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EMPLOYEE'S DEVELOPMENT AND RETENTION IN A MULTINATIONAL COMPANY

The aim of this paper is to present the views of experts on investments in human resource development with the emphasis on stabilizing competent and reliable employees in intercultural environment. Theoretical contribution here is in identification of activities, influencing most the development and stabilization of employees. Practical use of scientific solutions to the problem is to find the processes, which follow activities related to investments in human resources in order to stabilize valuable employees.

Keywords: investment in human resources; human resources development; employee retention; multinational company.

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РОЗВИТОК ТА УТРИМАННЯ ПЕРСОНАЛУ В МІЖНАРОДНИХ КОМПАНІЯХ

У статті представлено думки експертів щодо інвестування в розвиток людських ресурсів з акцентом на утримання компетентних та надійних робітників у міжкультурному середовищі. В теоретичному плані визначено види діяльності, які впливають на розвиток та утримання співробітників. Доведено, що науково обґрунтовані рішення цієї проблеми можуть знаходити менеджери, що керують діяльністю компанії, яка пов'язана з інвестуванням в людські ресурси з метою утримання найбільш цінних співробітників.

Ключові слова: інвестиції в людські ресурси; розвиток людських ресурсів; утримання персоналу; міжнародна компанія.

Форм. 1. Табл. 2. Літ. 26.

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РАЗВИТИЕ И УДЕРЖАНИЕ ПЕРСОНАЛА В МЕЖДУНАРОДНЫХ КОМПАНИЯХ

В статье представлены мнения экспертов по вопросам инвестиций в развитие человеческих ресурсов с акцентом на удержании компетентных и надежных работников в межкультурной среде. В теоретическом плане определены виды деятельности, которые влияют на развитие и удержание сотрудников. Доказано, что научные решения данной проблемы могут находить менеджеры, руководящие деятельностью компании, связанной с инвестициями в человеческие ресурсы в целях удержания ценных сотрудников.

Ключевые слова: инвестиции в человеческие ресурсы; развитие человеческих ресурсов; удержание персонала; международная компания.

Introduction. One of competitive advantages of a company are the employees who knows how to perform their work, are willing to solve tasks and are also interested in self-improvement and development. Most managers perceive employees as costs and ignore new trends in evaluation of HRM (Fitz-Enz, 2010). Managers are convinced their decisions are beneficial for all stakeholders. These preconditions are valid until serious problems arise.

An essential stabilizing element in management is achieving positive financial budgetary results and positive indicators of employees' performance, including their

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motivation, satisfaction and commitment indicators. Each employee is a separate and independent investor in his/her human capital, who is freely deciding whether he/she really engages in a company and cultivate his/hers skills and performance to the highest possible level or will keep away. According to D.C. Thomas and M.B. Lazarova (2014), investments in new technologies and company development are necessary, but only people can assess these investments through their skills and experience.

The paper deals with development and stabilization of human resources in a multinational company context. There are different ways to develop and stabilize employees. In doing so, embedded resources into employees do not guarantee their better performance and company's success. We believe that the benefit-risk of investment into acquisition and retention of capable employees from different cultures is accepted with regard to the needs and possibilities of a company and largely depends on managerial maturity and foresight.

Literature review. We perceive human resources development as a professional orientation for the future. It means acquisition of a broader set of knowledge and skills as it is required by the current job. It represents a set of systematic and planned activities tailored by the company, what provides its members opportunities for development of necessary skills and abilities to meet current and future job requirements (Balakrishnan and Srividhya, 2007; Subba, 2010, Armstrong and Taylor, 2014).

The interest of an employer, who invests in training and development of employees, is to keep special those who play a crucial role in successful progress of a company. L. Branham (2004) defined 24 processes, methods and practices how to stabilize key employees, thanks to which a company may have long-term success at the market. It is evident that the need for employee development is the major stabilizing factor.

There are several theoretical considerations (Heckman, 1998; Bryan, 2007; Wilton, 2016) indirectly proving the relationship between investment in human capital and return on investment in the form of positive changes in financial indicators, of positive externalities or other changes in the indicators defining company's success. A. Harzing and A.H. Pinnington (2014) stated there is no right way of training, and various approaches to training and development can be effective in different environments. In the study on training and development by A. Chatzimouratidis et al. (2012) mentoring and simulation were found to be most effective in comparative terms for total training cost, employee motivation and training duration.

