



AENSI Journals

Australian Journal of Basic and Applied Sciences

ISSN:1991-8178

Journal home page: www.ajbasweb.com



HRD Strategies and Employee Retention: A Review

¹Chew YeeCheong, ²RabeatulHusnaAbdullRahman and ³AinulSyakira Mahidi@Mohyedin

¹Postgraduate Student, Department of Human Resource Development, Faculty of Management, UniversitiTeknologi Malaysia, 81310 Skudai, Johor, Malaysia.

²Senior Lecturer, Department of Human Resource Development, Faculty of Management, UniversitiTeknologi Malaysia, 81310 Skudai, Johor, Malaysia.

³ Postgraduate Student, Department of Human Resource Development, Faculty of Management, UniversitiTeknologi Malaysia, 81310 Skudai, Johor, Malaysia.

ARTICLE INFO

Article history:

Received 11 October 2014

Received in revised form 21 November 2014

Accepted 25 December 2014

Available online 16 January 2015

Keywords:

Human resources development, training, learning, career development, retention, intention to stay, engineer

ABSTRACT

Background: Retaining skilled employees is vital to an organization's success. The benefits of long term employee retention outweigh the cost of losing and replacing them. Turnover among skilled workers, such as engineers can lead to spillover of information to a rival company. This review paper looks into HRD strategies that can influence employees' intention to continue working with the company. **Objective:** This paper reviews the relationship between HRD strategies, specifically training, learning and career development on employees' intention to stay working with the organization.

© 2015 AENSI Publisher All rights reserved.

To Cite This Article: Chew YeeCheong, RabeatulHusnaAbdullRahman and AinulSyakira Mahidi@Mohyedin., HRD Strategies and Employee Retention: A Review. *Aust. J. Basic & Appl. Sci.*, 9(4): 57-62, 2015

INTRODUCTION

The problem of employee retention is a long-standing issue for organization world-wide. PwC (2012) conducted a study on more than 240 organizations from 11 industry sectors and found that attracting and retaining talents are among the key human capital challenges in Asia-Pacific. The findings revealed that not only are companies having difficulties in attracting the right talent for the job; strikingly, one in five hires leaves in the first year. The report highlights poaching from competitors and lack of employee loyalty as the factors for high levels of employee turnover. In the context of Malaysia, the problem of employee retention is contributed by several factors; migration to developed economies, cross-border mobility particularly for the labours in Johor Bahru who commute to Singapore on a daily basis and inter-firm job hopping (AbdullRahman, 2012).

According to Keenan (1994), the oil and gas industry is dependent upon the quality of its professional engineers. However, in a survey by the MEF (2010), the oil and gas industry reported a high turnover which implies low commitment among its employees. The retention of engineers is critical for a developing country like Malaysia, since engineer's contributions are considered vital to the growth of Malaysia. Moreover, the emphasis for knowledge based economies implies a need for highly-knowledgeable engineering workforce. Nevertheless, engineers, classified as professionals and knowledge workers demonstrate distinct career behaviour than other non-knowledge workers. Official statistics suggest that engineers are a key workforce in the Malaysian labour market. For example, in 2009, approximately 47 per cent of the registered professionals in Malaysia were engineers (DOS, 2010c). The term 'knowledge worker', when applied to workers such as engineers, suggest that engineers belong to an occupational group whose skills are transferable, and who are particularly likely to have multiple careers, compared with groups of employees with more firm-specific skills (De Cieri and Kramar, 2005). Like many other professionals and knowledge workers, engineers possess technical knowledge which is valuable to a company and their leaving may affect any organisation which relies on their knowledge as well as specialised experience, skills and expertise. However, provided that alternative employments are available in the labour market, skilled workforce such as engineers has a higher capacity to change jobs than unskilled workers. In the case of engineers, knowledge workers may be inclined to change jobs as a result of non-pecuniary motivations such as attraction to opportunities for collaboration and interaction with other talented people or access to new and more sophisticated equipment (Solimano, 2008). It has been

Corresponding Author: RabeatulHusnaAbdullRahman, Senior Lecturer, Department of Human Resource Development, Faculty of Management, UniversitiTeknologi Malaysia, 81310 Skudai, Johor, Malaysia.

suggested that retention strategies based on intrinsic rewards may have limited success to Malaysian employees who inclined to be money oriented (Chew, 2005). According to AbdullRahman (2012), engineers' career behaviours are complex in nature, as their pursuit of a career cannot be understood in isolation from various push and pull factors. Engineers apparently quit or continue working in an organisation for reasons related to work, organizational factors, as well as the labour market conditions and family circumstances.

