THE RELATIONSHIP BETWEEN HRD STRATEGIES, CAREER SUCCESS AND EMPLOYEE RETENTION

CHEONG CHEW YEE

UNIVERSITI TEKNOLOGI MALAYSIA
THE RELATIONSHIP BETWEEN HRD STRATEGIES, CAREER SUCCESS AND EMPLOYEE RETENTION

CHEONG CHEW YEE

A thesis submitted in partial fulfillment of the requirements for the award of the degree of Master of Science (Human Resource Development)

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To my beloved family and friends
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ABSTRACT

The retention of engineers is critical for a developing country like Malaysia, since engineer’s contributions are considered vital to the growth of Malaysia. Turnover especially among skilled and technical employees are a major concern for many organizations. This study investigates the relationship between human resource development (HRD) strategies and employees’ career success as well as employees’ intention to continue working with their employing organization. The aim for present study is firstly, to determine the level of implementation for HRD strategies, career success and intention to stay in the company; secondly, to examine the relationship between these three variables - HRD strategies, employees’ career success and intention to stay in the company; thirdly, to examine the most important HRD strategies among employees’ career success or intention to stay in the company. Using quantitative design research, data was collected through survey questionnaire from a sample of 61 respondents. The analysis was carried out using descriptive and inferential statistics. Three of the dimensions of HRD strategies, namely training and development, learning, and career development were well implemented in the company. However, engineers perceived a moderate level of career success. Moreover, engineers also perceived a moderate level of intention to stay. In general, all the three HRD strategies were having positive and significant relationship with engineers’ career success. There is also a positive and significant relationship between learning and career development, and engineers’ intention to stay. Furthermore, there is a positive and significant relationship between engineers’ career success and their intention to stay. Career development has the strongest influence towards engineers’ career success, whilst learning has the strongest influence towards engineers’ intention to stay.
ABSTRAK

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LIST OF ABBREVIATIONS

CDP - Career Development Practices
GMA - General Mental Ability
HRD - Human Resource Development
HRM - Human Resource Management
L&D - Learning and Development
POS - Perceived Organizational Support
P-O - Personal-Organization
R&D - Research and Development
T&D - Training and Development
TOI - Turnover Intention
SHRD - Strategic Human Resource Development
CHAPTER 1

INTRODUCTION

1.1 Introduction

The main purpose of this study is to investigate the relationship between human resource development (HRD) strategies and employees’ career success as well as employees’ intention to continue working with their employing organization. In this chapter, the issues underlying employee retention and career success are discussed with particular emphasis on organizational HRD strategies and career success as the possible contributing factors.

1.2 Background of Study

The problem of employee retention is a long-standing issue for organization world-wide. PricewaterhouseCoopers International Limited, PwC (2007) 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. This has a significant impact on organization as high levels of turnover correlates with higher cost and lower productivity (PwC, 2007).
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 (Abdull Rahman, 2012). Compared with other developed countries, such as with Australia and Japan, the rate of emigration of Malaysian highly skilled labour is considered high. The net labour migration of tertiary educated workers in 2010 was 11.1% from Malaysia whilst only 2.7% from Australia, and a mere 1.2% from Japan (Kanapathy, 2008; Ratha et al., 2011). This suggests that developed economies are the pull factors for Malaysian moving overseas. The scenario is also seen between the southern state of Malaysia, Johor and Singapore. The close proximity between Johor Bahru and Singapore has encouraged many Malaysians to seek employment in the country, either moving permanently to Singapore or commuting to and fro Johor-Singapore (Eong, 2010). The cross-border mobility among Malaysian highly skilled labour to Singapore suggests attraction, development and retention challenge particularly for employers in Johor.

According to the World Bank report on 28 Apr 2011, 600,000 Malaysians could be in Singapore where 386,000 are residents born in Malaysia. Beside residents, there are approximately 200,000 non-residents living and working in Singapore, and estimated 100,000 commuters travel to and fro daily to Singapore. Furthermore, The Singapore Census of Population 2010 Advance Census also revealed some surprising statistics about Malaysians in Singapore. The report mentioned about 1 in 4 (23 percent) of the resident population - Singaporeans and permanent residents (PRs) - were not born in Singapore. Out of that 23 percent, about half (45 percent) were from Malaysia. Obviously, Malaysia has lost potential workforce, professional or skilled workers, as well as semi-skilled and unskilled workers to its neighboring country.

