Research on the Relationship between Training and Knowledge Worker Retention

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Keywords: Knowledge Worker, Training, Retention, Psychological Contract.

Abstract. Knowledge workers are invaluable assets in the organization in the knowledge economy era today. Both training and employee retention are the two critical parts in human resource management. The report analyzes why training might influence knowledge worker retention based on human capital theory and psychological contract theory. Followed with the empirical evidence on the link between training and retention, the report finishes with conclusions and future research directions.

Introduction

The term “knowledge worker” was first used by Peter Drucker in 1959. Different from manual workers, knowledgeable workers are the most valuable assets in the modern knowledge economy era. Hence training and development will be the central concern of the knowledge society. Training is important to increase profits and the organization competitiveness, why are some companies not willing to support training? Taking this point a step further, the aforementioned query raises a number of interesting research questions: Does training have a positive or negative impact on knowledge worker retention? What kind of training helps the organization keep the talent? To what extent will the subsequent career development help the organization improve the knowledge worker retention and commitment?

Literature Review

Human Capital Theoretical Framework

Training and employee retention are two basic issues in human resource management. Many scholars have being researched on the relationship between training and employee retention from human capital theory perspective for a long time. As knowledge workers retention greatly influences the organization competitiveness, it has a close relationship with the organization’s success. Knowledge workers may leave the organization due to external and internal reasons, for example, an unsatisfactory employment proposition, unequal rewards and benefits, a lack of work and life balance. Especially as for knowledge workers, lack of the opportunities of training and development is the main reason why they intend to quit the job.

It has been well-documented that training has a lot of benefits. Training is the process allowing the individuals to develop the skills and competences, enabling them to undertake various organizational tasks. Acton and Goldern (2003) note training plays an essential role in operational operation and advancement. Training improves employee productivity. Knowledge worker who are equipped with knowledge, skill and ability will be happy to work for the organization if training and development is provided for them in that they are eager for the career development (Baker, 2013; Nouri & Parker, 2013). Unsatisfactory training will lead the employee quit (Almeida, 2013; Woodside, 2012). However, training brings both great benefits and risks for the organization. Many knowledge workers may seek for other better job opportunities and leave the company after they receive training. Training as an investment for the company, which has an effect on knowledge worker retention, has drawn more and more managers’ high attention.
Psychological Contracts Theoretical Framework

**Psychological contract: A Social Exchange Perspective.** Social exchange theory could be a base to understand employment relationship. When employees perceive they are well treated by the organization, in return, they would feel obliged to reciprocate. The stronger the social exchange relationship, the greater the degree of mutual obligation and the greater benefit both the employer and the employee will be derived from each other party. The psychological contract presents a set of unwritten expectations upon which the employment relationship is based (Rousseau, 1995).

Guest (1998) from the employee’s perspective presents the model of psychological contract. As the psychological contract model is shown in the Fig. 1, the HRM practice (e.g. training) results in higher job satisfaction, higher organizational commitment, better employee relations and lower intention to quit.

![Figure 1. The psychological contract model](Source: Guest, 1998, p.661).

If the employee receives training from the employers, they will trust the employer and will be more obliged to reciprocate (Eisenberger and Aselage, 2003). Whitner (2001) notes human resource practices have an impact on organizational commitment. In the view of relational contract, knowledge workers will keep staying in the organization and perform better after training, which they reciprocate the employer. Fulfillment of psychological contract indicates perceived investment in training as well as trust management increases the organizational commitment and knowledge workers retention. Psychological contract links perceived training and knowledge worker retention. Perceived investment in training has a positive impact on organizational commitment. On the other hand, perceived investment in training is positively associated with trust in management. Both organizational commitment and trust in management is helpful to for knowledge workers retention.

**Psychological contract violation.** Rousseau (1995) points out that psychological contract violation happens when somebody perceives that another has failed to fulfill the promised obligation. There are two potential reasons for employer violation of the psychological contract which are reneging or incongruence (Morrison and Robinson, 1997).

Morrison and Robinson (1997) indicate that violation is a cognitive progress and conveys emotional phenomenon. A perceived psychological contract violation such as an unmet expectation occurs when employees perceive they have not been reciprocated as promised after they have made the contribution to the organization. In addition the contract violation also occurs when employees find they have not got anything that should have been forthcoming. Meanwhile, the model helps us better understand the reasons and process of the psychological contract violation. Though the model has its general application, it does have some limitations. While the model has primarily focused on the employee perceptions of the psychological contract breach, it fails to address the interpretations.
from the employer perspective. It is important to note that the process and situation by which the employer perceives the contract violation may be perceived and illustrated in a different way.

