

“Retaining millennial professionals: Strategies for sustaining tech industry talent in Malaysia”

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RETAINING MILLENNIAL PROFESSIONALS: STRATEGIES FOR SUSTAINING TECH INDUSTRY TALENT IN MALAYSIA

Abstract

Highly skilled and experienced professionals are essential to most profit-making organizations to sustain and remain competitive. This study aims to examine the central challenge of retaining skilled professionals in Malaysia, a key factor in sustaining organizational competitiveness and long-term profitability. A sample of 200 millennials was used to evaluate the potential for employee retention in relation to work-life balance, work environment, compensation, and supervisor support. Structural equation modeling was used to analyze the hypothesized relationships among the constructs. The analysis shows that compensation ($\beta = 0.353$, $t = 2.869$, $p = 0.002$, $f^2 = 0.153$) is the strongest predictor of employee retention, followed by work environment ($\beta = 0.283$, $t = 1.653$, $p = 0.049$, $f^2 = 0.082$) and work-life balance ($\beta = 0.246$, $t = 2.253$, $p = 0.012$, $f^2 = 0.097$). Together, these three factors explain 66.6% of the variance ($R^2 = 0.666$) in employee retention, which is considered substantial. In contrast, supervisor support ($\beta = 0.080$, $t = 0.681$, $p = 0.248$, $f^2 = 0.010$) does not significantly influence employee retention. Overall, the results show that financial rewards, supportive working conditions, and work-life balance are key drivers of professional retention in Malaysia. Instead of losing highly skilled employees to competitors, it is important to retain them by offering competitive pay, a positive work environment, and a fair work-life balance.

Keywords

compensation, employee retention, supervisor support,
work environment, work-life balance

JEL Classification

J28, J63, M12

INTRODUCTION

The continuous momentum of the industrial revolution, accompanied by a powerful wave of technological innovations, has transformed the business landscape into a borderless and competitive landscape. To survive in the competitive industrial revolution, a reliable professional team is needed to execute and strategize operations. Without professional experts to manage and execute operations, it is challenging for most profit-making organizations to sustain competitiveness. Nevertheless, some organizations underestimate the skills and experience of professional employees. This is indirectly causing turnover, which is perceived as very common in the corporate sector. The organization is not only losing experts but also requires additional time and budget to train new employees who might leave in the future.

Today's dynamic labor market has recognized that an organization's long-term competitiveness relies not only on technological innovation or financial capital but also on the expertise and commitment of its people. Only highly committed employees would contribute knowledge, creativity, and stability, which are not easily replicable. Hence, retention of this highly performing professional is a strategic priority. However, employee retention remains a persistent challenge across organizations.

The scientific problem highlighted by the present study is understanding how organizations can retain valuable employees in contexts where traditional incentives alone may be insufficient. Retention is not just about reducing turnover but also cultivating conditions that encourage employees to be motivated and satisfied with the organization. Addressing this problem is crucial for both organizational sustainability and employee well-being; hence, it directly impacts productivity, innovation, and long-term growth.

1. LITERATURE REVIEW

All professional employees are responsible for proactively developing their current skills to meet job requirements (Dachner et al., 2021) and, at the same time, staying relevant in the job market. Retention refers not merely as the physical presence of an employee within an organization, but as the intention to continue (Book et al., 2019). Human resource practices can enhance employee retention (M.A. Islam et al., 2024), particularly when accompanied by training and development opportunities (Bharadwaj, 2023), competitive reward systems, and favorable job conditions (Kamselem et al., 2022). Studies also found that employee retention can be achieved through social responsibility (Pham et al., 2023) and green innovation (Fazal-e-Hasan et al., 2023). Some employees prefer to stay loyal to the same organization that emphasizes transformation (Lee et al., 2022) and transactional leadership (Ali et al., 2024). A company's brand may be a factor in employee retention (Salameh et al., 2023). As a result, it can be used as a competitive advantage to retain employees (Bharadwaj et al., 2022).

