

Employee Retention of Pharmaceutical Firms in Indonesia: Taking Investment in Employee Development and Social and Economic Exchange as Predictors

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ABSTRACT

In Indonesia, the role of employee retention has been enhancing day by day especially in the pharmaceutical firms; therefore, there is a need to make investment in the development of the employee to increase the firm's productivity. The main motive of the following research is to indicate the impact of perceived investment in employee development on employee retention whereas the social and economic exchange play a great role as mediating variables in the employee retention of the pharmaceutical firms in Indonesia. The data in the following research has been gathered through the 316 frontline employees of various pharmaceutical firms. The collected data has been analyzed through many tests and techniques including SEM and CFA that are majorly applied with the help of SPSS and AMOS. Moreover, the overall summary of the results showed that the entire formed hypothesis had been accepted. It means that the perceived investment made in employee development has a positive impact on employee retention.

Additionally, the novelty of the research study is also important which indicates that investment in employee development could be an informational resource for the organization in improving the working attitudes of their employees and increasing the profitability of the company. The following research study also has various implications as it has provided directions to the pharmaceutical companies to improve the working attitudes and productivity level of their employees.

Keywords: Employee development, employee retention, social exchange, economic exchange

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INTRODUCTION

Retention of employees in the organizations is an important parameter of assessing success of any organization (Aguenza & Som, 2018). Industrial sector has been moving towards globalization and that change the behavior of employees towards their organizations (Khandelwal & Shekhawat, 2018). Thus, the firms have to retain the educated and talented employees in their firms during the time of high turnover rate (Anitha, 2016). Employee engagement only is not sufficient for the satisfaction of employees, companies have to maintain

their performance and better outcomes to retain their talented employees (Papa, Dezi, Gregori, Mueller, & Miglietta, 2018). There are other motivational factors that impact the perception of the employees about the organization and the decision to either remain in that particular firm (Goldstein, Goldstein, Pulakos, Passmore, & Semedo, 2017). The important factors include recognition, career development, job characteristics and efficient management. But the most important ones are the development of employees and social and economic exchange practices (Tanwar & Prasad, 2016).

TABLE 1. The turnover rate during 2015-2017 in Indonesia pharmaceutical sector

Year	Rate
2015	7.5%
2016	6.9%
2017	6.3%

The motivation of employees and good attitude towards the organization or other employees has been explained by the "social exchange theory" (Stafford, 2017). The relationship between the organization and the employees determine the job satisfaction and working performance of the employees (Madanoglu, 2018). The role of organizational training is very important for the performance of employees and provide better outcomes. This encounters the social exchange perceptions of employees. Social exchange provides employees with the trustful, long term and reciprocal relationship with the organization (Bianchi, Casnici, & Squazzoni, 2016). On the other hand, the economic exchange involves the financial transactions and interactions between the parties and it is also not for a long run (Jung & Takeuchi, 2019). In economic exchange, the organizations award the employees financially for the better performance they show in their job responsibilities and duties. Both social and economic exchange phenomenon improves the show of employees and also increase their job satisfaction and as a result the

employees make effective commitment with the organization (Buch, Kuvaas, & Dysvik, 2019). Organizations also invest in the employee development programs, through which they provide necessary training and education to their workers (Jaiswal, 2016). This is an important factor for the retention of workers in an organization because it will enable them to learn along with gaining experience by working in the firms (Chaudhary & Bhaskar, 2016). Employee development programs have been known to increase the job satisfaction of employees and increases their loyalty and trustfulness in the firms (Dachner, Ellingson, Noe, & Saxton, 2019). These programs not only increases job satisfaction of employees but also improves their skills and work performance. Thus, it is also an important factor for predicting employee's behavior and loyalty towards the organization (Chen, Genchev, Willis, & Griffis, 2019).