Robinson (1996) describes psychological contract breach as a subjective experience. He examines trust and unmet expectations as potential mediators in the relationship between psychological contract violation and subsequent employee contribution to the organization. As Robinson and Rousseau (1994) points out the relationship between violations and trust is moderated by careerism. However, no definite conclusion can be drawn that careerism affects the relationship between violations and satisfaction, intentions to remain with one’s employer or actual turnover.

**Empirical Evidence and Implications**

Many researchers have empirically investigated the effect of training on knowledge worker retention.

According to the training and development (ASTD) State of the Industry Report in 1999, investment in training and development in many US companies is $2 million annually. Arthur (2001) describes in the survey done by the Society for Human Resource Management that 94 percent of U.S. companies offer professional development and training and 85 percent offer educational assistance as benefits. In contrast, 98 percent of companies with more than five thousand employees offer professional development training. This shows most of the U.S. companies provide training for their employees and that the bigger size organizations provide more training. Mattox and Jinkerson (2005) find the most knowledgeable and skilled employees are highly valued in the organization, and that if they leave the company, the turnover cost would be as expensive as $100,000 per person. If the employees do not get the desired training, 41 percent of U.S. workers will leave the organization (Arthur, 2001). Since turnover cost is high, more and more organizations try to keep the talented employees via training. Dall (2000) reports that training institutions such as corporate universities that offer training programs and educational courses to the organization employee have expanded a lot since 1988. This is another indicator that shows that the growth of training opportunities provided by the organization.

**Industry Perspective**

**Software company.** Chang (2010) interviewed 353 MIS professionals in Taiwan to indicate that if an environment of leaning opportunities is provided, the MIS professionals may reduce their motivation for job change. Comprehensive training along with other human resource management practices such as career development has a highly positive impact on organizational commitment in an Indian software company. Technology is a facilitator of the software industry. If an organization cannot catch up with the technology, it will lag behind. Training is important to update the knowledge and skill due to the extremely rapid change of technology in IT industry. On the other hand, it is obviously that most of the professionals in IT industry are relatively young. For young employees, career development influences their decision on whether to join and remain in the organization or not. They invariably have an insatiable appetite for training and development opportunities provided to achieve fast career growth.

Acton and Golden (2003) conducted a study regarding training practices in Irish software companies and they argue that training helps knowledge retention in the organization but has little impact on employee retention. Compared with the research in Indian Software company, the differences between the two studies were that the two researches were conducted in different countries and different training methods were used. Another possible reason is that the IT industry is an industry where employee job mobility is quite high. Accordingly, training cannot be one of the most important factors that make IT staff stay longer in the organization. It can be seen that not all scholars agree that training is helpful to knowledge worker retention, but they do agree that training is beneficial to the organization in a direct or indirect way.
Accounting firm. Accounting firms, as well as software companies belong to the professional industry. (Nouri & Parker, 2013) suggest that career development is important to reduce turnover of knowledge workers. In HR Focus journal, Deloitte presents us a case to show how it keeps the staff via career development and training. Deloitte is one of the famous “Big Four” accounting firms. In order to keep the good employee, the company provides Deloitte Career Connections (DCC), which is a training program to help the confused employee to figure out what they like to do and then fit them in somewhere else in the company. Take a senior staff member named Lisa in the company for an example. Lisa begins her job as a tax accountant but after being coached by the DCC program she finds that her real interest is in Human resource area rather than financial area. The company then encourages her to attend campus-recruiting events and some related training is provided to her in the new area. Finally, Lisa successfully switches from being a senior tax accountant to a campus-recruiter in Deloitte. It is estimated it costs Deloitte more than $80 million dollars to replace the staff, but, employee retention via the DCC training program helps minimum the cost. From the above case, I think it is wise to train the talented employees and help them choose what they are interested to do so that their abilities can be greatly developed within the organization. Otherwise, a company may lose its talent.

Discussion

Training variables. As an important component in human resource management, it is necessary to examine the effectiveness of training. Only effective training can be helpful to retain employees and to elicit expected performance. Training can be measured via the training amount and training helpfulness. The training amount has positive relationship with training helpfulness. The training amount and training helpfulness are positively related to knowledge worker retention. There are several factors that may affect the training effectiveness such as individual learner’s behavior, the training program, the trainee working environment and the supervisor’s support. Ahmad and Bakar (2003) investigate the relationships between the five training variables and the organizational commitment. These variables are the availability of training, support for training, motivation to learn, training environment and perceived benefits training.

