

Retention of Knowledge Workers in Malaysia: *The Role of Intrinsic and Extrinsic Motivation*

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ABSTRACT

As a developing country, to sustain the economic competitiveness in this Industrial Revolution (4.0), which is highly technology-driven, Malaysia is transforming to digitization which lead to high demand of knowledge workers to work in the ICT field, where the role of knowledge workers is essential, as they are considered as highly analytical and intellectual workers from the aspect of ICT and multimedia. ‘Retention of employees’ has been one of the most important issues of management since the 19th century. Research and studies have been conducted to identify the factors influencing employee turnover and some suggestions have been proposed by previous researchers for retaining the employees in the respective organizations. ‘Motivation’ has become one of the most effective factors proposed by researchers for retention of employees. However, the key question is, what about the retention of ‘knowledge workers’ in the context of Malaysia, especially in the field of ICT? Although motivation is playing an essential role in the retention of employees generally, when it comes to ‘knowledge workers’, intrinsic vs, extrinsic, it is essential to identify which motivation has high impact on driving the behavior of knowledge workers, who are known for their high intellectual and analytical skills. Therefore, the focus of this study would be on analyzing the intrinsic and extrinsic motivation factors, identifying the relationship between the stated motivation factors with the retention of knowledge workers, to determine which has the highest impact on the retention of knowledge workers in Malaysia. Self Determination Theory (SDT) and Abraham Maslow’s Hierarchy of needs have been selected as the underpinning theories for analyzation of intrinsic vs. extrinsic motivation.

Keywords: *Knowledge workers, Employee retention, Intrinsic Motivation, Extrinsic Motivation, Self Determination Theory (SDT), Maslow’s Hierarchy of Needs*

1.0 OVERVIEW

Industrial Revolution (IR) 4.0, transformed the business industries around the world towards more technology driven. As a developing country, to sustain its economic competitiveness, Malaysia is investing on ‘Digital Economy’ which is expected to contribute 22.6% to the country’s gross domestic product (GDP) by year 2025. In that case, MYDIGITAL initiative, a digital economy plan which was launched by the former Prime Minister of Malaysia, Tan Sri Muhyiddin, has created 500,000 job opportunities in the digital economy which are technology or ICT related (MYDIGITAL blueprint, 2022). According to Malaysia’s Labor Market Survey 2022, more knowledge workers are needed in the ICT sector by year 2025, especially in the areas of E-commerce, Fintech, Cloud and Cybersecurity. Therefore, it is appropriate to said that Malaysia is transforming to digitization which led to high demand of knowledge workers to work in the ICT field, where the role of knowledge workers is essential, as they are considered as highly analytical and intellectual workers from the aspect of ICT and multimedia.

Peter Drucker (1959), who coined the term ‘knowledge worker’ refers to them as workers that work with intangible resources. In year 1994, Drucker defined ‘knowledge worker’ as high level workers who apply theoretical and analytical knowledge which acquired through formal training to develop products and services. On the other hand, Nickols (2000) said that knowledge also could be acquired through experiences in specific areas and organizational knowledge, which are informal education. In the context of Malaysia, Malaysian Development Corporation refers knowledge workers, as an individual who possesses one of these qualifications (Nor et al., 2006):

- five or more years of professional experience in multimedia/information and communication technology (ICT) business or in a field that is a heavy user of multimedia.
- a university degree (in any discipline) or a graduate diploma (multimedia/ICT) from a professional experience in multimedia
- a master’s degree or higher in any discipline

Looking at the definition of knowledge workers by government of Malaysia, workers with the background of information and communication technology (ICT) and workers with higher level of educational qualification (master’s degree and above) are considered as knowledge workers. Aligning with this definition, it is appropriate to said that the demand for knowledge workers is increasing due to digitization. Therefore, retaining the knowledge workers is essential as it is very expensive to replace them, who acquired the knowledge and experience through years of experience and higher education.

Retention of knowledge workers, who have high competitive value, is one of the major challenges of all types of organizations (DeLong 2004; Frank, Finnegan, Taylor 2004; Jamrog 2004; Ready, Conger 2008; Somaya, Williamson 2008). Knowledge workers are the growing sector of the general workforce (Haag, Cummings & Philips, 2008), and they are considered as highly valuable asset of an organization, who possess high analytical skills and intellectual, which incur high costs for replacing them.