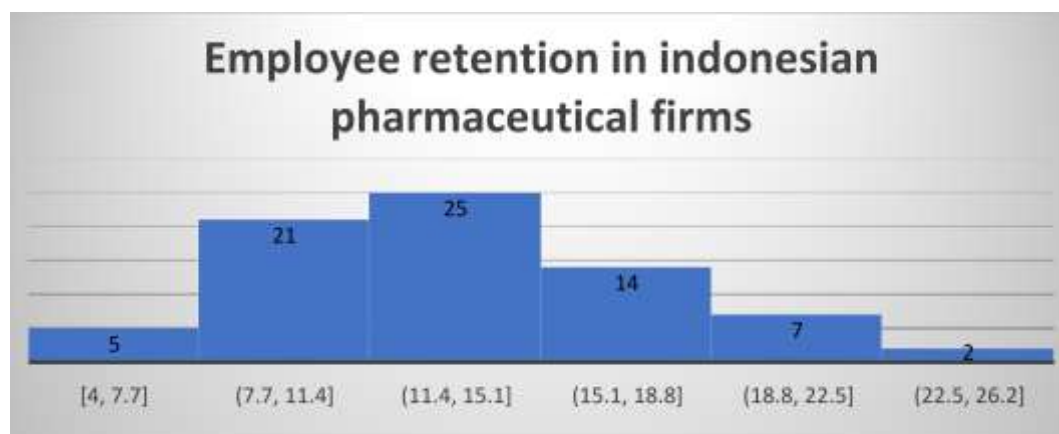


Figure 1: Employee retention in Indonesian pharmaceutical firms

The available literature in the social exchange programs provide effective information for the impacts on the employee satisfaction, but there is not much theoretical information present on the economic exchange programs and their impact on the workers satisfaction and retention. Moreover, past studies lack the information regarding the impact of economic exchange and “employee development programs” on the job satisfaction and performance of employees and how these factors can predict the retention of employees in the organizations. The available information in literature, could not be directly used by the firms in a practical way. Thus, the need to study these aspects increases.

The research study will provide empirical evidence for the understanding of employee behavior and perception about the organization and the prediction of employee retention through investments in the employee development, “social exchange and economic exchange programs”. The findings of research will also be helpful for the pharmaceutical industries and also for other industries in understanding the employee behaviors and the ways to retain potential employees in their firms. The results of the study will also be of theoretical importance, as they will fill the literature gap in the selected topic and provide scientific information regarding the employee satisfaction through different means. Moreover, the research study will also provide efficient material for the future studies and research works.

Following are the research objectives for the study:

- 1- To investigate the impact of employee development programs on the retention of employees of the pharmaceutical companies of Indonesia.
- 2- To investigate the impact of social exchange programs on the retention of employees of the pharmaceutical companies of Indonesia.
- 3- To investigate the impact of economic exchange programs on the retention of employees of the pharmaceutical companies of Indonesia.

Details about the research methodology and results will be explained in next chapters. Chapter two will describe the literature review about the selected topics. Chapter three will explain the research methodology, sampling techniques and data collection methods used for the conducted study. Furthermore, the chapter four will provide the results of the data analysis and the last chapter will conclude the dissertation and also provide the study limitations and prospect for further research.

Literature Review and Theoretical Background

An organization’s actual asset is their employees and it is always on the lookout to create an environment in which the employee and ultimately the organization prospers and attains global competitive edge (Cropanzano, Anthony, Daniels, & Hall, 2017; Jose & Mampilly, 2012). An organization’s actual investment in its human capital is effective as long as the employees understand that it is their organization investing in them and wants to see clear results, the clear method of attaining employee development uniformly hasn’t been devised as of yet (Birtch, Chiang, & Van Esch, 2016). This relationship of employee investment, development, growth and ultimately retention can be understood by incorporating the social exchange theory (Ekeh, 1974).

