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HR Practices and Employee Retention: A Study on Automotive Manufacturing Organizations in Malaysia

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Abstract: Employee retention remains a critical challenge within the automotive manufacturing sector, where the loss of skilled talent can significantly disrupt operations and competitiveness. This study investigates the impact of four key human resource (HR) practices - rewards and benefits, career development, performance management, and leadership behavior - on employee retention within a major automotive manufacturing organization in Peninsular Malaysia. Grounded in Herzberg's Two-Factor Theory, a quantitative research design was employed, and data were collected via a survey questionnaire from 650 executive-level employees across the Selangor and Melaka branches, achieving a 95 percent response rate. Statistical analysis was conducted using SPSS version 26, incorporating descriptive, reliability, and multiple regression analyses to examine the relationship between HR practices and employee retention outcomes. The findings indicate that all four HR practices significantly influence employee retention, with career development showing the strongest relationship. The findings emphasize the need for strategic alignment between HR policies and employee expectations to reduce turnover and foster long-term organizational commitment. This study offers both theoretical and practical implications by reinforcing the role of comprehensive HR practices in shaping employee behavior and organizational stability. It provides actionable insights for HR professionals and decision-makers within Malaysia's manufacturing sector to enhance workforce retention and maintain competitiveness in a dynamic labor market.

Keywords: *Employee retention, rewards & benefits, performance management, career development, leadership behavior.*

1. Introduction and Background

The automotive manufacturing industry remains one of the most influential sectors globally, significantly contributing to economic development, employment generation, and technological innovation. Moore (2024) highlights that the sector employs over four million individuals directly, with an additional million supported indirectly through interconnected industries. Automobiles serve as essential commodities that sustain various aspects of modern life and underpin industrial ecosystems. In Malaysia, the automotive industry has evolved into a cornerstone of national industrialization and economic planning. The inception of Proton in 1983 and Perodua in 1993 marked the country's entry into vehicle manufacturing, contributing to Malaysia's industrial diversification. The sector now contributes approximately four percent of Malaysia's GDP, valued at around USD 8.4 billion, and supports over 700,000 jobs (Asian Insider, 2024). With a production volume surpassing 740,000 vehicles annually, Malaysia ranks third in Southeast Asia and twenty-third globally. Despite its scale and economic importance, the industry faces growing difficulties in attracting and retaining skilled workers, a trend amplified by changing labor market dynamics and rising workforce expectations.

The retention of skilled employees has become an increasingly complex challenge across industries, but it is particularly critical in manufacturing, where operational knowledge, technical skills, and institutional memory are vital. Francis (2014) notes that high employee turnover leads to reduced morale, increased workloads, and disruptions in operations. The Malaysian automotive sector is not immune to these pressures, especially in the post-COVID era marked by what Liberty (2023) calls the "Great Resignation", where employees are actively seeking better opportunities post-pandemic. This shift has exposed gaps in traditional HR practices and

prompted organizations to reassess their retention strategies.

In response to growing attrition, organizations have implemented a range of initiatives to improve employee engagement and retention. These include enhanced compensation packages, expanded learning and development programs, mental health and wellness support, and hybrid working arrangements (Business Today, 2023). A 2023 survey by Robert Walters revealed that 60 percent of Malaysian employers struggle to retain their top talent, largely due to salary expectations driven by rising living costs. Notably, 48 percent of professionals indicated an intention to switch jobs if compensation fails to match inflation. Such findings underscore the urgency of aligning HR practices with employee expectations to remain competitive in a tight labor market.

Regardless of these efforts, the Malaysian automotive manufacturing industry remains understudied in terms of HR-related retention research. While significant literature exists in sectors like education, finance, and hospitality (Adom, 2018; Shibiti, 2019), empirical investigations into the HR-retention nexus in manufacturing remain scarce. Tanwar (2016) and Frye et al. (2020) emphasize the strategic importance of employee retention as an integral part of HR policy, particularly in industries dependent on high-skill labor. Addressing this gap is essential for Malaysian automotive manufacturers seeking to build sustainable and resilient workforces amid increasing regional and global competition.