Although retention may not be vital for some organizations due to certain nature of business, for example seasonal recruitment; it is reasonable to argue that the benefits of long term employee retention outweigh the cost of losing and replacing them. According to Curtis & Wright (2001), organizations that face high employee turnover loses the skills, knowledge, experience and training investment. Job hopping behaviours particularly among skilled workers can lead to unfavourable competition with a rival company (Pennings&Wezel, 2007). Many literatures have linked the concept of intention to stay with turnover, retention, as well as organizational commitment. Allen and Meyer (1990) have identified three dimension of the relationship between commitment and retention. Firstly, the affective component of organizational commitment refers to the employees' emotional attachment to the organization, the identification and involvement within the organization. Secondly, the continuance component which refers to commitment based on the costs or risks that employees associate with leaving the organization. Lastly, the normative component refers to employees' feelings of obligation to remain with the organization; in other words, employees formed a sense of obligation to stay with the organisation. Therefore, intention to stay is related to commitment (AbdullRahman, 2012). There is, however, limited evidence as to which HR practices influence employees' long term retention, as empirical studies have focused mainly on antecedents for quitting rather than on explanations of employees' intention to stay with an organisation. Yet Mitchell *et al.* (2001) and Steel *et al.* (2002) have argued that turnover intention and intention to leave may not explain employees' intentions to stay.

In order to minimize employee turnover, numerous past studies have shown evidence that certain Human Resource Development (HRD) strategies can have a direct impact on individual and organizational performance (e.g. AbdullRahman, 2012; Wills, 1994; Palo *et al.*, 2003; Robert *et al.*, 2004; Garavan, 2007; Bowes, 2008). According to the past researches, HRD strategy has been proved to have a linkage with individual's intention to stay or to leave (Haslinda, 2007, 2009; Ghazali *et al.*, 2012); both in private or government sector (Kumar, 2012). Whilst in other studies, training, career mentoring, career development opportunity, promotion opportunities has been found to foster employee retention (Ahmad and Abu Bakar, 2003; Samad, 2006; Samad and Hassan, 2007; Chew and Wong, 2008). These empirical findings suggest that organisations can improve the retention of their key employees by implementing certain HRD strategies.

However certain HRD strategies may have a different influence on employees' behaviour. Past studies have provided evidence that certain HRD strategies may have an influence towards knowledge workers, such as engineers' intention to continue working in the organization. For instance in a study by AbdullRahman (2012), it was found that training, and long term career opportunity are the factors most likely to influence engineers' intention to stay working in a company. These needs were highlighted in relation to engineers' need to constantly upgrade knowledge and skills – a key characteristic among knowledge workers. Career development was also found to be influential towards engineers' retention as it implies job security and career progression. According to Solimano (2008), knowledge workers actively pursue the gaining and enhancement of knowledge and skills, because their definition of job security is the ability to learn fast. Thus knowledge workers' turnover and mobility are seen as being spurred by factors such as an organisation's lack of respect for intellectual property rights, resulting from devaluation of their knowledge contribution.

However Malaysian firms are reluctant to employ HRD strategies such as training and development programs. According to a study by Haslinda (2009), training and development are often regarded as secondary to HRM thus considered less important. There is also a lack of commitment towards training from top management. The research found that one of the challenges faced by organization in fostering learning and development is a lack of intellectual HR professionals to cope with the demand and needs of knowledge workers.

Thus the purpose of this study is to offer insights to Malaysian engineering firms of the benefits of HRD strategies towards employee retention. In specific, this paper reviews the relationship between HRD strategies, specifically training, learning, and career development that can influence employee retention particularly among Malaysian engineers.

Literature Review:

There is a growing recognition that well-chosen HRD practices can have a direct impact on individual and organizational performance. This finding is built on the notion that people can play a significant role in an organization's success (Garavan, 2007). According to David McGuire *et al.* (2010), the key components of Human Resource Development (HRD) would be training and development since HRD is an organized learning activities that arranged within an organization to improve performance and personal growth for the purpose of

improving the job, the employee and the organization (McLagan, 1989; Garavan, 1991; McCracken *et al.*, 2000). This suggests that HRD strategies are comprised of training, learning, as well as career development.

