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REWARD AND SUPERVISOR SUPPORT AS KEY DRIVERS OF EMPLOYEE RETENTION IN MALAYSIA

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Abstract:

Employee retention remains a pressing challenge for Malaysian organizations, driven by heightened job mobility and shifting workforce expectations. This paper examines the roles of reward and supervisor support as complementary drivers of retention, drawing on Social Exchange Theory to frame their combined influence. Rewards are positioned as sources of extrinsic satisfaction through fair compensation and recognition, while supervisor support provides socio-emotional resources that build trust, care, and organizational attachment. Together, these factors reinforce employees' commitment and reduce turnover intentions, offering a more sustainable pathway to retention than when applied in isolation. By synthesizing recent empirical findings with theoretical perspectives, this study contributes to the academic literature on employee retention in emerging economies while offering practical guidance for managers and HR practitioners seeking to develop integrated retention strategies in Malaysia's competitive labour market.

Keywords:

Employee Retention, Reward, Social Exchange Theory, Supervisor Support

Introduction

Employee turnover and the difficulty of retaining skilled workers have long been persistent challenges for organizations worldwide (Al-Suraihi et al., 2021). In developing countries such as Malaysia, turnover intentions have become increasingly critical, posing serious threats to organizational continuity and stability (Munir & Tobi, 2020). Turnover generates substantial direct costs such as recruitment, onboarding, and training as well as indirect costs, including the loss of institutional knowledge, decreased employee morale, and interruptions in productivity (Zainal et al., 2022). Over the past decade, the rising demand for skilled talent across various industries has further amplified retention difficulties, making it a central concern for long-term business sustainability (Chakravarti & Chakraborty, 2020). In Malaysia, retention challenges are heightened by growing job mobility, globalization, and changing workforce expectations.

High turnover rates show that employee retention is challenging (Al-Suraihi et al., 2021). This shows that employee turnover is a major challenge faced by Malaysian organizations (Azami et al., 2023). Moreover, Malaysian media reports indicated that retention concerns were evident during the COVID-19 pandemic, when approximately 150,000 employees lost their jobs as a result of the economic downturn and nationwide lockdown measures (Ibrahim et al., 2021). The increasing rate of employee turnover leads to substantial expenses for organizations, including leave capitalization, recruitment, formal training, and the hiring of temporary staff (Yee, 2023). The Department of Statistics Malaysia reported that the national unemployment rate from 4.5 % in 2020 to 4.6 % in 2021, verified the increasing rate of unemployment. As a result, many of the hidden costs of turnover are often underestimated by organizations. Although the issue of employee turnover has long been recognized, organizations continue to encounter significant challenges in retaining their employees (Menon, 2020). Employee retention has become a serious issue for organizations in current years because of the high turnover rates can be damaging to an organization efficiency and overall success (Sorn et al., 2023).

Accordingly, this study aims to provide a deeper understanding of the potential factors that contribute to employee retention. To retain employees, organizations must first understand employees' perspectives on the factors that influence their decision to stay. Employee retention is shaped by a variety of factors, with reward and supervisor support being among the most critical. Reward mechanisms encompassing both monetary and non-monetary incentives are recognized as strong motivators that meet employees' extrinsic needs, enhancing satisfaction and loyalty when perceived as equitable and consistent with their expectations (Osibanjo et al., 2022). Conversely, supervisor support, understood as employees' perceptions of their supervisors' concern, guidance and recognition, addresses intrinsic and socio-emotional needs, thereby fostering trust, organizational commitment and overall well-being (Mittal & Kaur, 2022).

According by Hassan (2022) mentioned that, emphasized that rewards significantly influence employees' willingness to stay. The poorly implemented reward that lack valid and transparent performance criteria create perceptions of favouritism and unfairness, weakening organizational justice and reducing employee retention (Adesina et al., 2025). Providing fair rewards, benefits, incentives, and recognition is therefore essential in aligning employee satisfaction with organizational goals. For example, in Malaysia's service sector, reward was found to exert a much stronger positive effect on retention than even work life balance and work environment (Zainal et al., 2022). Reward ceremonies such as loyalty awards or

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performance recognitions serve as powerful mechanisms of appreciation, reinforcing employees' sense of value and loyalty (Hussain et al., 2020).

