UNDERSTANDING THE RELATIONSHIP BETWEEN TURNOVER INTENTION AND RETENTION DRIVERS IN A PHARMACEUTICAL COMPANY

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Abstract: This research aims to examine the determinant factors related to lowering turnover intention in a pharmaceutical company. The variables used in this research are succession planning (SP), employee engagement (EE), job satisfaction (JS), and turnover intention (TI). This research seeks to determine which variables are directly related to gain more insight in order to formulate the best strategy in the future. This research was conducted on a population of 2,359 employees at an Indonesian multinational pharmaceutical company. With Slovin’s determination method, the minimum required sample size is 331. However, a total sample size of 529 is obtained. The variables are analyzed with PLS-SEM. The result depicts that EE and JS have a direct effect on TI. Meanwhile, because SP influences both EE and JS but not TI, thus EE and JS may have a mediating effect.

Keywords: employee engagement, job satisfaction, pharmaceutical company, succession planning, turnover intention

INTRODUCTION

Pandemic Covid-19 that emerged in Indonesia in 2020 affects digital start-ups growth until now. This phenomenon causes an emerging trend in working on a digital start-up. They attract talented employees who wish to advance their careers by offering benefits and a competitive average wage. Survey conducted by Tjan et al. (2023) showed that 91% of employees are open to leaving their existing jobs. Top three reasons are competitive reward & compensation, misalignment in mission and culture, and lack of growth opportunities.

Pharmaceutical companies unfortunately will not be able to compete with digital start-ups in terms of wage and benefits. According to the Salary Guide 2023 (Page, 2023), the average salary provided by pharmaceutical companies is lower than digital start-ups. For example, for the position of financial manager, the average salary in Indonesian pharmaceutical companies is IDR 40 million per month, while the average salary in Indonesian digital start-ups is IDR 60 million per month. The healthcare and pharmaceutical industries, among others, are those where employee attrition is very noticeable. In addition, what workers are expecting from their companies has changed. They seek reasonable wages and benefits as well as increased flexibility and remote working alternatives, especially when the workload has increased because of pandemic Covid-19. Furthermore, when it comes to offering hybrid or remote chances, pharma-
According to the Deloitte Retention Report (2022), there has been a global shift in employee intention and an increase in turnover intention (TI) with over 40% of employees globally planning to leave their jobs in 2021. Moreover, according to the 2022 Retention Report by State of the Workforce, 34% more employees quit their jobs in 2021 than in 2020 (Danny, Sarah, Glenn, & William, 2022). The research results from Mercer that were conducted in 2022 showed that of more than 23,200 employees in Indonesia, only 67% indicated they are likely to stay in their jobs, a reflection of the lack of perceived career growth opportunities in their current organizations (Post, 2022). This shows that an organization’s high turnover rate is an on-going problem. Turnover has a high cost, not only in the financial loss but also in the skills and knowledge that the employee acquired during working in the organization, especially when an organization loses a talented employee (Atwood, 2020; Ju & Li, 2019).

According to data obtained from an Indonesian pharmaceutical company, there is a distinctive trend in 2021 and 2022 where the total turnover rates of the company are 4.69% and 4.77%, however, further investigation reveals that certain firm branches have a turnover rate of more than 5%, with the highest rate in 2022 being 18.6% and the highest in 2021 being 11.67%. Therefore, it can be deduced from the data provided that, over the previous two years, almost half of the company’s branches had a higher-than-5% turnover rate. This may be detrimental for the company because the branches that had high turnover rates contributed to almost 50% of the company. Thus, this research is decided to be conducted in this company’s branches with high turnover rates, in order to obtain additional insights for developing strategies to minimize TI in pharmaceutical companies and assisting companies in becoming more sustainable.

**Theoretical Framework**

**Succession Planning and Turnover Intention**

TI is the willingness of an employee to voluntarily leave the workplace (Takase, 2010). There are three components of TI: thoughts of quitting, plans to look for a new position, and plans to resign (Hussain et al., 2020). This willingness is different for individuals so this attracts researchers to find variables related to TI. A prior study by Addae et al. (2006) revealed that TI influences the action to actually quitting even if there is a difference between the intention to quit and the actual action of quitting. Turnover will impact company productivity and profit, downgrading the company’s competitive advantages, and it causes direct and indirect costs (Holtom & Burch, 2016).