Relationship between Training and Intention to Stay:

The significance and value of training has long been recognized. Nowadays climate and the exponential growth in technology with its effects on the economy and society at large, the need of training is more pronounced than ever (McClelland, 2002). Training is an investment in employees' productivity and retention by providing for career progression and employees job satisfaction over the long time (Bowes, 2008). Training can be considered as a way for organization to motivate their employee. According to Hutchings *et al.* (2009) the best way to increase motivation of employee and retain the skillful worker within organization is by training. Ng & Siu (2004) concluded that training will give effect toward employee's productivity. HR practices such as training has a significant relationship with employees' intention to stay. Ghazali *et al.* (2012) conducted a study on HR practices and employees' intention to stay in the Kuala Lumpur hotel industry. All of the seven human resource practices variables such as recruitment and selection, training, compensation system, performance appraisal, job security, employee empowerment, and communication were having significant relationship to intention to stay. This suggests that the more satisfied the employees are with the HR practices implemented, the higher is their intention to stay with the organization. Training also has the capacity to influence the retention of graduates early in their career (Sturges & Guest, 2001). The effects of receiving unsatisfactory training and development will give impacts to the graduates in later stage once employee feel that they have lack of skills to move on. Furthermore, employees' training expectations fulfillment positively related to job satisfaction and affective commitment, hence indirectly reducing turnover (Cheng and Waldenberger, 2013).

Relationship between Learning and Intention to Stay:

Jacobs *et al.* (2009) defines learning in two different conditions. Firstly, formal learning which conducting in activities in a team are intended to help employees to acquire specific areas of knowledge, awareness, and skills. Usually formal training happens in a context specifically intended for learning, which mostly suggests that the learning occurs away from the actual work setting, for instance training could be occurs in classroom setting. Second, is the condition for informal learning which inclusive of activities, situations and tools that are not usually intended for learning, mostly happen directly in the actual work setting. These conditions do not have learning as their primary aim, but can however be used – consciously or unconsciously – for learning and knowledge sharing (Jacobs and Park, 2009). Gilley and Maycunich (2000) introduced five phases of learning process, shown in Table 1. They suggest that organization plays a significant role in providing learning opportunities for the employees at the workplace.

Table 1: Five Phases of Learning Process

<i>Phase</i>	<i>Item</i>	<i>Explanation</i>
One	Preparation for learning	To ensure that learning is effective, organizations must adequately prepare for the acquisition of new knowledge.
Two	Information exchange	Allowing employees to obtain content necessary to improve their knowledge, skills, or behaviors. The learning environment must support the free exchange of ideas and feelings and allow learners to feel secure and to participate in open two-way communications.
Three	Knowledge acquisition and practice	Learning occurs when certain activities cause an individual to transpose information into new awareness that ultimately alters behavior. The new awareness is equal to knowledge acquisition and practice.
Four	Transfer and integration	If the organization fails to assist employees in integrating learning and transferring skills or knowledge on the job, the organization will experience difficulty, and opportunities for change will be lost.
Five	Accountability and recognition	Individuals are held accountable for their learning and are recognized for their efforts and improvement.

Opportunities to work on challenging assignments or international assignment would be one of the factors to retain talented employees (Gunter *et al.*, 2007). This finding is also consistent with a study by Sturges & Guest (2001). They found that continuous improvement (learning) as the factor that is likely to be important for graduates early in their career and affecting their continuing commitment to the organization. Besides, learning opportunities in the organization has the capacity to motivate the employees (James *et al.*, 2012). This implies tertiary educated workforce, also considered as professionals and knowledge worker (Drucker, 1969) place a different emphasis towards the factors that can influence their motivation, commitment, as well retention.

Relationship between Career Development and Intention to Stay:

Upton *et al.* (2003) examined 30 different definitions of career development that covered 48 dependent variables. These variables ranged from individual outcomes, for instance, achieved career objectives and development of a self-concept to organizational and societal outcomes, e.g. increased organizational

performance and aligned organizational talent with individual career needs. The author described career development in terms of the fit between organizational and individual goals, noting that “Career development focuses on the alignment of individual subjective career aspects and the more objective career aspects of the organization in order to achieve the best fit between individual and organizational needs as well as personal characteristics and career roles”.