To understand and address these challenges, a leading automotive manufacturing organization in Malaysia partnered with a global executive search and leadership advisory firm to conduct an internal employee engagement survey in 2022. The survey identified four critical areas, namely rewards and benefits, performance management, leadership behavior, and career development, as the lowest-scoring drivers of engagement, all falling below the 50 percent threshold. These areas significantly underperformed compared to the national benchmark of 80 percent set by the Best Employer Malaysia index. Exit interviews further validated these findings, revealing that a lack of career growth and dissatisfaction with compensation were primary reasons for voluntary resignations.

In 2023, the organization introduced targeted interventions to address these concerns. Reforms included revising the salary structure and benefits such as medical and maternity coverage, introducing career pathing tools, developing leadership training programs, and implementing transparent promotion and performance management guidelines. The intention was to foster a positive and transparent work culture, increase employee satisfaction, and reduce turnover. These initiatives are consistent with recommendations from Hee et al. (2018) and Ezaili Alias et al. (2018), who stress the value of strategically planned HR interventions in mitigating turnover and reinforcing organizational performance. Despite these initiatives, internal reports revealed that employee engagement levels only marginally increased from 55 percent in 2019 to 58 percent in 2022, while turnover rates rose from 8.70 percent in 2021 to 10.61 percent in 2022. This disparity suggests that the HR strategies implemented may not have fully addressed the root causes of attrition. Research by Alhmoud and Rjoub (2019) indicates that a successful retention strategy must go beyond compensation and include career development, performance appraisal clarity, and trust in leadership. Without addressing the motivational and psychological needs of employees, technical HR changes may yield limited impact.

Given the ongoing turnover and suboptimal engagement scores, this study seeks to examine the relationship between specific HR practices and employee retention in this organizational context. Anchored in Herzberg's Two-Factor Theory, which distinguishes between hygiene factors and motivators, the study seeks to evaluate whether interventions in the four identified dimensions have significantly influenced retention outcomes. The research focuses on executive-level employees who were the initial recipients of the new HR practices and uses quantitative analysis to generate empirical findings. Thus, this study aims to examine the impact of (1) rewards and benefits, (2) career development opportunities, (3) performance management systems, and (4) leadership behavior on employee retention within this specific automotive manufacturing organization.

This study offers two key contributions. First, it fills a significant knowledge gap in HR literature by contextualizing retention challenges within Malaysia's automotive manufacturing industry. Second, it provides actionable insights for practitioners seeking to implement evidence-based HR strategies that align with both organizational goals and employee needs. By identifying which HR practices most effectively drive retention,

the study aims to support sustainable workforce development in a critical national industry.

2. Literature Review

Employee retention: Employee retention remains a critical concern for organizations striving to maintain a competitive advantage in a globalized and dynamic labor market. Retention refers to an organization's ability to retain its workforce over time, including both permanent and voluntary employees (Mahadi, Woo, Baskaran, & Yaakop, 2020). High retention levels are essential not only for achieving organizational objectives but also for fostering long-term employee development and organizational growth (Rakhra, 2018). With increased globalization and rapidly shifting market demands, companies are facing unprecedented challenges in retaining top talent. The intensifying competition has necessitated the development of effective retention strategies that align with evolving workforce expectations and strategic business objectives (Azmat & Rentschler, 2017; Nelson, 2014). A variety of factors influence an employee's decision to remain in an organization, such as job satisfaction, financial and non-financial rewards, employee engagement, organizational commitment, and the availability of work-life balance (Bhatnagar & Thakur, 2017; Shah, Fakhr, Hussain, & Shah, 2020).

Understanding the underlying causes of employee turnover is fundamental to developing sound retention strategies. Turnover includes both voluntary departures and involuntary exits, and addressing its root causes involves exploring factors such as job dissatisfaction, limited career growth, and inadequate compensation (Laing, 2019). Studies have emphasized that remuneration and benefits play a central role in deterring turnover. For instance, Onochie (2020) found that enhanced compensation packages significantly increase retention among public sector employees. Similarly, Arachchillage (2017) argued that retention depends on the quality of the employee-organization relationship, which is strengthened through sustained organizational investment in human capital.

In the manufacturing sector, where operational efficiency and continuity are vital, retaining skilled employees presents a unique challenge. The sector faces frequent turnover due to factors like the low level of job satisfaction, poor work-life balance, and insufficient growth opportunities. Scholars such as Bhatnagar and Thakur (2017) and Shah et al. (2020) identified that employee engagement, organizational commitment, and attractive compensation packages are crucial in promoting retention. Moreover, effective retention strategies are often rooted in organizational cultures, specifically leadership that prioritizes employee welfare, motivation, and participation (Mathimaran & Kumar, 2017).