Work-life balance refers to the balance between work and personal life. This also refers to work and non-work obligations (Rashmi & Kataria, 2022). The work-life balance issue arises from high pressure from both work and non-work roles (Perreault & Power, 2023). Employees are perceived as lacking in a work-life balance without flexibility in balancing working and personal lives (Nieto-Aleman et al., 2025). For example, some organizations expect employees to work long hours beyond daily office hours and even on weekends, although most employers do not officially require employees to work overtime. This is due to an excessively high workload tied to key performance indicators. Long working hours may leave less time for personal life, creating an imbalance between work and personal needs (Sandhya, 2024).

Although professional employees are often perceived as career-oriented, some of them may prefer to maintain a good balance between personal space and relaxation to alleviate work pressure. Work-life balance can be obtained through social support, resilience, and job satisfaction (Sandhya, 2024). Studies have found that Malaysian working adults value a balance between work and life not only for family reasons but also for overall well-being and motivation (Yong et al., 2024). Malaysians were found to value work-life balance as essential for sustaining productivity and personal satisfaction (Ramachandaran et al., 2024). Therefore, it is expected that work-life balance will have a positive effect on employee retention in the Malaysian technology-based industry.

Work environment can be perceived as the level of difficulty and challenges at the workplace (Dulac-Arnold et al., 2021). It also refers to physical settings at the workplace (Yang et al., 2023). Such an environment can be perceived differently by employees with varying personalities. Some prefer a challenging work environment, while others prefer a calm environment with a reasonable workload. This may impact employees' physical and mental well-being, as well as their fundamental rights (Lu et al., 2022). An unhealthy work environment can cause stress and disappointment, often due to narcissistic leaders (Aboramadan et al., 2021). Continuous changes in the working environment can further exacerbate the challenge. To lessen the burden, the leader should be proactive in approaching the employees to understand the surrounding environment (Bagga et al., 2023). This can be achieved if the leader is supportive and knows the importance of teamwork. Supportive working environments, such as opportunities for training and development or rewards, may assist in enhancing employee retention (Islam et al., 2022). Existing studies consistently show that workplace factors such as organizational culture and interpersonal relationships contribute to em-

employee turnover. A study on the Malaysian service sector observed that a poor working environment, including a lack of career advancement and stressful conditions, contributes to a higher turnover rate (Mohammad, 2023). As a result, the work environment is expected to positively affect employee retention.

Compensation is typically paid through salary. The payment for the exchange of employee contribution represents the employment relationship (Fulmer et al., 2023). In addition to basic salary payments, compensation can also include non-financial incentives or rewards. There is no standardized compensation that is suitable for all employees. Compensation can be customized based on an employee's experience and expertise (Zhu & Newman, 2023) and their current needs (Berber & Gašić, 2024). All employees expect financial compensation to support their living expenses. Nowadays, due to the continuously rising cost of living, employees are increasingly seeking competitive compensation from other organizations. Nobody will continuously contribute to an organization that does not offer reasonable compensation, unless the intention is purely for charitable purposes. For most profit-making organizations, investing in competitive compensation is expected to enhance employee motivation (Edmans et al., 2023) and to attract and retain top talent (Marler, 2024). In general, financial and non-financial compensation is expected to retain skilled and talented performers in the organization (Khan et al., 2024). As a result, it is expected that there is a significant positive relationship between compensation and employee retention.

Supervisor support may assist in developing personal professionalism (Saab et al., 2021) and encourage sustainable employability (Irfan et al., 2023). Support from supervisors is more important than support from co-workers and family members in enhancing job satisfaction (Raziq & Maulabakhsh, 2015). Supervisor support will not only enhance the employee's performance (Tarcan et al., 2021) but also fully mediate the relationship between talent management and performance (Kravariti et al., 2023). To support employees, supervisors can engage them through open communication (Lee, 2021). This may enhance employee involvement at work (Abualigah et al., 2024). All

the support given should be in line with ethical guidelines. The primary reason is that employees tend to engage more in tasks when the leader is perceived as ethical (T. Islam et al., 2024). Overall performance will be enhanced by a high bottom-line mentality from the supervisor and pro-organizational behavior from employees (Babalola et al., 2021). As a result, supervisor support may enhance employee retention (Rathi & Lee, 2017).

Retaining highly skilled employees is crucial in ensuring the company can operate smoothly and sustain itself in a competitive industry. Nevertheless, retaining employees in practice is not easy. Since numerous factors may influence employee retention, this paper focuses on four primary factors: work-life balance, work environment, compensation, and supervisor support.