The social exchange theory presumes that all entities in the environment are part of a defined social structure. When one individual or entity makes an effort for another, a contract of social exchange takes form. In order to settle this exchange the receiving entity, party or individual has to reciprocate activities based on the same level (P. Blau, 2017; P. M. Blau, 1968). The social exchange theory assumes that distinct training procedures and investments will pave the path for and influence employees’ behaviors and outcomes. It isn’t necessary that employees get drawn in the social contract every time, sometimes the orientation of individuals is quite different (Barbalet, 2017; P. Blau, 2017). Particularly due to the reason employers and academicians have placed a huge amount of interest and acknowledgement on only the social or relational perspective of the SET (Barbalet, 2017; Madanoglu, 2018). There are namely two types of exchanges that can influence employee outcomes i.e. Social and economic exchange (Jiwen Song, Tsui, & Law, 2009). Economic exchange is the state in which exchanges or transactions are incurred between distinct parties but the association isn’t presumed to be lengthy or continuous but focuses solely on the financial aspect of the interaction (Jung & Takeuchi, 2019). The economic exchange is somewhat different from the social exchange which integrates trust-based and long-term associations in between employees and organizations that are governed by the aspect of reciprocity (Jose & Mampilly, 2012). The SET posits that the reason or rationale behind any exchange relationship can be explained on the basis of either economic or societal (social) exchange principles (Ng, 2016). These exchanges not only govern the orientation and interest of employees but also communicates the types of outcomes employees will produce (Jung & Takeuchi, 2019). Whatever

the orientation of employees is –economic or social- it can be used to utilize this facet of employee culture and used as motivators to inspire performance and steady results (Newman, Cooper, Holland, Miao, & Teicher, 2019).

Perceived Investment in Employee Development and Employee Retention

The social exchange theory is a perfect framework for understanding the relationships between organizations and its employees. SET can explain the organizational commitment and loyalty behaviors as well as the reasons why employees indulge in committed behavior in the absence of any personal gain expectations or any law-based enforcement (Cropanzano et al., 2017). Positive actions that hold benefits for the employees from the organization create conditions for the employees to reciprocate positively.

The most valued asset of an organization are its employees and they need proper support system from the organization so that they can flourish and develop their skills to the maximum degree (Tiwari, 2017). Employees need proper development opportunities like appraisals, career progression opportunities and healthy interpersonal relationships. Inadequate and inappropriate development efforts make the employees feel unimportant and they tend to leave the organizations and show switching behaviors, negatively affecting the organization's performance goals and their own development cycle as well (Childs, Weidman, Farnsworth, & Christofferson, 2017; Dysvik, 2016; Sani, Yozgat, & Çakarel, 2016; Zaitouni, 2016). Nelissen, Forrier, and Verbruggen (2017) mentioned in their research that it is important that each member of an organization understands their role and fulfills it effectively for developing positivity towards employee responsibility and development. Moreover, the development strategies deployed at an organization were found in research to exert an effect over the intention of the employee to leave an organization or to continue working with it (Al Mamun & Hasan, 2017).

The perceived investment in employee development (PIED) is the assessment that an employee makes about the level of commitment that the organization shows towards investing in the development of the employees (Dysvik, 2016). The personal growth of the employees and the professional betterment of skills and abilities is not only beneficial for the employees, but in fact helps in the gaining of the organization's economic and financial goals due to increased work ability of its workforce (Jung & Takeuchi, 2019). Learning to identify and develop new skills and polishing the competencies of the employees is therefore, equally beneficial on individual and organizational levels. According to the listed literature and the social exchange theory, putting an investment in the development of employees is antecedent for effectiveness and efficiency on organizational level because it positively helps the employees in recognition of new job skills and requirements and affects the level of commitment and motivation for the achievement of organizational goals in them. Employee development research rests on the idea that perceived investment in employee development generates enabling conditions for generation of belief that the organization is invested in creating value for their contributions and care about the levels of their employability skills. The perceived investment in employee development is therefore, thought to make employees more obligated towards the organization, and increases the levels of work motivation. Moreover, it can be deduced that the organization that is

invested in development of its employees on personal and professional levels will show better ratio of retaining its employees. The following hypothesis is therefore generated.

H1: There is a significant relationship between employee retention and perceived investment in employee development.

