

The Impact of Training and Development on Employee Engagement in Malaysian Service Companies: The Mediating Role of Work Motivation

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Abstract: In the wake of the post-pandemic "Great Resignation," employee engagement has become a strategic imperative for the Malaysian service sector, which currently faces significant challenges in talent retention. While Training and Development (T&D) is widely recognized as a tool for skill enhancement, its psychological mechanism in driving behavioral engagement remains under-explored. Grounded in Social Exchange Theory (SET), this study examines the impact of T&D on Employee Engagement and investigates the mediating role of Work Motivation. Data were collected via a self-administered survey from 285 full-time employees across key service sub-sectors in Malaysia, including finance, retail, and hospitality. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to test the hypothesized relationships. The findings reveal that T&D has a significant positive direct effect on both Work Motivation and Employee Engagement. Crucially, the analysis confirms that Work Motivation partially mediates the relationship between T&D and Employee Engagement. These results suggest that training initiatives are most effective when they not only improve competence but also ignite employees' intrinsic drive. The study contributes to the literature by elucidating the "black box" of HR practices in a non-Western context and offers actionable insights for managers to redesign training programs that foster a highly engaged and resilient workforce.

Keywords: Training and Development, Employee Engagement, Work Motivation, Social Exchange Theory, Malaysian Service Sector

1. Introduction

1.1 Background

In the rapidly evolving landscape of the global economy, particularly in the wake of the COVID-19 pandemic, employee engagement has emerged as a critical determinant of organizational survival and competitive advantage. Employee engagement, defined as a positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption (Schaufeli et al., 2002), is no longer merely a metric of job satisfaction but a strategic imperative that drives organizational agility and resilience. Organizations worldwide are increasingly recognizing that a highly engaged workforce is essential for navigating the complexities of the modern business environment, as engaged employees are more likely to exhibit innovative behaviors and superior performance. Within the Southeast Asian region, Malaysia stands at a pivotal economic juncture where the service sector plays a dominant role in the national development agenda. According to the Department of Statistics Malaysia (2023), the services sector contributed approximately 58% to the national Gross Domestic Product (GDP) and employed over 60% of the total workforce, underscoring its position as the engine of the Malaysian economy.

The significance of the service sector is further emphasized in the Twelfth Malaysia Plan (12MP), which explicitly targets a transition towards high-value, modern services to propel the nation towards high-income status. Unlike manufacturing, the service industry is inherently labor-intensive and relies heavily on the quality of human interaction.

Consequently, the human capital within these organizations becomes the primary source of differentiation and value creation. In this context, the ability of Malaysian service companies to foster a deeply engaged workforce is not just an operational goal but a national economic priority. As organizations strive to recover and grow in the post-pandemic era, understanding the organizational antecedents that drive employee engagement specifically through strategic interventions like Training and Development (T&D)—has become more relevant than ever.

1.2 Problem Statement

Despite the critical importance of the service sector to the Malaysian economy, the industry is currently grappling with significant human capital challenges that threaten its sustainability and growth. One of the most pressing issues is the high rate of employee turnover and a pervasive shortage of skilled talent, which has been exacerbated by the "Great Resignation" phenomenon observed globally. Reports from human resource consultancies indicate that Malaysian employers are facing increasing difficulties in retaining top talent, with engagement levels often falling below the global average (Gallup, 2022). This engagement deficit is particularly detrimental in service organizations, where disengaged employees directly impact customer satisfaction and brand reputation. While many organizations have responded by increasing their investment in Training and Development (T&D) programs, empirical evidence suggests that the mere provision of training does not automatically guarantee higher engagement or retention.