Apart from emigration and cross-border mobility, which apparently involve movement to a more developed economy, another retention challenge for Malaysian firms is contributed by Malaysian employees’ job-hopping behavior. According to Sempane (2002), voluntary turnover is a major problem for Malaysian firms, as
according to Lim (2001), on average, Malaysian employees will only stay working with their current employer for less than three years.

The concept of retention has been discussed in association with turnover and commitment. According to Meyer and Herscovitch (2001) retention is closely related to commitment. Allen and Meyer (1990) identify three aspects of the relationship between commitment and retention. In the first place, continuance commitment involves simply an avoidance of the costs and risks associated with leaving. Secondly, employees can be made to feel a normative commitment, that is, a sense of obligation to stay with the employing organization. Finally, at a deeper level, affective commitment means that employees feel emotionally attached to the organization.

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 and Wright (2001), organizations that face high employee turnover loses the skills, knowledge, experience and training investment. Job hopping behaviors particularly among skilled workers can lead to unfavorable competition with a rival company (Pennings and Wezel, 2007). Moreover turnover should be prevented because it will involve high cost for each turnover case. According to Fitz-enz (1997), an average company will have a loss of nearly $1 million with every 10 key employees who quit from the organization.

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. Abdull Rahman, 2012; Wills et al., 1994; Palo et al., 2005; Jayne et al., 2004; Garavan, 2007; Bowes, 2008). According to Slotte et al. (2004) HRD covers functions related primarily to training and development, career development and organizational development in addition to other organizational HR functions whereby these activities are intended to foster learning capacity at all levels of the organization.
The problem of employee retention can also be understood from the career management literature. A career is the sequence of individually perceived work-related experience and attitudes that occur over the span of a person’s work life. Employed individuals are assumed to define their careers in terms of objective and subjective career success. Bosioholes (2004) defined career success as the extrinsic and intrinsic outcomes or achievements individuals have accumulated from their work experiences. Objective career success includes salary, promotions and status (Poon, 2004; Burke, 2001; Aryee et al., 1994), whilst subjective career success refers to psychological success which comes from the employee’s feeling of pride and personal accomplishment of various goals in life such as achievement, inner peace and family happiness (Hall, 1996). Both objective and subjective career success have the likelihood to influence employees’ intention to stay or leave. In a study by Chew (2005), it was found that Malaysians are reported to be money oriented; hence more inclined to job hop and change employers with little hesitation in pursuit for a higher wage. This suggests the influence of objective career success on employees’ intention to leave.

In sum, both HRD strategies and career success are seen as factors that are likely to contribute to employees’ intention to continue working in an organization.

1.3 Problem Statement

The focus in this study is on the retention of engineers. 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 behavior than other non-knowledge workers.
Official statistics suggest that engineers are a key workforce in the Malaysian labour market. For example, in 2014, approximately 50 per cent of the registered professionals in Malaysia were engineers (Department of Social Welfare Malaysia, 2014). According to a report by the Ministry of Human Resource Malaysia (MOHR, 2012), in 2012 there were approximately 10,504 vacancies in professional related occupations for Malaysian graduates, which accounted for 0.6 per cent of the total number of vacancies in the Malaysian labour market. In specific, in 2012, the top four job categories with the highest vacancies were in the category of other service activities (95,056), followed by administrative and support service (40,143), education (13,706), and professional, scientific and technical (10,504). In fact the vacancies for professional job category remained high between 2011 and 2012 compared to other job categories. For example, there were 12,835 professional job vacancies in 2011 which reduced to 10,504 in 2012, whereas the number of job vacancies for administrative and support service job category dropped significantly between 2011 and 2012 (from 102,934 job vacancies in 2011 to 40,143 job vacancies in 2012). These data suggest that the demand for professional labour, such as engineers remained high and not easily filled in. Hence their continued employment in the labour market are crucial for the country's economy.