According to Rahman and Nas (2013), two significant theories could be used to further elucidate the concept of TI. The theories are Human Capital Theory and Social Exchange Theory. According to the Human Capital Theory, a company’s most valuable asset is its human capital (Green et al., 2000). Employee skills and productivity would further rise with the development of human capital. This is connected to the Social Exchange Theory. This narrative demonstrates how investing in employee development will strengthen the bond between workers and the company. This takes place as a result of social exchange (Bang et al., 2022). An employee’s attitude toward the company will improve employee loyalty, which reduces the likelihood of turnover.
As mentioned before, the TI will affect company productivity; this is due to losing a competent employee. To have a sustainable company, the HR team needs to ensure Succession Planning (SP) for each job level. SP can be defined as identifying individuals who can be potential successors of critical roles and preparing them with learning and development programs to fill the roles when critical employees and leaders retire or leave (Atwood, 2020). It is a talent management practice that aims to develop talented employees (Bolander et al., 2017). According to Human Capital Theory, employees with more competency, higher formal education, and experience will seek higher incomes and accomplish more goals (Wei, 2022). This attitude will become a challenge but may also be beneficial for the company. SP improves employee loyalty and morale and is ultimately used as an employee retention strategy (Ali & Mehreen, 2019b). It prepares for the future and goals of an organization, unexpected resignation, and undesirable turnover, which applies to firms of any size and any type (Johnson et al., 2018).

SP is not an easy process; it is a long-term plan that involves many people. The HR team must conduct assessments of talented employees, give special training to develop these individuals, ensure they will be ready just in time, and ensure their talented employees meet their expectations about their jobs to retain these employees who have no intention of leaving their jobs.

In Indonesia itself, no research was found regarding the relationship between SP and TI. Research conducted in Indonesia focused on the best time to plan succession (Tirdasari & Dhewanto, 2020). Another research focused on how gender affects SP (Ramadani et al., 2017) and how SP acts as a mediating variable of governance structure and the succession process (Renuka & Marath, 2021). Another finding from previous research is that most of the research conducted in Indonesia focuses on family businesses.

From previous research conducted in Pakistan on private-sector banks, it is said that SP has a significant impact on TI (Ali & Mehreen, 2019b). This conclusion is further proved by another researcher who found that SP could minimize the employee’s intention to leave the organization (Phillips et al., 2018). However, to date, there is no literature that studies the relationship between SP, EE, JS, and TI.

When an organization uses SP to manage and enhance skilled employees, develop leaders, retain talents, and ensure said talents realize potential and capabilities to the fullest, this will motivate employees and maximize their capabilities (Abdullahi et al., 2022). Previous findings also show that SP could lower the risk of TI since employees value their job development and career prospects. They are also more likely to perform better and stay at the organization, allowing companies to develop their talents to boost the organization’s growth.

**Succession Planning and Job Satisfaction**

Another factor related to SP is JS. JS refers to employee attitudes toward their job that will emphasize their performance (Huang et al., 2017). It is a subjective attitude of an individual towards their job, induced by the comparison of an employee’s desired outcome and the real outcome of their job and work environment (Lee et al., 2016). JS is fundamental to high performance. Satisfied employees will achieve their organizational target by working effectively (Ansong & Darko-Adjei, 2022).
According to the Range of Effect Theory proposed by Locke, in a book section written by Dunnette (1976), JS depends on two factors namely an employee's job expectations and reality. The theory also explains how each person may prioritize certain components of a job differently, which could have an impact on JS. Also (2018) also stated that one of the most important components of work motivation and organizational commitment is JS.

Badawy et al. (2016) suggested that there is a significant positive relationship between SP and JS. Research by Eshiteti et al. (2013) found that effective SP has a positive impact on JS, which in turn improves staff retention in Kenya. Employees who go through SP carry the hope of being the next in line for management. This motivates employees and brings positive feelings to how employees perceive their job. This in turn induces a good influence on their JS.