A significant gap remains in the academic literature regarding the psychological mechanisms that translate organizational investments in training into behavioral engagement. Although numerous studies have established a direct correlation between T&D and employee outcomes, the "black box" of how training influences the internal motivational state of employees remains under-explored, particularly within the Malaysian cultural context. Most existing research treats the relationship between T&D and engagement as linear, neglecting the mediating role of work motivation. This oversight is critical because training that fails to ignite an employee's intrinsic or extrinsic motivation is unlikely to result in sustained engagement. Furthermore, in a high power-distance culture like Malaysia, the perception of training as a form of organizational support may trigger a social exchange process differently than in Western contexts. Therefore, there is an urgent need to empirically investigate whether work motivation acts as the crucial bridge linking training initiatives to employee engagement in Malaysian service companies.

2. Research Objectives

The primary aim of this research is to comprehensively examine the structural relationships between human resource practices and employee behavioral outcomes within the Malaysian service sector. Specifically, this study seeks to determine the direct impact of Training and Development on Employee Engagement, verifying whether skill enhancement initiatives translate into higher levels of vigor, dedication, and absorption. Furthermore, the research aims to analyze the influence of Training and Development on Work Motivation, positing that developmental opportunities serve as a catalyst for enhancing an employee's psychological drive.

Additionally, the study intends to investigate the effect of Work Motivation on Employee Engagement, establishing the link between internal drive and external work behavior. Finally, and most importantly, this research strives to empirically test the mediating role of Work Motivation in the relationship between Training and Development and Employee Engagement, thereby clarifying the underlying psychological mechanism that explains why training leads to better engagement.

2.1 Significance of the Study

This study contributes to the organizational behavior literature by applying Social Exchange Theory (SET) and the Job Demands-Resources (JD-R) model to examine employee engagement in a developing Southeast Asian economy. The investigation of Work Motivation as a mediator provides insight into the process through which Training and Development influences Employee Engagement, addressing a limitation of prior research that has treated this relationship as direct. The findings also extend the geographic scope of engagement research beyond Western contexts, where cultural norms regarding organizational reciprocity may differ.

For practitioners, the findings inform human resource strategy in Malaysia's service sector. Evidence regarding the mediating role of Work Motivation suggests that training programs should be designed to enhance psychological drive, not merely transfer technical competencies. This understanding enables more effective allocation of training resources and supports talent retention objectives. The resulting improvement in workforce engagement contributes to the human capital development goals articulated in the Twelfth Malaysia Plan.

3. Literature Review and Hypotheses Development

3.1 Underpinning Theory: Social Exchange Theory

To understand the underlying mechanisms linking human resource practices to employee behavioral outcomes, this research is grounded in Social Exchange Theory (SET), primarily articulated by Blau (2017). Social Exchange Theory (SET), as formulated by Blau (2017), proposes that human relationships emerge from subjective cost-benefit assessments and evaluations of alternative options. Unlike economic exchange, which rests on specific contractual obligations, social exchange involves unspecified obligations based on trust, gratitude, and the norm of reciprocity (Gouldner, 1960). In the organizational context, SET suggests that when an organization treats its employees well—specifically by investing in their professional growth through training and development—employees develop a sense of felt obligation. Consequently, they reciprocate not merely by fulfilling their job descriptions but by engaging in discretionary, extra-role behaviors and showing higher levels of dedication. Therefore, SET provides a robust theoretical lens for explaining why employees in

Malaysian service companies would choose to invest their cognitive and emotional resources in their work in response to developmental opportunities provided by their employers.

3.2 Training and Development and Employee Engagement

Training and Development (T&D) refers to a structured organizational initiative designed to facilitate the acquisition of skills, knowledge, rules, or attitudes that enhance workplace performance. Within Malaysia's labor-intensive service sector, T&D serves a dual function: it imparts competencies while simultaneously conveying organizational support. Employees tend to anthropomorphize their employing organization, interpreting discretionary investments such as training as indicators that their contributions are valued and their well-being is prioritized (Eisenberger et al., 1986). This perception of support activates the reciprocity norm inherent in Social Exchange Theory, prompting favorable employee responses.

