Sweden, Finland, Hungary, and Slovenia. US companies had an average turnover rate of 22% in 2018, with 15% attributed to voluntary turnover. While Canadian companies had an average turnover rate of 21% in 2018, with 12% attributed to voluntary turnover (Catalyst.Org, 2020)

In Asia, Hong Kong is lauded for its strong and stable economy but plagued by manpower shortages, employee turnover stands at over 10 percent, and over 20 percent for business and professional services in 2016, according to the Hong Kong Institute of Human Resource Management. Systemic pressure generated by this imbalance can cause wage inflation, especially for highly skilled workers (Jarman, 2017).

However, in China, where the former one-child policy has created an aging society with a lack of young workers to support it, the problem is even worse. Despite the Communist Party's decision to implement a two-child policy recently, the problem isn't going away any time soon. Multinationals continue to flood into the PRC as domestic companies develop. In the meantime, the number of 15-to-24-year-olds entering the labor force is expected to decrease by nearly 30% in the next decade (Jarman, 2017).

Lastly in Cambodia, between 2011 and 2014, where the number of people employed rose by 23.5%, example in construction, it rose by around 40%; finance and insurance employment rose approx. 38% or in essence an increase of employment rate and having one of the fastest growing economies in the world over the last decade, the country is still lacking of workforce (Low, 2015a). According to Low (2015b) during keynote speech representing Euro Cham HR at 2nd Higher Education Forum: EU-Cambodia Higher-Education Policy and Cooperation in 2015, There are many countries in the world that are not suffering from skills shortages, simply because their economies are (not) performing poorly. "Not being able to find enough skilled people to supply the huge demand is a problem many countries would like to have right now" (Low, 2015b). Surprisingly, during Covid 19 pandemic, when many workers lose their jobs, many companies have shortage of workforce and even offering compensation for every successful' applicants their employees will recommend.

In Cambodia, term "war for talent" could be used to describe the current job market. There is a battle taking place for the best people that the country has to offer even the largest companies with the biggest budgets and attractive list of benefits are struggling to find and retain quality staff (Low, 2015c). The most common reason for the employee resigning according to employers in Cambodia's is an offer of better salary and compensation elsewhere. Better compensation offered in particular by new and emerging sectors, such as financial services in Cambodia, remains a significant challenge in retaining employees and managing HR today (Ses & Nil, 2015). According to Worldbank (2020), the total labor in Cambodia was reported at 9,163,843 in 2020. There are 8.2 million jobs in Cambodia, and 160,000 new workers enter the labor force every year and about 80 percent of Cambodians aged 15 or older are working, which is among the highest rate globally and is far higher than the expected labor force participation rate for a country at Cambodia's level of development (Worldbank, 2020). In summary, there are still about 1 million of labor force with no jobs. In the study conducted by (National Employment Agency (NEA)), it revealed that the skills gaps and inability to recruit qualified people was impacting business performance as: 61% reported delay in development of new products and services; 48.4% reported losing business or orders to competitors; 43.4% reported difficulty meeting customer service levels; 34.1% reported increased workload for current staff and 29.4% reported difficulty meeting quality standards (Low, 2015c). The pressure of supply and demand will also result in growth of salary expectations for skilled people. Thus, it is important for companies to understand the needs of their employees and develop strategies on how to retain them.

III. RESEARCH METHODOLOGY

3.1 Population and Sample

One third of employee's life or 90,000 hours is spent at work over a lifetime. The researcher focused on private companies having the highest turnover rate (Shamsuzzoha,2008).

The researcher used stratified random sampling from different private companies such as financial services, manufacturing, tourism and hospitality, education, retails and others (including professional services, constructions etc.)

According to the definition, sample size is a number of people from whom the researcher specific data (Kumar, 2019). According to the pilot survey of Economic Census of Cambodia (2011), the number of persons engaged in private companies were 1,820,342.

Past researchers suggest several ways to determine sample size. These criteria can be divided into various categories, such as item-sample ratios, population-sample tables, and general rules-of-thumb to calculate sample size (Memon et. al, 2020). Nunnally (1978) later proposed guidelines for researchers aiming to cross-validate the results of a regression analysis. In particular, Nunnally suggested that if one wants to select the best variables from as many as 10 possible ones, there should be between 400 and 500 respondents.

Another way of determining the sample size is using Slovin Formula, $n = N / (1 + Ne^2)$.

whereas:

n = no. of samples

N = total population

e = error margin / margin of error

Therefore, the sample size is 400 at 95% confidence level with margin of error of 5%. Based on the different criterion present in the previous researches, the researcher would like to survey 420 employees for generalization.

According to Charter (2010), although the determination of the N needed for reliability studies is somewhat subjective, a minimum of 400 subjects is recommended. Much larger N s may be needed for validity studies. A survey of published reliability studies shows that 59% of the sample sizes were less than 100. Confidence intervals for obtained test scores are used as a practical application measure that also leads to the conclusion of a minimum of 400 subjects.

3.2 Data and Sources of Data

For this study, the primary data is collected through a 7 Likert Scale questionnaire which are distributed and collected randomly. Secondary data is collected from the journal articles that related to the field of the study, census, printed books and online articles which were published on reliable and available website such as google, google scholar and other online libraries.