Therefore, this study aims to examine the influence of work-life balance, work environment, compensation, and supervisor support on employee retention among professional employees within the technology-based industry in Malaysia. Four hypotheses are developed based on the existing literature, as follows:

- H1: *Work-life balance has a positive effect on employee retention.*
- H2: *Work environment has a positive effect on employee retention.*
- H3: *Compensation has a positive effect on employee retention.*
- H4: *Supervisor support has a positive effect on employee retention.*

2. METHODOLOGY

In the present study, work-life balance, work environment, compensation, and supervisor support are treated as exogenous constructs, whereas employee retention is treated as an endogenous construct. The study focused on millennial employees (born between 1981 and 1996) working in the technology-based industry in Selangor, Malaysia. Most technology-based companies are located in Cyberjaya, Selangor, as it is a smart city designed

as a technology hub. These companies not only support the local market but also serve as global outsourcing providers in the technological ecosystem. In line with this, most professional talent is working in Cyberjaya, Selangor. This demographic was selected for its substantial workforce representation and frequent job changes, making it a critical group for examining employee retention. Non-probability purposive sampling was employed to deliberately select participants who met the criteria of being millennials employed in the technology-based industry.

Based on Kline's (2016) sample size guidelines, recommending a minimum threshold of 200 cases for standard structural equation modeling (SEM) to ensure statistical stability, a total of 200 participants were recruited. Data collection was conducted using an online questionnaire distributed through Google Forms from December 2024 to February 2025. Participants included 82 males (41%) and 118 females (59%). All respondents are professionals, of whom 106 have undergraduate degrees (53%), 57 have postgraduate degrees (28.5%), and 22 possess professional qualifications (11%). Only 10 respondents have diplomas (5%), and only 5 respondents have completed high school (2.5%). Regarding work experience, 98 respondents (49%) have 3 to 5 years of employment

experience, 53 respondents (26.5%) have 6 to 8 years, and 32 respondents (16%) have less than 2 years. Meanwhile, only 17 respondents (8.5%) have been employed for more than 8 years. Details of the respondents' backgrounds are summarized in Table 1.

Table 1. Respondents' characteristics

Background	Categories	Numbers	Percentage
Gender	Male	82	41%
	Female	118	59%
Academic Background	High School	5	2.5%
	Diploma	10	5%
	Undergraduate	106	53%
	Postgraduate	57	28.5%
	Professional	22	11%
Years of Working Experience	2 years and less	32	16%
	3–5 years	98	49%
	6–8 years	53	26.5%
	More than 8 years	17	8.5%

The instrument consisted of three sections: demographics, exogenous constructs (including work-life balance, work environment, compensation, and supervisor support), and the endogenous construct, which is employee retention. Each construct is represented by measurement items adapted from recent studies. A five-point Likert scale was used to measure the constructs. Meanwhile,

Table 2. Measurement items

Constructs	Measurement Items	References
Work-life Balance (WB)	WB1: I am satisfied with the time I spend at work and in my personal life. WB2: I have good time management between work and personal life. WB3: Work-life balance is supported at my workplace. WB4: I have enough time to spend on my personal matters.	Wong and Ko (2009)
Work Environment (WE)	WE1: I am satisfied with the working conditions at my workplace. WE2: I am satisfied with my working hours. WE3: New technologies are utilized at my workplace. WE4: The working environment is comfortable. WE5: The allocation to complete an assigned task is reasonable.	Siddiqi (2011); Njuguna and Owuor (2016)
Compensation (CM)	CM1: I am receiving compensation incentives from my workplace. CM2: The compensation from my workplace is based on merit. CM3: My workplace provides better compensation than other organizations. CM4: I believe that my salary is fair. CM5: My achievements are recognized. CM6: The benefits packages are attractive to me.	Asif and Gul (2021)
Supervisor Support (SS)	SS1: My supervisor treats all employees equally. SS2: My supervisor focuses on teamwork. SS3: My supervisor provides performance feedback. SS4: My supervisor recognizes my contribution at my workplace.	Asif and Gul (2021)
Employee Retention (ER)	ER1: I am a dedicated employee at my workplace. ER2: I am loyal to my workplace. ER3: My workplace is the best. ER4: I would recommend my workplace to others. ER5: I would choose my workplace if I were given a chance to choose again.	Zainal et al. (2022)

the survey items on respondents' backgrounds, such as gender, academic background, and years of experience, were set as categorical questions. The measurement items are summarized in Table 2. This study employed structural equation modeling for data analysis.

