

**THE RELATIONSHIP BETWEEN
TRAINING AND DEVELOPMENT APPROACHES
AND EMPLOYEE CAPABILITIES
IN SABAH STATE MINISTRIES**

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PERPUSTAKAAN
UNIVERSITI MALAYSIA SABAH

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2010**



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MAHRA BIN SALLEH

**THESIS SUBMITTED IN FULFILLMENT
FOR THE MASTER OF
HUMAN CAPITAL MANAGEMENT (MHCM)**

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2010**



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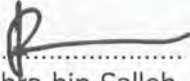
JUDUL : THE RELATIONSHIP BETWEEN TRAINING AND DEVELOPMENT APPROACHES AND EMPLOYEE CAPABILITIES IN SABAH STATE MINISTRIES

IJAZAH : MASTER OF HUMAN CAPITAL MANAGEMENT (MHCM)
SESI PENGAJIAN 2009-2010

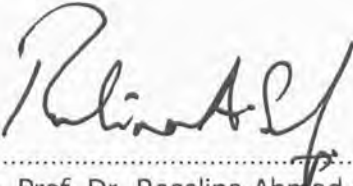
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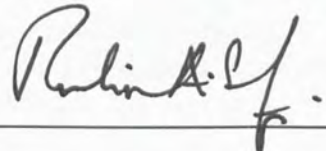
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ACKNOWLEDGEMENT

In the name of Allah, All Merciful, Most Gracious. As I reflect on my long journey of completing this dissertation, I am very grateful for those who have helped along the way. I am fascinated by the number of people who have been so warm and helpful. I would like to express my deepest gratitude to Prof. Dr. Roselina Ahmad Saufi for being my supervisor of my dissertation. I will never forget your guidance, support, and time along this long journey. I would like to thank Dr. Amran Harun for his guidance especially in research methodology and SPSS during my final semester.

Thanks to HR managers and officers in-charge of training in ten (10) Sabah state ministries who gave their time and cooperation in helping me and distributing my questionnaire in the ministries. Without their cooperation, this study will be difficult and dead end.

My family has a lifetime of my appreciation for all they given me. They have always encouraged me, supported me, and made me feel I could reach all my goals, especially my dear wife, Dayang Azizah Mohd. Salleh, my mum, Tayah Abeng, my sons and daughter, Amir Irfan, Amir Arham and Izzah Azeemah.

There is priceless value to feeling supported by peers who empathize, offer advice. I am lucky to have a group of friends from this MHCM program that will last well beyond our study. They have made this process much less frightening.

I thank the Almighty Allah that I had the fortune to meet the people and the opportunities that brought me to this day, and that I have learned so much from them all. Alhamdulillah.

ABSTRACT

THE RELATIONSHIP BETWEEN TRAINING AND DEVELOPMENT APPROACHES AND EMPLOYEE CAPABILITIES IN SABAH STATE MINISTRIES

The main purpose of this study was to determine the relationship between training and development approaches and employee capabilities. This study was conducted in ten (10) Sabah state ministries namely Ministry of Finance, Ministry of Rural Development, Ministry of Tourism, Culture and Environment, Ministry of Community Development and Consumer Affairs, Ministry of Infrastructure Development, Ministry of Agriculture and Food Industry, Ministry of Local Government and Housing, Ministry of Industrial Development, Ministry of Youth and Sports, Ministry of Resource Development and Information Technology. A total of 219 employees were selected as the sample of the study by using self-administered questionnaire survey forms and convenience purposive sampling, and the hypotheses analyzed using the Statistical Package for Social Science (SPSS). This quantitative study employed a survey methodology to examine the relationship between the independent variables (selected coaching, mentoring and management development) and the dependent variable (employee capabilities). Besides, this study also aim at determination of the effect of three moderating variables (age, length of service, and education level) on the relationship between training and development approaches and employee capabilities. The findings of the study show that there is no significant relationship between coaching and mentoring and employee capabilities. However, there is a significant relationship between management development and employee capabilities. Additionally, the finding also reveals that two (2) moderating variables (age and length of service of employee) do not significantly moderate the relationship between training and development approaches and employee capabilities. However, education level of employee does significantly moderate the relationship between training and development approaches and employee capabilities.