3.3 Theoretical Framework

The researcher employed two methods to come-up with conceptual model. The methods are namely model synthesis and Delphi method. First the researcher synthesizes previous researches about the factors that affect staff retention (Table 3.1). Secondly, the researcher conducted Delphi technique. The researcher selected 20 panel of experts who are at least middle managers of private companies in Cambodia such as HR professionals and managers and with at least 5 years of experience in the field. The experts were asked about the factors of employee retention according to significance, for their case, the most common reasons they noted from resigning staff). The Delphi technique is conducted in two (2) rounds. After the first round (Table 3.2), the researcher gave feedback about the results thus experts were asked again for another same set of questions. The results of the last stage, determine the most important factors affecting employee retention (Table 3.3)

Table 3.1. Previous Researches about the Factors that affect Staff Retention

| Research Papers | Authors | Factors of Staff Retention |
|---|--------------------------|---|
| Study on Determining Factors of Employee Retention | Kossivi et. al. (2016) | Development Opportunities Compensation Work Life Balance Management Leadership Work Environment Social Support Autonomy Training and Development |
| Employee Retention: A Review of Literature | Das and Baruah M. (2013) | Compensation Reward and Recognition Promotion and opportunity for Growth Participation in Decision Making Work-Life balance Work Environment Training and development Leadership Job-Security |
| Effectiveness of employer branding on staff retention and compensation expectations | Mouton and Bussin (2017) | Employer Branding: Healthy Work Atmosphere Training and Development Work-Life Balance Ethics and corporate social responsibility Compensation and Benefits |

Table 3.2. Delphi Method – Round 1 Results

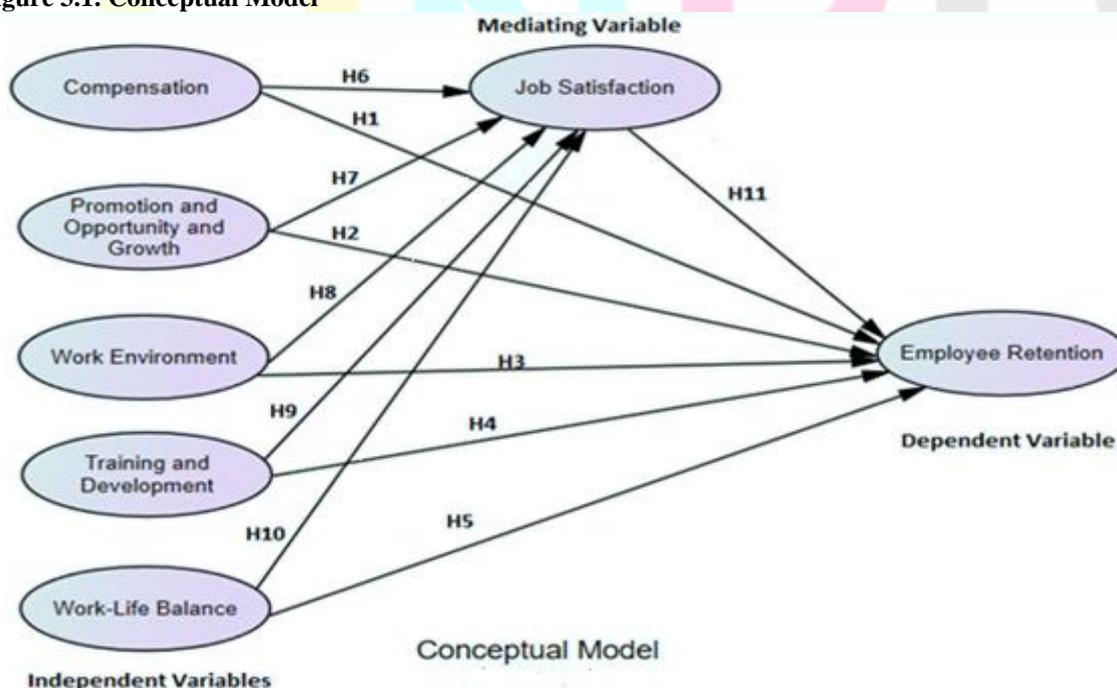
| Round 1 Results | | | |
|-----------------|---------------------------------------|------|----------------|
| Rank | Factors | Mean | Std. Deviation |
| 1 - 2 | Compensation | 6.26 | 0.45 |
| 1 - 2 | Work-Life Balance. | 6.26 | 0.57 |
| 3 | Work-Environment | 6.24 | 0.50 |
| 4 | Promotion and Opportunity and Growth. | 5.94 | 1.18 |
| 5 | Training & Development. | 5.76 | 1.23 |
| 6 | Reward and Recognition | 5.53 | 1.54 |
| 7 | Job Security | 4.91 | 1.16 |
| 8 | Participation in Decision Making. | 4.18 | 0.58 |
| 9 | Employer Branding. | 4.00 | 0.25 |
| 10 | Autonomy | 3.97 | 0.17 |
| 11 | Leadership. | 3.97 | 0.30 |