Equally important is supervisor support, which provides employees with socio-emotional resources such as guidance, empathy, feedback, and recognition. Supervisor support is a key factor in employee retention. A lack of emotional, instrumental, or career-related support weakens engagement and increases turnover intentions, example, according by Kissi et al., (2023) mentioned that insufficient supervisor support reduces work engagement, leading employees to consider leaving. A recent study within Malaysian identified supportive management as the single most influential factor for long-term retention outranking compensation, career development, and work environment (Subramaniam et al., 2024). Together, these findings underscore that while rewards establish extrinsic expectations, supervisor support strengthens relational bonds making them jointly indispensable for fostering sustainable employee retention in Malaysia. Although prior studies have highlighted traditional drivers of employee retention such as work-life balance, career growth, and job security but less emphasis has been placed on the joint impact of reward and supervisor support, especially within the Malaysian setting (Hanaysha, 2023).

Grounded in Social Exchange Theory (Blau, 1964), this study argues that combining effective reward systems with strong supervisor support strengthens employees' perceptions of organizational care and reciprocity, thereby fostering higher affective commitment and reducing turnover intentions. The proposed conceptual framework highlights that while rewards and supervisor support operate through distinct mechanisms extrinsic and socio-emotional respectively their integration produces a complementary and reinforcing effect on employee retention. Prior studies have consistently shown that appropriate rewards and carefully designed benefits not only engage employees but also signal their value to the organization, leading to positive retention outcomes. Similarly, effective supervisor support, when combined with well-structured reward, enhances employee satisfaction and performance, ultimately strengthening long-term organizational loyalty.

This paper explores the effect and roles of reward and supervisor support as critical drivers of employee retention. Integrating insights from recent research and theoretical frameworks, it highlights how the combination of tangible incentives and relational support can strengthen employees' commitment and loyalty. The proposed conceptual framework is designed to inform future academic investigations and provide practical guidance for organizations seeking to enhance employee retention in highly competitive labour markets.

Theoretical Underpinnings

The theoretical foundation of this study is Social Exchange Theory (SET), originally introduced by George Homans in 1958 and later expanded by Blau (1964). SET is one of the most widely applied theories for understanding employee retention, as well as for examining various organizational relationships, such as those between employers and employees or between organizations and their workforce. The central premise of SET is that individuals seek to maximize benefits while minimizing costs in their interactions (Yee, 2023). Homans emphasized that social exchanges involve both costs and rewards, where individuals evaluate the balance of these factors in shaping their relationships (Redmond, 2015). From this perspective, enduring relationships are built upon approval, respect, trust, and mutual care between parties (Crossman, 2020).

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Reward which include both financial and non-financial incentives, serve as tangible demonstrations of organizational appreciation and correspond to the extrinsic aspect of Social Exchange Theory. Research indicates that providing such rewards significantly improves job satisfaction, motivation, and employee retention, while also encouraging autonomy, creativity, and knowledge sharing (Abbas et al., 2024). At the same time, supervisor support represents a socio-emotional form of exchange, when supervisors provide guidance, recognition, empathy, and constructive feedback, employees experience greater intrinsic satisfaction and stronger relational connections. In the Malaysian governance context, both moral and practical forms of supervisor support have been shown to effectively reduce job stress, enhance life satisfaction, and stimulate proactive work behaviours that emphasizing the critical role of emotional support in fostering reciprocal organizational engagement (Al Halbusi et al., 2024).

Based on Social Exchange Theory, organizations that identify and invest in talented employees are more likely to achieve positive returns on their efforts. In essence, when employees feel supported and motivated, employees are inclined to work harder and contribute more effectively. Furthermore, Social Exchange Theory offers a conceptual framework for understanding the reciprocal relationship between employees and organizations. According to Zainal et al. (2022), whether employees prioritize social or economic exchanges, these exchanges can serve as key motivators for enhancing efficiency and achieving long-term outcomes. Organizational support is closely linked to employees' trust in the organization's ability to fulfil its promises, such as fair rewards and recognition. When employees perceive that the organization adequately rewards their contributions, employees are more likely to continue working and remain committed to the organization. Consequently, Social Exchange Theory provides a valuable lens for investigating employee behaviour and guiding HRM practices that foster distinctive social exchange relationships.

Literature Review

Employee Retention in the Malaysian Context

Employee retention has become a critical strategic priority for Malaysian organizations, driven by an increasingly competitive labour market, rising workforce mobility, and evolving employee expectations. Beyond the direct costs of turnover, such as recruitment, onboarding, and training, employee departures also result in the loss of institutional knowledge, weaken organizational culture, and disrupt overall productivity, making the maintenance of a stable workforce a central HR concern. Recent evidence from Malaysia indicates that rewards remain one of the most significant predictors of employee retention in the service sector, surpassing other commonly cited factors such as work life balance and the quality of the work environment (Zainal et al., 2022). This challenge is further intensified by regional labour dynamics. Adjustments in the ASEAN labour market, including worker regularization, workforce recalibration programs, and increased cross-border mobility, have heightened competition for skilled talent and complicated retention strategies in Malaysia, particularly in high-demand sectors such as manufacturing, construction, agriculture, and services (International Labour Organization, 2023).