The Mediating Effect of Social Exchange

The social exchange theory introduced by P. M. Blau (1968) has been used in various situations to explain the motivators that shape the attitudes and behaviors of individuals and also govern the context of relationships. Afterwards extensive work done by various researchers explained the affinity and applicability of this concept and its constraints in the organizational setting (Barbalet, 2017; Birtch et al., 2016; Sani et al., 2016). Consequently, there are two main types of drivers that cat as motivators and govern the behavior of individuals; economic and social exchanges. The employee-employer, employee-organization relationships can be understood better when the concept of social and economic exchange is brought into light. Social exchanges are constituted on trust in the party that initiates the social contract. The social exchange theory proposes that whenever some transaction is to take place, a social contract is formed between the concerned parties (Huang et al., 2016). These types of contracts or exchanges are governed by either emotional or motivational perspectives or by a purely financial one. If the socio-motivational and socio-emotional resources are generating the exchange contract, a deep sense of trust and vitality is communicated and a relational exchange is being sought out. In similar sense the investments made on the developmental activities of the human resources cannot always be perceived as the transference of economic resources. The socio-emotional resources of trust and long-term resource and association orientation can be utilized as the motivation to reciprocate the activities by organization and influence focused performance specific behavior as the base of social exchange perceptions. The particular investments made for the development of HR, training, career development, appraisal, growth opportunities, represents the trust of the organization in its employees because neither there is an expectation of payback nor there is an expectations of guaranteed or absolute results. In simple words the investments made by organizations in the developmental activities of employee's showcases the firm's trust and valuation of its human capital (Jung & Takeuchi, 2019). Therefore, HR investments conceives the notion of social exchanges and represents the key features of a social exchange; long-term relationships, trust and investments for future development. previous empirical studies have pointed out that developmental HR practices, managerial and skill training, career success oriented developmental programs have been associated positively with social exchanges (Birtch et al., 2016). Therefore, we propose that an organization's inclination towards employee development investments will relate positively with employee's social exchange discernments. Feelings of respect and trust will take root that lead towards commitment and ultimately employee turnover is reduced or retention is increased.

H2: There is a significant mediating effect of social exchanges on the relationship between employee retention and perceived investment in employee development.

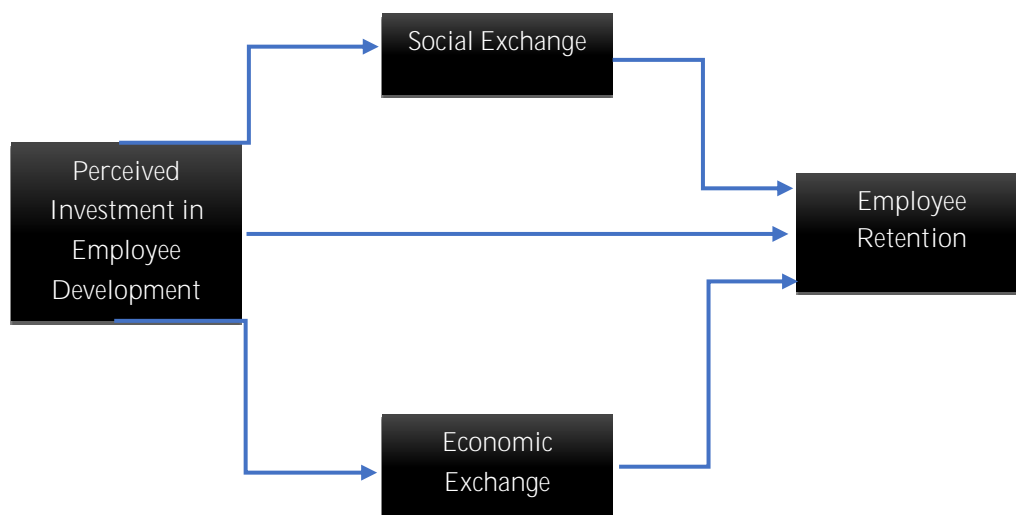
The Mediating Effect of Economic Exchange