3. RESULTS

The collected data were tested for convergent validity. Six items were preliminarily removed due to factor loadings below 0.708 (Hair et al., 2021). One item was removed from the work environment construct, which is WE2 (0.620); three items were removed from the compensation construct, which are CM1 (0.479), CM2 (0.544), and CM3 (0.667); and two items were removed from the employee retention construct, which are ER2 (0.463)

and ER1 (0.549). The average variance extracted for work-life balance (0.720), work environment (0.563), compensation (0.584), supervisor support (0.763), and employee retention (0.737) meet the minimum statistical requirement of 0.50 (Hair et al., 2021). The composite reliabilities for work-life balance (0.920), work environment (0.839), compensation (0.810), supervisor support (0.938), and employee retention (0.894) are all above 0.70 (Hair et al., 2021). The summary of the loadings, average variance extracted, and composite reliability is presented in Table 3.

The cross-loading in Appendix A indicates that all items are loaded higher within their respective constructs and loaded lower in other constructs. There is also no cross-loading with values less than 0.10 (Snell & Dean, 1992). This demonstrates that the data meet the criteria for discriminant validity.

Table 3. Loadings, AVE, and composite reliability

Constructs	Items	Loadings	AVE	CR
Work-life Balance (WB)	WB1	0.820	0.720	0.920
	WB2	0.743		
	WB3	0.980		
	WB4	0.833		
Work Environment (WE)	WE1	0.801	0.563	0.839
	WE3	0.742		
	WE4	0.704		
	WE5	0.752		
Compensation (CM)	CM4	0.719	0.584	0.810
	CM5	0.756		
	CM6	0.813		
Supervisor Support (SS)	SS1	0.913	0.763	0.938
	SS2	0.771		
	SS3	0.793		
	SS4	0.999		
Employee Retention (ER)	ER3	0.839	0.737	0.894
	ER4	0.879		
	ER5	0.858		

Note: AVE: Average variance extracted; CR: Composite Reliability. The square root of AVE, which is represented by the diagonal values across the Fornell and Larcker criterion in Table 4, is higher than the off-diagonal values, which refer to the correlation between one construct and another construct. This indicated that there was no issue with discriminant validity (Fornell & Larcker, 1981).

Table 4. Fornell and Larcker criterion

Constructs	Compensation	Employee Retention	Supervisor Support	Work Environment	Work-life Balance
Compensation	0.764*				
Employee Retention	0.715	0.859*			
Supervisor Support	0.665	0.605	0.874*		
Work Environment	0.704	0.744	0.605	0.750*	
Work-life Balance	0.442	0.630	0.486	0.666	0.848*

Note: * Diagonal values are higher than the off-diagonal values.

Table 5. Heterotrait-monotrait criterion

Constructs	Compensation	Employee Retention	Supervisor Support	Work Environment	Work-life Balance
Compensation					
Employee Retention	0.714				
Supervisor Support	0.667	0.601			
Work Environment	0.701	0.743	0.602		
Work-life Balance	0.439	0.625	0.478	0.661	

There is also no value of 1 in the heterotrait-monotrait ratio in Table 5. As a result, there is no issue with discriminant validity (Henseler et al., 2015).

All the inner variance inflation factor (VIF) values for work-life balance, work environment, compensation, and supervisor support as related to employee retention are below 3.3 (Diamantopoulos & Siguaw, 2006), indicating that there is no issue with multicollinearity. The VIF values are summarized in Table 6.

