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Impact of Human Resource Management Practices on Employee's Intension to Leave Organisation

Abstract:

This study empirically evaluated six Human Resource (HR) practices (realistic job information, job analysis, work-family balance, career development, compensation and supervisor support) and their likely impact on the Intention to leave the organisation. The sample consisted of one hundred employees working for a Manufacturing company in Chandigarh. The data were gathered by administering questionnaires. The results indicated job analysis, career development, compensation, realistic job information variables were negatively and significantly correlated with Intention to Leave. The work family balance was not negatively correlated with Intension to Leave. Results of regression of the HR practices on Intension to leave showed that compensation and job analysis are strong predictors of Intension to Leave.

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Introduction:

Success of any organisation depends on the amount of quality employees working in a highly competitive environment. These employees are the backbone of any organisation. It is the responsibility of the management to retain the staff by motivating them. When an employee leaves an organisation, the organisation loses not only the training cost, but also the valuable portfolio handled by an employee. It is revealed that most of the time an employee leaves with his portfolio as the client is psychologically

attached to the executive.For any organisation to survive in a very competitive environment, they need to design effective human resource (HR) practices that encourage the high performance of employees. Past researches have linked various HR practices to employee turnover. There are theoretical explanations or arguments (Miller & Wheeler, 1992; Pitt & Ramasehan, 1995; Trevor, Barry, & Boudreau, 1997; Abassi & Hollman, 2000; Hoon,

Heard & Koh, 2000; Batt & Valcour, 2003; Firth, Mellor, Moore, & Loquet, 2004) in respect of impact of realistic job information, job analysis, work family balance, career development, compensation, supervisor support (or HRM practices) on turnover of employees. It seems that there is a gap in the empirical knowledge available about the effects of HRM practices on turnover of employees in the organizational context.

The study broadly focuses on the impact of HR practices on intention to leave of employees. In addition to this, the study also focuses on various HR practices in the leasing industry with respect to employees working in an organisation. The outcome of the research would help to identify the effective human resource practices to retain the competent staff.

Moreover, the findings may help the academics to do further research on this area, as there is a knowledge gap. The present study would be a first step to fill this knowledge gap to a certain extent.

REVIEW OF LITERATURE:

Employee Turnover Research

Employee turnover remains one of the most widely researched topics in Organisational analyses (Dalton and Todor, 1981). Despite significant research progress there still remains a great deal of confusion as to what factors actually cause employees to leave/remain in their organizations. Among those factors are the external factors (the labour market); institutional factors (such as physical working conditions, pay, job skill, supervision and so on); employee personal characteristics (such as intelligence and aptitude, personal history, sex, interests, age, length of service and so on) and employee's reaction to his/her job (including aspects such as job satisfaction, job involvement and job expectations) (Knowles, 1964).

Relationships between HRM Practices and Employee Turnover

In order for firms to be competitive, they must retain their competent and motivated employees. For that they should understand the relationships between HRM Practices and Employee Turnover. These relationships for selected HRM practices are given below.

Realistic Job Information

Where pre-selection practices are concerned, Pitt and Ramaseshan (1995) found that individuals who displayed a higher tendency to leave their jobs were those who perceived that the job previews that they received during the interview process were not realistic.

Supervisor Support

Firth, Mellor, Moore, & Loquet, (2004) found that emotional support from supervisors and self-esteem mediated the impact of stressors on stress reactions, job satisfaction, commitment to the organization and intention to quit. It is suggested that to ameliorate intention to quit and in turn reduce turnover, managers need to actively monitor workloads and the relationships between supervisors and subordinates. Monitoring workloads and supervisor-subordinate relationships by management may reduce intention to quit and subsequent turnover, thereby saving organisations the considerable financial cost and effort involved in the recruitment, induction and training of replacement staff.

Work Family Balance

In studies that focused on other HR practices, Bame (1993) found that employee turnover was lower when employees had shorter work hours and were given a choice of work schedules, even though their workload was higher. The results suggested that firms that provide employees with flexible work schedules had the advantage of reducing employee turnover.

Compensation (Benefits and Recognition)

In studies related to compensation, Park, Ofori-Dankwa, & Bishop, (1994) and Trevor, Barry, & Boudreau (1997) found that salary growth had a pronounced effect on turnover. Particularly, salary growth effects on turnover were greatest for high performers, that is, high salary growth significantly reduced turnover for high performing employees. Abassi and Hollman (2000) in their study have identified lack of recognition and lack of competitive compensation systems are some reasons for employee turnover in the organization.