Economic exchanges are characterized by impersonal and financial proceedings governed by short-term relationships. According to the literature available on the exchange theory economic exchange is epitomized by four key relational patterns: objective distrust, financial, short-term and investment (Madanoglu, 2018). First, the economic exchange aspect of the exchange theory demonstrates an objective relationship governed by distrust. The objective relationship between employee and employer, legal and procedural approvals of sanctions to be put in course on the failure to uphold or satisfy agreement creates the feelings of distrust. These sanctions can be in the form of loss of employment, diminished rewards or tarnished relational association. In opposition to such conflicting treatments, the organization's investment in developmental activities can be regarded as a sign of reconstruction of trust in employees, thus helping to navigate through the feelings of distrust and avoiding the creation of objective and impersonal relationships between employee and employer. Second, investment isn't an aspect of the economic exchange. In actuality investment in developmental activities is entwined with trust in the continuation of exchange relationship between employer and

employee. The impediment of associative risk of investments doesn't work in the organizational economic exchange beliefs. Third the economic exchange is of a specified short duration with focus only on the financial or monetary benefits. On the basis of the expectations derived about the exchange duration, the employer and employee enter into an exchange contract on the basis of **monetary incentives granted for employee's** task outcomes rather than offering investment in training and developmental activities. The economic exchange conceptualizes and stresses upon the tangible and material aspects of an exchange. A set of material obligations and compensations are set for the fulfilment of employee duties (Madanoglu, 2018). Training and developmental activities by nature do not include any sort of direct monetary exchange of **resources, thus decreasing the employee's economic exchange** perceptions with the organization (Jung & Takeuchi, 2019). Therefore the four defining characteristics of an economic exchange, the PIED has been found to have negative associations with the dimensions of economic exchange. However monetary benefits offered and structured for an economic exchange can be used to increase the job performance of employees.

H3: There is a significant mediating effect of economic exchange on the association between PIED and employee retention.

Research Model



METHODOLOGY

Sample and data collection

In this study the researcher studied the effects of mediator variables i.e. social exchange and economic exchange on the outcome variable i.e. employee retention. Due to the fact that the independent variable was 'perceived investment in employee development', the participants of the present study were chosen to be employees of those Indonesian pharmaceutical companies that had developed HR (human resource) departments within their system. The researcher approached three of such companies located in Indonesia i.e. PT. Servier, PT. Daewoong Pharmaceutical Company and PT.

Takeda. The researcher took these companies' consent for surveying their employees beforehand. The participants were contacted via email. By using non-probability convenience sampling, the researcher chose participants on the basis of their compliance and high regard for taking a part in the survey. The sample of the participants (350) received the three questionnaires having a three-month gap between them. The email also provided with detailed instructions and purpose of the study through email. Prior to that, a group of assistant researchers did sample tests and any ambiguity was eradicated. After receiving the sample data, the researcher discarded the responses that were incomplete. As these

affecting variables require a certain period for producing the output i.e. difference in development over time, hence to obtain the data from the participants, the study made use of time-lagged survey design. This design assisted the researcher in avoiding a false internal consistency and avoiding association between the variables that may cause CMV (common method variance). This was done by measuring concerned the variables at different periods in time as suggested by Podsakoff et al. in a study conducted in 2003. As suggested by Mathieu et al. (2008), the variable i.e. 'perceived investment in employee development' was measured by the researcher. Then following that, with a time gap of 3 months, the variables i.e. social and economic change were measured followed by another 3 month break after which the output i.e. employee retention was measured.

Measures

The survey instrument used by the researcher was a 7-point Likert scale with opposite ranges of agreement on the polar opposite of the scale (strongly agree to strongly disagree). The first independent variable Perceived investment in employee development was measured with a scale that was adopted from a study conducted by Lee and Bruvold in 2003. This variable was measured with a nine-item scale, the reliability of which was accounted in a recent study that was carried out in 2012 by Dysvik and Kuvaas in which alpha value measured for internal consistency was that of 0.91. To measure the first and second mediator variables i.e. social exchange economic exchange the researcher made use of scales adapted from a study conducted in 2006 by Shore et al. The adapted measure tools were two 8-item scales. Cronbach alpha of 0.86 was reported regarding the reliability of the scale measuring social exchange, which is consistent with the reliability of scale suggested by Shore et al in his studies conducted in 2006 and 2009. Regarding the reliability of the scale used in measuring economic exchange, Shore et al reported Cronbach alpha of 0.79 for that scale in 2009, which is inconsistent with the factor loading of 0.82 reported by the researcher in the present study.

