Critical HR Retention Strategies: A Proposed Model

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Abstract

Purpose – The purpose of this paper is to develop a conceptual framework on strategies in retaining employees in an organization.

Design / Methodology /Approach – This paper discusses extensively on the Human Resources management (HRM) practices that have possible impact on employees turnover intention by citing several previous studies from Asian and western countries.

Findings – Based on the review, it is found that all HRM practices such as compensation management, training, career development and performance management are related to employee turnover intention. These practices will enable organizations to improve job commitment and reduce tendency of employees leaving the organization. The research findings are very similar in Asian and western countries.

Research Limitation – The paper is limited to review of literature and proposed model should be empirically tested comparatively in various industries / sectors.

Practical Implication – All four HRM practices that have been reviewed in this paper should be implemented in workplace.

Originality / Value – The paper looks at the importance of HRM practices as a strategy which is often neglected for reducing turnover rate of employees.

Keywords – Turnover intention, career development, performance management, compensation, human resource management, organization.

Paper Type – Review Paper

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1.0   Introduction

Turnover is defined as the individual movement across the membership boundary of an organization (Price, 2001; Thwala et al., 2012). Interestingly unlike actual turnover, turnover intent is not explicit. Intentions are a statement about a specific behaviour of interest (Berndt, 1981). Studies have shown that turnover is one of the most researched phenomena in organizational behaviour (Price, 2001). The broad range of turnover studies is indicative of the significance and complexity of the issue. The phenomenon attracts interest due to its psychological dimension, its organizational significance, and its economic dimension. Thus it is imperative for HRM managers to understand that there are several factors inherent to counter staff intentions or turnover. One theory specifies that employees' decision to resign is influenced by two factors: their "perceived ease of movement", which refers to the assessment of perceived alternatives or opportunity and "perceived desirability of movement", which is influenced for instance by job satisfaction (Morrell et al., 2004; Abdullah et al., 2012). This describes how balance is struck both for the organization and its employees in terms of inducements, such as pay, and contributions, such as work, which ensures continued organizational efficiency. In general, when inducements are increased by the company, this will lower the tendency of the worker to leave and vice versa (Morrell et al., 2004). At the same time, managers should also be aware that of the question whether the decision to leave could have been prevented by the organization. This is important for the planning of interventions. It would be realistic to manage this turnover as unavoidable rather than spend on theorized preventive measures, such as increasing pay. These losses of employees can also be described as "necessary causalities" (Morrell et al., 2004).

The impact of Human Resource Mismanagement can have a profound negative effect on the Organization. The expectancy theory predicts that one level's of motivation depends on the attractiveness of the rewards sought and the probability of obtaining these rewards (Savinelli, 1990) can hold sway in any current organization management's objective to achieve high productivity and competitive edge in the 'market place'. Employees desire compensation system that they perceive as being fair and commensurate with their skills and expectations. Pay therefore is a major consideration in an organization because it provides employees with a tangible reward for their services as well as source of recognition and livelihood (Howard, 1993; Thwala et al., 2012; Abdullah et al., 2012).

2. 0   Literature Review

2.1   Relationship between HRM Practices and Turnover Intention

It is important for HRM to overcome employees' turnover intention. Issues encountered may be in the areas of shrinking pool of entry-level workers, individual differences, use of temporary workers, productivity and competitiveness, retirement benefits and skills development (John, 1995). With the attraction of younger and better educated workforce, there is also a growing concern especially in the shift of employees' negotiations from the bargaining table to the courts as organizations and individuals attempt to define rights, obligations and responsibilities. Issues in this area are job entitlement, whistle-blowing, concern for privacy, right to manage, smoking, mandated benefits and work and family relationships. Managers must not forget that there is a new attitude towards work and family concerns and responsibility. Today's individuals are not "detached" from this family concern and responsibility and therefore the days of an individual working for a single company throughout his career have become rare. Besides having a balance work and family life, they seek better career prospect and pay for themselves and their family (Ron, 1989; Thwala et al.,

2012). This where HRM considers day care, job sharing, parental leave, flexitime, education and re-training and job rotation as an incentive to balance the concerns besides reviewing compensation and benefits. People are seeking many ways of live that is meaningful and less complicated and this new lifestyle actually has an impact on how an employee must be motivated and managed. HRM has become so complex now when it was much less complicated in the past when employees were primarily concerned with economical survival (Brian, 1994; Myron, 1993).