ABSTRAK

Tujuan kajian ini adalah untuk menentukan hubungan di antara pendekatan latihan dan pembangunan dan keupayaan pekerja. Kajian ini telah diadakan di sepuluh (10) buah Kementerian negeri Sabah iaitu Kementerian Kewangan, Kementerian Pembangunan Luar Bandar, Kementerian Pelancongan, Kebudayaan dan Alam Sekitar, Kementerian Pembangunan Masyarakat dan Hal Ehwal Pengguna, Kementerian Pembangunan Infrastruktur, Kementerian Pertanian dan Industri Makanan, Kementerian Kerajaan Tempatan dan Perumahan, Kementerian Pembangunan Perindustrian, Kementerian Belia dan Sukan, Kementerian Pembangunan Sumber dan Teknologi Maklumat. Sejumlah 219 orang kakitangan telah dipilih sebagai sampel kajian yang menggunakan borang soal-selidik dan persampelan 'convenience purposive'. Manakala analisis ke atas hipotesis pula menggunakan SPSS. Kajian menggunakan kaedah kuantitatif ini merupakan kajian tinjauan untuk meninjau hubungan di antara beberapa pembolehubah tidak bersandar (bimbingan, pementoran dan pembangunan pengurusan) dan pembolehubah bersandar (keupayaan pekerja). Disamping itu, ia juga bertujuan menentukan sama ada pembolehubah penyederhanaan (umur, tempoh perkhidmatan dan tahap pendidikan pekerja) mempunyai pengaruh yang signifikan ke atas hubungan di antara pendekatan latihan dan pembangunan dan keupayaan pekerja. Hasil kajian ini mendapati bahawa tiada hubungan yang signifikan di antara bimbingan dan pementoran dan keupayaan pekerja. Walaubagaimanapun, terdapat hubungan yang signifikan diantara pembangunan pengurusan dan keupayaan pekerja. Hasil kajian juga mendapati bahawa dua (2) daripada tiga (3) pembolehubah penyederhanaan iaitu umur dan tempoh perkhidmatan tidak memberikan pengaruh yang signifikan ke atas hubungan di antara pendekatan latihan dan pembangunan dan keupayaan pekerja manakala faktor tahap pendidikan pula memberikan pengaruh yang signifikan.

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LIST OF ABBREVIATIONS

CMM	Centre for Modern Management
HRDA	Human Resource Development Act
HRDF	Human Resource Development Fund
INSAN	Sabah Public Sectors Training Institute
INTAN	National Institute of Public Administration
KPI	Key Performance Indicators
MNC	Multi National Companies
MSTD	Malaysian Society for Training and Development
NKRA	National Key Result Areas
PTK	<i>Penilaian Tahap Kecekapan</i>
T&D	Training and Development

CHAPTER 1

INTRODUCTION

1.0 Overview

In the new era of advanced technologies, globalisation, rapid changes and competitive edge, employee capabilities are regarded as human capital which steers the organisation towards higher level of employee performance. The recognition that human capital is the most critically important asset can be found in the stream of human resource development literature. For example, Bassi and McMurrer (2005) stated that the relentless force of globalisation has left only one sustainable path to profitability for organisations operating in high-wage, developed nations is to compete based on superior human capital capabilities and strategies. Khandekar and Sharma (2005a) offer a view of human capital from resource-based view (RBV) that human capital is a valuable resource rather than administered effectively from the strategic point-of view, and contributes significantly to organisational effectiveness. For this reason, human capital is seen as a source of competitive advantage for the organisations. This view is in accordance with Schultz (1961) as cited in Zheng *et al.* (2007) who emphasize on the recognition that quality and human capital contributes to improved productivity, organisational performance and overall national economic growth.

In addition to this, Mohamed Zairi (1998) warns that high performance technology recognizes that while products and services can easily be copied and replicated, competitive advantages can only come from the unique set of skills, knowledge and expertise that an employee has. In other word, organisation's success will be lead by people first, and products second. Bassi and McMurrer (2005) also advocate great concentration on the importance of human capital by stating that any benefits that were historically associated with superior technology and access to physical and financial capital would be far too short-lived to provide a sustainable advantage compared to high quality of human capital. A sizeable literature on the importance of human capital and its importance and significant contribution to the organisation as a competitive advantage, it can be concluded that there is a wide

acceptance of the pivotal role of capable human capital in the workplace. Thus, human capital capability should be enhanced continuously to enable them adapt, respond and anticipate to changes occur in the organisation environment.