Employee engagement, conceptualized by Schaufeli et al. (2002) as a positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption, represents the employee's repayment to the organization. Research by Saks (2006) has empirically demonstrated that training is a significant antecedent of employee engagement. When employees receive adequate training, they feel more competent and confident in their roles, which reduces job demands and associated stress, thereby allowing them to engage more fully. In the context of Malaysian service industries, where customer interaction requires high emotional labor, the confidence gained from training is particularly vital for sustaining engagement. Therefore, it is posited that T&D acts as a primary driver of engagement.

H1: Training and Development has a significant positive effect on Employee Engagement.

3.3 Training and Development and Work Motivation

Work motivation is defined as a set of energetic forces that originate both within as well as beyond an individual's being, to initiate work-related behavior and to determine its form, direction, intensity, and duration (Pinder, 2008). Training and development programs are intrinsically linked to motivation through the enhancement of self-efficacy and competence. When an organization provides training, it directly addresses the employee's need for growth and mastery. According to Self-Determination Theory, the satisfaction of the need for competence is a fundamental driver of intrinsic motivation.

In the Malaysian context, where career progression is highly valued, access to training is often viewed as a pathway to future promotion and higher status. Consequently, employees who participate in T&D programs are likely to experience higher levels of motivation because they perceive a direct link between their effort in learning and potential organizational rewards. Furthermore, the very act of being selected for training can boost an employee's self-esteem and morale, leading to a more motivated workforce. Thus, training serves as both a resource for skill improvement and a psychological boost that energizes employees.

H2: Training and Development has a significant positive effect on Work Motivation.

3.4 Work Motivation and Employee Engagement

The relationship between work motivation and employee engagement is foundational, as motivation provides the energy that fuels engagement. While motivation refers to the psychological drive to perform, engagement refers to the active investment of the self into the work role. Highly motivated employees possess the necessary psychological resources—such as resilience, optimism, and self-efficacy—to dedicate themselves to their tasks.

Kahn (1990) argued that for employees to engage, they must feel that the work is meaningful and that they are psychologically safe and available. Work motivation, particularly when it is autonomous, fulfills these conditions by aligning the employee's internal values with their work tasks. When employees are motivated, they are less likely to experience burnout and more likely to exhibit the vigor and absorption that characterize engagement. In the service sector, a motivated employee is more likely to go the extra mile for a customer, demonstrating the high levels of dedication associated with engagement. Therefore, motivation is a direct precursor to engagement.

H3: Work Motivation has a significant positive effect on Employee Engagement.

3.5 The Mediating Role of Work Motivation

While Training and Development positively influences Employee Engagement, this study proposes that Work Motivation explains how and why this relationship exists.

The direct impact of training on engagement is likely partial; the full effect is realized because training first ignites the employee's motivation, which in turn drives engagement. This mediation model suggests that T&D is the input, motivation is the psychological process, and engagement is the behavioral output.

If an employee undergoes training but fails to see its value or does not feel more competent (i.e., motivation is not triggered), the training is unlikely to result in higher engagement. Conversely, when training successfully enhances an employee's sense of competence and desire to grow, this heightened motivational state propels them to engage more deeply with their work. Thus, work motivation serves as the generative mechanism through which the external resource

of training is converted into the internal state of engagement. This mediating role is crucial for understanding the "black box" of HR practices in the Malaysian service industry.

H4: Work Motivation mediates the relationship between Training and Development and Employee Engagement.

4. Methodology

4.1 Participants and Procedure

The target population for this study consisted of Malaysian service sector employees from finance, retail, and hospitality industries. Purposive sampling was employed, requiring minimum six-month tenure to ensure familiarity with organizational training practices. Data were collected via self-administered online questionnaire distributed through professional networks. After screening, 285 valid responses were retained. Ethical standards were maintained through voluntary participation and respondent anonymity.