2.1.1   Compensation and Benefit

In a research study by Shahzad et al. (2008), findings revealed a positive relationship of reward practices with the performance of university teachers in Pakistan. This is important especially when countering the other factor of turnover intentions in the long run. It is a known fact that employees desire a compensation system that they perceived as being fair and commensurate with their skills, experiences and knowledge. Therefore HRM must take note that pay is the main consideration because it provides the tangible rewards for the employees for their services as well as a source for recognition and livelihood. Employee compensation and benefits includes all form of pay, rewards, bonuses, commissions, leaves, recognition programs, flexi work hours and medical insurance (Sherman et al., 1998).

In a study involving data from 583 participants in Hong Kong and 121 participants in China, it was revealed that compensation components are important factors to retain and motivate employees (Randy et al., 2002). Scholars agree that the way compensation is allocated for employees actually send messages about the management believes and what is important in the types of activities it encourages. Evidently in a study conducted on Southwest airlines by Aric (2008) on managing compensation and rewards through organizational pay, he emphasized that the human resources department can use a compensation strategy to strengthen the strategic and business strategy of the organization by enhancing individual performance. This may in turn negate turnover. This also provide the opportunity for the organization to explore and consider other non- conventional areas for implementation in the future in ensuring job satisfaction for the employees such as flexi time, shorter working hours and even providing child care services for the woman employees with children as part of the compensation package . In fact in a research by Roya et al. (2011), on 301 non academic staff in the universities of medical sciences in Iran, revealed that strategic compensation practises lead to perceived effective organizational commitment due to fulfilment of psychological contract that actually contribute to staff less likely to leave the organization.

Roberto (2007) from the University of Valencia, Spain opine that salary strategies and job enrichment strategies were positively related to job satisfaction and thus has an effect negatively on turnover intentions. This was mediated by positive employee commitment. As turnover continues to be very serious problems in many organizations including the company related to this study, the research had suggested specific practises to develop strategies as an immediate step to lower turnover. In a similar survey conducted on 666 Thai workers, results revealed beside fairness and growth opportunities as job satisfaction for these workers, rewards was also cited as an important criteria for job satisfaction and negate turnover intention (Lobburi, 2012).

2.1.2   Training

Training has become increasingly vital to the success of any modern organizations. Nowadays organizations need to have competencies and especially core sets of knowledge and expertise that will give the companies an edge over its competitors. The only way to arrive at this is through having a dedicated training program that plays a central role to nurture and strengthen these competencies (Sherman et al., 1998). It is acknowledged that training forms the backbone of strategy implementation and that industries such as the security industry must have trained security officers, who must be competent in the basic laws, rescue operations, emergencies response and also crowd control and public management to be able to perform their job. The lack of these will definitely result in complaints, further injuries to public and damages to properties. It has always been extolled in law enforcement manual and frequently heard sayings that law enforcement agencies must always be one step ahead of the criminals and would be perpetrators to be able to prevent crimes and what better ways can officers be prepared if not through continuous training to hone the officers knowledge, skills, abilities to cope with new processes and systems (Raffee, 2001).