Career Development

Miller and Wheeler (1992) found that the lack of meaningful work and opportunities for promotion significantly affected employees' intentions to leave an organization. Organisations were able to improve their employees' retention rate by adopting job enrichment programs and enhancing their advancement opportunities. Besides promotion opportunities, the evaluation criteria used in the promotion and reward system also had significant effects on employees' turnover intentions (Quarles, 1994).

Ineffective performance appraisal and planning systems contributed to employees' perceptions of unfairness and they were more likely to consider leaving the organization (Dailey and Kirk, 1992).

Job Analysis

Job Analysis (JA) is the building block for all HRM activities. The job analysis is a process of obtaining information about jobs (McCormick, 1979). Conducting a JA and subsequently providing employees with a job description prevents the situation in which employees do not know what is expected of them to do. JA forms the foundation upon which virtually all other human resource management systems are built and it therefore impacts on employee turnover in general JA subsumes all other HR activities and therefore has a significant effect on employee turnover in general (Hoon, et al., 2000). The above review indicates that a firm's HR practices have a significant impact on employee turnover. Given that a firm's resources are limited, firms may not be able to develop best practices in all of their HR activities in a short span of time. Hence, the purpose of this study is to investigate the impact of HR practices on employee turnover by considering HR practices of selected firms simultaneously. Firms that do not have good HR practices can begin a program of developing HR practices that have the greatest impact on employee turnover in a systematic fashion. Based on the above-mentioned literature, realistic job information, job analysis, work family balance, career development, compensation and supervisor support can be identified as HRM practices that have impacts on employee turnover.

Conceptual Framework

An analysis and review of the relevant literature on the subject and the various factors highlighted by key industry personnel in the preliminary interviews, it is evident that a single model may not throw light on the multiple HRM practices influencing the turnover as identified in various studies.

Therefore for ease of comprehension and measurement the following conceptual Frame-work has been developed for the purpose of this study.

The framework shows that Intension to Leave is influenced by six (6) main HRM practices. The HRM practices are realistic job information, job analysis, career development, compensation, supervisor support and work family balance. These six (6) HR practices are labeled as the independent variables. Intension to Leave is labeled as the dependent variable.

Objective:

To examine the effects of HR practices on Intension to leave an Organisation.

Hypotheses:

Based on the above conceptual model the following hypothesis has been formulated. Realistic job information, job analysis, work-family balance, career development, compensation and supervisor support are negatively correlated with Intention to Leave.

Methodology

The sample for this study is 100 employees having more than one-year experience in organisation. Before distributing the final questionnaire the researcher pre-tested the questionnaire with two employees to find out whether the questionnaire was understandable and needs improvement.

The questionnaire consists of 55 questions. Questions are designed in a five point Likert scale to measure HR practices and Employees intention to leave.

Five point Likert type scale has been used in the questionnaire to measure HR practices- 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree.

Four questions were asked in the questionnaire. Six questions were asked to test job analysis, three questions to test work-family balance, eight questions to test career development, nineteen questions to test compensation, six questions to test supervisor support and six questions to test intention to leave.

Questions regarding the personal details cover age, experience, sex and education. Researcher believes that the above mentioned factors may affect the outcome of the model. If any classification is required, the factors can be used for categorization. The questions were designed based on literature collected (Luthans, 2002; Anon., 2003).

To test the hypotheses, Pearson's product moment correlation and stepwise regression were used. The statistical package SPSS version 20.0 was utilized to analyze the data. The Cronbach's reliability coefficient Alpha was used to test the internal consistency reliability. (Walsh, 1995) Cronbach's alphas were 0.8096 for realistic job information. 0.7152 for job analysis, 0.8120 for work family balance, 0.7247 for career development, 0.8613 for compensation, 0.9132 for supervisor support and 0.8765 for employees intention to leave suggesting that each domain's internal consistency was satisfactory.

Analysis:

The results of Pearson's product moment correlation analysis used to test the hypothesis are presented in the Table 1. The level of significance is 0.01. As this hypothesis is a directional hypothesis, one-tailed test was used.