Career development opportunities can influence employees’ intention to continue working. Kumar (2012) conducted a study on employee’s intention to stay in public companies, Kedah, Malaysia. She found that career opportunity has a positive relationship with employees’ intention to stay. The respondents value career development opportunities which provide them with clear career path. In a study by Tan (2008) on 357 knowledge workers from four companies in different industries represented finance, IT, engineering, and education in Malaysia, he found that career development opportunity is considered as the most explicit support from organization to foster employees’ career path. This finding is also consistent with a study on graduates early in their career. Sturges & Guest (2001) found that job promotion is important to the graduates, thus a lack of career progression will increase their intention to leave the organization. Opportunities for personal growth and commitment can also influence employees’ personal satisfaction, thereafter their commitment towards the organization (James *et al*, 2012).

Conceptual Framework:

Based on the above reviews, the following conceptual framework has been developed.

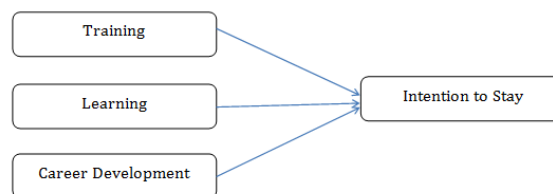


Fig. 1: Conceptual Framework.

Conclusion:

Employees are the assets of any organization. None of the organization can afford losing their skilled employees. It is the challenge of HR managers to identify the right retention strategies which their employees perceive to be effective. By implementing appropriate HR practices and policies, organization can increase the employee’s feeling of organization commitment and therefore lead a positive feeling of intention to stay with the organization. The availability of HRD strategies such as training, learning, and career development may increase the willingness of the knowledge workers to remain in the organization, since knowledge workers are looking for recognition and lifelong learning opportunities for personal growth throughout their career (Tan, 2008),

ACKNOWLEDGEMENT

The authors would like to thank Ministry of Education, Universiti Teknologi Malaysia and Vote No. (00K98) for supporting and sponsoring this publication.

REFERENCES

- AbdullRahman, R.H., 2012 .The impact of human resource strategies on the Retention of engineers in Malaysian firms. Degree of Doctor of Philosophy, The University of New South Wales, Australia.
- Ahmad, K.Z. and R. Abu Bakar, 2003. The association between training and organisational commitment among white-collar workers in Malaysia. *International Journal of Training and Development*, 7(3): 166-185.
- Allen, N.J. and J.P. Meyer, 1990. ‘The measurement and antecedents of affective, continuance and normative commitment to the organisation’. *Journal of Occupational Psychology*, 22: 453-474.
- Bowes, B., 2008. Employees Development Programs Help Companies Achieve Greater Success. *CMA Management*, 13-14.
- Cheng, Y. F. Waldenberger, 2013. Does training affect individuals’ turnover intention? Evidence from China. *Journal of Chinese Human Resource Management*, 4(1) : 16-38. Emerald Group Publishing Limited.
- Chew, Y.T., 2005. Achieving organisational prosperity through employee motivation and retention: A comparative study of strategic HRM practices in Malaysian Institutions. *Research and Practice in Human Resource Management*, 12(2) : 87-104.

Chew, Y.T. and S.K. Wong, 2008. Effects of career mentoring experience and perceived organisational support on employee commitment and intentions to leave: A study among hotel workers in Malaysia. *International Journal of Management*, 25(4) : 692-700.

Curtis, S., and D. Wright, 2001. Retaining employees: The fast track to commitment. *Management Research News*, 24(8/9) : 59-64.

David McGuire, Kenneth Molbjerg Jorgensen, 2010. *Human Resources Development: Theory and Practice*, Publisher: Sage. Chapter, 1: 1-11.

De Cieri, H. and R. Kramar, 2005. *Human Resource Management in Australia: Strategy, People, Performance*. Sydney: McGraw-Hill.

DOS, 2010. *Statistics Handbook Malaysia*. Putrajaya, Malaysia: Department of Statistics.

Drucker, P.F., 1969. *The Age of Discontinuity*. London: Heinemann.

Garavan, T.N., 1991. Strategic human resource development. *Journal of European Industrial Training*, 15: 17-30.

Garavan, T.N., 2007. A Strategic Perspective on Human Resource Development. *Advances in Developing Human Resources*, 1(9) : 11-21. Sage Publications.

Gunter K. Stahl, CheiHwee Chua, Paula Caligiuri, Jean-Luc Cerdin & Mami Taniguchi, 2007. International Assignments as a Career Development Tool: Factors affecting Turnover Intentions among Executive Talent. Faculty Research Paper. INSEAD, The Business School, France.

Haslinda Abdullah, 2009. Major Challenges to the Effective Management of Human Resource Training and Development Activities. *The Journal of International Social Research*, 2(8): 11-25.