Succession Planning and Employee Engagement

SP is also related to employee engagement (EE). It is supported by the research conducted by Ali & Mehreen (2019) which elaborates that SP has a positive effect on EE. Previous research has found that EE has a mediating role between the relationship of SP and employee performance (Abdullahi et al., 2022).

EE is a psychological condition expressed when employees are closely associated with work and organization physically, cognitively, emotionally, and enhances good performance (Bharath & Sreedevi, 2021). EE will affect how they work and stay (Saks, 2006). On the contrary, EE has a really broad approach, it's not just about how they work, but how the employee engages themself in their work task, their team, and also their organization (Kossyva et al., 2022). EE is essential for both the employer and employee (Abdullahi et al., 2022). Many researchers have studied that EE is related to many organizational outcomes such as employee productivity, organizational goals achievement, customer satisfaction, and talent retention (Mayuran & Kailasapathy, 2022).

Kahn (1990) introduced the concept of EE in his research of personal engagement and its effects on employees' ability to perform their work, so that their physical, cognitive, and emotional attachment to the work can be realized in the organization. Furthermore, other researchers were researching to associate this concept with many perspectives. Previous research has defined EE as employee commitment, which means that employees are proud of their organization, intend to stay, give their best work performance, and align their goals with organizational goals (Ali et al., 2019). High employee happiness boosts EE.

Employee Engagement and Turnover Intention

There has been research that showed a significant negative relationship between EE and TI. Empirical studies proved that EE has a great effect on reducing the employee’s intention to leave the organization (Sandhya & Sulphey, 2020; Santhanam & Srinivas, 2020; Wang et al., 2020). Sandhya and Sulphey (2019) stated that EE is an employee’s “positive or negative emotional attachment to their job, colleagues, and organization that profoundly influences their willingness to learn and perform at work”. EE could help employees enhance commitment and increase motivation, resulting in better performance.

Many studies have examined the relationship between EE and TI as the mediating variables but fewer studies examined the direct relationship. The research of the direct rela-
The relationship between EE and turnover has been researched (Mulang, 2022). Other studies also examined that EE significantly influences TI (Sandhya & Sulphey, 2019).

**Job Satisfaction and Turnover Intention**

Previous literature about JS is about job-related variables (Daley, 1986; Lewis, 1992; Ting, 1996). Learning the relationship between JS and TI is important for companies. High JS positively affects their commitment to the organization. Higher organizational commitment overall leads to higher success and lower TI (Joo & Park, 2010). Over the years, many researchers have investigated various variables related to JS and TI. Previous research showed a negative relationship between JS and TI (Alam & Asim, 2019; Li et al., 2019). Li et al (2019) expanded the analysis by conducting research on how JS affects TI in an Asian context. The research also suggested that JS has a negative effect on TI.

The effects of JS on TI can also be explained by the Social Exchange Theory. According to the theory, social behavior is a result of an exchange process with the goal of maximizing benefits (Cook & Rice, 2006). Employees may behave socially in ways that indicate a growing desire to leave their positions when they expect particular values or elements of their job but are unable to receive as much as they expected. In other words, employee turnover will increase when they are dissatisfied with their job.

**Hypotheses**

The discussion above proved that the effect of SP to reduce employee TI is a topic that is far from resolved and needs further research, specifically in the Indonesian context. This research will investigate the direct relationship between SP, EE, JS, and TI in a pharmaceutical company in Indonesia. This research aims to see whether SP can predict TI, EE, and JS. The findings of this research will offer insights into a variety of businesses, particularly pharmaceutical organizations that are having trouble retaining employees.