Since 19th century ‘turnover rate of employees’ is one of the major issues of management, where research is being conducted from time to time, to identify the factors of employee turnover. In the context of Malaysia, employee turnover is seen as a serious management issue (Munir and Tobi, 2020), as facing the impacts is more challenging for a developing country. Organizations in Malaysia are dealing with high rates of voluntary turnover, where, in year 2017, the voluntary turnover rate was 12.8%, compared to a median of 10% in all major Asia-Pacific markets (Hewitt, 2017). About 36% of employees in Malaysia were likely to leave their organization within the time of 2 years (Willis Towers Watson, 2017). High Technology Companies are facing challenges retaining their valuable technical employees due to mainly two reasons; 1. there is shortage of experienced candidates, 2. the aggressive recruitment tactics of the others in the high technology arena (Damayanty 2009).

‘Motivation’ has been identified as one of the effective strategies by previous studies for retaining the employees. Few motivation factors have been identified for retaining the employees generally, however, in this study, in the context of retaining knowledge workers in Malaysia, the roles of ‘intrinsic’ and ‘extrinsic’ motivation, based on Self Determination Theory (SDT) and Maslow’s Hierarchy of Needs, will be studied to identify the relationships

between intrinsic motivation & retention of knowledge workers, and extrinsic motivation & retention of knowledge workers.

The characteristics of knowledge workers have been discussed in the literature review part as a background study for identifying which motivation (intrinsic vs extrinsic) has a high impact on the retention of knowledge workers, who are the valuable assets of organizations in this 21st century (Drucker, 1959).

1.1 Problem Statement

Malaysia, which is considered as a developing country, is heavily investing on ‘Digital economy’, the fastest growing sector, for accelerating the growth of competitive economic, globally. According to the Department of Statistics Malaysia, the annual gross domestic product (GDP) of Malaysia in year 2022 (the recent year) was 406.31 billion USD dollars, which is the highest record ever achieved by Malaysia since year 1960, and Malaysia holds the 37th rank among the top fifty biggest economic countries. It is expected that investment in ‘Digital Economy’ would further contribute 22.6% to the country’s GDP by year 2025.

In that case, more knowledge workers are needed in the technology and ICT related field, which are the base of digital economy (Malaysia’s Labor Market Survey 2022), as knowledge workers are considered as highly analytical and intellectual workers from the aspect of ICT and multimedia. Consequently, 500,000 job opportunities have been created in ICT sector of Malaysia (MYDIGITAL blueprint, 2022). However, on the other side, retaining the existing knowledge workers is being one of the critical issues, where turnover rate of knowledge workers in the ICT field of Malaysia is increasing according to National ICT Association of Malaysia (PIKOM). The employee turnover rate in the ICT industry has been spotted as 12.8% (C.S. Lim & U.N. Saraih, 2021). It is clearly shown that, as ICT industry of Malaysia is already demanding for more workers, high turnover rate of current knowledge workers would create a serious issue and the growth of GDP may affected.

Therefore, retaining the knowledge workers is essential, and in this study, the factors for the retention will be analyzed. As previous researchers and studies suggested, ‘motivation’ is one of the effective factors for retention of employees generally. In this study, for retaining the knowledge workers, especially in the ICT industry of Malaysia, the role intrinsic and extrinsic motivation will be studied further in this study.

2.0 LITERATURE REVIEW

2.1 Characteristics of Knowledge Worker

Drucker (1973) has identified the primary characteristics of knowledge worker as ‘diversity of outputs’ since they are internally sourced based on each person’s knowledge, skill set and prior experiences. He added that the ability to interpret information within a specific subject area through focused analysis is also a unique characteristic of a knowledge worker. The productivity level of knowledge workers typically peaks between the ages of 35 and 54 (Jamrog, 2004). As stated by Drucker (1973), after long years, Clark (2004) also mentioned that knowledge workers have high level of formal education and skills. Effective speaking and writing talents, superior interpersonal capabilities, ability to shape and direct one’s own work, contribution and career (Drucker, 1992). According to a study conducted by Carleton (2011), he has mentioned that knowledge workers are empowered by tacit knowledge and possess superior soft skills like interpersonal communication and negotiating skills. Instead of prefigured work routines, they configure a way to address a situation (Drucker, 1992).

2.2 Importance of Knowledge Worker

According to Davenport (2005), the fastest growing organizations with the highest revenue have large proportion of knowledge workers. For example, Microsoft, which is one of the most profitable organizations in the world, possess high proportion of knowledge workers. Likewise, a s Malaysia is developing country, which is moving towards 'Digital economy' for sustaining its economic competitiveness in the IR 4.0, the role of knowledge workers is vital for the development of every organization, which contributes to the competitive development of the nation overall.