In a study on human development, human capital had been highlighted as a factor which has a direct input into the productive process while human development is a way to achieve the potential of people in organisations by emerging their capabilities (Delgado, 1997). Therefore, the demand for enhancement of employee capabilities at the workplace is a must. This stimulates a question on how to develop and enhance employee capabilities at the workplace specifically in the public sector. Is training and development can be considered relevant to enhance such capabilities? If so, what training and development approaches are significantly related to employee capabilities empirically? This study offers some insights on these questions.

Employee capabilities which include skills, knowledge, attitudes, experience, competencies, decision-making ability and qualification are important elements which contribute to the excellence of an organisation. Mayo (2000) in Bontis and Serenko (2007) highlighted employee capabilities as one of the most important measures affecting individual and organisational performance. Employees with capabilities enhance the capacity of the individual performance as well as the organisational performance.

The increase attention is now being paid to the fact that in order to develop a competitive advantage it is imperative that organisations truly leverage the employees as competitive weapons. Nolan (2002) emphasizes that human resources utilization has clearly become a critical feature for those organisations where human resources are potential assets in the search for competitive advantage. Thus, optimizing the employees through comprehensive development programs are mandatory not only to achieve organisations' goals, but also most importantly, to survive and thrive for years to come. For this purpose, successful organisations constantly enhance employee capabilities through a variety of special programs (Mc Cowan *et al.*, 1999 in Bontis and Serenko, 2007). Soltani and Ying-Ying (2010) in his study at Iran workplace context report that a review of literature on human resource training in less-developed countries shows that these countries have been keen to

invest in their human capital. Therefore, employee training has been looked upon with a great deal of enthusiasm by their governments.

According to Ching-Yaw (2007), training plays a crucial role in increasing employee capabilities. He further adds that for long term survival of the organisation, formal education has to be enhanced. Amongst the training and development approaches, which can be proved statistically as having relationship with employee capabilities? Are these findings, which are derived mainly from the foreign countries, universally applicable? With the scarcity of Malaysian empirical studies, there is a need to advance the currently available knowledge to identify an effective mix of training and development approaches that are relevant in a Malaysian context? Hence, this study try to fill this gap identified in the literature review.

1.1 Problem Statement

Rapid changes are occurring everywhere in the new modern era. As a result organisations get more complicated and advanced. The pace of change has some implications on the workplace environment. For instance, the competency aspect had been employed in the government sector in the year 2003 by implementing Competencies Level Evaluation (*Penilaian Tahap Kecekapan - PTK*) as a tool in measuring the level of employee competencies in performing their job. Having said this, however it seems that there is too little room within the public sector training system to provide for the wider needs of individual beyond the scope of their discrete function responsibilities or short-term development needs (Forgensen, 2004).

As the public sector is consistently regarded as a heavyweight component of the national economy and has played a very significant and supportive role in the development of the country, number of empirical study which might strengthen its pivotal role should be added. Mohd. Najib (2004) capable and responsive public sectors had made it possible to earn the admiration of countries around the world. Therefore the way of enhancing the capabilities of this sector is very much needed to be identified empirically so that the public sector will continuously contribute better contributions to the nation. Moreover, lately the public sector had been transformed by the government to adopt high performance culture. In consonance with this transformation, for example new performance measurement system was introduced.

Key Performance Indicators (KPIs) is one of the transformation programs by the Malaysian government which had been embarked by the governments around the world. KPIs will help the public sector to be more focused and outcome oriented. Thus, public sector must also introduce a system that will motivate and retain the civil servants in their service. Instead of merely an attractive remuneration packages, Mohd. Najib (2004) proposed that another aspect of the equation is the opportunities for development. Does these changes will make different on the way of performing present and future job? What efforts should be made to develop employees in the public sector after taking into account all the needs and changes?

At the workplace nowadays, jobs have become increasingly complex and ever changing so that qualified and well equipped with skills and knowledge employee are no longer fully competent to perform without some form of training and development. Employees are responsible to make sure they possess relevant and required capabilities throughout their working ages. Therefore, employee development approaches had been added into the overall capabilities of the individual and the organisation. As a consequence, employee capabilities and competencies became big issues in human capital development discussion.