Training not only ensures competencies but also develops employees to be able to meet organizations' goals and objectives and also ensure satisfactory performance and as reiterated, to be able to acquire new skills and knowledge and perform jobs in other areas or at higher level. A research among 46 hotels in San Diego by the San Diego State University in 2007 to check on staff turnover intentions and results revealed that constant training and development to bring staff to an acceptable level of performance and keeping them engaged actually has a significant link and relation to job satisfaction, morale and optimism thus impacted turnover intentions (Abdullah et al., 2012; Thwala et al., 2012). Another research by RMIT University, Australia and Nottingham Trent University, U.K. on high employee turnover rate among multinational companies in Asia revealed that one of the main factors besides size, length of operations and nature of industry to be significantly related to turnover is training. The results were derived using samples from 529 MNCs in 6 Asian countries. This is another example highlighting the importance of training as part of the human resources variables that can have significant impact on turnover (Connie et al., 2009). The extent of the study over 6 countries and 529 organizations cannot deny the impact of training over cross borders and not confined to an organization or country.

Another scholar from Gadjah Mada University, Indonesia conducted a research and study of the influence of employee development in predicting turnover intentions of hotel employees in 2006. A total of 380 employees from 5-star rated hotels were asked to complete questionnaires and hierarchical regression analysis was used. It was revealed that one of the variables of human resources practises of providing continual training and development programs to the employees supported the hypothesis that training and employee development has a direct link to staff turnover intentions (Mohamad et al., 2006). He also further revealed that conducting fairly, having formal appraisal system and having clear career advancement path for employees are the other factors linking to employee turnover intentions.

2.1.3   Performance Management

It cannot be denied that the success or failure of performance management programs of any organization depends on the philosophy that it is connected to business goals and the attitudes and skills of those responsible for its implementations and operations. There are many methods available to gather information of an employee performance in the appraisal process. This information must be used for organizational needs and communicated to employees so

that it will result in a high level performance (Chris, 1996; Thwala et al., 2012; Abdullah et al., 2012). Performance management can focus on the performance of an organization, a department, employee, or even the processes to build a product or service, as well as many other areas. It is acknowledged that a lack of performance appraisal can have adverse effect on employees' motivation and contribute to employees' turnover intentions (Laura, 1996; Abdullah et al., 2011). An example is the research by the National University of Malaysia in 2004, in regards to performance appraisal and employee's perception and intention to leave. It was revealed that whenever performance appraisal is perceived by employees' to have organization political motives, this affect their job satisfaction and prone to turnover intentions (June, 2004; Abdullah et al., 2011).

In a study of data collected from 65 studies conducted on performance management and turnover intention, results revealed that there is relationship between employees' job performance management and their intention to quit (Zimmerman, 2009). Another research by the American Psychological Association in 2001, on 130 employees of a medical services organization revealed that despite the importance of understanding the conditions under which high performing employees are more likely or less likely to voluntarily leave an organization, the nature of the relationship between job performance and voluntary turnover has proven to be elusive. Therefore a model of the performance–turnover relationship that highlights important moderators and mediators was proposed and tested. Data consisted of organizational performance and turnover records and survey responses collected indicate that visibility and reward contingencies moderate performance relationships with alternatives and job satisfaction, respectively, and that performance may influence turnover through multiple mechanisms (Allen et al., 2001). Research by Texas A& M University in 2006 on data and analysis of past 65 similar studies revealed that findings provide for a better understanding of how employees' job performance affects their turnover decisions and how organizations can control turnover through integrated performance management system that includes rating by supervisors and enhanced management of better and poor performance employees through a comprehensive appraisal system (Ryan et al., 2006).

2.1.4   Career Development

Career development in an organization should be viewed as a very dynamic process that attempts to meet the needs of managers, subordinates and the organization. It is the responsibility of managers to encourage employees to take responsibility for their own careers, offering continuous assistance in the form of feedback or individual performance and making available information from the company about the organization, career opportunities, positions and vacancies that might be of interest to the employees (Zandy et al., 1986). It cannot be denied that in career development process, the organization must supply adequate information about its mission, policies, and support for self assessment, training and development. It is important to note that significant career growth can occur when individual contribution combines with organization opportunity. Increase in skills and the opportunity to manage their career successfully helps to retained valued employees (Sherman et al., 1998). A study was carried out in Taiwan on R&D personnel to explore the career needs and proposes the concept of the gap between career development programs and career needs, and its subsequent effect on job satisfaction and turnover intention. A set of questionnaires were completed by 367 R&D personnel. The results reveal that R&D personnel have very diverse career needs at various stages of their career. Depending on which stage of their career they