Empirical evidence also supports the importance of other retention drivers, including opportunities for job promotion, recognition, learning, and skill development. Aguenza and Som (2018), Bibi, Ahmad, and Majid (2018), Lyman, Yerby, and Rogers (2020), Perreira, Berta, and Gorman (2018), and Pichler, Varma, Budhwar, and Biswas (2021) collectively highlighted compensation, performance rewards, and a supportive organizational environment as significant predictors of employee retention. Establishing a culture that values employee contribution, facilitates professional growth, and improves satisfaction is imperative for the long-term sustainability of organizations, particularly in the manufacturing industry.

Herzberg's Two Factor Theory: Herzberg's Two-Factor Theory, also referred to as the motivation-hygiene theory, remains a foundational framework in understanding employee motivation and job satisfaction. Originally developed by Herzberg, Mausner, and Snyderman (1959) and later elaborated by Herzberg (1974), the theory distinguishes between two categories of job-related factors: motivators and hygiene factors. Motivators are intrinsic and contribute to positive job satisfaction. These include factors such as recognition, achievement, opportunities for career advancement, and the inherent nature of the work itself. Conversely, hygiene factors are extrinsic elements such as salary, working conditions, organizational policies, and interpersonal relationships. While these do not inherently lead to satisfaction, their absence can result in dissatisfaction (Herzberg, 1974; Lacey, Kenneth-Hansel & Manolis, 2015).

Herzberg (1974) emphasized that the presence of motivators enhances employee performance, engagement, and retention, whereas the absence of adequate hygiene factors may increase dissatisfaction and turnover rates. This dual-factor model implies that organizations must address both intrinsic and extrinsic needs to

cultivate a motivated and stable workforce. Importantly, it also highlights the psychological dimensions of work as being as crucial as physiological or material conditions.

Relationship Between Rewards and Benefits and Employee Retention: In contemporary organizational settings, rewards and benefits have emerged as critical drivers of employee motivation, engagement, and retention. Organizational leaders and scholars have increasingly focused on understanding how both monetary and non-monetary rewards influence workforce behavior and performance (Ullah, 2018). A well-designed reward system contributes significantly to fostering a motivated workforce, aligning individual goals with organizational objectives.

Empirical evidence indicates a positive correlation between the level of rewards provided and employee engagement and organizational commitment. For instance, Anita (2014) found that fair and consistent reward practices enhance employee satisfaction and lead to greater discretionary effort. Similarly, Erturk (2014) emphasized the importance of equitable rewards in sustaining employee commitment, suggesting that perceived fairness in compensation is closely tied to organizational trust and loyalty. Further studies have explored the multidimensional impact of reward systems. Mone et al. (2018) underscored that performance-based rewards, when aligned with organizational goals, serve as strong motivators for individual and team performance. Aggarwal, Datta, and Bhargava (2007) argued that integrated reward frameworks, which include financial incentives, career development opportunities, and recognition programs, play a pivotal role in fostering employee retention. In line with this, Minbaeva (2008) highlighted the role of non-financial rewards, such as professional growth and meaningful work, in cultivating high-performing employees. Moreover, Sardar et al. (2011) found that supportive supervision and developmental rewards significantly contribute to retention and reduce turnover intentions. In addition, effective compensation practices such as performance bonuses, merit pay, and comprehensive benefit packages can influence employees' decisions to remain with an organization (Kryscynski et al., 2021). Ardiansyah et al. (2020) emphasize that when organizations strategically design their reward and benefits structures, they can significantly reduce employee turnover. Based on these insights, the following hypothesis is proposed:
Hypothesis 1: *There is a significant relationship between rewards and benefits and employee retention*.

Relationship Between Performance Management and Employee Retention: Employee performance refers to the extent to which an individual achieves organizational goals and contributes to overall productivity (Larsen, Gunawan, & Sumali, 2018). Effective performance management is a critical component of organizational success, particularly in aligning employee output with strategic objectives. One of the foundational elements of performance management is effective communication between superiors and subordinates. Clear communication and strong interpersonal relationships facilitate regular feedback, clarify expectations, and foster the continuous development of employee competencies (Engelbrecht, Johnson, & Hooper, 2017; Kim, 2014).