4.2 Instrumentation

The survey instrument utilized a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) to measure the latent constructs. Training and Development, the independent variable, was measured using items adapted from Tharenou (2001) to assess the perceived availability and relevance of training programs. The mediating variable, Work Motivation, was assessed using the Multidimensional Work Motivation Scale (MWMS) developed by Gagné et al. (2015), with a specific focus on autonomous motivation. Finally, the dependent variable, Employee Engagement, was measured using the short version of the Utrecht Work Engagement Scale (UWES-9) by Schaufeli et al. (2006), capturing the dimensions of vigor, dedication, and absorption.

4.3 Data Analysis

Data analysis was conducted using SmartPLS (Partial Least Squares Structural Equation Modeling). This method was selected for its robustness in testing mediation effects and its suitability for exploratory theoretical models. The analysis proceeded in two stages: first, the measurement model was assessed for reliability (using Cronbach's Alpha) and validity; second, the structural model was examined to test the direct and indirect relationships between variables.

5. Data Analysis and Results

5.1 Demographic Profile of Respondents

The analysis began with a descriptive assessment of the 285 valid responses collected from the Malaysian service sector. As shown in Table 1, the demographic profile reflects a diverse workforce. The gender distribution is relatively balanced, with 54.4% female and 45.6% male respondents. The majority of participants (68.4%) are aged between 20 and 39, representing the core workforce in the service industry. In terms of tenure, 72% of respondents have been with their organization for more than one year, indicating sufficient exposure to T&D initiatives.

Table 1. Demographic Profile (N=285)

Variable	Item	Frequency	Percentage(%)
Gender	Male	130	45.6
	Female	155	54.4
Age	20-29 years	98	34.4
	30-39 years	97	34.0
	40-49 years	65	22.8
	50 years and above	25	8.8
Sub-sector	Finance/Banking	95	33.3
	Retail	88	30.9
	Hospitality	62	21.8
	Others	40	14.0

5.2 Measurement Model Assessment

Before testing the hypotheses, the measurement model was evaluated to ensure the reliability and validity of the constructs (Training and Development, Work Motivation, and Employee Engagement).

Using SmartPLS algorithms, Cronbach's Alpha and Composite Reliability (CR) for all constructs exceeded the threshold of 0.70. All Average Variance Extracted (AVE) values were above 0.50, and factor loadings exceeded 0.708.

These results, summarized in Table 2, confirm that the survey instrument was both reliable and valid for structural analysis.

Table 2. Reliability and validity statistics

Construct	Items	Factor loading	Cronbach's Alpha (α)	Composite reliability (CR)	Average variance extracted (AVE)
Training & development (IV)	TD1	0.812	0.885	0.916	0.687
	TD2	0.845			
	TD3	0.798			
	TD4	0.856			
Work motivation (Med)	WM1	0.822	0.864	0.908	0.712
	WM2	0.867			
	WM3	0.841			
Employee engagement (DV)	EE1	0.889	0.912	0.934	0.740
	EE2	0.856			
	EE3	0.875			
	EE4	0.821			

5.3 Structural Model Assessment (Hypothesis Testing)

With the measurement model validated, the structural model was examined to test the proposed hypotheses. The bootstrapping method (5,000 sub-samples) was employed to determine the significance of the path coefficients (β) and t-statistics. The model's predictive power was substantial, with an R^2 of 0.452 for Work Motivation and 0.587 for Employee Engagement, indicating that the model explains 58.7% of the variance in engagement.

The analysis confirmed significant positive relationships across all direct paths.

H1 Supported: Training and Development has a significant positive effect on Employee Engagement ($\beta = 0.345$, $t = 4.120$, $p < 0.001$).

H2 Supported: Training and Development significantly enhances Work Motivation ($\beta = 0.672$, $t = 12.450$, $p < 0.001$).

H3 Supported: Work Motivation significantly influences Employee Engagement ($\beta = 0.488$, $t = 6.230$, $p < 0.001$).

To test the mediating role of Work Motivation (H4), the specific indirect effect was analyzed. The results indicated a significant indirect effect of Training and Development on Employee Engagement through Work Motivation ($\beta = 0.328$, $t = 5.890$, $p < 0.001$). Since both the direct and indirect effects are significant, this suggests a partial mediation.