Table 3.3. Delphi Method – Round 2 Results

| Round 2 Results | | | |
|-----------------|--------------------------------------|------|----------------|
| Rank | Factors | Mean | Std. Deviation |
| 1 | Compensation | 6.59 | 0.50 |
| 2-3 | Promotion and Opportunity and Growth | 6.12 | 0.84 |
| 2-3 | Work-Environment | 6.12 | 0.41 |
| 4 | Training & Development | 6.06 | 0.81 |
| 5 | Work-Life Balance | 6.00 | 0.35 |
| 6 | Job Security | 4.91 | 1.16 |
| 7 | Reward and Recognition | 4.76 | 1.10 |
| 8 | Leadership | 4.24 | 0.55 |
| 9 | Participation in Decision Making | 4.18 | 0.58 |
| 10 | Employer Branding | 4.00 | 0.25 |
| 11 | Autonomy | 3.97 | 0.17 |

Based on the results of the Delphi method technique where Compensation, Promotion and Opportunity, and Growth; Work-Environment, Training and Development; and Work-Life Balance were found significant, the following model is created (Figure 3.1)

Figure 3.1. Conceptual Model



3.4 Statistical Tools

The researcher employed quantitative analysis and will be using SPSS and AMOS 26 software to analyze the collected data. Frequency and descriptive statistics analysis; and reliability and factor test will be use as methods in data analysis. There were 37 constructs undergone Confirmatory Factor Analysis and Structural Model Analysis to determine the final model.

IV. RESULTS, INTERPRETATION AND DISCUSSION

4.1 Results of Descriptive Statics of Study Variables

Table 4.1. Descriptive Statistic

There were 420 questionnaires equally distributed and collected equally to different industries such as financial services (banks/insurance); manufacturing; tourism/ hospitality; education; retails and others (technical service; construction etc.). From 420 respondents, there are only 410 (97.6%) respondents qualified and included in the study after screening.

| Age | | Frequency | Valid Percentage (%) |
|-------------------------|------------------------------------|-----------|----------------------|
| 1 | 18 to 27 years old | 276 | 67.3 |
| 2 | 28 to 37 years old | 126 | 30.7 |
| 3 | 38 to 47 years old | 6 | 1.5 |
| 4 | 48 years old and above | 2 | 0.5 |
| | Total | 410 | 100.0 |
| Gender | | Frequency | Valid Percentage (%) |
| 1 | Male | 189 | 46.1 |
| 2 | Female | 221 | 54.0 |
| | Total | 410 | 100.0 |
| Civil Status | | Frequency | Valid Percentage (%) |
| 1 | Single | 302 | 73.7 |
| 2 | Married | 102 | 24.9 |
| 3 | Divorced | 2 | 0.5 |
| 4 | Widowed | 4 | 1.0 |
| | Total | 410 | 100.0 |
| Academic Qualifications | | Frequency | Valid Percentage (%) |
| 1 | Undergraduate | 137 | 33.4 |
| 2 | Bachelor Graduate | 249 | 61.0 |
| 3 | Masteral Graduate | 17 | 4.0 |
| 4 | Doctoral Graduate | 7 | 1.7 |
| | Total | 410 | 100.0 |
| Organization | | Frequency | Valid Percentage (%) |
| 1 | Financial Service (Bank/Insurance) | 70 | 17.1 |
| 2 | Manufacturing | 64 | 15.6 |
| 3 | Tourism/Hospitality | 68 | 16.6 |
| 4 | Education | 69 | 16.8 |
| 5 | Retails | 69 | 16.8 |
| 6 | Others | 70 | 17.1 |
| | Total | 410 | 100.0 |
| Job Position | | Frequency | Valid Percentage (%) |
| 1 | Employee | 257 | 62.7 |
| 2 | Low Level of Management | 101 | 24.6 |

| | | | |
|--|----------------------------------|-----------|----------------------|
| 3 | Middle Level of Management | 44 | 10.7 |
| 4 | Top or Upper Level of Management | 8 | 2.0 |
| | Total | 410 | 100.0 |
| Work Experience | | Frequency | Valid Percentage (%) |
| 1 | Under 2 years | 171 | 41.7 |
| 2 | 5 years and below | 169 | 41.2 |
| 3 | Below 10 years | 48 | 11.7 |
| 4 | 10 years and above | 22 | 5.4 |
| | Total | 410 | 100.0 |
| Length of Stay in Present Company (Year) | | Frequency | Valid Percentage (%) |
| 1 | Under 2 years | 238 | 58.0 |
| 2 | 5 years and below | 125 | 30.5 |
| 3 | Below 10 years | 37 | 9.0 |
| 4 | 10 years and above | 10 | 2.4 |
| | Total | 410 | 100.0 |
| Salary | | Frequency | Valid Percentage (%) |
| 1 | Below USD 400 | 236 | 57.6 |
| 2 | USD 401 to USD 800 | 132 | 32.2 |
| 3 | USD 801 to USD 1500 | 30 | 7.3 |
| 4 | Above USD 1500 | 12 | 2.9 |
| | Total | 410 | 100.0 |