Thus, the following are the hypotheses formulated based on the findings, Figure 1 shows the framework for a better understanding:

**H1:** SP has a negative effect on the TI at an Indonesian multinational pharmaceutical company

**H2:** SP has a positive effect on EE at an Indonesian multinational pharmaceutical company

**H3:** SP has a negative effect on JS at an Indonesian multinational pharmaceutical company

**H4:** EE has a positive effect on TI at an Indonesian multinational pharmaceutical company

**H5:** JS has a negative effect on TI at an Indonesian multinational pharmaceutical company

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![Figure 1 Research Framework](image_url)
H3: SP has a positive effect on JS at an Indonesian multinational pharmaceutical company
H4: EE has a negative effect on the TI at an Indonesian multinational pharmaceutical company
H5: JS has a negative effect on the TI at an Indonesian multinational pharmaceutical company

METHOD

This research proposes to get an analysis of variables that affect TI, due to this purpose this research used a quantitative methodology (Weyant, 2022). The research strategy is using a survey with minimal interferences. This research will be conducted in non-contrived settings with field study because this research wants to get a real event as it is happening without any manipulation. The unit of analysis in this research is individual. The HR department of the company carried out the survey via email or messaging platform to their employees.

This quantitative research is conducted on a target population of 2,359 employees in an Indonesian multinational pharmaceutical company. The parameters are a measurement of SP, EE, JS, and TI at certain branches in the company. Thus, the sampling frame of this research is employees at certain branches of a multinational pharmaceutical company with a history of more than 5% turnover rate within the previous two years.

Data is gathered through a simple random sampling method. This method is used because the population size is known and accessible (Sekaran & Bougie, 2016). The simple random sampling method allows the same probability of all units in the population being chosen as a sample. Using simple random sampling will help the data to be free of subjectivity and personal error (Singh, 2006). According to Slovin’s formula with a 5% margin of error and 95% confidence level, the sample size required is 331 samples. However, this research was able to collect 539 samples. The employees were notified about the nature and purpose of this research and ensured that their data would remain confidential and not be shared with anyone.

This research used questionnaires as data collection techniques because data can be collected as quantitative data. The respondents filled out the questionnaire that consists of demographic details like gender, age, marital status, position, working experience, education, and measurement items of the variables SP, EE, JS, and TI.

To ensure content validity, the measures should include enough items that represent the concept and were adapted from previous studies. For measuring SP, measurement items were adapted from Darvish & Temelie (2014). For the EE construct, measurement items were adapted from the intellectual, social, and affective (ISA) engagement scale developed by Soane et al. (2012). JS was measured with items adapted from Frye et al (2020) with five items. Finally, TI was measured by items adapted from Bothma & Roodt (2013)’s TI Scale. Likert scales (1–6) with anchors ranging from “strongly disagree” to “strongly agree” were used for all questions. The six-point scale has more varieties which will increase the probability of getting objective results from respondents (Joshi et al., 2015). Furthermore, research revealed that the six-point scale gives a relatively higher reliability value and is suitable for studies that have several variables (Abdul, 2010).

A questionnaire pre-test was conducted on 30 random relevant samples to test the reliabil-
ity and validity of questionnaire items that were gathered from various sources. After confirming the result from the pre-test, the questionnaire was then spread to the samples according to the proposed sampling frame. The results from the test were analyzed using Structural Equation Modeling (SEM). SEM is a powerful statistical tool to simultaneously analyze several relationships and conduct factor analysis (Hair et al., 2022).

RESULT

From the pre-test results, a questionnaire item of TI was determined to be invalid and was deleted from the questionnaire. The questionnaire’s validity and reliability were re-examined after the item was removed, and the findings showed that the remaining question items were valid and reliable. The final questionnaire, which was distributed to the respondents, had eleven items for SP, nine items for EE, five items for JS, and fourteen items for TI.

Based on 539 responses of the final questionnaire, 428 males (79%) were the most represented gender in the survey. In total, 250 participants (46%) with 27–36 years old were the most represented age group in the survey. There were 350 participants (65%) with Staff level having the highest job level category in the survey.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement Item</th>
<th>Factor Loading</th>
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<tbody>
<tr>
<td>SP</td>
<td>SP1</td>
<td>0.729</td>
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<tr>
<td></td>
<td>SP2</td>
<td>0.737</td>
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<td>SP4</td>
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<td>0.763</td>
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survey. In total, 128 participants (24%) with working experience of 9 years - less than 12 years have the highest working experience in the survey. In total, 254 participants (47%) with undergraduate degrees have the highest education category in the survey.