The COVID-19 pandemic further exposed vulnerabilities in Malaysia's labour market, with media reports highlighting widespread job losses that demonstrated how external shocks can accelerate employee mobility and turnover (Ibrahim et al., 2021). These challenges prompted organizations to reconsider integrated retention strategies that combine financial incentives with relational forms of support (Hanaysha, 2023). Recent evidence underscores a dual-path

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approach to employee retention in Malaysian organizations: competitive and fair rewards satisfy employees' extrinsic needs (Abugu & Othman, 2025; Osibanjo et al., 2022), while supervisory support addresses intrinsic and socio-emotional needs, fostering trust and organizational commitment (Alias et al., 2024; Mittal & Kaur, 2022). When applied together, these mechanisms produce a more sustainable and robust retention effect than either strategy alone (Subramaniam et al., 2024; Zainal et al., 2022). In sum, combining equitable rewards with strong supervisor support provides organizations with a mutually reinforcing framework that enhances both employee satisfaction and long-term retention outcomes.

Reward and Employee Retention
In Malaysia's service sector, studies indicate that although work-life balance and the quality of the work environment positively influence employee retention, rewards and compensation exert an even stronger impact on retaining employees (Syafiqah et al., 2022). Organizations frequently employ a range of incentives and reward mechanisms to motivate staff and enhance their performance (Sittenthaler & Mohnen, 2020). Rewards can be understood as a set of unique benefits provided to employees in exchange for their effort, including both tangible and non-monetary forms of value (Choi & Presslee, 2020). Primary rewards typically consist of financial remuneration, benefits, other non-cash compensations, and valuable job experiences (Kulikowski & Sedlak, 2020). There are many definitions of rewards but basically are benefits received in exchange for effort and worth. According to Kryscynski et al. (2021) mentioned that incentive consists of different forms such as monetary rewards, recognition and awards, physical services, and benefits that organizations provide for their employees. Monetary rewards can also be in the form of tangible rewards, which include both direct rewards such as basic salary, incentives, and stocks, as well as indirect rewards such as extra benefits like vacation, insurance and pension (Kassahun, 2021).

A recent study of SMEs in Malaysia demonstrated that compensation and benefits have a significant and positive effect on employee retention, reflecting the reciprocal nature of employee organization relationships as explained by Social Exchange Theory (Abugu & Othman, 2025). Numerous empirical studies have confirmed that compensation, rewards, and recognition substantially enhance retention rates (Rombaut & Guerry, 2020). When employees are acknowledged and rewarded by their organization, they tend to feel more connected and motivated to remain, contributing their best efforts toward organizational success (Tan, 2020). Moreover, rewards serve as a direct mechanism to encourage employees to work toward achieving the organization's overarching goals (Krslak & Ljevo, 2021).

Supervisor Support and Employee Retention
Supervisor support encompasses actions such as empathy, care, feedback, and guidance. The manner in which supervisors provide support can significantly influence employee engagement or disengagement (Hussain et al., 2020). As representatives of the organization, supervisors play a critical role in directing and evaluating employees' performance, which employees often interpret as a reflection of the organization's support. Supervisory support shapes employees' perceptions of how much their contributions are valued and how much the organization cares about their well-being. Consistent with Social Exchange Theory, when employees perceive strong supervisory support, they are more likely to exhibit positive behaviours, including enhanced job performance, higher job satisfaction, and a stronger commitment to remain with the organization (Ketut et al., 2023). Supporting prior research, this study highlights that the level of support employees experience from their supervisors can directly influence organizational performance.

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Furthermore, when employees perceive strong support from their supervisors, they are more likely to demonstrate greater willingness to perform well, even when faced with complex tasks or new assignments. This positive attitude contributes directly to improved job performance. Employees' perceptions of their supervisors play a crucial role in shaping the employee and supervisor relationship, as most employees value supervisors who are trustworthy, understanding, and treat them fairly (Khan, 2020). Conversely, misuse of authority by supervisors can lead to conflicts, negatively affecting employees' attitudes toward their work, personal well-being, and the organization. Therefore, when supervisors foster positive relationships through motivation and supportive behaviours, employees are more likely to develop loyalty and commitment to the organization (Malik, Baig, & Manzoor, 2020).