Malaysian engineers are classified as professionals (Department of Statistics Malaysia, DOS, 2010). According to a document by Lembaga Hasil Dalam Negeri Malaysia, LHDN (2009), ‘professional’ refers to an individual who belongs in a profession recognized by Malaysian statutory legislation, and who may belong to a particular professional body representing the profession or be registered with the relevant professional body. This classification suggests that Malaysian engineers are professionals and possess distinct exclusiveness in comparison to non-professionals, particularly in the aspect of professional licensing as a result of their specific expertise and qualifications.

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 organization which relies on their knowledge as well as specialized 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. According to Abdull Rahman (2012), engineers’ career behaviors 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 organization for reasons related to work, organizational factors, as well as the labour market conditions and family circumstances.

According to the past researches, HRD strategy has been proved to have a linkage with individual’s intention to stay or to leave (Abdullah, 2007, 2009a; Ghazali, 2012); both in private or government sector (Sanjeevkumar, 2012). However certain HRD strategies may have a different influence on employees’ behaviour. For instance in a study by Abdull Rahman (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. 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 organizations can improve the retention of their key employees by implementing certain HRD strategies. There is however limited evidence as to which HRD practices can influence employee retention, particularly among engineers in the Malaysian oil and gas industry.

Another factor that may contribute to employee retention and link with HRD practices is employees’ career success. According to Arthur et al. (2005), career success is related to the boundaryless career theory which encompasses both inter-organizational mobility and extra-organizational support. According to Sullivan and
Arthur (2006), boundaryless career can be defined in two dimensions: physical and psychological aspects. Physical mobility refers to the actual movement of an employee to another organization, whilst psychological mobility refers to an employee’s intention to move to another job as a result of certain organizational constraints. In other words, employees’ perceptions of their career success may contribute to their intention to continue working in a company. Moreover, this perception can be a result of certain HRD practices implemented in the company. Career success is conceptualized as objective and subjective career success (Judge et al, 1995). Objective career success refers to career accomplishments evaluated by means of objective or external criteria such as pay, hierarchical job level and promotions (Greenhaus, 2000). In contrast, subjective career success refers to individuals own internal evaluations of their career accomplishments, such as career or job satisfaction (Hall and Chandler, 2005). According to Rasdi et al. (2009) strengthening the HRD framework through organizational development, personnel training and development and career development may develop and unleash individual potential which leads to positive career outcomes (objective and subjective career success). This suggests a linkage between HRD strategies and employees’ perception of career success.

According to Keenan (1994), the oil and gas industry is dependent upon the quality of its professional engineers. However, in a survey by the Malaysian Employers Federation, MEF (2010), the oil and gas industry reported a high turnover which implies low commitment among its employees. Whilst the average turnover for the oil and gas industry is high, the situation is different in this study organization, a multinational oil and gas organization – named as Company A in this study. In Company A however, the turnover rate is lower. Despite the stiff competition for skilled labour within the oil and gas key industry players, somehow Company A has been able to sustain the retention of its employees. Thus, this study is keen to investigate the factors that have contributed to employee retention in Company A.

In the context of HRD implementation, Company A places strong emphasis on learning and development in its company. It has established a “Leadership
The company also emphasizes on sustainability culture and career development, whereby employees have the opportunities to advance their careers. Thus this study aims to investigate whether these HRD strategies have played a role in influencing Company A engineer’s retention. Furthermore, Company A is a Government-linked company (GLC) which normally perceived as more stable in terms of job security than private firms. It was also ranked 69 in the Fortune Global 500 for the year of 2014. These factors may contribute to employees’ perception of career success thereafter influencing their intention to continue working in Company A. However, very little research has been done linking these three variables, in particular towards engineers. Thus, the purpose of this study is to investigate the relationship between these three variables: HRD strategies, career success, and intention to stay among Malaysian engineers in Company A.

1.4 Research Purpose

The purpose of this study is to investigate the relationship between HRD strategies, career success, and employees’ intention to stay working with their employing firm.