There are several problems related to employee capabilities in the literature especially in the public sectors in international setting. For example, the Australian Institute of Management (2009) found that skill gaps are significantly identified in Australian public sector. In Malaysian context, there is not much empirical research on employee capabilities. Ramlee and Abu (2002) acknowledges that less than 30 percent of Malaysians of the relevant age cohort receive a tertiary education, compared to over 50 percent for industrialised nations. Additionally, out-migration drains the limited talent pool. For instance, at least 50,000 professional and technical personnel have migrated to Singapore, Australia, New Zealand, United States, Canada and Europe over the fifteen (15) years. Considering the importance of skilful workforce, the government of Malaysia is expanding the physical capacity of public sector training institute to contribute in the training of the requisite skill human resource.

For example, National Institute of Public Administration (INTAN), Sabah Public Sectors Training Institute (INSAN), Centre for Modern Management (CMM) and Malaysian Society for Training and Development (MSTD) provides various types of training and development programs to the civil servants. INTAN, for instance offers training on counselling, team enhancement, coaching and mentoring, presentation and communication skill as well as information and communication technology (ICT) skills while INSAN provides thematic seminars which promotes skills and competencies development in public service transformation. Other than that, ministries have it own human resource department which exclusively carries out internal training and development programs to its workforce. Ministry of Higher Education for example employs coaching and mentoring as training and development approaches among the education officers.

Various types of training and development are offered to fit the different needs, resource and requirement of employees and organisations. Each individual member of the workforce will have different needs, both in terms of the type of training they require, the level of training and of course the times needed to train. Thus, Valle *et al.* (2009) advocate that effective training should be based on proper needs assessment. Such assessments refer both to the demand of trained individuals in the concerned substantive areas as well as level of knowledge of prospective trainees. At such, training and development program would be more effective and beneficial.

To clearly portray the government commitment towards human resource development in Malaysia, training and development are legally supported by the establishment of Human Resource Development Act 1992 (HRDA) which came into force on January, 1st 1993. This Act applies to employers of manufacturing and service sector uphold a clustered objectives to promote, develop and upgrade the skills of employees, provide financial assistance for the purposes of promotion, development and upgrading employees' skills and, carry out activities to train or re-train retrenched persons (R P Baskaran, 2006). Besides, training and development among Malaysian workforce is also supported by the provision of Human Resource Development Fund (HRDF) which was established to promote the training of

employees. Basically, in the lens of government of Malaysia, training and development have its own pivotal role in enhancing the human resource capabilities.

Concomitant with rapid changes, it is becoming increasingly clear that training and development is very much important. This is due to several reasons such as; needs of training among the new employees who are not experienced to their work, upgrades personal skills for better immediate job performance, increases worker productivity, promote job satisfaction, keeps workers up-to-date and, helps to motivate worker (Maimunah, 2002).

Mustapa (2005) emphasizes a fact that training priorities must be directed towards creating excellence in the workplace as a result of globalisation and rapid technological advances which intensify the demand for a quality workforce which is knowledge-rich. Even though a lot of interest is being generated in training and development field, there is also growing literature questioning the empirical effect of training and development on performance and employee capabilities. Adeniyi (1995) as cited by Olaniyan and Ojo (2008) observed that staff training and development is a work activity that makes significant contribution to the overall effectiveness and profitability of an organisation. In a data panel study on the effects of training on performance in 40 private security companies in Spain, the results of data measurement over a period of 9 years provide empirical support for the hypothesis of the influence of training on entrepreneurial results.

Ching-Yaw *et al.* (2007) revealed that training and development plays a crucial role in increasing employee capabilities in the selective commercial banks at Cambodia. The findings suggest that human resource development play a significant role in impacting human resource capabilities. To a broader explanation it is regarded that organisational capabilities are embedded in the collective knowledge and skills of its members. As for a summary, training and development are not simply improve skills, knowledge and abilities instead it serves many purposes like improving employee commitment and attracting good quality employees. Indeed, training and development are based on the premise that human resource skills need to be improved for organisations to grow.

In organisations, employees contribute to competitive advantage based on the knowledge they possess and the jobs they perform. Theoretically it is clear that employee capabilities might affect performance albeit there is surprisingly little evidence on the affect of employee capabilities on performance. Snell and Dean (1992) as quoted by Khandekar and Sharma (2005b) explained that human resource capabilities enhances the organisations competitive advantage by creating superior human capital skills, experience and knowledge that contribute to organisation economic value. David (2004) suggests that a highly skilled workforce is the fuel to the engine of growth in the knowledge-based economy. Human resource provides the 'know-how' that goes into the production of innovative products to enable a country to be competitive in the global market place. In an empirical study, Khandekar and Sharma (2005) found that human resource capabilities is significantly correlated to organisation performance.

