

*Full Length Research Paper*

# **The impact of training and development on employees' skills enhancement and their subsequent intention to quit: The moderating role of perceived alternative job opportunities**

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**Most of the studies have looked at the impact of employer-provided training on employee level outcomes and subsequently on organizational performance. However, the impact of training opportunities provided to employees on their intentions to leave has received far less attention. The present study is aimed at bridging the gap and highlighting the role of these development opportunities provided to employees on their skills enhancement. Since this skills enhancement results in their worth enhancement for the firm's rivals, there is a greater likelihood that it will ultimately result in employees' increased intentions to leave their existing employer. This is a systematic study to increase the understanding of employees' intention to leave.**

**Key words:** Development, opportunities, turnover, enhancement, skills, capabilities.

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## **INTRODUCTION**

Employees' development is one of the most important functions of human resource management. Recent research suggests that employee's development, opportunities provided by an organization, are not only helpful in shaping employees' mindsets in accordance with and strategic objective of firm; these also have a potential to leave a strong impact on organization level outcomes (Whitener, 2001; Arthur, 1994; Huselid, 1995; Woods and de Menezes, 1998). Employee development is essential in maintaining and developing the capabilities of both individual employees and the organization as a whole. A central idea is that perceived investment in employee development creates conditions where employees believe that their organizations value their involvement and care about their skill enhancement and career growth. Training facilitates the greater commitment by employees' towards the organization and, in turn, generates willingness of employees' to go an extra

mile for the organization (Arthur, 1994; Woods and de Menezes, 1998). Organizations in many parts of the world have now started to re-examine their employees' needs for their skills enhancement on a regular basis (Useem, 1993). However, where literature suggests that the training and development are crucial for enhancement of employees' skills and organizational effectiveness, it also highlights their role in increasing employees' job mobility.

A reasonable amount of literature interprets a positive relationship between the turnover rates and the amount spent by an organization on training its employees. Although human capital theory (Becker, 1964) clearly states that a firm's decision of investment in training is considered to be a part of its resource optimizing strategy, however, since this resource optimization is not possible without enhancement of employees' skills; it increases their tendency to look for better opportunities

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else where. For example, Green et al. (2002) argues that companies which train extensively, have to face relatively much higher turnover rates than those that do not. This is mainly because the trained personnel leave the company for better paid jobs where they can make better use of the skills recently acquired. Alternatively, skills enhancement also increases their worth and possibility of being poached by rival firms. When employees' perception of alternative job opportunities increases (either as a result of "war of talent" or employees own "protein career" orientation) and organization on the other hand fails to provide substantial growth opportunities from within itself, there is a greater likelihood that it will increase their turnover intentions (Negrin and Tzafir 2004). In this context, Thatcher et al. (2003) have conducted a research on turnover of information technology workers and found a strong positive correlation between perceived alternative job opportunities and turnover intentions. Similarly, Sieben (2007) also confirmed existence of a positive relationship between training participation and labor turnover.

Despite the fact that some studies have been carried out to examine the relationship of training with employees' turnover rates, a large amount of existing literature considers the training and development of the employees indispensable for a firm's success while ignoring the dilemmas associated with these training and development opportunities provided to employees. Building on contingency perspective, the proposed model will bridge the gap by highlighting the fact that increased investment on training and development of employees' results in skills enhancement of employees which in turn increases the threat of their turnover. It is also proposed that the relationship between skills enhancement and intent to leave will be stronger in the presence of perceived alternative opportunities.

### **A brief statement of research problems**

Employee turnover is a relationship between the number of employees a company replaces in a given time period to the average number of total employees. Today, organizations are finding it difficult to retain employees. Employee turnover has become a serious management problem because of the devastating impact it leaves on an organization's performance. Especially with increased globalization and shifting of employees' mindset from traditional careers to protean careers, people have started to change several jobs within a very short span of time rather than choosing to grow in one. This leaves immense pressure on human resource managers to retain or engage its employees to enhance organizational effectiveness.

This is a systematic study to increase our understanding of employee's intention to leave. Besides several other reasons as highlighted by theorists of social

exchange/human capital/organizational support perspective, training an organization's employees can itself become one of the major reasons behind an employee's intention to quit. These intentions to leave increase even more when employees (subsequent to their skills enhancement) start realizing that relatively much better opportunities are available outside the firm to exploit their true potential.