Descriptive statistics

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
PIEmpDev	316	1.00	6.33	3.3481	1.06691	-.224	.137
Social	316	1.00	5.00	3.4362	1.10261	-.552	.137
EcoEx	316	1.00	5.00	3.5597	1.08537	-.851	.137
EmpRetn	316	1.00	5.00	3.5090	1.15029	-.700	.137
Valid N (listwise)	316						

The table 1 above is showing the descriptive details of the study, there is a complete summary about the explanations of the variables, the descriptive coefficients are being shown in the above table. The data given in the table is a representation of the whole population in the form of a sample. It can be seen through the data that no outlier is present in it, because the

Employee retention was measured via adopted scale from a study carried out by Lee and Bruvold in 2003. The scale used 3 items for the measurement of the concerned variable. The variable was calculated for its reliability i.e. its internal consistency value was greater than 0.7.

Analytical procedure instruments

In this study, the data was analyzed through two software named AMOS and SPSS. The analyses were helpful in determining the validity and reliability of the acquired data. Moreover, the tests and analyses that were run under AMOS were model fitness test, test for structure equation modeling, and confirmatory factor analysis. The data was run through other analyses under SPSS that included descriptive analysis, reliability analysis and factor analysis. Any mistake in the data entry etc was undermined by these analyses and the results regarding the concerned variables were determined.

Data analysis and interpretation

Demographic details

The study is having few objectives to fulfil, the very first aim of this research is to know about the impact of "perceived investment" in employee development on "employee retention". The core motive of this study is to know the mediating impact of social exchange between "perceived investment" in employee development on employee retention and the mediating role of economic exchange between perceived investments in employee development on employee retention. The study acquired a total sample of 316 individuals, out of which 165 were males and 151 were females. The percentage of males was greater than the females in sample. Out of 316 individuals, 38 were graduates, 137 had post-graduation degree, 105 had master's degree and 36 had some other degree. Out of 316 individuals, 77 were between 21 to 30 years of age, 93 were between 31 to 40 years of age, 97 were between 41 to 50 years of age and 49 were above 50 years of age.

maximum values and the minimum values lie exactly in the threshold range of the 5-point Likert scale. The values for skewness are present between -1 to +1 and so it can be observed that it is present in the threshold range. The given data is proved to be normal and valid and can be proceeded for further testing.

Factor Loading and Convergent Validity

Table 3: Factor Loading and Convergent Validity

	1	2	3	4	CR	AVE
ED1	.823				0.939	0.638
ED2	.747					

ED3	.796			
ED4	.744			
ED5	.823			
ED6	.826			
ED7	.761			
ED8	.809			
ED9	.744			
SO1	.809		0.969	0.796
SO2	.844			
SO3	.842			
SO4	.836			
SO5	.840			
SO6	.864			
SO7	.829			
SO8	.792			
EE1	.676		0.958	0.743
EE2	.771			
EE3	.832			
EE4	.844			
EE5	.831			
EE6	.828			
EE7	.828			
EE8	.843			
ER1		.837	0.941	0.798
ER2		.861		
ER3		.871		
ER4		.859		

The above table 2 is showing the factor loading and the discriminant validity of the given variables. All the factor loadings are more than 0.7, which depicts that all of the indicators are reliable and also eligible for further testing and

analysis. All of the factors are in a normal threshold level and all of the factors are in a valid order and range as well. This data is perfect for further testing and analysis, data is reliable.