1.5 Research Questions

This study seeks to answer the following research questions;

(i) What is the level of implementation for HRD strategies in the company?
(ii) What is the level of employees’ career success in the company?
(iii) What is the level of employees’ intention to stay in the company?
(iv) What is the relationship between HRD strategies and employees’ career success in the company?
(v) What is the relationship between HRD strategies and employees’ intention to stay in the company?
(vi) What is the relationship between employees’ career success and their intention to stay in the company?
(vii) What is the most important HRD strategies and employees’ career success in the company?
(viii) What is the most important HRD strategies and employees’ intention to stay in the company?

1.6 Research Objectives

Based on the above research questions, the objectives of this study are as follows;

(i) To determine the level of implementation for HRD strategies in the company
(ii) To determine the level of career success in the company
(iii) To determine the level of employees’ intention to stay in the company
(iv) To examine the relationship between HRD strategies and employees’ career success in the company
(v) To examine the relationship between HRD strategies and employees’ intention to stay in the company
(vi) To examine the relationship between employees’ career success and their intention to stay in the company
(vii) To examine the most important HRD strategies and employees’ career success in the company
(viii) To examine the most important HRD strategies and employees’ intention to stay in the company
1.7 Research Scope

In order to achieve the objectives of this research, the scope of this study will be on a multinational oil and gas firm in Malaysia i.e. Company A. The followings explain the scope of this study:

(i) The selected multinational oil and gas firm is located at Gebeng, Pahang. Its key business is producing polypropylene which is one of the fastest growing base polymers for the manufacturer of woven bags, plastics, films, ropes, chairs and other industrial products. This site is chosen as preliminary findings have found that many of the engineers are working on site, suggesting a higher likelihood to response to the survey as compared to if the engineers are working offshore.

(ii) All engineers working in Company A will be considered as the population for this study.

(iii) The selection of engineers will be based only among those who are presently employed and work on site or inside the manufacturing plant.

This study will only focus on the three main HRD strategies, namely training, learning and career development. This study will investigate the relationship between these three HRD strategies towards engineer’s intention to stay working in the multinational engineering firm. Engineers’ career success will also be determined to measure its relationship with both HRD strategies and intention to stay.

1.8 Research Significance

Malaysian government realized the importance of retaining its talents or knowledge worker. The establishment of Talent Corporation Malaysia Berhad (ACCA-TalentCorp, 2013) is one of the government’s initiatives to formulate and facilitate efforts to address the issue of talent lost in Malaysia and to attract back the local talents who are currently working and residing overseas to return to work in
Malaysia. This study is thus current, and in line with the national effort. Although many researchers have been conducted in the area of employee retention, not much is known whether HRD strategies have any linkage with Company A engineers’ retention behavior, as well as their perception of career success.

In the field of knowledge, this research will focus on three main variables, in specific, career success, HRD practices, and intention to stay. Its main purpose is to investigate the relationship between HRD practices and career success, HRD practices and intention to stay, as well as career success and intention to stay among engineers in Company A. Turnover especially among skilled and technical employees are a major concern for many organizations. The leaving of key employees such as an engineer could be detrimental to an organization. However many studies have focused on exploring the factors that contribute to employee turnover, assuming that these factors, if provided or made available could on the opposite influence the retention of employees (Chen et. al., 2004). Although retention and turnover are inter-related concepts, they are not reciprocal (Abdull Rahman, 2012). Thus this study contributes to the retention literature by investigating engineers’ intention to stay. This study also contributes to the field of knowledge by investigating the relationship between career success, HRD practices and intention to stay – a relationship seldom explored.

From the practical point of view, the findings of this study might shed light to Company A in attracting, developing and retaining its engineers through the provision of certain HRD practices as well as employees’ perception of their career success. The findings from this study may also be useful to other companies as an evident that learning, training and career development strategies and practices in a company has the capacity not only to influence employees’ perception of career success but also their intention to continue working in the company.
1.9 Research Limitation

There are several limitations predicted for this study. Firstly the findings of this study are only valid and applicable for Company A. The results of this study cannot be generalized to other organizations since every organization is unique in terms of its HRD practices. The respondents for this study are also unique as they are working in the oil and gas environment, in specific in the field of chemical engineering. As such the findings of this study cannot be generalized to other engineering as well as non-engineering firms.