The quantitative data collected from the questionnaire were examined using PLS-SEM. The constructs and measurement items were modeled where all items were reflective. The measurement model is first validated using Confirmatory Factor Analysis (CFA) and the reliability test. CFA is used to determine whether construct measurements are compatible with a researcher’s knowledge of the nature of the construct by assessing convergent and discriminant validity (Hair et al., 2022). Convergent validity is determined by verifying if the factor loading is ≥0.5 and the Average Variance Extracted (AVE) is ≥0.5 (Hair et al., 2022). The results showed three items of EE (EE4, EE5, and EE6), one item of SP (SP3), and five items of TI (TI1, TI2, TI4, TI9, and TI10) were excluded from the model because the factor loadings were <0.5. After excluding them, the factor loadings were ≥0.5 (see Table 1). The value of AVE also demonstrated favorable outcomes (see Table 2).

Two parameters are used to evaluate discriminant validity. The first parameter is to see whether the Heterotrait-Monotrait Ratio (HTMT) ≤ 0.85 (Henseler et al., 2015). The second parameter is the Fornell-Larcker rule, where $\sqrt{AVE} >$ correlation (Fornell & Larcker, 1981). The HTMT and Fornell-Larcker showed a good result (see Table 3 and Table 4).

Reliability was assessed using two parameters: composite reliability (Jöreskog, 1971) and Cronbach’s alpha (Cronbach, 1951), both of which must be ≥0.7. The results in Table 5 verified the reliability.

Next, the structural model is evaluated after confirming the validity and reliability of the measurement model. The model’s collinearity was tested using a Variance Inflation Factor (VIF) inner model criterion of <5 (Becker et

| Table 2 Average Variance Extracted (AVE) |
|-----|-----|-----|-----|
| EE  | JS  | SP  | TI  |
| AVE | 0.719 | 0.709 | 0.686 | 0.509 |

| Table 3 Heterotrait-Monotrait Ratio (HTMT) |
|-----|-----|-----|-----|
| EE  | JS  | SP  | TI  |
| EE  |  | 0.749 | 0.547 |
| JS  | 0.749 |  | 0.472 |
| SP  | 0.547 | 0.472 |  | 0.224 |
| TI  | 0.389 | 0.449 | 0.224 |  |

| Table 4 Correlations and Square Roots of Average Variance Extracted (AVE) |
|-----|-----|-----|-----|
| EE  | JS  | SP  | TI  |
| EE  | (0.848) |  |  |
| JS  | 0.71 | (0.842) |
| SP  | 0.52 | 0.453 | (0.828) |
| TI  | -0.372 | -0.423 | -0.215 | (0.713) |
The results in Table 6 verified that the model has satisfied the collinearity criteria. The hypotheses were tested using coefficients of determination ($R^2$) and path coefficients ($t$-value > 1.96 and $p$-value < 0.05 for the two-tail test) (Hair et al., 2022). The research used an approach of bias-corrected bootstrapping (1000 times) of 95% confidence interval (Hair et al., 2022). Results can be seen in Figure 2.

As depicted in Figure 2, SP has positive but no significant direct effect on TI. As a result, H1 is rejected. Meanwhile, SP has a positive and significant effect on EE. This suggests that effective SP has a favorable influence on EE in the workplace. As a result, H2 is accepted. However, SP only explains 27% of the variance in EE. This demonstrates that SP does not explain a major percentage of the variation in EE.
SP also has a significant positive effect on JS. This demonstrates that SP has a beneficial influence on JS. As a result, H3 is accepted. However, only 20.5% of the variance in JS is explained by SP, indicating that a considerable percentage of the variance of JS cannot be explained by SP alone.

Both EE and JS have a significant negative effect on TI. This demonstrated that high levels of EE and JS reduce TI. As a result, both H4 and H5 are acceptable. However, EE and JS explained only 18.9% of the variation in TI. There is a large variation in the TI that cannot be explained only by EE and JS. Table 7 summarizes the findings.

DISCUSSION

Nowadays, in order to remain relevant and sustainable, a pharmaceutical company must be effective in its business processes. To support this, companies would like to go one step further by focusing on minimizing TI, because employees are the most valuable asset of a company according to the Human Capital Theory (Green et al., 2000). This can be done by engaging employees and ensuring their satisfaction. However, maintaining workers does not only depend on EE and JS. It is stated in previous studies that SP could lower the risk of TI since employees value their job development and career prospects (Abdullahi et al., 2022).