Table 4.2. Mean, Standard Deviation, Cronbach Alpha (Reliability Test of Research Instruments)

The research framework consists of one exogenous, one mediating variable and five endogenous variables. Each construct showed Cronbach alpha reaching acceptable values of above 0.60 (Nunnally, 1970) as cited in (Karatu & Mat, 2014). The composite reliability also showed exceptionally high values of above 0.70. The mean of each variable ranges from 5.207 to 5.685.

| Variable Name | Items | Mean | Std. Dev. | Cronbach Alpha | CR |
|---|-------|-------|-----------|----------------|-------|
| Compensation (C) | 5 | 5.207 | 1.337 | 86.4% | 86.4% |
| Promotion, Opportunity and Growth (POG) | 5 | 5.396 | 1.270 | 90.7% | 90.7% |
| Work-Environment (WE) | 5 | 5.685 | 1.162 | 87.5% | 87.5% |
| Training & Development (TD) | 5 | 5.336 | 1.323 | 87.1% | 87.4% |
| Work-Life Balance (WLB) | 5 | 5.579 | 1.296 | 88.5% | 88.9% |
| Job Satisfaction (JS) | 7 | 5.483 | 1.300 | 88.8% | 89.2% |
| Employee Retention (ER) | 5 | 5.255 | 1.398 | 86.9% | 87.7% |

Table 4.3 Factor Loading and Construct Reliability

From this table, it is observed that the factor loadings of all items are highly adequate. Those factor loadings range from 0.609 to 0.890. According to Hair et al. (2006), standardize regression weights of observed variable or the factor loadings should be above 0.50. Table indicates that most of the constructs confirm to the convergent validity test, and those factor loadings can be used to estimate Construct Reliabilities (CR) and Average Variance Extracted (AVE).

Notably, the last column represents Construct Reliability (CR). As the rule of thumb, a construct reliability estimates of 0.7 or higher suggests good reliability. CRs reveals that all of those ratios are higher than 0.7. Average Variance Extracted (AVE) is also higher than 0.5. Apparently, Construct Reliability (CR) is also higher than Average Variance Extracted (AVE). It means that internal consistency exists among all remaining items in each construct and those measured instruments are reliable.

| Variables | Code | Factor Loading | SMC | Error | AVE | CR |
|-----------------------------------|------|----------------|-------|-------|-------|-------|
| Compensation | C1 | 0.805 | 0.648 | 0.352 | 0.588 | 0.810 |
| | C2 | 0.716 | 0.513 | 0.487 | | |
| | C3 | 0.777 | 0.604 | 0.396 | | |
| Promotion, Opportunity and Growth | POG2 | 0.751 | 0.564 | 0.436 | 0.667 | 0.857 |
| | POG4 | 0.824 | 0.679 | 0.321 | | |
| | POG5 | 0.871 | 0.759 | 0.241 | | |
| Working Environment | WE1 | 0.757 | 0.573 | 0.427 | 0.606 | 0.754 |
| | WE2 | 0.799 | 0.638 | 0.362 | | |
| Training and Development | TD1 | 0.868 | 0.753 | 0.247 | 0.613 | 0.825 |
| | TD3 | 0.774 | 0.599 | 0.401 | | |
| | TD5 | 0.698 | 0.487 | 0.513 | | |
| Work Life Balance | WLB3 | 0.862 | 0.743 | 0.257 | 0.768 | 0.868 |
| | WLB4 | 0.890 | 0.792 | 0.208 | | |
| Job Satisfaction | JS4 | 0.780 | 0.608 | 0.392 | 0.570 | 0.796 |
| | JS5 | 0.855 | 0.731 | 0.269 | | |
| | JS7 | 0.609 | 0.371 | 0.629 | | |
| Employee Retention | ER1 | 0.736 | 0.542 | 0.458 | 0.552 | 0.831 |
| | ER2 | 0.777 | 0.604 | 0.396 | | |
| | ER3 | 0.699 | 0.489 | 0.511 | | |
| | ER4 | 0.758 | 0.575 | 0.425 | | |

Note 1: Composite Reliability (CR) > 0.7; Average Variable Explained (AVE) > 0.5;

Note 2: Composite Reliability (CR) > Average Variable Explained (AVE)

Source: Primary Data Analysis with use of SPSS AMOS 26

Table 4.4. Discriminant Validity

The researcher used Henseler's et al. (2015) heterotrait-monotrait ratio of correlations (HTMT) to assess discriminant validity. HTMT could be used either as a criterion or a statistical test to assess discriminant validity. Based on the analysis from "Master Validity Tool" AMOS plugin developed by Gaskin J et. al (2019) all the constructs are different from each other having value of 0.661 to 0.876 which is lower than the predefined threshold: 0.85 (Kline, 2016) or 0.90 (Gold et al., 2001). HTMT values higher than this threshold and thus closer to 1.00 indicate a lack of discriminant validity

| | Comp | POG | WorkEnv | TD | WLB | JS | ER |
|---------|-------|-------|---------|-------|-------|-------|----|
| Comp | | | | | | | |
| POG | 0.804 | | | | | | |
| WorkEnv | 0.778 | 0.755 | | | | | |
| TD | 0.795 | 0.819 | 0.876 | | | | |
| WLB | 0.644 | 0.733 | 0.637 | 0.728 | | | |
| JS | 0.759 | 0.755 | 0.731 | 0.760 | 0.702 | | |
| ER | 0.642 | 0.635 | 0.604 | 0.660 | 0.703 | 0.661 | |