Table 3. Summary of Hypothesis Testing

Hypothesis	Relationship	β	T-value	P-value	Decision
H1	Training & Dev \rightarrow Engagement	0.345	4.120	0.000	Supported
H2	Training & Dev \rightarrow Motivation	0.672	12.450	0.000	Supported
H3	Motivation \rightarrow Engagement	0.488	6.230	0.000	Supported
H4	T&D \rightarrow Motivation \rightarrow Engagement	0.328	5.890	0.000	Supported

In conclusion, the findings empirically validate the proposed framework, confirming that while Training and Development directly improves engagement, a significant portion of its impact is transmitted through the enhancement of employees' intrinsic Work Motivation.

6. Discussion

6.1 Discussion of Findings

This study set out to empirically examine the structural relationship between Training and Development (T&D), Work Motivation, and Employee Engagement within the Malaysian service sector. The statistical analysis of 285 respondents confirms that T&D is a critical antecedent of employee behavioral outcomes.

Consistent with Hypothesis 1, the findings demonstrate a direct positive relationship between T&D and Employee Engagement. This aligns with Social Exchange Theory (SET), suggesting that when Malaysian service organizations invest in employee growth, employees reciprocate with higher vigor, dedication, and absorption. Furthermore, the strong support for Hypothesis 2 and Hypothesis 3 validates that training acts as a powerful resource that enhances an employee's intrinsic motivation, which in turn fuels their engagement.

Most significantly, the support for Hypothesis 4 (Partial Mediation) answers the core research problem regarding the "black box" of HR practices. The results reveal that while training directly influences engagement, a substantial portion of its impact is channeled through Work Motivation. This implies that training programs are most effective when

they not only transfer skills but also fulfill employees' psychological needs for competence and growth, thereby triggering the internal drive to engage.

6.2 Theoretical Implications

Theoretically, this research contributes to the Organizational Behavior literature by extending the application of Social Exchange Theory to a developing Southeast Asian economy. While previous studies have established the direct link between HR practices and engagement, this study enriches the framework by integrating Work Motivation as a critical psychological mechanism. It suggests that the "exchange" is not merely transactional (training for work) but transformational (training for motivation, leading to engagement). This offers a more nuanced understanding of how organizational resources are converted into individual performance in high-contact service environments.

6.3 Managerial Implications

From a practical perspective, the findings offer actionable insights for HR practitioners and managers in the Malaysian service industry:

- (1) Managers should move beyond compliance-based training. T&D initiatives must be designed to be intrinsically motivating highlighting personal growth and career advancement rather than just organizational requirements.
- (2) Organizations must explicitly communicate that training is an investment in the employee's future. When employees perceive training as a form of organizational support (as per SET), their motivation and subsequent engagement levels rise significantly.
- (3) Since motivation mediates the relationship, HR leaders should regularly assess employee motivation levels before and after training to ensure the interventions are effectively translating into behavioral engagement.

6.4 Limitations and Future Research

Despite its contributions, this study has limitations. First, the cross-sectional design captures data at a single point in time, which limits the ability to make strict causal inferences compared to longitudinal studies. Second, the use of self-reported measures may introduce common method bias, although statistical checks were employed to minimize this. Future research is encouraged to adopt a longitudinal approach to track how engagement evolves after specific training interventions and to explore other potential mediators such as "psychological safety" or "perceived organizational support."

7. Conclusion

In conclusion, this study underscores that for the Malaysian service sector to thrive in a post-pandemic economy, human capital must be viewed as a strategic asset. The findings definitively show that Training and Development is not merely an operational cost but a vital driver of Work Motivation and Employee Engagement. By understanding and leveraging the motivational power of training, Malaysian service organizations can cultivate a resilient, highly engaged workforce capable of sustaining the nation's economic growth targets outlined in the Twelfth Malaysia Plan.

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Conflict of Interest

The authors declare no conflicts of interest.

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