Performance improvement strategies are essential for business leaders seeking to maintain a competitive edge (Khan, 2013; Wang, Waldman, & Zhang, 2014). These strategies often include structured feedback mechanisms, coaching, and tailored development plans, which collectively contribute to enhanced individual and organizational outcomes. In addition, the working environment plays a pivotal role in shaping employee performance. Wachira et al. (2020) emphasize that a supportive and conducive work environment significantly enhances employee engagement, motivation, and output.

A key component of performance management is the performance appraisal system. This system provides a structured process for evaluating employee performance over a specific period, offering opportunities for feedback, development, and reward (Singh et al., 2010). A well-structured performance appraisal framework aligns employee roles and responsibilities with clearly defined objectives and promotes transparency and fairness. According to Hom (1995), fairness and objectivity in evaluation processes are fundamental for fostering trust and acceptance among employees, which, in turn, enhances the credibility and effectiveness of the performance management system.

Research indicates that transparent and equitable performance appraisal systems are associated with lower turnover rates (Gulzar et al., 2017). A well-implemented performance management system helps organizations

retain high-performing employees by recognizing their contributions and supporting career growth. In the Malaysian context, Kessler et al. (2014) and Lee et al. (2015) found that performance evaluations perceived as fair positively influence retention. Similarly, Chandrakantan et al. (2019) observed that performance management practices significantly influenced employees' intentions to stay, particularly in Malaysia's semiconductor industry. These findings underscore the role of performance evaluation processes in building employee trust and organizational commitment:
Hypothesis 2: *There is a significant relationship between performance management initiatives and employee retention.*

Relationship Between Career Development and Employee Retention: Career development has become a pivotal aspect of human resource strategy, aligning both individual aspirations and organizational goals. Employees are increasingly expected to engage in continuous skills enhancement and take advantage of professional development opportunities provided by their organizations to adapt to evolving stakeholder expectations (Jackson & Tomlinson, 2020). Career-oriented individuals actively seek employment avenues that offer potential for growth, reflecting a broader trend toward self-directed career management and personal responsibility for career progression (Jackson & Tomlinson, 2020). The availability of career development opportunities within an organization significantly influences employee motivation and engagement. According to Wachira et al. (2020), such opportunities not only foster professional advancement but also enhance the perceived autonomy within the employment relationship. When employees perceive genuine prospects for development, they are more likely to remain committed and perform at higher levels.

However, not all employees experience continual upward mobility. Yang et al. (2019) introduced the concept of a career plateau, defined as the stage at which the likelihood of further hierarchical promotion is minimal. Career plateaus can lead to stagnation, decreased job satisfaction, and turnover intentions, highlighting the need for diversified career development strategies beyond mere promotions.

Thus, career development is another critical factor influencing employee retention. Employees tend to remain with organizations that offer opportunities for professional growth and skill enhancement. Ali et al. (2019) assert that career development initiatives help employees envision long-term trajectories within the organization, which in turn increases loyalty and reduces turnover. Dalayga et al. (2021) emphasize the role of succession planning in preparing future leaders and fostering employee retention. Furthermore, Fahim (2018) found that strategic human resource practices, particularly training and development, were positively associated with employee retention at the National Bank of Egypt. A structured career development system not only supports individual advancement but also aligns with organizational talent management strategies (Gulzar et al., 2017). Given the reviewed literature, the following hypothesis is proposed:
Hypothesis H3: *There is a significant relationship between career development opportunities and employee retention.*