Discriminant validity

TABLE 3. Discriminant Validity

	EE	ED	SO	ER
EE	0.862			
ED	0.502	0.798		
SO	0.497	0.601	0.892	
ER	0.587	0.315	0.369	0.893

The convergent and discriminant validity results are available in this table. According to these results, the value of convergent validity is greater than 70% and that of AVE for measuring the discriminant validity is more than 50%. These

values are indicating that the variables are very different from one another and are discriminated properly. All of the variables have maximum loading with itself as compared with other, so collected data is authentic.

Confirmatory Factors Analysis and KMO

TABLE 4. Confirmatory Factors Analysis and KMO

CFA Indicators	CMIN/DF	GFI	IFI	CFI	RMSEA	KMO
Threshold Value	≤ 3	≥ 0.80	≥ 0.90	≥ 0.90	≤ 0.08	0.6 –
Observed Value	2.752	0.822	0.949	0.949	0.075	0.926

The table 4 is showing results for confirmatory factor analysis and KMO, the table is showing that CMIN is less than the threshold 3, GFI is more than the appropriate range 0.80, CFI is more than normal given threshold range 0.90, IFI is more

than given range 0.90, and RMSEA appropriate range is less than 0.08. All of the results showed that the data is in valid range and is good to go for further testing. Following is the screen shot of CFA in figure one.

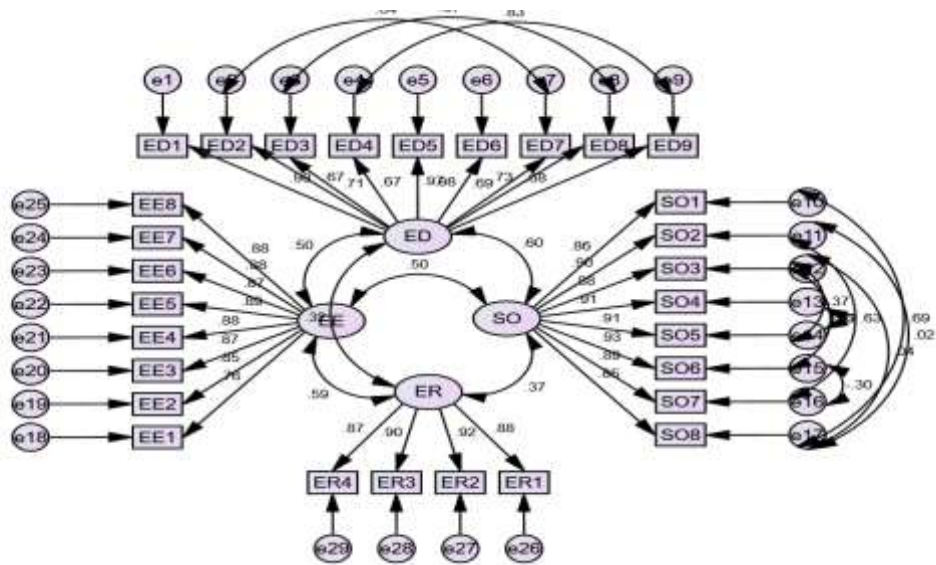


Figure 1: CFA

SEM

TABLE 5. Structural Equation Modeling

Hypothesis	B-Value	SE	P-Value	Decision
ED→ER	.203	.059	.000	Accepted
ED→SO→ER	.186	.051	.000	Accepted
ED→EX→ER	.379	.054	.000	Accepted

The table 5 above is showing the relationships among the different variables, it can be seen that the value of significance for relationship between ED and ER that is significant because the P-value is less than 0.05. The mediating role of SO between ED and ER is significant due to its less p-value than 0.05. The mediating effect of EX between ED and ER is also

significant. This table depicts that ER will increase by 20.3% with one percent increase in ED. Along with this, SO and EX are having the mediating roles with effect values 18.6% and 37.9% respectively between ED and ER. Screenshot of the SEM is given below;