have reached, the larger the gap, the higher the levels of both turnover intentions and job dissatisfaction (Tser et al., 2004). In another study conducted by scholars on the nursing industry in the USA, the subject was to examine the relationships between work satisfaction from career development, stress, age, cohesion, work schedule, and anticipated turnover in an academic medical centre. Questionnaires were used to get feedback from staff of the 908 bed university hospital and results revealed that job satisfaction derived from an established career development program and putting people in the right job and responsibility actually reduce stress because of better cohesion and work schedule management. This in turn has significant relation to staff retention and negate turnover intentions (Shader et al., 2001).

Similarly, a study on Information System Auditors in the US revealed that professional growth related to career progression was related to turnover intentions and thus the companies were advised to have regular career advancement opportunities and professional growth for its staff in a bid to retain them (Muliawan, 2009). As career development involves an organized, formalized, planned effort to achieve a balance between an individual's career needs and the organization's workforce requirements, it is important for an organization commitment in the program (Lips & Hall, 2007). To highlight these theories further, let's look at another research which was conducted by the University of Haifa of Israel on the turnover intentions of welfare workers. The predictors were commitment and job satisfaction. It was verified that welfare organizations serve as an example of the importance of job involvement and organizational commitment to promote professional and effective work and such goals is very important for employees' career commitment and job satisfaction. A total of 330 respondents were involved and result revealed that career commitment and job satisfaction actually has a significant effect on reversing turnover intentions (Anna, 2008). Furthermore a study on 442 design engineers, revealed that the existence of career advancement within the organization actually lower turnover intentions (Barbara, 2012). Similar study by University of Technology MARA, Malaysia, on 380 employees from 5-star hotels revealed that besides having good HR practises, other predictors such as career advancement program is essential to negate turnover intentions (Helmi, 2006).

3.0   Conclusion & Proposed Model

We need to emphasise the importance of HRM in the organization and that the impact on the organization due to turnover can have detrimental repercussions on the organization due to several factors as discussed earlier. Therefore the intention of the paper in examining these models and relating them to the research intent is to provide a general view of what the management need to know and expect and what are the various avenues available for future consideration to address acute issues pertaining to HRM and turnover. Below is the proposed model (figure 1) base on the findings from the above literature review.
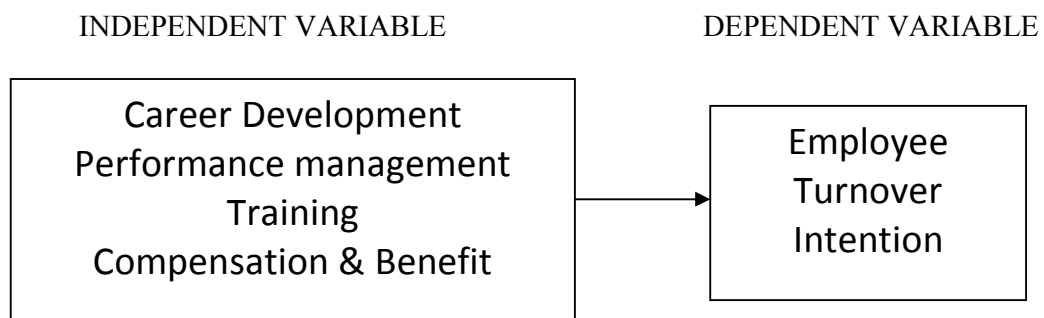
INDEPENDENT VARIABLE

DEPENDENT VARIABLE

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┌─────────────────────────────┐
│      Career Development      │
│   Performance management     │          ┌──────────────┐
│          Training            │ ───────► │   Employee   │
│    Compensation & Benefit    │          │   Turnover   │
│                              │          │   Intention  │
└─────────────────────────────┘          └──────────────┘
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Figure 1 : A Proposed Model

4.0   References

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