Linkage between the cost of employee training and growth in company outcomes as a result of a targeted assessment of investment in HR was confirmed by several experts (Holton and Naquin, 2005; Kaplan and Norton, 2007; Bassi and McMurrer, 2008; Percival et al., 2013). One of the most famous training and development programs evaluation models is D.L. Kirkpatrick's (1998) 4-level model of training evaluation: trainees response, knowledge evaluation, evaluation of operational behavior after arrival to workplace and evaluation of learning outcomes to work. This methodology has been extended by J.J. Phillips (2007), who added the rate of return on investment to development programs levels.

Kirkpatrick's model critics (Swanson and Holton, 2001) pointed to low correlation between trainees' response and outcomes from learning or performance. Consequences of investing in HR should be reflected in employees' performance

growth and better company's performance overall (Akdere and Roberts, 2008; Bierema and Callahan, 2014). Difficulty arises when considering all the factors that affect company performance as HR development is only one of possible factors. From the perspective of market competition the efficient investment in human resource development increases the possibility of employee application at the labor market and at same time increases the risk of qualified staff instability/turnover. According to S.R. Clegg et al. (2016: 172), "there are two interrelated aspects to retention and development. Retention consists of the methods and approaches used to keep talented people in the organization in some way – such as awards, promotions, and remuneration; development concerns the methods and approaches used to enhance, transform, and better utilize staff knowledge, skills, and capabilities – such as training, mentoring, and education".

The Skandia Corp. (Swanson and Holton, 2001) back in 1995 offered its own measurement of human capital. The indicators focusing on training, recovering and development, growth and renewal has been taken into account and this proposal was working with expenditures on training programs, training period length, value added per employee and overall capacity of experts in years.

Majority of enterprises has no evidence and does not report on human resources through finance and accounting (Bober and Barlett, 2004; Potkany and Hitka, 2009). K.E. Sveiby (1997) tried to solve this deficiency by establishing an Intangible Asset Monitor, which takes into account 3 groups of indicators: 1) growth and recovery; 2) effectiveness; 3) stability. The indicators are based on the premise that every employee in a company primarily generates income.

The increasing pace of globalization and greater movement of capital in order to exploit labor costs and skills have placed increasing pressures on systems with high resource investment levels (Lucio et al., 2014). The aim of this pressure is to ensure the required level of human resources in a company. Therefore, they are considering company's HR management budgeted cost items as a quantitative expression of company's human resource development.

We are accepting the approach of (Green and Brainard, 2005; Bennington, 2012) for success assessment of employee development programs in companies according to the following indicators: the cost of employee replacement, costs associated with staff turnover, economic value of employee behavior, economic employee benefits related to job satisfaction and by monitoring changes in employees evaluation results, customer satisfaction assessment, results of employee engagement survey, sustainability of employees, percentage of employees promotions, changes in productivity assessment in time and staff turnover. As we summarize the theoretical knowledge, we are coming to the conclusion: there is no uniform procedure for evaluating the development effectiveness and retention. Most cited authors agree that investment in human resources will return to the employer through higher quality and better performance of employees.

Objective and methodology. The aim of the study on a multinational company is to propose such a combination of HR management processes, through which we can reach their effective use with regard to HR development and stabilization. We are quantifying the success of human resources development and stabilization processes using ROI indicator – return on investment in human resources. We are taking into

account the views of employees and managers and the dynamics of processes in HR management. To achievement this objective set we take the following steps:

1. We identify HR management processes with the highest return on investment in 2011–2015.

2. We determine which processes in HRM affected voluntary staff turnover in the period the most.

3. We identify through sociological interviewing to what extent human resources management processes contribute to employees' development and stabilization in the company.

In examining we derive from hypothesis H₀, that there is a mutual correlation between HR development and achievement of strategic business objective of stabilizing competent and talented employees. From the main hypothesis arise two sub-hypotheses:

H₁: The return on investment in human resources rate is the highest in fostering talent pool as compared to other activities on human resource development.

H₂: The highest correlation between voluntary fluctuations and investments in human resources is in the employee adaptation process.