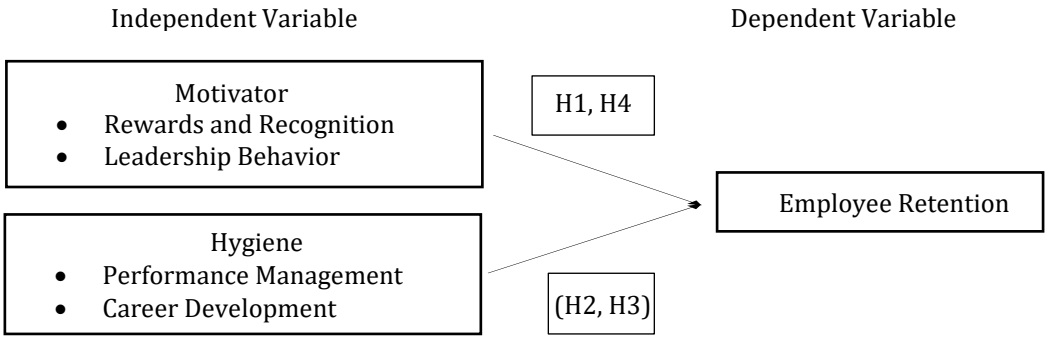
Relationship Between Leadership Behavior and Employee Retention: Effective leadership behavior plays a crucial role in enhancing employee engagement, satisfaction, and retention. Research has shown that authentic leadership positively influences employees by fostering trust and commitment (Nichols & Erakovich, 2013). Leaders who are transparent, ethical, and genuine inspire higher job performance and organizational loyalty among subordinates. Mone et al. (2018) emphasized that leadership that actively supports employee engagement not only enhances morale but also significantly reduces turnover and the financial burden associated with employee attrition. Trust and supportive leadership have also been linked to improved work-life balance and overall job satisfaction. Saha (2016) argued that leadership behaviors that emphasize employee well-being lead to greater organizational commitment. Furthermore, strategic leadership that nurtures a culture of excellence by aligning organizational values and competencies is effective in enhancing institutional performance (Tolici, 2021).

Various leadership theories and styles, including transformational, transactional, and situational leadership, have distinct impacts on employee engagement. According to McGowan (2022), transformational leadership, in particular, is associated with increased motivation, innovation, and stronger leader-employee relationships. In contrast, transactional and situational leadership may be effective in specific contexts that require structure and adaptability. Attentive and respectful leadership is essential for employee retention. Pusparini and Aryasa

(2021) highlighted that when leaders demonstrate consideration and foster motivation, employees are more likely to remain loyal and productive. Key leadership behaviors such as supporting, developing, recognizing, consulting, and empowering enhance employee morale and foster a positive work environment (Gordon & Taber, 2022). Leaders who demonstrate empathy, provide constructive feedback, and facilitate growth contribute to stronger organizational attachment among employees (Yukl et al., 2019). Recognition of employee contributions and supportive leadership are particularly effective in promoting retention. Nichols (2020) argues that leadership actions and managerial support are critical determinants of employee loyalty. When leaders exhibit behaviors that prioritize employee well-being and development, organizations are more likely to retain skilled talent. Based on these insights, the following hypothesis is proposed:
Hypothesis H4: *There is a significant relationship between leadership behavior and employee retention.*

Figure 1 shows the research framework of the study. The framework is based on Herzberg's Two-Factor Theory (1959), which distinguishes between motivator and hygiene factors influencing employee attitudes. In this study, rewards and recognition, along with leadership behavior, are categorized as motivator factors, while performance management and career development are classified as hygiene factors. The framework guides the investigation into how both intrinsic (motivators) and extrinsic (hygiene) human resource practices contribute to the retention of employees in the organizational context.

Figure 1: Research Framework



3. Research Methodology

This study adopts a quantitative, cross-sectional, correlational research design to examine the relationship between selected HR practices, namely rewards and benefits, performance management, career development, and leadership behavior, and employee retention in a Malaysian automotive manufacturing organization. Data collection was conducted using survey questionnaires distributed among executive-level and senior management employees. Data was collected through an online survey using Google Forms, distributed via email. The data collection period lasted two weeks, with follow-up reminders to ensure a high response rate. Departmental administrators assisted in facilitating participation. Overall, the data collection process was systematically implemented to ensure data quality and completeness (Hassan, 2025).

A correlational study approach was chosen for its ability to statistically describe associations between variables without manipulating the environment. This is aligned with Creswell and Creswell (2018), who endorse such designs for identifying patterns and associations in organizational research. The cross-sectional nature of the study implies that data were collected at a single point in time, providing a snapshot of the existing situation (Sekaran & Bougie, 2009).