Table 6. Variance inflator factor (VIF)

VIF	Employee Retention
Work-life Balance	1.863
Work Environment	2.923
Compensation	2.453
Supervisor Support	1.982

According to the analysis, compensation ($\beta = 0.353$) is the most important predictor for employee retention. This is followed by work environment ($\beta = 0.283$) and work-life balance ($\beta = 0.246$). The first three hypothesis relationships have t-values greater than 1.645 and p-values less than 0.05. This indicates that work-life balance (H1), work environment (H2), and compensation (H3) are positively and significantly associated with employee retention. These three predictors represent 66.6% of the variance in employee retention. As a result, H1, H2, and H3 are supported. The R² value of 0.666 is considered substantial, as it is very close to 0.67 (Magno et al., 2024). This study finds that supervisor support does not influence employee

retention (H4) ($\beta = 0.080$, t-value = 0.681, ρ -value = 0.248). The effect size (f^2) of work-life balance (0.097), work environment (0.082), and compensation (0.153) toward employee retention is considered medium since the values are all close to 0.15 (Cohen, 2013), while the effect size of supervisor support towards employee retention (0.010) is considered small since the value is close to 0.02 (Cohen, 2013). The summary of hypothesis findings is presented in Table 7.

The model fit finding for the standardized root mean square residual (SRMR) is less than 0.08 (Henseler et al., 2014), which is at 0.056. The squared Euclidean distance (d ULS) and geodesic distance (d G) are larger than 0.05 (Hair et al., 2021), which are at 0.537 and 0.564. This indicated that the estimated model met the required model fit for SRMR, d ULS, and d G. However, the normed fit index (NFI) is slightly below 0.82 (Byrne, 2001), at 0.746. Based on the model fit analysis, the model can be considered to have a good fit, as three out of four fitness values met the benchmark requirements (Table 8).

Table 8. Model fit

Model Fit	Estimated Model
SRMR	0.056
d ULS	0.537
d G	0.564
NFI	0.746

The Q²-predicted value for employee retention is 0.524, and the mean is very close to zero at 0.002. This finding indicates that the PLS-SEM model

Table 7. Hypotheses testing results

Hypotheses	Std. Beta	t-value	p-value	Decision	f ²	R ²
H1: Work-life Balance – Employee Retention	0.246	2.253	0.012	Supported	0.097	0.666
H2: Work Environment – Employee Retention	0.283	1.653	0.049	Supported	0.082	
H3: Compensation – Employee Retention	0.353	2.869	0.002	Supported	0.153	
H4: Supervisor Support – Employee Retention	0.080	0.681	0.248	Not supported	0.010	

has sufficient predictive power, suggesting that work-life balance, work environment, and compensation can be effectively used to predict employee retention. The finding for PLS predict is presented in Table 9.

Table 9. PLS predict

PLS Predict	Q ² predict	RMSE	MAE	Mean
Employee Retention	0.524	0.697	0.515	0.002

Further analysis of the predictive power level indicates that Q² predicted values for all three items on employee retention are positive, with values of 0.407 (ER3), 0.453 (ER4), and 0.428 (ER5). Since the indicators for the endogenous construct of employee retention are normally distributed, predictive power is measured by RMSE. Based on the analysis, all PLS-SEM model values have lower RMSEs than those of the linear model (LM). This indicates that the model has high predictive power (Hair et al., 2021). The predictive power is shown in Table 10.

Table 10. Predictive power

Employee Retention	Q ² predict	PLS-SEM RMSE	LM RMSE
ER3	0.407	0.763	0.773
ER4	0.453	0.776	0.804
ER5	0.428	0.781	0.818

4. DISCUSSION

The collected data are almost equivalent for both males and females. Most respondents have reasonable academic qualifications and professional work experience. According to the analysis, the research framework is considered well-fitted. The additional partial least squares analysis indicated that the work-life balance, work environment, and compensation constructs are effective in predicting employee retention, with high predictive power. As a result, the findings can be further extended to identify potential ways for the organization to retain its employees.

This analysis has demonstrated a significant positive relationship between work-life balance and employee retention (H1). This indi-

rectly means that employees' retention will be enhanced if there is a better balance between work and life. This finding is congruent with the study by Zainal et al. (2022). In line with the demands of professional roles and personal needs, maintaining a healthy work-life balance is essential. Providing a reasonable workload for employees ensures everyone has sufficient time for personal needs after work and at weekends. Although some employers may seem highly demanding due to competitive industrial pressure, it is necessary to respect employees' personal lives to retain them.