The capability to learn and adapt to new conditions will increasingly be the standard against which performance will be measured (Georgian, 1997; Lundrall and Borras, 1997 in Forgensen, 2004). As changing technology influences the jobs even employees who have been on the job for a long time will require training and development. For this reason training and development had become more crucial. Rapidly advancing technology has made the needs for employee development quite apparent. Thus, successful implementation of the public sector agenda will require the adoption of workplace practices where trust, skill development and partnership provide basis for employee commitment, discretion, autonomy and job satisfaction (Keep, 2000 in Forgensen, 2004).

At the same time, the need for quality and productivity in the increasing global competitions can never be understated. Training and development will improve skills, boosts motivation, which in turn lead to higher productivity and finally increased profitability. From Valle *et al.*'s (2009) point of view, training provides employees with knowledge, skills and abilities required by the post. Owing to the fact that human capabilities can be obtained and accumulated by means of training and learning, this study analyzes whether training and development is empirically being the effective instrument that will contribute towards generating employee capabilities.

Tan (1995) stated that training and development as main component of human resource development is purposely carried out in organisation for productivity improvement at all levels, prevention of obsolescence, skills upgrading and, career development. In this sense, employment of training and development approaches in organisation will allow human capital to gain new knowledge and upgrade skills which will equip them with up-to-date needs of relevant knowledge and skills at the workplace. Thus, they will remain competent and not obsolescence, perform well and contribute to enhancement of productivity and profitability.

In discussion on diagnosing work performance problems, Whetten and Cameron (2005) suggest that a poor performer should be asked a diagnostic question whether the employee's performance deficiencies stem from lack of ability or lack of motivation. Lee *et al.* (2005) as cited in Valle *et al.* (2009) highlight the fact that, of the 16 human resource best practices studied by Pfeffer (1994) training is one of the few practices where a consistent, positive impact on performance is found. Such suggestion stimulates a question whether training and development significantly enhances the employee capabilities? In addition to this, in many cases retraining is insufficient remedy for poor performance (Whetten and Cameron, 2005).

The great interest in this area of investigation is reflected by the number of prior studies that have attempted to link training with business performance. There is a growing belief that the only way to survive is to change and adapt to the dynamic external and internal environments. The changing environment as a result of economic growth, national and international political developments, global scientific as well as technological advances clearly have led to new practices in training and development matters (Valle *et al.*, 2009). Are the previous training and development approaches employed in organisations such as mentoring, coaching and management development which had been employed in the public sectors are remained relevant in the new contextual of changing workplace? This study attempts to provide new insights on this matter by specifically examining the relationship between coaching, mentoring and management development and employee capabilities in Sabah state ministries.

Nowadays excellence and capabilities are very much important. No organisation in today's competitive world can perform at peak levels unless each employee performs excellently to achieve the organisation's objectives. The majority of the employees in public sector are often rated as 'good' or 'excellent' performers even though it is actually good performers never form the majority of any organisation's staff strength (Mohd Najib, 2004). Employee capabilities reflect an individual's perception of his or her own knowledge, skills, experience, networks, and abilities to achieve results, and room for potential growth. Therefore capabilities need to be enhanced in accordance to the environmental and job requirement.

Ulrich and Smallwood (2010) regard the term capabilities as '*an ability to innovate*' and employee capabilities are key intangible assets in organisations. In addition, Ulrich and Smallwood (2010) emphasize that capabilities caters collective skills, abilities and expertise of an organisation are the outcome of investments in human resources which include staffing, training, compensation, communication, and other practices. This opinion is in line with DeSimone and Harris' (1993) stand that human resource development programs focus on improving and renewing the knowledge, skills and abilities of employees. For these reasons, employee capabilities should be continuously enhanced. Organisations ought to build, integrate and reconfigure internal and external resources to address the current needs and requirement of training and development among the workforce.

In conclusion, training and development approaches and employee capabilities are the variables which would be investigated in this study. A relationship between training and development and employee capabilities in selective public sector organisations will be examined to verify the postulated hypotheses. In addition sub-variables of training and development approaches would be studied too in order to add some value in the literature.

1.2 Research Questions

This study shall answer the following questions:

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