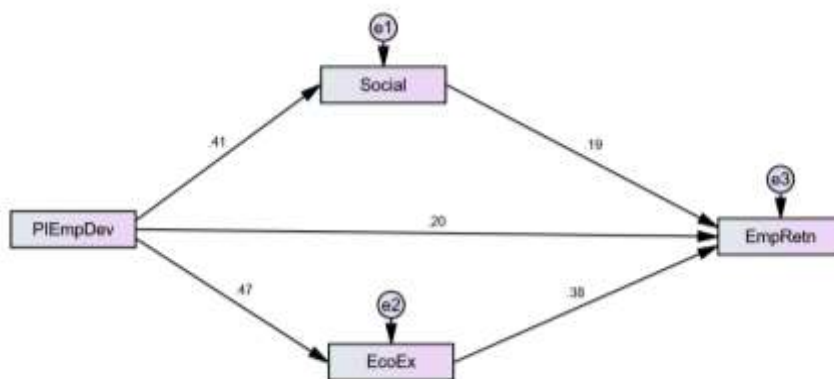


Figure 2: SEM

DISCUSSION AND CONCLUSIONS
DISCUSSION

The study is having few objectives to fulfil, the very first aim of this study is to know about the impact of “perceived investment in employee development” on “employee retention”. The motive of this study is to know the mediating impact of social exchange between “perceived investment in employee development” on “employee retention” and the mediating role of “economic exchange” between “perceived investment in employee development” on “employee

retention”. Current study generated different hypothesis the very first hypothesis was that “ED has a significant impact on ER”. This hypothesis was accepted based on the study of (Dirgeyasa & Ansari, 2015). Next hypothesis developed by the study was “the relation of SO between ED and ER is significant” and this was accepted as well based on the study of (Kis-Katos & Sparrow, 2015). Next hypothesis was “the impact of EX is significant between ED and ER. This hypothesis is accepted as per the less p-value form 0.05 and based on the study of (Rentschler & Kornejew, 2018).

CONCLUSION

The following research has significant importance due to its implications. However, the main aim of the study is to understand the impact of perceived investment in employee development on employee retention within the mediating variables such as a social and economic exchange. In the following research study, we collected data from the corporate employees of the pharmaceutical firms in which we selected about 165 males and 151 females. The total sample population from which the data was selected is 316. In order to evaluate the results, we applied different tests in the research study. It has been concluded through the results that there is a significant relationship between employee development and employee retention. The following relationship shows that pharmaceutical companies have specific knowledge or skills through which they can retain the employees and as well as help in their development process which is a great benefit to the company itself. Similarly, there is a positive impact on employee development on both employee retention and social exchange. It means that pharmaceutical companies can prepare the employees to maximize their benefits and minimize their costs. In this case, the social exchange theory also explains that the working attitudes of the employees are improved due to the perceived investment in employee development. Likewise, there is a positive impact of the investment in employee development on employee retention and economic exchange, which means that pharmaceutical companies can easily be benefited due to the transaction of the goods from the provider for a return of relative value. It also indicates that managers of the company should focus on the investment planning of employee development to increase their profitability and productivity.

Policy implications

This research has provided the crucial mediating roles of social exchange and economic exchange. The variables used in this research have given benefits to the pharmaceutical firms of Indonesia. The provided workers would realize the training investment as the side of employers of social exchange. This, in turn, chief to job satisfaction and enhanced affecting obligation. The study has provided the negative mediating role of economic exchange and the positive mediating role of social exchange. The employees should show less economic exchange and more social exchange. This research has implied that the investment of pharmaceutical firms of Indonesia in employee development has played a crucial role in improving the abilities of employees in work after enhancing the social exchange and decreasing the economic exchange. This implication has resulted in an increase in the performance of employees and the performance of pharmaceutical firms in Indonesia. This research has given the new concept of finding the mechanism by which employee satisfaction and commitment increase.

Limitations

Every research has several limitations, and this research also has a few limitations. The first limitation of this research is that this research has given just two mediating variables such as social exchange and economic exchange. There should be more mediating variables in order to analyze the indirect impact and identify the change. The second limitation is the lack of variables; there should be more variables that enhance

the performance of both employee and pharmaceutical firms of Indonesia. The last implication is the lack of sample size: the current study has a small sample size which should be enhanced in future studies in order to get the responses in a detailed way.

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