This study focused solely on executive and senior management employees across two automotive manufacturing plants in Selangor and Melaka because the HR practices, such as rewards and benefits, performance management, career development, and leadership behavior, are primarily applicable to this group and have not yet been fully extended to non-executive or production staff. Executive employees are more directly involved in and affected by these strategic HR policies, making their feedback more relevant and reliable. In addition, limiting the scope to this segment ensures alignment with the study's objectives and avoids

inconsistencies that could arise from varying job roles and benefit structures. A stratified random sampling method was employed to ensure that all major organizational divisions were proportionally represented. The target population included 684 executive-level employees, and the final sample consisted of 650 valid responses, yielding a response rate of 95 percent. Sample size determination was guided by the Krejcie and Morgan (1970) table, which suggested a minimum of 384 responses for a population of this size.

The questionnaire was divided into four sections, based on theoretical frameworks and validated measurement scales. Section A assessed independent variables: rewards and benefits, performance management, career development, and leadership behavior. Rewards and benefits were measured using a 5-item scale adapted from Mbugua et al. (2015), while performance management was assessed using a 7-item scale adapted from the same source. Career development was measured using a 7-item scale adapted from Delery and Doty (1996), and leadership behavior was measured using an 8-item scale adapted from Beveran et al (2017). Section B measured the dependent variable, employee retention, using a 6-item scale adapted from Foong et al. (2015). Section C was dedicated to collecting demographic information, including work location, gender, position level, years of experience, and generational cohort. All items are rated on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

A pilot study was conducted with 20 respondents who were not part of the main sample to assess the instrument's reliability. Cronbach's alpha coefficients for all constructs ranged between 0.74 and 0.90, exceeding the 0.70 threshold for acceptable reliability (Zikmund et al., 2010), indicating strong internal consistency across all scales used. The data collected from 650 respondents was then analyzed using the Statistical Package for the Social Sciences (SPSS) software, version 26, to draw insights and conclusions from the study. Next, the data analysis process began with the use of descriptive statistics, such as percentages, means, and frequencies, to determine the demographic characteristics of the respondents. Subsequently, multiple regression analysis was conducted to examine the relationships between human resource practices and employee retention.

4. Results

The demographic profile of the respondents provides important context for understanding the findings of this study on employee retention in a Malaysian automotive manufacturing organization. Out of 650 respondents, the majority of the respondents were in Melaka (60%), with the remaining 40% based in Selangor. The sample was predominantly male, comprising 403 (62%) of the respondents, while females made up the remaining 38 percent. In terms of job positions, a significant portion of respondents held executive-level positions (72%), followed by mid-level management (22%) and senior management (5%). Concerning work experience, the largest group of respondents had between 5 to 10 years of experience, accounting for 199 respondents (31%), followed by those with over 10 to 15 years (17%), and less than one year's experience (12%). Notably, only a small fraction had between 2 – 5 years of experience (8%). The generational breakdown indicated that most respondents belonged to Generation Y (1981–1995), accounting for 405 (62%) of the total sample. This was followed by Generation X (1965–1980) at 26 percent, Generation Z (1996–2015) at 11 percent, and Baby Boomers (1946–1964) making up only 0.2 percent. These demographics suggest a relatively young and experienced workforce with a strong representation from Generation Y, which is often characterized by a desire for career development and meaningful work engagement.

Reliability analysis was conducted to assess the internal consistency of the measurement instruments used in the study. Cronbach's alpha was employed as the statistical index to evaluate the reliability of each construct. According to Zikmund et al. (2010), a Cronbach's alpha value of 0.70 or above indicates acceptable reliability, with values between 0.80 and 0.95 suggesting very good reliability. In this study, rewards and benefits demonstrated acceptable reliability ($\alpha = .74$), while performance management ($\alpha = .91$), career development ($\alpha = .82$), leadership behavior ($\alpha = .92$), and employee retention ($\alpha = .80$) recorded Cronbach's alpha values exceeding the 0.80 benchmark, thereby confirming the very good reliability of the questionnaire items. This implies that the items used to measure each construct were internally consistent and produced stable results, thus providing confidence in the accuracy and dependability of the data collected.