Note: HTMT < 0.850 for strict and < 0.900 (liberal)

Source: Primary Data Analysis with use of SPSS AMOS 26

4.2 Confirmatory Factor Analysis (CFA)**Table 4.5. Fit Indices Hypothesized 20 Items CFA Model**

Confirmatory factor analysis (CFA) was conducted for every construct in the measurement model. To evaluate the goodness of fit for the measurement model, assessment criteria such as GFI, CFI, TLI, RMSEA (Kline, 2005), were used with each guidance value provided by Meyers et al. (2013). The final CFA result shows that 20 items remained. The fit indices are summarized on below table.

Although p-value is <0.01 which is greatly affected by sample size, all fit indices show acceptable results such as Ratio (CMIN/DF) (<3); Comparative Fit Index (CFI) of >0.95; Normal Fit Indices (NFI) of >0.90 and the Root Mean Square Error of Approximation (RMSEA) of value of <.08). Although p-value is <0.01 which is greatly affected by sample size. In summary, all of the goodness of fit indices indicates that all instruments in the measurement model are adequately valid for establishing a structural model.

| Fit Measures | Results | Criteria |
|--------------|---------|---|
| Chi Square | 148 | Good Fit: $0 \leq \chi^2 \leq 2df$ Acceptable Fit: $2df \leq \chi^2 \leq 3df$ |
| p-Value | 0.000 | Good Fit: $0.05 \leq p \leq 1.00$ Acceptable Fit: $0.01 \leq p \leq 0.05$ |
| CMIN/DF | 2.326 | Good Fit: $0 \leq \chi^2/df \leq 2$ Acceptable Fit: $2 \leq \chi^2 \leq 3$ |
| CFI | 0.961 | Good Fit: $0.97 \leq CFI \leq 1.00$ Acceptable Fit: $0.95 \leq CFI \leq 0.97$ |
| NFI | 0.934 | Good Fit: $0.95 \leq NFI \leq 1.00$ Acceptable Fit: $0.90 \leq NFI \leq 0.95$ |
| RMSEA | 0.057 | Good Fit: $0 \leq RMSEA \leq 0.05$ Acceptable Fit: $0.05 \leq RMSEA \leq 0.08$ |

Source: Primary Data Analysis with use of SPSS AMOS 26

4.3 Structural Equation Model (SEM)

Table 4.6. Fit Indices of Final – 20 Items Structural Model

Meyers et al. (2013) mentioned that valid instrument in the measurement model can produce a valid structural model. Thus, all of those instruments have gone through CFA process for determining their validity.

Although, p-value is < 0.01 which is greatly affected by sample size, all fit indices such as Ratio (CMIN/DF) (< 3); Goodness of Fit Indices GFI > 0.90 ; Adjusted Goodness of Fit Index > 0.80 ; Comparative Fit Index (CFI) of > 0.95 ; Normal Fit Indices (NFI) of > 0.90 and the Root Mean Square Error of Approximation (RMSEA) of value of < 0.08 . It indicates that all constructs produced an acceptable fit as indicated by the goodness of fit indices.

| Fit Measures | Results | Criteria |
|--------------|---------|--|
| Chi Square | 148 | Good Fit: $0 \leq \chi^2 \leq 2df$ Acceptable Fit: $2df \leq \chi^2 \leq 3df$ |
| p-Value | 0.000 | Good Fit: $0.05 \leq p \leq 1.00$ Acceptable Fit: $0.01 \leq p \leq 0.05$ |
| CMIN/DF | 2.326 | Good Fit: $0 \leq \chi^2/df \leq 2$ Acceptable Fit: $2 \leq \chi^2 \leq 3$ |
| GFI | 0.921 | Good Fit: $0.95 \leq GFI \leq 1.00$ Acceptable Fit: $0.90 \leq GFI \leq 0.95$ |
| AGFI | 0.887 | Good Fit: $0.90 \leq AGFI \leq 1.00$ Acceptable Fit: $0.80 \leq AGFI \leq 0.90$ |
| CFI | 0.961 | Good Fit: $0.97 \leq CFI \leq 1.00$ Acceptable Fit: $0.95 \leq CFI \leq 0.97$ |
| NFI | 0.934 | Good Fit: $0.95 \leq NFI \leq 1.00$ Acceptable Fit: $0.90 \leq NFI \leq 0.95$ |
| RMSEA | 0.057 | Good Fit: $0 \leq RMSEA \leq 0.05$ Acceptable Fit: $0.05 \leq RMSEA \leq 0.08$ |

Source: Primary Data Analysis with use of SPSS AMOS 26

Table 4.7 Square of Multiple Correlations (SMC)