Five hypotheses are analyzed based on the findings. The first hypothesis focuses on SP. SP is the process of reviewing and developing personnel in order to put the best employee in crucial or leadership positions. Coaching, training, rotation, and promotion planning are all part of SP. SP does not directly affect TI, but it affects other daily aspects of working life. The relationship where SP does not directly affect TI is shown in the result where H1 is not supported. This result is not aligned with the study of Ali & Mehreen (2019b) and Phillips et al. (2018).

Employees will feel valued at work due to SP since they will feel accepted via continual assessment and improvement (Ali et al., 2019). EE and JS will improve as a result. The relationship where SP directly affects EE and JS positively is shown as H2 and H3 were supported.

On the other hand, EE and JS have a direct influence on TI since they affect daily working life. A prior study discovered that EE had a negative effect on TI. This is significant because high engagement means less inclination to consider switching jobs. The findings of this study are aligned with previous research (Sandhya & Sulphey, 2019; Wang et al., 2020). EE is one of the variables that contribute to a pleasant work-
The lack of EE causes employees to lack ownership of the organization and will just work as needed. They will not strive to advance in the workplace or connect with colleagues; if this persists, they will not hesitate to switch companies. This study found that EE directly affects TI negatively, as the analysis showed that H4 was supported.

Another result is that JS affects employee TI negatively. This is an obvious outcome that is aligned to previous studies since an individual must be satisfied with their job and have pride in their work in order to feel accomplished (Alam & Asim, 2019; Li et al., 2019). Employees who do not feel accomplished will question if this is the right job for them, increasing the likelihood that they will find another job that fits their capabilities. JS significantly affects TI negatively, as the analysis showed that H5 was supported. The findings for H4 and H5 are also aligned with the Social Exchange Theory (Cook & Rice, 2006). The theory explained that if people get positive benefits from their jobs, they will be more satisfied and engaged. In exchange, it will reduce TI.

The findings above depict that employees that are part of SP will be developed and challenged through job enlargement, more training, and increased responsibility. The increasing workload will increase employee’s work spirit if there is a good justification from their leader. This study found that SP has no direct impact on TI, but SP directly impacts EE and JS while EE and JS directly impact TI. Consequently, this implies that EE and JS may have a mediating effect on SP’s relationship with TI.

CONCLUSION

To lower employee TI, a corporation should consider carefully when determining SP as it directly affects EE and JS, both of which directly affect TI. It is a good way of retaining employees since they feel valued by the organization and it creates a strong sense of trust that they may advance their careers in the associated company. While the corporation expects high levels of employee productivity, they also must ensure that employees are pleased with their job. To summarize, the organization has to identify elements that influence EE and JS, such as SP in order to reduce TI.

This research enhances existing literature by empirically demonstrating direct links between variables that influence TI, namely SP, JS, and EE. Furthermore, this study successfully supplements prior research by Ali et al. (2019), which evaluated the association between SP and TI. However, the scope of this research is solely focused on the direct relationship between variables and not the mediation effects. Thus, it is recommended to conduct future research on the mediating effects of the variables.

This research was carried out at one of Indonesia’s multinational pharmaceutical companies, which employs over 4,000 people across the country. It is recommended to carry out this research at another pharmaceutical company to get more general results on an industrial scale. After getting results on an industrial scale, it is recommended for future research to be undertaken in different industries, such as start-up companies, where the majority of employees are younger generations, or government employees who come from different work cultures than those in private enterprises. Another suggestion is to concentrate on a specific job with a high risk, such as a field worker, to see whether the framework is still appropriate.

To the best knowledge, empirical research on SP and TI has mostly been conducted in
Western Countries and Eastern Countries. There is research conducted in Middle Eastern Countries, but they have not yet been validated (Al Balushi et al., 2022). Therefore, more research on this topic could be conducted in other parts of the world e.g., other developing countries in Southeast Asia to compare the previous findings.

REFERENCES


