

Influence of Career Development and Training Budget on Employee Retention in Manufacturing Sector in Penang Malaysia

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Abstract:- In recent era businesses effort to maintain a productive working environment and it is inevitable supporting talented staff to stay with the company. Training and talent management is considered as tools to aid the organizational competency through human resource management, career development, and performance enhancement. The determination of this paper was to investigate the influence of talent management (training budget and career development) on retention of manufacturing personnel in Penang, Malaysia. The research uses quantitative method to design questionnaire, gather and analyze the data. The researcher explored aspects in talent management such as training budget, training period and career development, and how they influence retention in Malaysia. The outcomes of the current paper show significant positive influence of talent management (talent training budget, training period and career development) on the employee retention in manufacturing industry in Penang. The result indicates that policies and plans to improve career development including developing training programs will contribute meaningfully to employee retention among the participants of this study.

Keywords:- Talent Management; Organizational Training; Career Development; Employee Retention; Training Budget; Training Period.

I. INTRODUCTION

In Penang city, some companies swiftly acknowledged the concept of organizational knowledge. Appropriate raining program is one of the ways to enhance organizational knowledge and development. But still several training regressive glitches existed in the way of employee retention [1]. Consequently, in order to comprehend and overcoming these issues, an enhanced human resource management is needed. Penang has developed for within decades of manufacturing involvement proved by the existence of the international organizations like Renesas, Intel, Osram and Bosch, the innovators in manufacturing Regions which indicate to remain and continued to enlarge their industries in Penang city.

Armstrong, [2] defines talent management as entire activities that encourage, attract, retain and nurture the

talented employees in the company. Talent management expands abilities, flexibilities and availabilities of employees and improves the employment procedure of notable staffs who may excessively benefit of organizational performance [3].

Employee retention is a resolution by the human resource departments and management system to keep current staffs committed to the organization by continuing a loyal atmosphere. It can be regarded any preparation which increases the personnel's devotion to their organizations [4]. Hongoro, and Normand [5] claims that rising pioneering ideas and tough competition, encourages organizations to recruit, instigate and retain the talented workforces. Therefore, talent retention is a thoughtful challenge in most of the workplaces in both developing and developed countries.

Talent management will be more complicated for new businesses. Staff recruitment is also become more difficult recently while the odds of losing talents are increasing. Talent management capabilities are vastly linked with the corporation's business plans and implanted in human resource management processes. This paper is reviewing some of that challenges in dealing and retaining workforces [6]. The outcomes of this study are significant for the human resource departments, ministry of labors and the governments in recognizing conducts to reinforce talent management strategies and accordingly manufacturing industry in Penang Malaysia. The study will help the managers and predominantly HR managers to explore strategies to progress employee retention.

II. EMPLOYEE RETENTION

Retaining existing employees decreases employment and training expenditures and increases productivity [7]. After a corporation recruited skilled staff, keeping them satisfied and retained and preventing losing them is a must. DeCenzo, D. A., Robbins, S. P., & Verhulst, S. L. [7] claimed that when staffs think long term and avoid short time decisions, they are happier, more productive and satisfied. It enhances total profitability and employees with greater skills, experience and product knowledge will lead to customer satisfaction. This study used five points Likert scale for measuring their willingness to stay with their organization.

The Items for measuring employee retention are adopted from Kyndt, *et al.* [8] and stated as below:

- I don't think a lot about leaving my current company.
- I am not actively searching for an alternative to the organization.
- I don't have plan to leave my company.
- If I had another job offer that paid the same, I will not leave this organization.
- I prefer to stay at this current company.

➤ Career Development

Career development consists of key occupational strategies on growth of worker's career pathways, such as trainings, increasing capabilities, mentoring and demanding measurable results [9]. Currently, employees are becoming more sensitive and attentive about their career's expansion and improvement in their organization. Career development is one of the most significant factors for any corporation to retain its talented staffs [10]. Most of the employees rely on career development and promotion, therefore organizations have no choice to explore career managing programs to design and improve the employee's careers [10].