According to Xia et. al (2015) predicting capability of a model can be accessed by the sum of variance detailed by independent variables in the independent variables. The superior the amount of variance higher shall be model predicting potential. In structural equation modelling analysis, the value of variance is reported in terms of squared multiple correlations associated to dependent variables. It is equivalent to R value in Regression Analysis. The squared multiple correlations of dependent variables of the study are shown in table given below.

| S. No | Dependent/Mediating Variables | Independent Variables | Squared Multiple Correlation (SMC) or R ² |
|-------|-------------------------------|---|--|
| 1 | Job Satisfaction | Compensation (C) and Work Life Balance (WLB) | 0.651 |
| 2 | Employee Retention | Training and Development (TD), Working Environment (WE); and Promotion and Opportunity and Growth (POG) | 0.631 |

Source: Primary Data Analysis with use of SPSS AMOS 26

The independent variables - Compensation (C) and Work Life Balance (WLB) explained 65.1% variance in Job Satisfaction. For independent variables - Training and Development (TD), Working Environment (WE); and Promotion and Opportunity and Growth (POG), explained 63.1% variance in Employee Retention.

In overall, these results indicate that the model in the present study can forecast and clarify the factors affecting job satisfaction and employee retention.

4.4 Mediating and Direct Effect Analysis

Table 4.8 Final Revised Structural Model Summary Results (Mediate Effects)

After analyzing the mediating effects, final revised hypothesized 20 items structural model (mediated effect), we can conclude that Job Satisfaction (JS) partially mediates Compensation (C) towards Employee Retention (ER) and fully mediates Work Life Balance (WLB) towards Employee Retention (ER). However, Job Satisfaction (JS) is not mediating to Promotion, Opportunity and Growth (POG), Working Environment (WE) and Training and Development (TD) towards Employee Retention (ER). Thus, model is re-drawn as below Figure 4.1

| | Total Effect (p value) | | Indirect Effect (p value) | | Direct Effect (p value) | Results |
|--|------------------------|--------------|---------------------------|--------------|-------------------------|-------------------|
| | H | | H | | | |
| Compensation ----> Employee Retention | H1 | 0.049 | H6 | 0.097 | 0.140 | Partial Mediation |
| Promotion, Opportunity and Growth ----> Employee Retention | H2 | 0.992 | H7 | 0.113 | 0.762 | Not mediated |
| Working Environment ----> Employee Retention | H3 | 0.823 | H8 | 0.170 | 0.976 | Not mediated |
| Training and Development ----> Employee Retention | H4 | 0.690 | H9 | 0.799 | 0.700 | Not mediated |
| Work Life Balance ----> Employee Retention | H5 | 0.001 | H10 | 0.090 | 0.001 | Full Mediation |