Table 1: Reliabilities (Cronbach Alpha) of the measures: (n=650)

Factor	Original Items	Reliability Cronbach Alpha (n=650)
Rewards & Benefits	5	.74
Performance Management	6	.91
Career Development	7	.82
Leadership behavior	8	.92
Employee Retention	6	.80

The descriptive analysis provided in Table 2 demonstrates the distinct characteristics of each variable. These descriptive results provide preliminary insights into employees' perceptions of key human resource practices and their intention to remain with the organization. Rewards and benefits received a mean score of 3.11, indicating a relatively moderate perception among employees. The moderate mean score may suggest that the current compensation system does not adequately meet employees' expectations, potentially affecting their motivation and commitment. Performance management recorded a mean score of 3.45, suggesting that while performance evaluation systems are somewhat effective, there may still be concerns about their fairness, consistency, or developmental orientation. As for career development, the lowest mean score of 3.01 highlights limited perceived opportunities for growth and advancement. Leadership behavior received the highest mean score among the human resources practices (M = 3.74), indicating a relatively positive perception of leadership within the organization. And finally, employee retention had a high mean score of 4.23, suggesting a generally strong intention among employees to remain with the company.

Table 2: Descriptive Statistics of All Study Variables (n=650)

Variables	Mean
Rewards & Benefits	3.11
Performance Management	3.45
Career Development	3.01
Leadership behavior	3.74
Employee Retention	4.23

Table 3 summarises the results of a multiple regression analysis on the relationship between human resource practices (rewards and benefits, career development, performance management, and leadership behavior) and employee retention. The R-squared value of .49 suggests that 49. A percentage of the variance in the dependent variable can be explained by the combined influence of rewards and benefits, performance management, career development, and leadership behavior. Specifically, career development had the strongest influence ($\beta = .34$, $p < .001$), suggesting that employees who perceive greater opportunities for growth and advancement are more likely to remain with the organization. Leadership behavior ($\beta = .19$, $p < .001$) and performance management ($\beta = .15$, $p < .001$) also showed a significant positive effect on employee retention. Meanwhile, rewards and benefits, though the least influential, still had a modest yet significant impact ($\beta = .13$, $p < .001$), suggesting that compensation remains a relevant factor in employee retention, an observation that aligned with Herzberg's (1966) two-factor theory.

Table 3: Regression Analysis

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
	B	*Std. Error*	*Beta*		
Rewards and benefits	.12	.03	.13	3.89	.000
Performance Management	.13	.03	.15	3.50	.000
Career Development	.20	.02	.34	7.58	.000
Leadership Behavior	.11	.02	.19	4.88	.000
F-value			155.412		
Sig.			000*		
Adjusted R^2			.48		

R^2	.49

5. Discussion and Conclusion

The study examined the relationship of four selected HR practices, namely rewards and benefits, performance management, career development, and leadership behavior, towards employee retention in an automotive manufacturing organization in Malaysia. The results of the findings have indicated that all four human resource practices showed a positive relationship with employee retention. Thus, hypotheses H1, H2, H3 and H4 were accepted.

Based on this study, career development was found to be the most influential factor affecting employee retention, a finding consistent with prior research emphasizing its role in fostering organizational commitment (Meyer & Allen, 1997; Kyndt et al., 2009). Career development encompasses the provision of opportunities for individuals to progress both personally and professionally (Sharafi et al., 2018). In the context of this automotive manufacturing company, career development initiatives focus not only on upward mobility through promotions but also on lateral movements across roles or departments. This holistic approach enables employees to broaden their skill sets and explore diverse career trajectories. A key component of this process involves two-way communication between employees and their supervisors to discuss potential career opportunities and future directions within the organization. Internal job postings and career conversations are actively encouraged to help identify suitable pathways for advancement. Additionally, employees are granted access to comprehensive learning and development resources, including training programs and courses, which support their career planning and readiness for future roles. These practices align with the findings of Khazei (2019), who emphasizes that career development entails structured occupational strategies such as skills training, capability building, mentoring, and measurable outcomes that facilitate professional advancement. Furthermore, the availability of a career path guidebook for executive-level employees ensures that career progression requirements are transparent and accessible. This guidebook outlines relevant certifications, training programs, and learning opportunities that employees can pursue to qualify for higher-level positions, thereby empowering them to take ownership of their career development.

