

**TALENT RETENTION: EXAMINING HUMAN RESOURCE  
DEVELOPMENT AND WORK-LIFE BALANCE IN THE MALAYSIA'S  
MANUFACTURING INDUSTRY**

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**Abstract**

Talent retention is considered as one of the crucial challenge in today workplace. The high turnover rate across the industry impacts the business performance and competitiveness. This study focuses on the manufacturing industry which involved a large number of talented employees. The Gen Ys was the target respondents and they are the future dominating cohorts in the next decade. This study examines two independent variables namely human resource development and work-life balance on talent retention in the manufacturing industry. A total of 1000 questionnaires were distributed among employees who are between the ages of 25 to 34 years across the manufacturing industry. The collinearity test for independent variables and predictive power are tested in this study. The findings showed that human resource development have significant relationship on talent retention while work-life balance does not showed significant relationship towards talent retention.

**Keywords:** Talent Retention, Human Resource Development, Work-life Balance, Manufacturing Industry

**Introduction**

Malaysia is a small country with a population of approximately 31 million people. Over the last few decades, Malaysian economy has gone through a transformational period. Formerly, from the agricultural based transform to industry based and followed by the knowledge based economy which is categorized as the new economy. In this new economy, talented workers play an important role in helping the organizations to create their value and sustain in the marketplace with strong competitive advantage. With a fast developing economy, manufacturing industry has been recognizes as the one of the main contributor to the country's economic growth and development. Manufacturing industry contributed approximately RM 267 billion for Malaysia's gross domestic product (GDP) in year 2017. Electrical and electronics (E&E) still remained the largest export (36.7%) among the manufacturing industry. Retention issue was highly concerned by all the organizations since Gen Ys started dominating the workplace in recent decade. Gen Ys have their unique characteristics when compared to previous generation like Gen Xs and Baby Boomers. The turnover rate of employees increased from 18.8% (2011) to 24% (2013) and the

manufacturing industry faced higher turnover rate among executive level. For instance, the turnover rate for Fabricated Metallic Products sector was 23.88%, followed by E&E sector (23.04%). On the other hand, brain drain being another issue that impact on recruiting new talented employees in the manufacturing industry. According to the World Bank report in 2011, an estimated of 5% skilled employees commute to Singapore everyday and 20% of them are graduates and they prefer work in Singapore instead of Malaysia (Sipalan, 2014). Thus, in order to enhance the retention rate of the employees in the organization, this study was carried out to understand the needs of the employees (Gen Ys) in manufacturing industry in term of human resource development and work-life balance.

## **Literature Review**

### **Talent Retention (TR)**

Talent was defined by Cross (2007) as “a genius for making things happen with minimum fuss and inspiring others to do the same” which is in line with the characteristics of Gen Ys. According to Mohlala, Goldman & Goosen (2012), they could produce their work in high efficient and contribute their knowledge, skills and abilities (KSA) to increase their organization’s overall performance and productivity. Additionally, talent retention was generally indicated as contrary of employees turnover. Therefore, to reduce the turnover rate in organization is synonym to increase the retention rate in organization (Gayathri, Sivaraman & Kamalambal, 2012). According to James & Mathew (2012), the retention concept was the initiatives for organization to create a working policies and environment to keep their existing employees from leaving the organization. Yamamoto (2013) also agreed that organization’s policies and practices were crucial in retaining the talented employees and at the same time, organization should understand their needs and desires to increase their job satisfaction.

### **Human Resource Development (HRD)**

Swanson & Holton (2005) defined HRD as “a process for the development and skillful human through the organizational and the training programs for the people of the organization, so that their overall performance could be enhanced”. In this study, HRD was represented in three sub-constructs; there are training & development (TD), career development (CD) and performance appraisal (PA). Training & development (TD) refers to transferring of specific knowledge of particular tasks and through the different learning programs to improve their KSA in order to adapt their job which could have opportunity for their future career (Mondy & Martocchio, 2016). While career development (CD) is the long term planning for their career potential by employer. Employer should look further in enhancing their employee’s KSA and the step to train them for future successor (Mondy & Martocchio, 2016). In today workplace, compensation is not the only the factor which influence employee retention especially for Gen Ys. Therefore, TD and CD are considered as one of the key reasons for them (Gen Ys) to stay or leave the organizations (Shea, 2012). According to Rashid, Asad & Ashraf (2011), the youngest employees tend to retain when organization could provide them relevant training programs which involve brain thinking and could enhance their skills in numerous area like problem solving skill (Tee, 2013). As study by Choi & Dickson (2010) reveal that employee retention rate

increased when organization began provide the relevant training and learning opportunities to their respective employees. Besides, performance appraisal (PA) is considered as a key factor in HRD which employees feels fair in their contribution and returns. Gen Ys being the cohort who are very particular on this reciprocal concept. They are willing to contribute their KSA to help the organization in enhancing their productivity and performance, but in the same time they also hope that whatever efforts they put would get fair returns in terms of material rewards (Du Plessis & Van Niekerk, 2017). Therefore, HRD had stronger impact on employee retention among employees today. Based on that, the following hypothesis is formulated:

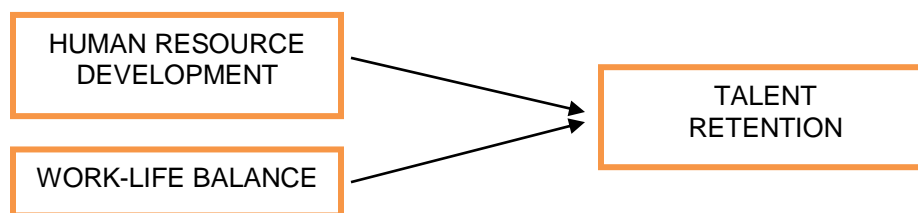
***H<sub>1</sub>: Human resource development has significant relationship with talent retention.***

### **Work-life Balance**

With the gradually increasing pressure of life and cost of living in Malaysia, most of the employees (Gen Ys) are dual income family and have multiple roles between work and individual life (Bani Hassan & Teng, 2017). Recently, most of the organizations had changed their existing policies to fit into new workforce trend which could be more flexible to the employees. According to Hot Jobs & Robert Half International (2007) survey, around 73% of Gen Ys would prefer work-life balance practices instead of other factors when they search for jobs. Likewise, 54% of Malaysian would select more flexible job which could balance their work and non-work job compare to high pay job (Kelly Global Workforce Index, 2015). There are few alternatives in managing employee's flexibility of jobs such as compressed workweek, job sharing, telecommuting, flex time and etc. (Tang and Wadsworth, 2010). Through the effective flexible arrangement and practices, work-life balance could create more efficient and effective organization's culture and organization's performance and productivity would be increased simultaneously. For instance, Collins SBA, an Australia's company had slashed half of their employee's working hours but retain their salary. The trial practices had brought incredible results where the performance of employees was better than ever and the organization's profits were raised drastically. The absenteeism, turnover rate and medical related leave also decreased gradually (Margan, 2018). It was proven that work-life balance has directly impact on talent retention. Thus, the following hypothesis is proposed:

***H<sub>2</sub>: There is a significant relationship between work-life balance and talent retention.***

The research proposed conceptual framework is indicated in Figure 1 as below:



**Figure 1: Proposed Conceptual Framework**

### **Research Methodology**

This study use disproportionate stratified random sampling method as it was considered easier and efficient way to obtain a large data. The data was collected from three largest states in Malaysia (Selangor, Penang and Johor) where the highest numbers of manufacturing companies a relocated. The questionnaire included three different sections, Section A as the personal and work information from respondents while Section B comprised of 16 questions from human resource development and 6 questions on work-life balance. The instruments of human resource development was developed from 4 questions of training & development (TD) and 4 questions of career development (CD) which was adapted from Delery & Doty (1996) while 8 questions of performance appraisal (PA) adapted from Giles & Moss lolder (1990). The instrument of work-life balance (WLB) was modified from Carlson, Gezywacz and Zivnuska (2009). Besides, Section C being the dependent variable, talent retention which adapted instruments from Bozeman & Perrew (2001) study which modified the employee turnover intentions instruments into talent retention questions. Additionally, all the respondents were the Gen Ys aged from 25 years until 34 years old. A total of 1000 set questionnaires were distributed but only 966 set of questionnaires are received after the coding process. The SPSS Version 23.0 and Smart PLS 3.0 were utilized in the analysis process.