Haslinda Abdullah, Raduan Che Rose & Naresh Kumar, 2007. *Human Resource Development Strategies: The Malaysian Scenario*. *Journal of Social Science*, 3(4): 213-222. Science Publications.

Hazrina Ghazali, Nasyira Mohd Nasyuki, Oon Xiao Yi & Maisarah Ishak, 2012. Human Resource Practices and Employees' Intention to Stay in the Kuala Lumpur Hotel Industry, 88-118.

Hutchings, K., C.J. Zhu, K. Brain, Cooper, Y. Zhang, S. Shao, 2009. Perceptions of the Effectiveness of Training and Development of Grey-Collar Workers in the People's Republic of China. *Human Resource Development International*, 12(3): 279-296.

Keenan, T., 1994. Undergraduate education and the career orientation of professional engineers: Comparison between individuals from enhanced engineering courses and those from conventional engineering courses. *Journal of Occupational & Organizational Psychology*, 67: 153-172.

Kumar, V.S., 2012. A study on Employee's Intention to Stay in Public Companies, Kedah, Malaysia. *ZENITH International Journal of Business Economics & Management Research*, 2(4): 91-101. Retrieved.

Leena James and Lissy Mathew, 2012. Employee Retention Strategies: IT Industry. *SCMS Journal of Indian Management*, 79-87.

Malaysian Employers Federation, M.E.F., 2010. Labour department Peninsular Malaysia. Available: http://www.mef.org.my/public/knowledgecentre_ldpm.aspx (Viewed 14 October, 2014).

McClelland, S.D., 2002. A Training Needs Assessment for the United Way of Dunn County Wisconsin. Retrieved from www2.uwstout.edu/content/lib/thesis/2002/2002mcclellands.pdf

McCracken, M. and M. Wallace, 2000. Towards a redefinition of strategic HRD. *Journal of European Industrial Training*, 24(5): 281-290.

McLagan, A. Patricia, 1989. Models for HRD Practice. *Training and Development Journal*, 43(9): 49-59.

Mitchell, T.R., B.C. Holtom, T.W. Lee, C.J. Sablinski and M. Erez, 2001. 'Why people stay: Using job embeddedness to predict voluntary turnover', *Academy of Management Journal*, 44(6): 1102-1121.

Ng, Y.C. N.Y.M. Siu, 2004. Training and Enterprise Performance in Transition: Evidence from China. *International Journal of Human Resource Management*, 15(4) : 878-894.

Palo, S. and N. Padhi, 2003. Measuring Effectiveness of Total Quality Management Training': An Indian Study; *International Journal of Training and Development*, 3(7): 3-16.

PricewaterhouseCoopers International Limited (PwC), 2012. Market reporting in Asia's sector: Bridging the gap between perception and reality. Available: <http://www.pwchk.com/home/eng/index.html>.

Pennings, J.M. and F.C. Wezel, 2007. *Human Capital, Inter-Firm Mobility and Organisational Evolution*. Cheltenham: Edward Elgar Publishing Limited.

Robert L.M. and H.J. John, 2004. *Human Resource Management*. 10th Ed. Thomson.

Samad, S. and Z. Hassan, 2007. Assessing the effects of job satisfaction and psychological contract on organisational commitment among employees in Malaysian SMEs. The 4th SMEs in a Global Economy Conference.

Samad, S., 2006. Predicting turnover intentions: The case of Malaysian government doctors. *Journal of American Academy of Business*, 8(2): 113-199.

Solimano, A., 2008. *The International Mobility of Talent: Types, Causes and Development Impact*. New York: Oxford University Press.

Steel, R.P., R.W. Griffith and P.W. Hom, 2002. Practical retention policy for the practical manager. *Academy of Management Executive*, 16(2) :149-169.

Sturges, J., D. Guest, 2001. Don't leave me this way! A qualitative study of influences on the organisational commitment and turnover intentions of graduates early in their career. *British Journal of Guidance & Counselling*, 29(4): 447-462.

Tan, F.M., 2008. 'Linking career development practices to turnover intention: The mediator of perceived organisational support', *Journal of Business and Public Affairs*, 2(1): 1-20.

Upton, M., T.M. Egan, S.A. Lynham, 2003. Career development: Definitions, theories, and dependent variables. *Proceedings of the Academy of Human Resource Development, USA*, 728-735.

Wills, M., 1994. Managing the Training Process: Putting the Basics into Practice. *Journal of European Industrial Training*, 18(6): 4-28.