Moreover, employees who perceive higher levels of supervisory support tend to develop greater skills and motivation to remain with their current employer. A primary reason for employee turnover is often the lack of guidance and care from supervisors when employees encounter workplace challenges. Open and effective communication between employees and supervisors fosters engagement, whereas poor communication and a lack of understanding can increase stress and reduce efficiency and performance (Yee, 2023). In the Malaysian context, strong supervisory support strengthens socio-emotional bonds, builds mutual trust, and complements tangible incentives, making it a vital component in dual-mechanism models of employee retention. Consequently, employees who feel well-supported by their supervisors are more likely to overcome work-related obstacles and stay in the current organization.

Research Framework

Figure 1 was the research framework that shows both dependent variable and independent variables that linked and used to conduct a test on this research. It shows the two independent variables such as reward and supervisor support that will affecting the dependent variable which is employee retention. This study focuses on the effect of human resource management such as reward and supervisor support on employee retention

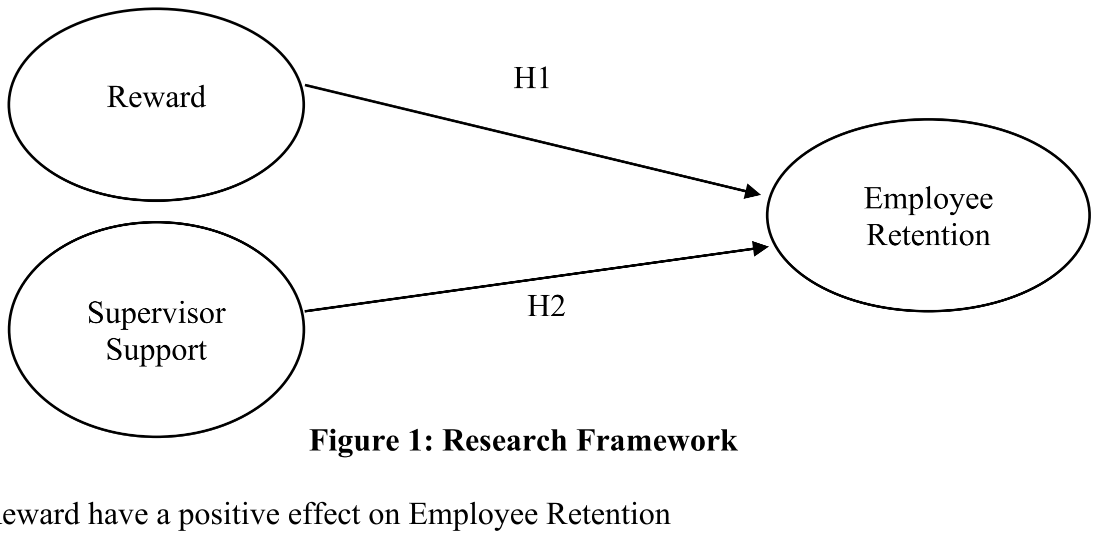

Figure 1: Research Framework

H1: Reward have a positive effect on Employee Retention
H2: Supervisor Support have a positive effect on Employee Retention

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Hypothesis Development

The Influence of Reward on Employee Retention

Reward practices within organizations are designed to attract and retain top talent, contributing significantly to successful employee retention (Ardiansyah et al., 2020). To retain employees effectively, companies must understand their needs and implement reward systems that fulfill those needs (Oduntan, 2020). The perceived fairness of these reward practices by management has been shown to enhance retention outcomes (Kalyanamitra, Saengchai, & Jermsittiparsert, 2020; Malik, Baig, & Manzoor, 2020; Khan, 2020). While promoting work-life balance remains important, effective reward management including competitive compensation, career development opportunities, and additional benefits plays a critical role in attracting, retaining, and motivating employees to perform effectively for organizational success (Kamalaveni et al., 2019; Jam & Jamal, 2020). Empirical evidence across various contexts further confirms that well-structured reward positive influences employee retention (Hanai & Pallangyo, 2020; Ardiansyah et al., 2020; Zainal et al., 2022). Thus, the propose the following hypothesis: -
H1: Reward have a positive effect on employee retention

The Influence of Supervisor Support and Employee Retention

Employees who receive effective supervisory support are better equipped with the necessary resources and are more likely to perform at a high level. A strong supervisor and employee relationships help employees understand organizational goals and values, fostering alignment and engagement. Supervisor support is a crucial factor in promoting employee retention (Ginting & Meilani, 2022). Recent empirical studies further emphasize its importance for example, Alias et al. (2024) found in Malaysia's that supervisor support significantly predicts employee retention. Besides that, according by Hassan et al. (2020) noted that organizational success relies on retaining employees, which can be achieved by providing continuous training and fostering learning under supportive supervisory guidance. Similarly, Subramaniam et al. (2024), through a study in Malaysian contact centres, identified supervisory support as a key driver of long-term retention. These results are especially relevant in Malaysia's collectivist culture, where employees highly value interpersonal harmony and relational exchanges (Ng & Kee, 2022). Previous research consistently confirms the positive relationship between supervisor support and employee retention (Alias et al., 2024; Ginting & Meilani, 2022; Khan, 2021). Therefore, the following hypothesis developed for this study: -
H2: Supervisor Support have a positive effect on employee retention