Figure 4.1. Model 20 Items (Revised) – Structural Model

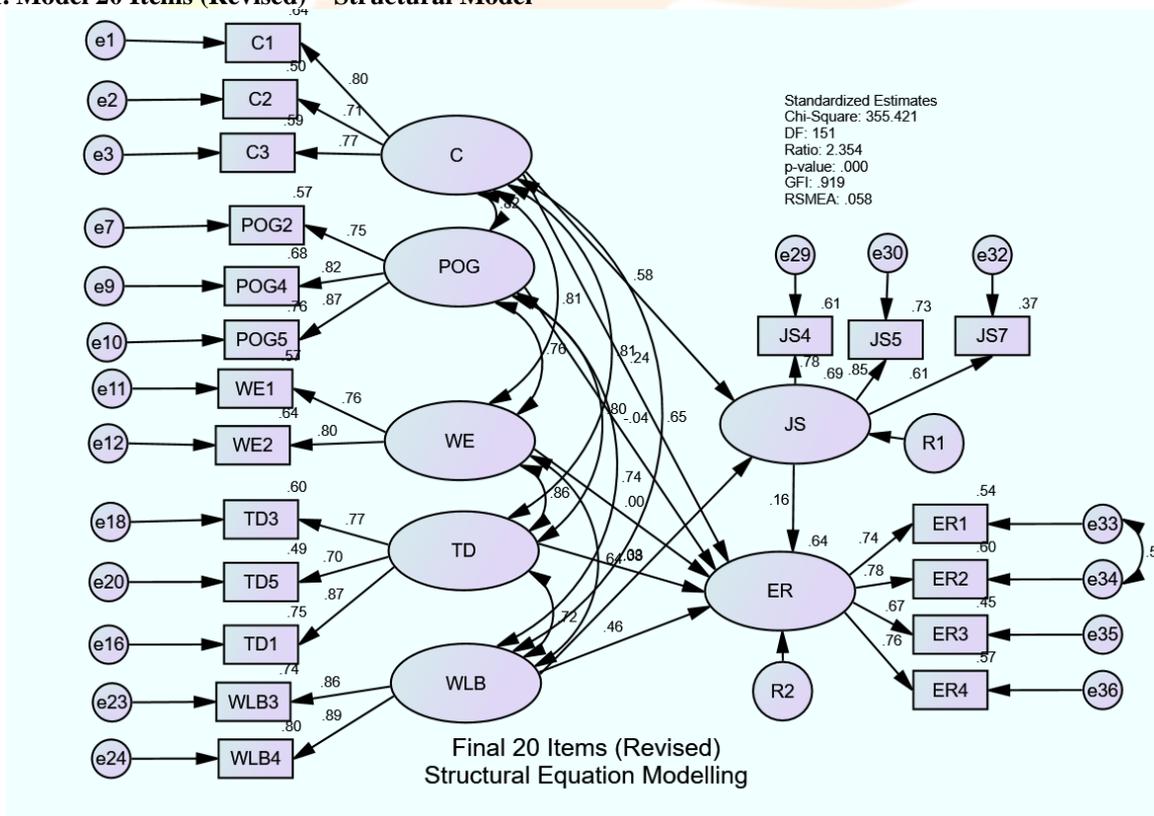


Table 4.9. Final Revised Structural Model Summary Results (Direct Effects)

| Hypothesis | Relationship between Exogenous and Endogenous | | | Regression Coefficient (p value) | Hypothesis Status |
|------------|---|--------|----|----------------------------------|-------------------|
| H1 | C | -----> | ER | 0.237 (0.151) | Not Significant |
| H2 | POG | -----> | ER | -0.045 (0.738) | Not Significant |
| H3 | WE | -----> | ER | -0.005 (0.946) | Not Significant |
| H4 | TD | -----> | ER | 0.079 (0.691) | Not Significant |
| H5 | WLB | -----> | ER | 0.463 (0.002***) | Significant |
| H6 | C | -----> | JS | 0.579 (0.001***) | Significant |
| H10 | WLB | -----> | JS | 0.328 (0.002***) | Significant |
| H11 | JS | -----> | ER | 0.158 (0.202) | Not Significant |

Note: *** p value <0.01; **p value < 0.05

Source: Primary Data Analysis with use of SPSS AMOS 26

4.5. Results Interpretations

Compensation and Employee Retention (H1)

Based on Table 4.8, the regression coefficient of Compensation (C) on Employee Retention is 0.237 (0.151) (statistically not significant) and positive. The H1 hypothesis related to the effect of Compensation (C) on Employee Retention is rejected. This is indicated that compensation does not affects employee retention.

Promotion, Opportunity and Growth and Employee Retention (H2)

Based on Table 4.8, the regression coefficient of Promotion, Opportunity and Growth (POG) on Employee Retention is -0.045 (0.738) (statistically not significant) and negative. The H2 hypothesis related to the effect of Promotion, Opportunity and Growth (POG) on Employee Retention (ER) is rejected. This is indicated that promotion, opportunity and growth do not affects employee retention.

Working Environment and Employee Retention (H3)

Based on Table 4.8, the regression coefficient of Working Environment (WE) on Employee Retention (ER) is -0.005 (0.946) (statistically not significant) and negative. The H3 hypothesis related to the effect of Working Environment (WE) on Employee Retention (ER) is rejected. This is indicated that working environment does not affect employee retention.

Training and Development and Employee Retention (H4)

Based on Table 4.8, the regression coefficient of Training and Development (TD) on Employee Retention (ER) is 0.079 (0.691) (statistically not significant) and positive. The H4 hypothesis related to the effect of Training & Development (TD) on Employee Retention (ER) is rejected. This is indicated that training and development does not affect employee retention.

Work Life Balance and Employee Retention (H5)

Based on Table 4.8, the regression, coefficient of Work Life Balance (WLB) on Employee Retention (ER) is 0.463 (***) (statistically significant) and positive. The H5 hypothesis related to the effect of Work Life Balance (WLB) on Employee Retention (ER) is accepted. This is indicated that work life balance affects employee retention in a private company.

Compensation and Job Satisfaction (H6)

Based on Table 4.8, the regression coefficient of Compensation (C) to Job Satisfaction (JS) is 0.579 (0.001) (statistically significant) and positive. The H6 hypothesis related to the effect of Compensation (C) on Job Satisfaction (JS) is accepted. This is indicated that compensation affects employee job satisfaction.

Job Satisfaction Between Promotion, Opportunity & Growth and Employee Retention (H7)

Based on Table 4.7, Job Satisfaction has no relationship between Promotion, Opportunity and Growth (POG) and Employee Retention (ER) with Total Effect p-value of 0.992 (statistically not significant); Indirect Effect p value of 0.113 (statistically not significant) and Direct Effect value of 0.762 (statistically not significant).

Job Satisfaction Between Working Environment and Employee Retention (H8)

Based on Table 4.7, Job Satisfaction has no relationship between Working Environment (WE) and Employee Retention (ER) with Total Effect p-value of 0.823 (statistically not significant); Indirect Effect p value of 0.170 (statistically not significant) and Direct Effect value of 0.976 (statistically not significant)

Job Satisfaction Between Training and Development and Employee Retention (H9)

Based on Table 4.7, Job Satisfaction has no relationship between Training and Development (TD) and Employee Retention (ER) with Total Effect p-value of 0.690 (statistically not significant); Indirect Effect p value of 0.799 (statistically not significant) and Direct Effect value of 0.700 (statistically not significant).