### **Objectives of the research**

The objectives of this research are:

1. To examine the role of training and development in enhancement of employees' capabilities level.
2. To investigate whether or not employees' skills enhancement is associated with their intentions to quit.
3. To verify whether or not employees' perceived alternative opportunities play a moderating role in the relationship between their skills enhancement and intentions to leave.

### **Justification of the study**

While many studies have looked at the impact of employer-provided training on employee level outcomes and subsequently on organizational level outcomes, the impact of training opportunities provided to employees on their intentions to leave has received far less attention. The present study is aimed at bridging the gap and highlighting the role of these development opportunities provided to employees on their skills enhancement. Since this skills enhancement results in their worth enhancement for the firm's rivals, there is a greater likelihood that it will ultimately result in employees' increased intentions to leave their existing employer.

## **LITERATURE REVIEW AND HYPOTHESIS**

Generally speaking, training and development practices constitute one of the most important ways to assist personnel in gaining new knowledge and skills required to meet competitive standards (Tsai and Tai, 2003). Appropriate training and development practices are considered essential both for an employee's career growth and a firm's success (Martin et al., 1999).

The literature addresses the issue from two perspectives. The first perspective suggests that without training and developing a firm's employees, a firm cannot think of out performing its competitors in today's highly competitive business world (Tversky and Koehler, 1994; Victor Vroom, 1964; Bankston and Zhou, 2002; Backer, 1964).

Organizations do conduct both firm specific and general training programmes for their employees

(Benson et al., 2004) as investing in such developmental efforts reflects an organization's commitment to an employee's personal and professional growth (Wayne et al., 1997). A study by Gutteridge et al. (1993) found that organizational development efforts enhanced employee retention, employee skills and morale. Positive perceptions cause employees to believe in an alternative job opportunity between them and the organization, which makes them act in a reciprocate manner (Wayne et al., 1997; Lee and Bruvold, 2003). Several studies have found that human resource development practices affect the behavior and attitudes of employees (Guest, 2002; Edgar and Geare, 2005; Muse and Stamper, 2007). Moreover, Lee and Bruvold (2003) found that the investments of firms in training their workers contribute to the creation of positive perceptions in employees of the organization's willingness to support their development. These perceptions are related to the psychological contract and are also mentioned in the context of social exchange theory (Blau, 1964; Eisenberger et al., 1986). In another study of fifty-three establishments in the US, training is found to be positively related with enhancement of employees' skills (Colarelli and Montei, 1996):

H<sub>1</sub>: Training and development efforts are positively related with enhancement in employee skills.

Another perspective suggests that investing in employee development may contribute to the increased market value of employees and hence increased turnover (Benson et al., 2004). Especially, investments made in general skills training equally increases the productivity of employees in organizations other than the incumbent firm (Becker, 1962):

H<sub>2</sub>: Training and development efforts are positively related with intention to leave.

According to this perspective, training and development help employees to identify and obtain new skills and competencies that will allow them to move to new positions, either within or outside these organizations. Skill enhancement refers to developing human capital by selecting employees with greater ability and developing their skills and knowledge through the provision of training and learning opportunities (Pedler et al., 1991; Senge, 1990). There is a reasonable amount of literature about the relationship between turnover and skills enhancement through investment in training. Green et al. (2002) argues that companies which train extensively, generate higher turnover mainly because the trained personnel leave the company for better paid jobs where they can use the skills they have acquired. Training increases the value of the employees and enhances their career growth, and this increases the possibility of their being "poached" by opponent companies. Similarly,

McConnell (1999) stressed that effective training and skills development programmes have measurable impact on turnover. Kalleberg and Rognes (2000) noted that investment in employee's development is positively associated with turnover. As the notion of 'investment in employee development' means equipping employees with new knowledge and skills, it can certainly enable people to anticipate and be ready for new job requirements (Rothwell and Kazanas, 1989). Hence, the following hypothesis is proposed:

H<sub>3</sub>: Enhancement in employees' skills will be positively related with their intentions to leave.

H<sub>4</sub>: Enhancement in employees' skills will mediate the relationship between training and development and employees' intentions to leave.

Following Becker's (1964) human capital perspective which argues that the investment in training is the result of optimizing decisions made by both workers and employers, the increased skills resulting from training and development efforts made by employers will actually enable employees to extract higher wages from their current or future employers. Since employers are always at risk of losing this investment without generating enough returns, there is a lesser likelihood that they will invest in creating or developing generally applicable skills in their employees. Figure 1 gives the proposed model of this work.