Flynn, Mathis, Jackson, & Valentine [11], argue that individuals from all levels in organization, constantly seek for career development occasions and this influences their retention. Experts and staffs aged under thirty years old, position career growth and promotion opportunities beyond compensation [11]. There are substantial influence of staff training and development on career development [12].

For employees, Suitable training programs and career growth are signs for higher commitment. Organizations that invest in developing employee's career by presenting appropriate training programs from the human resource department, will get ore staff commitment [13]. Furthermore, employees who have more engagements delivered by empowerment are more loyal to the company [14]. The followings are eight items for measuring career development adopted from Waithiegeni Kibui, A [15]:

- The organization always plans on your career development.
- Leader/ Manager frequently mentor you to grow professionally.
- Your career development benefits are in place in this organization.
- Your career development programs offered are linked to your career needs.
- Every effort is made to use skills or create capacity internally before outsourcing.
- In the organization, progress and career development policy is clearly outlined and made known to all employees.
- The organization has in-house development programs to develop you.
- The organization has an employee development strategy which is clearly understood by all the employees.

➤ Training Budget

Substantial amount of financial and non-financial resources needed for organizational training. The time that is dedicated to training can be used to productive activity in organization. Cost of designing and delivering training, coordinating with human resource department and organizing the location, all have financial burden on of organization. Meanwhile the return of investment of training is also ambiguous. It has been seen that several companies paid lot of financial resources to training and they didn't get a good enough result, it means the amount of training budget is not necessarily have a worthy and productive outcome. Samuel, M. O., & Chipunza, C. [16], supposed training as the cash, period, and work that can be used for organizational training. It can be understood that arrangement of training expenditure derives from the viewpoint of training process. Normally, training program mostly consist of three groups such as training plan, training expansion, and training application. Training budget mostly included in these three groups. Firstly, it contains the expenditure on training plan for example the determination of management. Then, it contains the expenditure on training progress, like the struggle that trainers have for training progression. Lastly, it's the expenditure of training application such as investment in HR., physical resources, and fiscal resources throughout this process. The HR department endorses a training budget comprise the expenses for training staff salaries, suitable training services, training resources, hardware and the price of external consultants. It may be more efficient for companies to contract out some training needs to vendors or benefit from advances in training technologies to decrease training expenses. It is vital that the training budget sufficiently insurances the realistic expenses related with the training methods in businesses. Therefore exertion, time, and money that is dedicated to training, is training expenditure. He separated training budget into two sections which are indirect budget and direct budget. He regards direct budget as the expenditure which has original invoice record. The highly applicable expenditure consists of the material, human resource, and financial resources during training program. Indirect expenditure in other hand, is divided into three parts such as charge of training management, the cost of temporary employees or lecturers or extra expenditure of training [16] This study used following items to measure the employees perception about the budget allocated for their training programs from their organizations [17].

- The fraction of training budget account for total employees is more than three percent of total yearly salary.
- The instructors or the training institutes are very reputable.
- Before training, my company conducts training needs analysis.
- My company allocates the training budget every year.

➤ *Training Period*

As the necessity of training and its expansion is growing, while need for old-fashioned methods of training such as formal training courses is decreasing, it can be claimed that training budget and time becomes important factors in businesses. To effectively response to the need for certain training, a variety of training durations and approaches can be offered. But for longer training periods longer leaves requires [18]. Organization may choose the types and method of training which includes on the job training, group training and behavior modelling. Using diverse training approaches throughout the training program, will also affect the training outcomes. Consequently, effective training design is required to the employee to adapt and understand easily. Although, training period may greatly affect the employee’s interest but focusing on short and precise training duration is recommended [18].

The training period can improve company performance and effectiveness by developing training plans within the process of training [19]. Firms must excellently keep and use budget on productive training according to mission of organization. Although, time is very sensitive factor in competitive ear, but training period is still seeming

to have positive effect on employee’s perception [19]. The following six items measured the employee’s perception about the suitability training period in their organizations [17].