Leadership behavior emerged as the second most influential factor after career development, highlighting the importance of effective, supportive leadership in creating a work environment that promotes employee loyalty (Bass & Riggio, 2006). As noted by Sakinc and Ergun (2024), leadership effectiveness is critical in both individual and organizational contexts, as it fosters organizational commitment, reinforces shared values that guide employee behavior, and provides motivational support. These elements collectively enhance long-term organizational performance and sustainability. In the context of this automotive manufacturing company, leadership practices align with these findings; leaders are observed to communicate a clear set of values and a positive organizational vision. Additionally, they provide encouragement and motivation, which not only strengthens employee engagement but also contributes significantly to retention. These practices demonstrate that supportive and visionary leadership fosters a work environment in which employees feel valued, inspired, and more likely to remain with the organization.

Performance management also showed a statistically significant relationship with employee retention. The use of transparent and objective performance appraisal systems helped clarify promotion pathways and expectations, thus increasing employees' engagement and motivation. This outcome is consistent with findings by Kerisnasamy (2024) and Malik et al. (2018), who argued that effective performance management not only improves performance but also enhances retention. According to Sepahvand and Kodashahri (2020), enhancing effective performance appraisal processes is essential for retaining top talent, as there is a strong positive relationship between performance appraisals and employee retention. In the context of this study, the implementation of a structured performance management guideline plays a pivotal role in promoting transparency and fairness in appraisal practices. Such guidelines help employees develop a clear understanding of promotion criteria, which are directly linked to their performance outcomes. By aligning performance expectations with advancement opportunities, the organization fosters a results-driven culture where employees are motivated to perform and remain committed. Additionally, other performance management practices such as regular feedback, goal setting, and developmental reviews further contribute to

strengthening employee retention by reinforcing clarity, recognition, and career progression within the organization.

This study has determined that rewards and benefits were also significantly related to employee retention. The results of this study align with prior research by Ahmad and Kamarudin (2022) and Kerisnasamy (2024), which found that rewards and compensation significantly influence retention outcomes. Similarly, Olaimat and Awwad (2017) reported that offering competitive pay is one of the most effective strategies for maintaining employee loyalty, confirming a positive and significant correlation between compensation practices and employee retention. Rewards and benefits play an important role, particularly through the provision of enhanced medical benefits and revisions to the salary structure. In this automotive manufacturing company, recent improvements to healthcare coverage and salary adjustments have contributed to greater employee satisfaction and retention. Fair and competitive compensation fosters a sense of appreciation and motivation among employees, strengthening their commitment to the organization. This finding is consistent with established theoretical frameworks that highlight the positive relationship between rewards and benefits and employee retention. Employees are more likely to remain with an organization when they perceive that they are compensated fairly and supported through comprehensive benefit programs.

Conclusion

This study has confirmed that career development, leadership behavior, performance management, and rewards and benefits are all significantly associated with employee retention. Among these, career development demonstrated the strongest influence, followed by leadership behavior, performance management, and rewards and benefits. The findings have practical implications for HR practitioners and organizational leaders in the Malaysian automotive manufacturing sector. Targeted interventions in career development, performance management, leadership behavior, and rewards and benefits can significantly enhance employee retention. Organizations in the automotive manufacturing sector should invest in robust career development programs, enhance leadership training, and ensure transparent performance management systems. Moreover, maintaining competitive compensation packages will support efforts to retain skilled talent in an increasingly competitive labor market.

While this study focused on the automotive manufacturing industry, the underlying principles of effective HR practices are transferable across industries. In sectors such as healthcare, finance, education, and technology, where skilled labor is critical, structured career pathways, competent leadership, transparent performance appraisal systems, and attractive compensation packages are equally essential in fostering employee commitment and reducing turnover (Bersin, 2015). For instance, in the fast-evolving tech industry, where talent mobility is high, applying similar strategies could help firms cultivate loyalty and reduce attrition (Cappelli, 2019). Similarly, in the healthcare sector, robust leadership and career development programs can support employee morale and continuity of care (Shanafelt et al., 2015).

This study has two main limitations. First, it focused solely on executive to senior management levels, excluding non-executive employees. Second, the study examined only four out of twelve drivers from the internal employee engagement survey. These were selected because they scored lowest in employee satisfaction, and other potentially significant factors were not included due to time constraints. Thus, future studies should expand the scope to include non-executive employees and examine additional variables such as job satisfaction, organizational culture, and communication. Broader studies across different departments and roles may uncover further insights into the multidimensional nature of employee retention.

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