### **Data Analysis**

There are 542 female respondents and 424 male respondents who participated in this study. All the respondents are in full time employment and across most of the manufacturing industry. Approximately 90 percent of respondent's monthly incomes were between RM2000 to RM6000. Table 1 exhibit the collinearity for independents variables (HRD and WLB). According to Kock (2013), the threshold value of collinearity showed between the variables was 3.33. If greater than 3.33, multi-collinearity existed. The value showed in table 1 for HRD (1.547) and WLB (1.096) were within the threshold value. On other hand, Ciavolino & Nitti (2013) also suggested that the tolerance value to test the collinearity of independent variable of the threshold value should be more than 0.20. Table 1 showed that the tolerance value for HRD was 0.647 while WLB was 0.912 which means that there are no multi-collinearity of variables existed in this study. Besides, to test the goodness of fit for the variables, Table 2 exhibit that the R<sup>2</sup> value of TR achieved 0.165 which indicated only 16.5% was presented by two independents variables. However, according to Cohen (1988), the R<sup>2</sup> value could be categorized in three level which are 0.26 (large), 0.13 (medium) and 0.02 (small). This study R<sup>2</sup> value achieved at the medium level. The Table 3 was showed the means and standard deviation of HRD and WLB. Both of the constructs scored satisfactory means (HRD = 4.7221 & WLB = 4.6551) and standard deviation (HRD = 0.8414 & WLB = 0.8022). Further, the analysis results (Table 4) also showed the relationship between HRD and TR was significant and positively related while the relationship between WLB and TR was rejected among employees (Gen Ys) in the Malaysian manufacturing industry.

Variables	TR	HRD	WLB
Collinearity Value (VIF)	N/A	1.547	1.096
Tolerance Value	N/A	0.647	0.912

**Table 1: Collinearity for Independent Variables**

Hypotheses	Predictors	Endogenous Variable	Predictive Power (R <sup>2</sup> )
Hypothesis 1	HRD	TR	0.165
Hypothesis 2	WLB		

**Table 2: Assessment of Predictive Power – R<sup>2</sup>**

Construct / Dimension	Mean	Standard Deviation
TR	4.9087	1.1386
WLB	4.6551	.8022
HRD	4.7221	.8414

**Table 3: Means and Standard Deviation**

Hypothesis	Path	Beta	Standard Error	t-Statistics	Results
H1	HRD → TR	-0.228	0.035	6.601**	Supported
H2	WLB → TR	-0.016	0.028	0.550	Not Supported

**Table 4: Summary of the Structural Model**

Note: \*\*p<0.01, All tests were one tail test

\*TR – Talent Retention, HRD – Human Resource Development, WLB – Work-life Balance

**Discussions & Conclusion**

The findings indicated that HRD have significant relationship with TR. It proven that TD, CD and PA are the important factors that influence employees (Gen Ys) to be retain in their

organization. HRD play an important role to help the employees to master their KSA and adapt to the organization's culture and rapid changing working environment. The continuing learning process could enhance their individual's KSA to face future career's challenges. Based on the findings, most of the manufacturing organizations tend to provide relevant training and development opportunities to their employees especially among Gen Ys. The motivation and job satisfaction level of the employees are important and it could have direct influence on the overall job performance and productivity. Besides, according to the findings, most of the employees are satisfied with their organization's PA system which they believed that organization was fair to their contribution and provide them fair rewards (Evans & Tourish, 2016). Therefore, the higher retention rate will help the organization in overall business consistencies and suitability.

On the other hand, the findings revealed that the relationship between WLB and TR is not significant. It reflected that employers have lower level of awareness in implementing the WLB practices especially among Malaysian manufacturing industry. Most of the respondents (Gen Ys) were not satisfied with the organization arrangement especially on flexibility of working time. Rosli & Hassim (2017) indicated that the changes of the desires and needs for the Gen Ys would change organization's policies to be more flexible. The new generation (Gen Ys) who will be dominating in the coming decades prefer their work and non-work time to be managed by themselves. If organization could fulfill their desires and needs, the Gen Ys will engage and retain in the organization rather than seek for new opportunity. Amin & Malik (2017) also highlighted that the high mobility of the employees would influence the organization overall performance and competitiveness. Therefore, organization especially the manufacturer in Malaysia should decisively implement the WLB practices to retain more talented employees.

As a conclusion, this study had provided new insights to the policies makers and organization which are important of HRD in the workplace especially in manufacturing industry. Although the relationship between WLB and TR was not supported by this study but in the future, WLB practices are necessary for the Gen Ys to manage their family, friend and work time. Therefore, in manufacturing industry, employers should gradually change their company's policies to align with the changes of the behaviors and needs of their new employees. Besides, the higher turnover in the industry and organization could directly impact the country's economy status. Therefore, employers should be alert about the desires and needs of the new generation of employees and create the new policies to fit them and enhance their overall job satisfaction.

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