In determining the combination of human resources development processes we assume that employees in the company perceive them as: 1) the processes contributing most to their development and stabilization in the company; 2) we select processes reaching the highest return of investment rates; 3) support the human resources development process has a positive impact on voluntary employee turnover indicator in the company.

The survey was conducted at the enterprises of a multinational company, operating worldwide in technologically demanding environment for more than 130 years already. More than 165,000 employees are working today in the divisions of equipment production and services in the technology building and facility management solutions, production of batteries and accumulators and parts for automotive manufacturing. The business strategy in the examined period is marked by expansion, after the period of economic crisis. Investments in HR development and stabilization became the basis for HRM strategy. We comprise all enterprises of this company into our examination, operating in 3 product segments – automotive industry, technological solutions for building management and batteries production. We conducted a sociological interview of 5971 employees. We received 184 correctly responded questionnaires, which makes it a 3.1% return rate. Questions allowed choosing between 5 options. In this way we have received 636 responses regarding the evaluation of HR management processes that employees considered as crucial to support their development and 591 responses concerning employee stabilization support in this company. The second survey using structured interviews was performed in 2015 with 90 experts – current and potential managers, which evaluated the fruitfulness of employee development and stabilization system and its impact on this company success. We evaluate HR management processes return on investment that mostly influences the business success using ROI (Vodak and Kucharcikova, 2007):

$$ROI = \frac{\text{Earnings after taxes} - \text{Investment in human resources}}{\text{Investment in human resources}}. \quad (1)$$

We have included into the human resources costs the acquisition and adaptation costs, gross wages, employee benefits, employees' education and development costs and other costs that fall on the employee, adjusted to changes made in the period in order to achieve comparability between all the years of the reported period. We have taken into account only resources invested in the development of specific employees without incurring work on development and stabilization of others. The results of examination are verified by structured interviews with the key employees and managers.

Research results. From HR budgets of the examined companies we have identified costs for 14 HRM processes used during the examined period, that are associated with development and stabilization of employees. For investigation purposes of the return on investment (ROI) in HR development and stabilization we assume that the change in the indicator "profit after tax" is caused only by a change of investment in human resources. We are abstracting them from investments in other processes. Development of change in net profit before tax for the observed period in EUR: 5628 (2011), 5837 (2012), 6465 (2013), 6627 (2014) and 7012 (2015). Data on the trend in the return on investment in employee development and stabilisation are in Table 1.

Table 1. Measurement of ROI in employees, authors'

No.	Investment / Cost	ROI 2011	ROI 2012	ROI 2013	ROI 2014	ROI 2015
1.	Strategic hiring	20.08	20.78	22.09	21.24	24.68
2.	On-boarding and induction	10.56	11.45	12.47	12.55	13.64
3.	E-learning	350.75	363.81	403.06	413.19	437.25
4.	Performance review	350.75	363.81	403.06	413.19	437.25
5.	Individual development plan	7.66	8.22	9.34	9.57	10.22
6.	Job shadowing	561.80	582.70	645.50	661.70	700.20
7.	Rotation plan	33.32	34.59	38.42	39.41	41.76
8.	Trainings / Mentoring / Coaching	233.50	242.21	268.38	275.13	291.17
9.	Succession planning	468.00	485.42	537.75	551.25	583.33
10.	Talent pool	937.00	971.83	1076.50	1103.50	1167.67
11.	Referral program	224.12	215.19	194.91	183.08	193.78
12.	Benefits	7.17	7.40	8.38	8.62	9.15
13.	Remuneration	-0.79	-0.78	-0.76	-0.75	-0.74
14.	Language courses	215.46	223.50	247.65	253.88	268.69

The highest returns are investments whose outcome was/is a software solution, with the minimum necessary human resources to support and maintain the processes. The adopted strategy and tactics in HR development and stabilization by support of talented employees, creation a system of substitution and succession planning has positively reflected in generated profits. In the structure of costs of human resources show out employee salaries as the greatest part of expenses. With regards to the law it is a basic working condition which must be ensured by every employer. If we separate the costs of employee salaries and examine only the processes related to targeted development and human resources stabilization, we can see a clear connection between particular investments in HR and their impact on company success achieved in terms of net profit. In terms of efficiency achieved the highest value added process-

es are managed by software solutions. The more employees are involved in HRM, the less net profit is reached by the enterprise.