Firm-specific trainings on the other hand, do not generate any alternative opportunities for the employees despite their skills enhancement as firms do realize that sooner or later they can get back their investment made in such firm specific trainings in the form of greater employee's contribution/productivity, etc.

Perceived job alternatives refer to workers' beliefs that they can find a better job in another organization. When employees perceive many employment alternatives, they will express lower levels of commitment and, consequently, higher levels of turnover intention (Hwang and Kuo, 2006).

When organizations fail to provide substantial growth opportunities from within itself, the employees actively start seriously considering the alternative opportunities available in external market (Negrin and Tzafir, 2004). Hwang and Kuo (2006) found a significant positive correlation between perceived alternative job opportunities and turnover intention in the public sector organizations. Similarly, Lambert et al. (2001) discovered that perceived availability of alternate jobs had a positive correlation with turnover intentions of the employees. Thatcher et al. (2003) also came up with similar findings in their study to examine the turnover intentions of information technology workers.

This leads to the final hypothesis:

H<sub>5</sub>: Perceived alternative job opportunities will play a

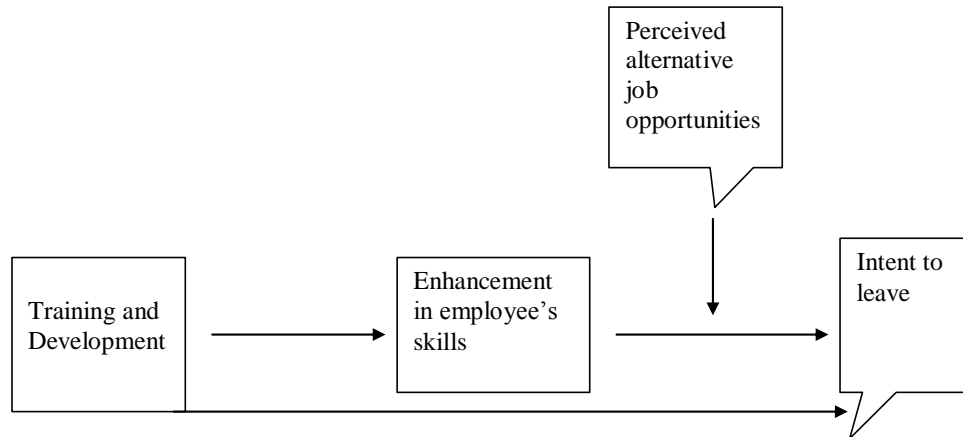


Figure 1. Proposed model.

moderating role between enhancement in employees' skills and their intention to leave.

### Future implications

Based on a comprehensive review of the relevant literature as well as a thorough critical rationalism, the study have developed a model highlighting the role of training and development opportunities in enhancement of employees' skills and its subsequent impact on increasing the employees' turnover. However, there still remains a gap until the model developed through this study and hypothesis generated are empirically tested in the organizations experiencing increased turnover rates. In addition, these relationships can be tested separately between different kinds of trainings, that is, firm specific versus general trainings, technical versus team work related trainings, etc., given to the employees and through skills refinement, their role in increasing the employees turnover.

Since the context also matters, the same kind of studies can be carried out for public sector organizations as well as privately managed business units, enabling the researchers afterwards to make a comparison between the two. Subsequently, based on results of these empirical studies, a further attempt can be made (from a strategic HR perspective) to link these employee level outcomes with the organizational level outcomes.

### CONCLUSION

Although training benefits, there are certain dilemmas associated with it if not managed well. This study does not want to conclude that employees should not be trained, but instead those organizations who trained their employees must consider these dilemmas regarding training. However, those organizations that managed

these dilemmas like a threat of turn over would be able to perform well and may retain their employees for a longer period. In this study, we proposed whether the investments of firms in the general competences of their employees stimulate or restrict personnel turnover. As in most other service sectors, general competences have become increasingly important. Human capital theory postulates that investments in general skills will increase personnel turnover. However, according to social exchange theory, employees particularly perceive general skills training as a gift because it increases the marketability of their competences outside the sector in which they are employed. On the basis of social exchange theory, we proposed that general skills training would positively affect employees' turnover, because when employees' skills are enhanced through general training, it increases the market value of employees and they have some alternative job opportunities, which create the intention to quit inside of them. According to this perspective, training and development help employees to identify and obtain new skills and competencies that will allow them to move to new positions, either within or outside these organizations.

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