This study will adopt a quantitative approach whereby questionnaire will be used as the primary source for data collection. As a result the actual factors that may cause an engineer to continue working in a company may not be explicit as it could only be generated from a qualitative research design. In this study the variables predicted to influence engineers’ intention to stay are HRD practices (limited to training, career development and learning), and career success.

1.10 Conceptual and Operational Definition

In this section, the conceptual and operational definitions of the independent variable which is HRD strategy and career success, as well as the dependent variable which is intention to stay will be discussed in detail.
1.10.1 HRD Strategies

1.10.1.1 Training

Training can be considered as a way for organization to motivate their employee. This being supported by Hutchings et al. (2009) said that the best way to increase motivation of employee and retain the skillful worker within organization is by training and development. Training will bring out the competitive advantage of organization in many ways. This also can help to achieve organization strategic objective. Ng and Siu (2004) concluded that training will give positive effect toward employee’s productivity. In this study, training dimension refers to various HRD programs that organizations are expected to provide as a strategy to improve productivity and achieve competitive advantage. The activities include on-the-job training, training courses and seminars, technical skills training, training on new technology, as well as technical mentoring.

1.10.1.2 Learning

Learning can be divided into two different conditions; formal learning refers to activities that are intended to help employees to acquire specific areas of knowledge, awareness, and skills, and secondly informal learning which include activities, situations and tools that are not usually intended for learning and 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). In another perspective, Pérez Loípez et al. (2006) has conceptualized organizational learning into four dimensions whereas (1) Knowledge acquisition, (2) Distribution, (3) Interpretation and (4) Organizational memory. In this study, learning refers to the opportunities provided and available in an organization for the employees. Learning includes opportunities to undertake challenging work, opportunity to further study,
opportunity to gain a wide range of experience, organization providing the support and tools for employee learning as well as opportunities to learn new skills.

1.10.1.3 Career Development

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” (p. 806). In this study career development refers to opportunities for advancement, secondment to other work areas or organization, feedback on performance, access to career mentoring or coaching, as well as fair appraisal for career development practice.

1.10.2 Career Success

By referring to a study from Ng et al. (2005), career success is defined as the accumulated positive work and psychological outcomes resulting from one’s work experiences (Seibert and Kraimer, 2001). Researchers often identified career success in two dimensions; the first includes variables that measure objective or extrinsic career success, which include indicators that can be seen and evaluated objectively by others, such as salary attainment and the number of promotions in one’s career (Judge et al., 1995). The second part of career success is identified by variables that measure subjective or intrinsic career success, for instance to capture individuals’ subjective judgments about their career attainments, such as job and career
satisfaction (e.g., Burke, 2001; Judge et al., 1999). Subjective career success in this study is measured from employees’ feelings of their achievement, progress in meeting career goals, income, and advancement as well as for new skills; whilst, employees’ age, salary and position in the company will be measured as objective career success.

1.10.3 Intention to Stay

According to Tymon et al. (2010), employee motivation is driven by both extrinsic rewards such as pay/ promotions and intrinsic rewards such as “doing meaningful work”. Some of the studies support that both kinds of rewards affect outcomes such as work engagement, organizational satisfaction, and intention to stay. Certain change programs attempt to increase the employee’s value to the organization, such as training and development, learning experience and career enhancement. When some of these values perceived, this can increase employees’ sense of self-worth and intrinsic motivation. These feelings can reinforce and energize employee efforts, leading to greater motivation and engagement and making work more personally fulfilling. When employees experience meaningfulness, choice, progress, and competence in their work, employees will feel that work is intrinsically motivating, experience more work satisfaction, and they demonstrate a higher intention to stay (Tymon et al., 2010). In this study, intention to stay is defined as employees’ intention to continue working in the company for a long period of time, making no plans to work anywhere else, and having an obligation to continue working.

1.11 Summary

As conclusion, this chapter has described in detail the background of study, problem statement, purpose and objectives of this study, research questions, scope and the significance of the study, as well as the limitations of the study. The
following chapter will presents and discusses further of the dimensions of Human Resource Development (HRD) strategies, conceptualization of intention to stay and career success, as well as the relationship between these three variables. A range of local and foreign studies will be discussed in the next chapter too.
REFERENCES


SDA Bocconi, School of Management (2012). *Career Development Survey*.