2.3 Motivation as a Factor of Retention of Employee:

Generally, motivation plays an essential role in retaining employees and therefore, it is being considered as an important perspective of an organization's management policy (Hewitt & Larson, 2007). Generally, motivation has been used as one of the essential factors for retaining the employees in an organization (Anis, Nasir, & Safwan, 2011; Cao, Chen, & Song, 2013). As this study is focusing on the role of 'intrinsic' and 'extrinsic' motivation, based on Self Determination Theory (SDT) and Maslow's Hierarchy of Needs, will be the centre of this study is, which has higher impact on retention of knowledge workers, in the context of Malaysia.

Extrinsic motivation is tangible, and it is practical for an organization to drive the behavior of an employee through pay increase, bonus, appraisals. On the other hand, intrinsic motivation is not tangible, and it is a complicated process for an organization to analyze the intrinsic factors of employees to fulfill them to retain them in the organization.

2.4 Self Determination Theory & Maslow's Hierarchy of Needs

2.4.1 Self Determination Theory (SDT)

Deci and Ryan (1985) developed the SDT, where they used the theory to explain that a person's internal motivating factors are stronger than extrinsic motivation. The authors also have identified the following vital constructs underlying the theory: (a) competence, (b) relatedness, and (c) autonomy. According to the SDT, people experience different types of motivation based on their work performed (Manganelli, Thibault-Landry, Forest, and Carpentier, 2018). As applied to this study, it is expected that the independent variables of SDT, to predict employee retention intention because Dysvik and Kuvaas (2010) and Mishra and Mishra (2017) identified intrinsic motivational constructs as significant predictors of turnover intentions and actual employee turnover.

Non-financial rewards (intrinsic motivation) seems to motivate employees internally and serve to satisfy the soul searching of one person.

Case study examples:

'20% time project' is one of the non-financial reward to motivate employees from Google. According to Google founders, Larry Page and Sergey Brin, the main objectives of 20% project is, to inspire innovation skills among employees by pursue personal projects by using 20% of time from their usual working hours as well as to develop Google's potential.

RESULT: 'Gmail' was developed by Paul Bucheit and 'Google News' by Krishna Bharat in their 20% of time.

TargetProcess, which is a project management software company, introduced 'Orange Fridays' in year 2013, where every Friday, all the employees regardless of their position in the company, are encourage to attend a four hours of workshop to learn and develop new technologies.

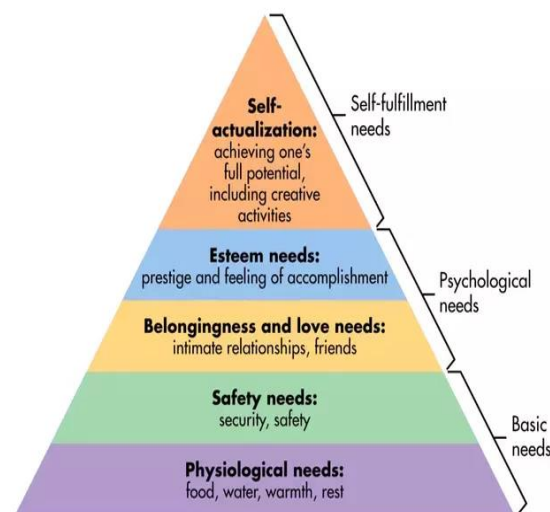
RESULT: it motivated the employees to perform better and this lead to positive growth in the company by year 2016.

In this study, the independent variables of intrinsic motivation have been chosen from SDT and Maslow's hierarchy of needs theory, while the independent variables of extrinsic motivation have been chosen solely from Maslow's theory.

2.4.2 Maslow's Hierarchy of Needs

According to Maslow, the needs at the lower level of hierarchy must be satisfied first, and from there the individuals will move to the next level. Level 1 and 2 more to basic needs, level 3 and 4 concerns on psychological needs and level 5 on self-fulfillment needs. However, as this study is centered on analyzing the intrinsic and extrinsic motivation factors on retaining the knowledge workers in Malaysia, the most common factors which was used in the previous studies will be chosen as the independent variables of extrinsic motivation.