According to the Table 1, Pearson correlation coefficient suggests that there

is a negative relationship between all the independent variables, except work-family balance and Intension to leave.

Hence there is a statistical evidence to show that Intension to Leave is negatively correlated with realistic job information, and compensation Work-Life Balance is a better term.

Table 1 Pearson Correlation for all selected variables and Intension to Leave

No.	Independent Variables	Intention to leave
1.	Realistic Job information	-0.315[**]
2.	Job Analysis	-0.400[**]
3.	Work Life Balance	0.104
4.	Career Life Balance	-0.442
5.	Compensation	-0.486[**]
6.	Supervisor Support	-0.122

** Correlation is significant at the 0.01 level (one- tailed)

The results indicated in Table 1 for work-family balance rejects the hypotheses formulated. This means that the data does not support the hypothesized relationship (negative) between work-family balance and Employee's Intention to Leave. The relationship between two variables is positive but not significant.

The results of regression of Intension to Leave on the six independent variables is shown in the Table 2.

Table 2 Aggregate Impact of the HR practices on Intention to Leave

R	R^2	Adjusted R^2	Std. Error of the estimate	F	Sig. F
0.615	0.378	0.319	2.676	6.388	0.0005

The square of the multiple R is 0.378 indicating that the 37% of variance in Intension to Leave is explained by the six independent variables jointly (P=0.0005).

The strengths of influence that each of the independent variable had on the dependent variable. i.e. Intension to Leave was determined by the use of regression coefficients of the independent variables. The influence of each independent variable is shown in Table 3.

A stepwise regression was done to find out the extent of contribution of each variable to R square value or the total explanatory power of the regression model. The results of stepwise regression (Table 4) show that there were three predictor variables that could significantly contribute to the the dependent variable Intension to Leave.

Table 3 Stepwise multiple regression analysis: predictors of Intension to Leave

Variable	R^2	Increase in R^2	Beta	Sig. t (P)
Compensation	0.236		-0.452	0.0005
Work family balance	0.299	0.063	0.298	0.005
Job analysis	0.363	0.064	-0.282	0.012

Standardized Beta and R (not R-square) should be same. Thus 0.452 should be sqrt of .236.

The results of the stepwise multiple regression analysis indicated that compensation had the highest beta value contributed 23% to the variance in Intension to Leave. Work-family balance and job analysis contributed about 6.3% and 6.4% respectively. Supervisor support, career development and realistic job information were not found contributing to the total explanatory power suggesting that compensation, work family balance and job analysis explained about 36% of the variation in Intension to leave.

Discussion

As hypothesized it was found that realistic job information, job analysis, career development, compensation and supervisor support have negative relationships with Intension to Leave. Out of six variables realistic job information, job analysis, compensation and career development are significantly correlated. The findings empirically confirm the theoretical arguments explained in the literature review.

The relationship between the work family balance and Intension to Leave was found to be not negative. Though the literature supports the negative relationship (Bame, 1993; Batt & Valcour, 2003), it was not true for employees working in Manufacturing Organisation.

When considering the HR practices in the model, it indicated that 37% of the variance in Intension to Leave is explained by six HR practices.

Multivariate analysis suggests that two out of the six HR practices namely compensation and job analysis were found to be explanatory factors having significant effects on Intension to Leave. Compensation was found to be the strongest HRM practice predictor of Intension to Leave.

Descriptive statistics reveal that average employees are neutral (neither agree nor disagree) about HRM practices except supervisor support, where they have indicated that supervisor support had been favorable. These results suggest that all leasing companies should improve the HRM practices. The sample indicated that the age of 87% of employees is in the range of 21 -34 years and 44.3% of the

employees have 1-2 years experience. Majority (91.4%) of the marketing executives are male. This is obvious, as the job demands a lot of field visits and longer hours of work, which discourage the employment of females. More than half (52.9%) of the employees are General Certificate in Education (Advanced Level) qualified. There is 12.3% of graduates and 1.4% of postgraduates among employees considered for the study.

Conclusion

It was impossible for six independent variables to account for variation in Intension to Leave. In fact other variables, which were not considered in this study, should be the variables that will account for the unexplained variance in the Intension to Leave. We can say that the important independent variables may be HR and succession planning, due process, training, staffing, performance management, management styles. Future research studies are suggested to find out the effects of these factors on the Intension to Leave.

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