Ensuring the employees have a comfortable working environment is also important. This is because the working environment is also strongly supportive of employee retention (H2). This finding is consistent with previous studies, which suggest that the likelihood of retaining an employee is higher when the surrounding work environment meets the employees' expectations (Xuecheng et al., 2022; Zainal et al., 2022). Continuous changes in the working environment and work behavior, especially among younger generations, necessitate an awareness of the employees' preferred working environments. Furthermore, with the industrial revolution, it is expected that most young professionals will prefer the flexibility to work from home rather than being forced to work in the office. Other forms of flexibility, such as a comfortable dress code, contributions to social responsibility, the green revolution, and the reengineering of the work process, are also anticipated. Such flexibility can be determined by directly asking the employees about their expectations.

Nowadays, it is challenging to survive without a reasonable salary due to high living expenses. As a result, compensation has a significantly positive relationship with employee retention (H3). This finding aligns with a previous study that employers should offer a competitive salary as a key strategy to retain employees (Aman-Ullah et al., 2023). Although it is the norm for employees to always seek competitive financial compensation, not all organizations can afford to pay the expected salary due to financial constraints. As an alternative, organizations must provide non-financial benefits to their employ-

ees. An open discussion with employees should be conducted to identify the expected valuable non-financial benefits. Negotiation skills are crucial for achieving a mutually beneficial outcome between employees and the organization.

Although existing studies found that supervisors' support influences the employee's loyalty (Babalola et al., 2021; Rathi & Lee, 2017), the present findings indicated otherwise. The results revealed that supervisor support does not

significantly influence employee retention (H4). The underlying reason for this difference is due to the different contexts of the studies. This study was conducted among millennial employees working in the technology-based industry in Selangor, Malaysia. They seem to depend less on the supervisor's support to remain loyal to their organization. Specifically, with skills and experience, professional employees tend to prefer developing their own career paths, rather than relying heavily on their supervisor's support.

CONCLUSION

This study aimed to investigate the impact of work-life balance, work environment, compensation, and supervisor support on employee retention among professionals in Malaysia. The findings reveal that a key strategy to improve employee retention is to prioritize competitive compensation. This is followed by providing a comfortable work environment and a reasonable work-life balance. Although it is common to expect that a supervisor's support is significant, this support may not directly influence the professional employee's decision to remain loyal to their current workplace.

The present study provides valuable insights into the complex process of employee retention, as retaining highly skilled and experienced professionals within an organization may help sustain competitiveness amid the challenging industrial revolution. However, since the present study is exclusively focused on technology-based professionals based in Selangor, this may limit the generalizability of the findings to other workforce segments. Reliance on self-reported data may introduce bias, and contextual factors such as organizational culture and industry type were not examined comprehensively. Future research should expand the sample to include diverse employee groups across different states or job sectors and job levels, incorporate organizational and leadership dynamics, and better utilize longitudinal designs to understand the evolving work preferences of younger generations.

AUTHOR CONTRIBUTIONS

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APPENDIX A

Table A1. Cross-loading

Items	Compensation	Employee Retention	Supervisor Support	Work Environment	Work-Life Balance
CM4	0.719*	0.514	0.526	0.493	0.309
CM5	0.756*	0.540	0.580	0.627	0.372
CM6	0.813*	0.581	0.427	0.496	0.333
ER3	0.612	0.839*	0.484	0.643	0.511
ER4	0.606	0.879*	0.544	0.629	0.594
ER5	0.624	0.858*	0.531	0.646	0.515
SS1	0.582	0.553	0.913*	0.486	0.430
SS2	0.545	0.467	0.771*	0.495	0.364
SS3	0.547	0.480	0.793*	0.533	0.406
SS4	0.646	0.605	0.999*	0.600	0.490
WE1	0.649	0.596	0.490	0.801*	0.450
WE3	0.494	0.552	0.382	0.742*	0.435
WE4	0.447	0.524	0.416	0.704*	0.486
WE5	0.514	0.560	0.523	0.752*	0.633
WB1	0.358	0.516	0.387	0.553	0.820*
WB2	0.312	0.468	0.329	0.484	0.743*
WB3	0.446	0.617	0.489	0.674	0.980*
WB4	0.372	0.525	0.430	0.535	0.833*

Note: * indicates the outer loadings of indicators on their respective target constructs.