Fig 1: Maslow's Hierarchy of Needs



2.5 The Role of 'Extrinsic' and 'Intrinsic' Motivation on The Retention of Knowledge Workers:

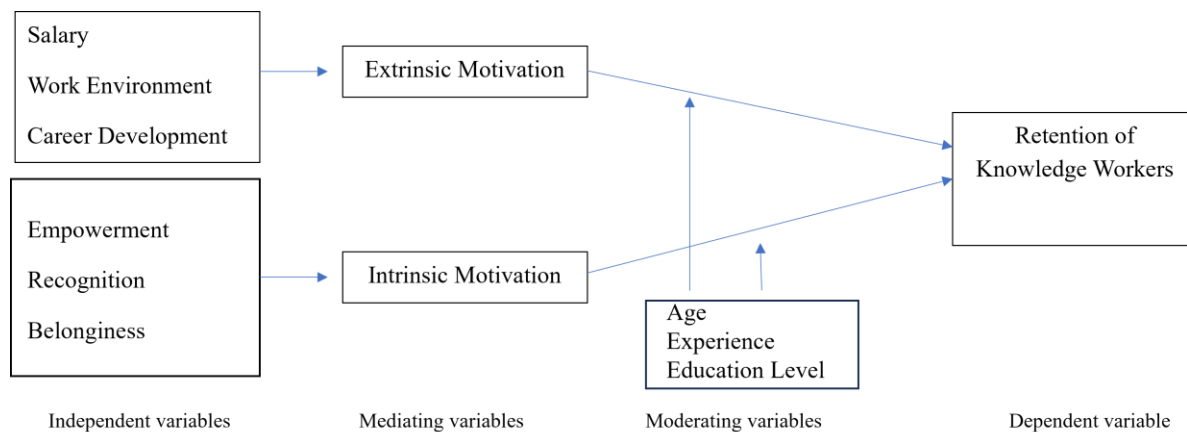
In this context of study, based on the findings of the past research, the argument is, the 'intrinsic' motivation factors have high impact on the retention of knowledge workers in Malaysia, compared to extrinsic motivation factors.

Findings of the past research:

High investment in education makes knowledge workers to be more valuable than the suggested salaries (Carleton, 2011). This statement shows that money alone cannot satisfy the knowledge workers. Managers need to treat them differently as knowledge workers are more from educated groups, have higher expectations, and generally have less tolerance for nonsense than manual workers (Nickols, 2000).

In the context of Malaysia, according to Mustapha Sakmud, the deputy human resources minister, Malaysian workers are looking abroad for better employment, and one of the reasons is the social injustice, where moving up the professional ladder is due to personal connections. Mustapha Sakmud told the Singapore's News Straits publication that, developed countries have better laws which protect the workers' right from any discrimination. This statement is also applicable to the knowledge workers who are considered as highly analytical due to higher education and experiences, where, rather than physiological needs (salary), esteem needs (recognition for contributions) is important.

2.5.1 Conceptual Framework



Based on the conceptual framework, six independent variables have been chosen based on the previous studies, where three are from extrinsic motivation (salary, work environment, career development) and three are from intrinsic motivation (empowerment, recognition, belonginess). On the other side, ‘Retention of knowledge workers’ is the independent variable. ‘Intrinsic’ and ‘Extrinsic’ motivations are the mediating variables, as they influence the retention of knowledge workers in Malaysia. Age, experience, and education level have been placed as moderating variables in this study as they affect the relationships between dependent and independent variables.

3.0 CONCLUSION

Retention of knowledge workers, especially in the ICT sector of Malaysia, is essential in this Industrial Revolution (IR) 4.0, as Malaysia is investing heavily in ‘Digital Economy’ which is accelerating the economic growth of the nation to be competitive and contribute largely to the gross domestic product (GDP) of the nation. It is expected that investment in ‘Digital Economy’ would further contribute 22.6% to the country’s GDP by year 2025. According to Malaysia’s Labor Market Survey 2022, more knowledge workers are needed in the ICT and multimedia sector. However, the employee turnover rate in the ICT industry has been spotted as 12.8%. As ICT industry of Malaysia is already demanding for more workers, high turnover rate of current knowledge workers would create a serious issue and the growth of GDP may affected.

‘Turnover rate of employees’ is one of the major issues of management since 19th century, where research is being conducted from time to time, to identify the factors of employee turnover. ‘Motivation’ has been identified as one of the effective strategies by previous studies for retaining the employees. In this study, in the context of retaining knowledge workers in Malaysia, the roles of ‘intrinsic’ and ‘extrinsic’ motivation, based on Self Determination Theory (SDT) and Maslow’s Hierarchy of Needs, will be studied to identify the relationships between intrinsic motivation & retention of knowledge workers, and extrinsic motivation & retention of knowledge workers.

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