It was our intention to measure the impact of investments on development and stabilization of employees on the voluntary turnover rate. Dependence of voluntary turnover to individual cost items in HRM budget have been quantified by the correlation coefficient. Relatively strong direct linear relationship is detected for the investments in search and selection of employees ($r \geq 0.79$) and investment in initial training and adaptation process ($r \geq 0.87$). Based on indepth leaving period examination of newly hired employees in different regions and companies we note that the growth of investments in the examined processes was affected by voluntary fluctuations and not vice versa. Based on the results of quantitative evaluation of employee development processes, we can confirm both H_1 and H_2 .

We verify the impact of the findings with employees' opinion through questionnaire survey to identify their views on funds spending policy on employee development and stabilization. From the respondents' answers it is clear that 53% of staff are satisfied above average and 22% are dissatisfied with their development within the company. The perception of importance of the existing employee development and stabilization processes is different from the quantification of contribution of investments in employee development (Table 2).

Table 2. Processes contributing to employee development and stabilisation the most, authors'

Processes	Development		Stabilisation	
	Score	Rank	Score	Rank
Individual development plan	108	1.	94	2.
Trainings / Mentoring / Coaching	104	2.	82	3.
Language courses	74	3.	50	4.
Performance review	60	4.	44	6.
E-learning	55	5.	23	9.
On-boarding and induction	40	6.	14	12.
Strategic hiring	36	7.	16	11.
Benefits	34	8.	100	1.
Job shadowing	32	9.	12	13.
Succession planning	24	10.	26	8.
Talent Pool	22	11.	30	7.
Referral program	16	12.	18	10.
Rotation plan	13	13.	18	10.
Remuneration	7	14.	46	5.
Other internal & external development programs	6	15.	-	-
Other (self-education, talented & experienced colleagues, teambuilding, loyalty)	5	16.	18	10.
Total	636	x	591	x

Majority of the respondents considered employee benefits to be the strongest element in their engagement. Individual development plans, trainings, mentoring, coaching at the workplace and language courses are also important for development and stabilization of employees. Remuneration is the fifth most important process affecting employees' stabilization.

Our sociological questioning covered 90 key employees at managerial positions or preparing for managerial work. The intention was to choose 5 most important processes in achieving business success and development and stabilization of competent employees. In the first phase the respondents stated as to the most important processes individual development plan (44), strategic search and selection (39), trainings, mentoring, coaching at the workplace (36), talent development (31), performance management system (30), corporate benefits (28) and succession planning (26), other factors (27.6%). For this reason we chose the second phase and offered the summary results of the first phase to same respondents. From personal meetings, individually or in a group, we have acquired the majority consensus in selection of 5 most important processes in the range of 80–100% of the responses: individual development plan; on-boarding and induction; trainings, mentoring, coaching; strategic hiring and performance review.

The results of research are a valuable source of information for top management decision-making on allocation of investments in promotion, development and retention processes. The resulting discrepancy between the return on investment, voluntary staff turnover and staff perception of the processes importance should create some space for discussion at the headquarters of transnational companies and in production units.

Conclusion and future studies. Current trends in companies' management show that managers must pay more and more attention to the potential of their employees. This reflects the rapid development of technologies and constantly increasing demands to quality of human resources. Although companies have the most advanced equipment and a huge amount of capital, without high-quality and competent workforce they are not able to fully exploit the potential of other resources and thus a large share of investments is simply bargaining away. To this is related the need for continuous development of human resources and their stabilization in the company, regardless the size or focus of the company. The research results demonstrated the need to distinguish employee development and stabilization processes which influence in a positive way and those that are preferably to be managed through decentralized actions within homogenous labor market. Experts' opinions highlighted the linking between development and stabilization of human resources and company's success. Return on investment is several times higher if maintaining is accomplished using software. In this case the centralization of processes has positive affects on efficient functioning. In development and stabilization of human resources provided by larger team mostly consisting of HR department employees, decentralization to regions with similar labor markets has positive impact to operations' efficiency. Knowing the level of centralization/decentralization, of convergence/divergence in human resource management of multinational companies opens the way for further scientific research.

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