- My company frequently conducts training.
- In my company, each training lasts for more than one week.
- My company does not hesitate to conduct the training programs within working time.
- In my company, employees actively participate in training.
- I feel the amount of training programs provided by company is enough.
- There is supervision and development in training process.

➤ *Conceptual Framework*

The conceptual framework of the study determines how the independent variables (Career Development, Training Budget and Training Period) are related to dependent variable (Employee Retention). Figure 1 shows the Conceptual Framework of Study.

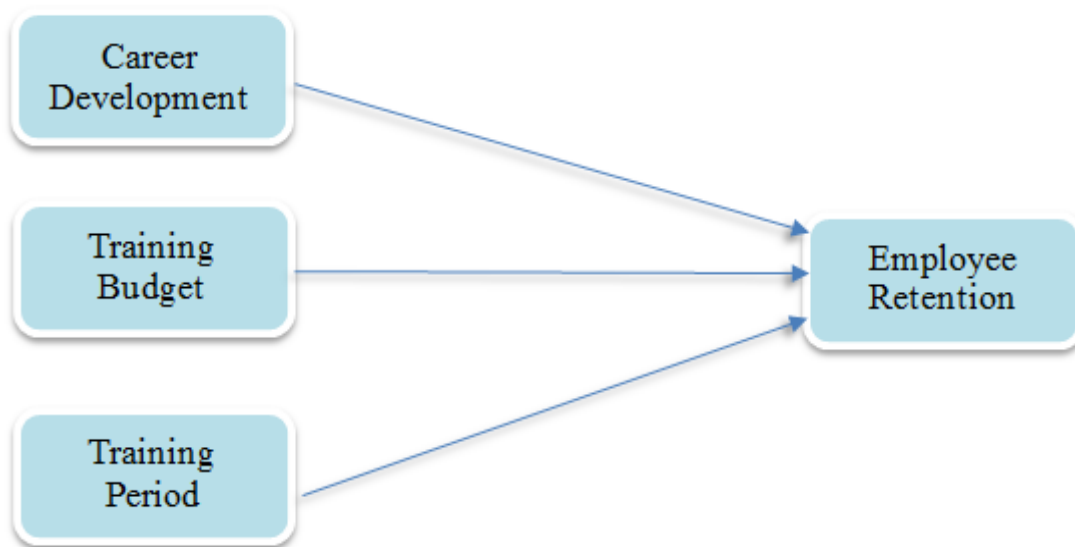


Fig 1:- The Conceptual Framework of Study

➤ *Sampling*

This study targeted the manufacturing companies in Industrial zone in Penang Malaysia. Five companies agreed to collaborate with the researcher. After distributing a total of 300 questionnaires, a total of 163 operational datasets were gathered.

➤ *Data Analysis*

This study used quantitative method to gather and analyze the data. The data collected through were statistically analyzed with IBM SPSS software version 24. The items in the questionnaire were simple and was easy for participants to understand the questions better and answer it faster.

Descriptive analysis, reliability test and inferential analysis (Multiple Regression) has been done. Out of 300 distributed questionnaires, 163 sets of surveys were gathered. However, only 155 sets were complete. Incomplete surveys were not considered for the further analysis.

➤ *Test of Normality*

Normal distribution of variables is one of the assumptions of regression analysis. Normal distribution is one of the multiple regression assumptions. Subsequently, the researcher used the skewness and kurtosis test to examine normality of the data. If the values of kurtosis and skewness are between -2 and +2, it can be recognized that

the data is normally distributed. Table 1 shows that all values of kurtosis and skewness are between -2 and +2.

Therefore, dataset is normally distributed [20].

	N	Skewness	Kurtosis
Career Development	155	0.178	-1.525
Training Budget	155	0.288	-1.551
Training Period	155	0.699	-0.882
Employee Retention	155	0.733	-1.58
Total	155		

Table 1:- Skewness and Kurtosis Values

The descriptive analysis and demographic features of respondents are shown in Table 2.