In reviewing literature on the training variables, it is shown that there are inherent relationships among the variables. In order to implement an effective training, many training variables need to be considered. For example, the training program must be based on the knowledge workers’ needs. If the knowledge worker does not like the training program provided, they won’t be active to learn and can’t perceive the organizational support and the training benefits, thus they will not tend to stay longer in the organization. Refer back to the research done by Acton and Golden (2003), why their research conclusion is that training does not have a positive impact on employee retention, may be due to the training program. The IT employees already feel boring about the computer-based training (CBT) program but the research still conducted by CBT training program to examine the impact of training on knowledge worker retention.

Return on investment of training. Training benefits an organization in many ways, such as in productivity quality, customer satisfaction and organizational performance. Some organizations, however, view training is an expensive risk and are reluctant to provide employees with training. After training, some employees may leave the organization and seek for a better job, and hence some companies may not support employee lifelong learning due to the high investment on training. The survey done by Croner (2004) reveals that only around 15% of the employers are spending enough on training and developing their staff and even many of the employers cut their training budget in 2003. Typically, when the organization has financial budgetary problems, training expense is often to be cut.

Human capital theory is based on the economy point of view – a return on investment (ROI) to analyze whether training is worthwhile to be invested in to retain the knowledge workers. According to Fitzenz (2000), there are two measures used to evaluate the ROI, which include quantitative and
qualitative measures. Quantitative measures tend to evaluate cost and time whilst qualitative measures focus on value and human reactions. After training provided, many measures can be evaluated training values from different ways. Some companies focus on the productivity and profitability while others may focus on product quality and customer service quality. This report uses knowledge worker retention as an important training outcome indicator. It is important for the organizations to identify the right measures of return on investment of training because it influences the human capital investment directions. It is common that training variables, cost and time draw an employer’s attention. From the quantitative perspective, some of the organizations are not willing to train employees because they only pay attention to the time and cost they spent on training rather than the values of training. However, the value of training and development goes well beyond cost payback. It is true that a small amount of people may leave the organization after training, but the thoughts that training simply helps knowledge worker find another job and abandon their training are shortsighted and self-centered. Sometimes the benefits of training are long-term and potential. It can be evaluated from the qualitative perspective that spending time and money training people helps the human capital in the organization achieve growth and development. Training can be viewed as making a deposit in the employee’s loyalty bank. On the other hand, in my opinion, if training is not provided to keep the human capital due to a cost and time problem, the turnover cost perhaps may be more expensive than training cost because more effects including recruitment need to be made to replace the talented employee.

**Conclusions and Future Directions**

The discussion above can be summarized into the following theoretical framework (see Fig. 2) in this research report.

Knowledge workers as human capital, is the most important resource for an organization. Training may develop the knowledge worker commitment and make them feel obligated to reciprocate the employer. Therefore, they would like to stay longer and serve the organization better. Psychological contract links training with knowledge worker retention based on the social exchange theory and it also explains why training has effect on knowledge worker retention.

![Figure 2. The interrelationships between training, knowledge worker retention, psychological contract, knowledge management and organizational commitment.](image)

It follows some limitations of current research, which may also offer some future directions. Firstly, it should be noted that it may be positive if knowledge workers with bad performance
leave the organization. Knowledge worker’s performance is a primary concern in the organization rather than turnover. Thus, the variables regarding the extent to which training can improve knowledge workers performance and commitment need to be re-examined in the future research.

Secondly, the current research stays still at the theoretical stage so more original data should be collected to enrich the exploratory research. Extensive surveys exhume more case studies which could clarify the different training variables. In terms of methodology, appropriate means to collect needed information should be well selected. Using both quantitative and qualitative analyzing method, the future research may come up with more recommendations on how the government and organization carry out individualized training methods.

Thirdly, knowledge workers spread among different industries and different trainees have different profiles. Conducting research on the relationship between the individual profiles of trainees and training effectiveness may be worthwhile. Future research can move towards some other individual profiles such as ethnicity, intelligence, age and gender beyond personality, which may offer some new insights into the relationship between training and knowledge workers’ profile.

Lastly, few of the research have been conducted on evaluating the training cost versus the benefits training may occurs. Being regarded as an expensive investment and a burden for the organization, the future research may shift the focus to measuring the training effectiveness. For instance, if specific training is carried out, how much dollar value it can be engendered, and whether the results can be applied across the industries may be the future research focus.

References