Work Life Balance and Job Satisfaction (H10)

Based on Table 4.8, the regression coefficient of Work Life Balance (WLB) on Job Satisfaction is 0.328 (0.002) (statistically significant) and positive. The H10 hypothesis related to the effect of Work Life Balance (WLB) on Job Satisfaction (JS) is accepted. This is indicated that Work Life Balance (WLB) positively affects employee job satisfaction in a private company.

Job Satisfaction and Employee Retention (H11)

Based on Table 4.8, the regression coefficient of Job Satisfaction (JS) on Employee Retention (ER) is 0.158 (0.124) (statistically not significant) and positive. The H11 hypothesis related to the effect of Job Satisfaction (JS) on Employee Retention (ER) is rejected. This is indicated that job satisfaction of employee does not affect employee retention in a private company.

4.6 Discussion

Most of the prior works have used “Maslow’s Need Hierarchy Theory” as its foundation in identifying the factors that affects employee retention. According to this theory, people including employees and organizations are motivated by the desire to achieve or maintain the various conditions upon which these basic satisfactions rest and by certain more intellectual desires.

The researcher focused on private companies having the highest turnover rate (Shamsuzzoha,2008). According to the previous researches, employees in private companies are most likely to receive highest salary and benefits than those working at public companies. However, employees at private companies are also the most vulnerable in terms of job security. The private companies give the most attractive compensation package when the business experiences high growth but also implements immediate downsizing when the business is not growing or experiencing downturn.

Compensation

Based on this research, compensation (C) is not significant factor affecting Employee Retention (ER) but the most significant factor affecting Job Satisfaction (JS) of private companies in Cambodia. This finding is matched with the previous research by Moncraz et.al, (2009) saying compensation was not one of the factors influencing turn-over but act as a critical factor in reducing turnover and increasing commitment. However, it is not aligned to the previous researches conducted by Milkovich & Newman (2004) and Das and Baruah (2013) saying monetary pay is considered one of the most relevant and significant factor in retention. It means that when the employee is compensated at a given time, which is often dictated by their present needs, they feel satisfy and stay in a company for while. However, when the employee needs increases they start to feel dissatisfaction on their job and decide to leave.

Promotion, Opportunity and Growth

Based on this research, Promotion, Opportunity and Growth. (POG) is not a significant factor affecting Employee Retention (ER) of private companies in Cambodia. This is opposite to the findings of Selesho & Naile (2014) saying professional development drives to keep their employment. The result was also contradicted the finding of Bui and Ho (2018) saying career growth motivates employees. It means this factor do not inhibit the respondents from leaving their company. The respondents will still leave their company if they are not compensated properly and if they are not given time to attend their personal needs. The respondents viewed this factor as only additional job responsibilities if they are not compensated well. In other words, the respondents, mostly if not all, do not look at this as a long-term benefits to advance their career and get high salary in the future.

Work Environment

Based on this research, Work Environment (WE) is not a significant factor affecting Employee Retention (ER) of private companies in Cambodia. This is contradicted from the finding of Wells & Thelen (2002) saying organizations which have generous human resource policies, have a very good chance to satisfy and retain employees by providing them an appropriate level of privacy and sound control on work environment which enhances the motivation levels to commit with the organization for the long term. Wells & Thelen (2002) finding was supported by Ramlall (2003), Wood et. al. (2013) and Pawrirosumorto et. al. (2017) which explained the importance of giving the employees their individual needs, resources, conducive environment. While work environment deemed important to most of the employees, the respondents did not see it that way. The respondents viewed this factor as additional positive points of the company. The respondents will endure the unhealthy and non-conducive environment if they are given high compensation with work-life balance.

Training and Development

Based on this research, Training & Development (TD) is not a significant factor affecting Employee Retention (ER) of private companies in Cambodia. This finding also contradicted the finding of Mesmer (2000) saying investment on employee training is one of the important factors in employee retention. The new finding is also misaligned to the finding of Leidner (2013) saying employee loyalty/retention is improved through training and development. Like promotion, opportunity and growth, the respondents viewed training and development as additional responsibilities only. Most of the respondents do not want to be trained saying “when I know more, I will be given more jobs”. For the respondents, training and development alone does not prevent employees from leaving the companies. The important for them is the current situation.

Work-Life Balance

Based on this research, Work-Life Balance (WLB) is significant factor affecting Job Satisfaction (JS) and Employee Retention (ER) of private companies in Cambodia. This finding is aligned to the research of Mita & Ravneeta (2014) saying there is a direct relation between employees’ decision to stay and work life balance. It is also the same finding with Loan-Clarke et al, (2010) saying the job that gives the holder the possibility to full-fill his/her family responsibilities increases employee retention. However, mostly those employees with high compensation are those employees with high position in their company and often with very less time attending their personal needs. Furthermore, those employees with more time to attend their personal needs are those in rank and file level but often with less compensation. The respondents will stay in their company if they have given time to attend their personal needs and provided better compensation. For the respondents, having better compensation is not enough if they do

not have time to spend to their loved ones. On the other hand, work-life balance is not so important if their salary is not sufficient to pay their bills.

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