Table 1: Summary Result of Past Finding

Factors	Authors	Finding
Reward	Hanai & Pallangyo, (2020)	Reward positive influences employee retention
	Ardiansyah et al., (2020)	Reward positive influences employee retention
	Zainal et al., (2022)	Reward positive influences employee retention
Supervisor Support	Alias et al., (2024)	Positive relationship between supervisor support and employee retention

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	Ginting & Meilani, (2022)	Positive relationship between supervisor support and employee retention
	Khan, (2021)	Positive relationship between supervisor support and employee retention

Contribution

This study offers organizations practical insights into the most effective strategies for retaining employees. By highlighting the combined importance of reward and supervisor support, it provides managers with actionable guidance for developing integrated retention strategies that merge financial incentives with relational support. Such strategies can help organizations reduce turnover costs, boost employee satisfaction, and maintain a competitive edge in the Malaysian labour market.

From an academic standpoint, this research contributes to the theoretical understanding of employee retention by applying Social Exchange Theory to both extrinsic mechanisms as rewards, and intrinsic mechanisms as supervisor support. The proposed dual-path framework introduces a novel conceptual model that can inform future empirical research, particularly in exploring the interaction between economic and socio-emotional factors influencing retention. It also addresses existing gaps in the literature by focusing specifically on the Malaysian context.

This study also offers significant contributions to human resource practice in Malaysia by providing evidence-based guidance for designing effective retention initiatives. It highlights the need for HR practitioners to move beyond traditional factors such as work-life balance or job security and instead focus on the dual importance of fair and motivating reward systems and supportive supervisory practices. By demonstrating how extrinsic motivators like financial rewards and intrinsic motivators such as supervisor support work together, the study encourages the development of holistic HR policies that balance tangible incentives with socio-emotional support. Such integrated approaches not only strengthen organizational commitment and reduce turnover intentions but also improve overall employee engagement and long-term workforce resilience. Moreover, the framework offers context-specific insights tailored to Malaysia's collectivist culture, where fairness and strong interpersonal relationships are highly valued, ensuring that HR strategies remain both culturally aligned and sustainable.

Conclusion

This study is highly significant as it provides valuable insights into the reciprocal relationship between employees and organizations in shaping employee retention, particularly within the Malaysian context. It presents a comprehensive framework for understanding how organizations can strengthen employee commitment by focusing on key factors such as reward and supervisor support. Among these, rewards and supervisor support are identified as having the most pronounced impact. The proposed framework highlights the dual-path role of these factors in enhancing affective commitment and reducing turnover intentions. Rewards act as extrinsic motivators by offering fairness, recognition, and financial security while supervisor support addresses intrinsic and needs through guidance, empathy and encouragement. When combined, these mechanisms foster a sense of organizational care and reciprocity, making retention strategies more effective and sustainable. The findings also align with Social

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Exchange Theory, emphasizing the reciprocal dynamics between employees and employers in promoting retention. Notably, this study extends the theoretical model by integrating both economic and social factors, identifying them as key drivers of sustained employee retention.

Future Research Directions

This study advances understanding of employee retention in Malaysia by highlighting the dual importance of rewards and supervisor support in fulfilling extrinsic and socio-emotional needs, respectively. While this paper enhances understanding of employee retention in the Malaysian context, it also highlights several directions for future research. First, empirical testing of the proposed framework across diverse industries, such as manufacturing, healthcare, and education, would help validate its broader applicability. Second, longitudinal studies could examine how the relative impact of rewards and supervisor support changes over time, particularly in response to economic shifts or technological disruptions. Third, investigating moderating factors such as generational differences, organizational culture, or job type may offer deeper insights into the conditions under which these mechanisms are most effective. Finally, future research could expand the framework by exploring the interaction of additional HR practices, including training, career development, and work life balance.

In conclusion, this study underscores that sustainable employee retention in Malaysia requires a balanced approach, combining material incentives that fulfil extrinsic needs with relational support that addresses socio-emotional expectations. This dual focus provides both scholars and practitioners with a comprehensive pathway to cultivate resilient, committed, and high-performing workforces in an increasingly competitive labour market.

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