Characteristics	Percentage
Gender	
Female	31.4
Male	68.6
Age	
25 years old and below	14.6
26 - 30 years old	45.2
31 - 35 years old	20.3
36 - 45 years old	15.7
46 years old and above	4.2
Level of Education	
High School Graduated	8.2
College Graduated	6.1
Bachelor's Degree	79.8
Master's Degree	4.9
Working Experience	
Below 1 year	10.1
Between 1 year and 3 years	33.5
Between 3 years and 5 years	37.4
5 years and above	19.0
Total Respondents	155

Table 2:- Respondents' Demographic Profile

➤ Test of Reliability

This paper utilized Cronbach's alpha to test reliability of instruments. The reliability test helps the researchers to be safeguarded of consistency of results. The Cronbach's Alpha indicates a number between zero to one. The closer Cronbach's Alpha coefficient to 1, shows the higher

internal consistency of the instrument [21]. Academics commonly deliberate an alpha of 0.7 as lowest satisfactory value, however depending on the research objectives, lower coefficients also could be adequate [22]. The reliability test result of this study is illustrated in the table 3.

	Construct	Number of items	Cronbach's Alpha
Dependent Variable	Employee Retention	5	0.879
Independent Variables	Career Development	8	0.889
	Training Budget	4	0.763
	Training Period	6	0.918

Table 3:- Reliability Test Results for Each Variable

Table 3 displays that Cronbach's alpha for all variables of the study are satisfactory as Cronbach's alpha values for all variables are more than 0.7. Consequently, all the variables have acceptable internal consistency.

III. REGRESSION ANALYSIS

The Multiple regressions analysis was used to examine the relationships among independent variables and dependent variable. Multiple regressions analysis estimates the values of the dependent variable related to alterations in values of independent variables [23]. Table 4 shows the results of multiple regressions analysis of the study.

Independent Variables	Unstandardized Coefficients	Standardized Coefficients	T-value	P-value
Constant	0.854	0.698	2.703	0.007
Career Development	0.485	0.552	1.221	0.023
Training Budget	0.330	0.384	3.106	0.002
Training Period	0.321	0.373	12.181	0.000

Table 4:- Multiple Regression Results

IV. DISCUSSION

Table 4 demonstrates that all independent variables (Career Development, Training Budget, Training Period) are correlated with dependent variable (Employee Retention). There are positive relationships between all variables while the P value of the coefficients are below 0.05 indicating that all the relationships are significant. In additions, among all the independent variables, career development has the strongest influence on employee retention showing a standardize coefficient of 0.552. This result is consistent with Kabwe, B. C [10], which argues that employees are more sensitive about their career's growth and improvement in their organization. This study again showed that career development is one of the most significant factors for any corporation to retain its talented staffs. Most of the employees rely on career development and promotion, therefor organizations have no choice to explore career managing programs to design and improve the employee's careers [10]. The results also indicate that training expenditure and training period both have moderate influence on employee retention. Therefore, the HR department may let the employee know about training budget which comprises the expenses for training staff salaries, suitable training services, training resources, hardware and the price of external consultants. It may be more encouraging for employees to be more productive and

loyal to their organizations. Although the long training period may burden extra expenses on the company, yet by dividing the training program in more sessions, organization can improve effectiveness, or efficiency of program by developing training plans WITHIN the process of training [19].

V. CONCLUSION

The current paper focused on studying the relationships among training period, training budget and career development on employee retention in manufacturing industry in Penang Malaysia. The results indicated a significant positive influence of (Career Development, Training Budget, Training Period) on the Employee's Retention in industrial sectors. Among all the independent variables, career development has the strongest influence on employee retention showing a standardize coefficient of 0.552. Dorestani [24] also found training as a significant factor for organizations to retain the talents. Accordingly, offering more training programs for personnel, can be regarded as gratitude for their working efforts while training and career development improve the employee's skills and knowledges. It consequently will lead organizations to attract and hold skilled and talented workers [25].

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