

HR Practices as Determinants of Organizational Commitment and Employee Retention

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Globalization has not only helped the organizations to look for proficient employees, but also to retain the expert, talented and accomplished employees. Consequently, the role of Human Resource (HR) practices in fostering employees' engagement, organizational practices in retaining employees and employees' commitment is paramount. The main objective of the study is to examine, evaluate and interpret the relation between organizational HR practices and employee commitment, and to see whether these are positively or negatively correlated, as there are not many studies which examine whether there is a positive and negative relation between HR practices and employee retention in the Indian economy. About 100 employees from the Indian economy are considered. Primary as well as secondary data was collected using a questionnaire and the results are discussed in the light of the existing literature.

Introduction

Globalization, privatization and liberalization have brought a rapid change in the life of the individuals, work and society, leading to extremely flexible, boundaryless and creative activities (Baruch, 2004). As the business strategies change from a worker-intensive industrial society to an automated information society, the workforce increasingly becomes more educated with higher professionalism and a decrease in organizational loyalty. High skilled workers want to work on projects that enhance their career, knowledge asset and future earning power. Consequently, when the employees get a good opportunity, they abscond from that job. On the other hand, employers struggle to retain their valuable employees due to a general shortage of experienced candidates and aggressive recruitment tactics by others in the highly competitive era (Storey, 1992; DeYoung, 2000; and Evans *et al.*, 2000). The high skilled worker identifies with a high skilled culture and helps the organization to stand out from others (Rogers, 2001).

The concept of organizational commitment has attracted considerable interest in an attempt to understand and clarify the intensity and stability of an employee's

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dedication to the organization (Mester *et al.*, 2003). Loyal, engaged employees tend to generate high performance business outcomes as measured by increased sales, improved productivity, profitability and enhanced employee retention (Tsui *et al.*, 1995; and Rogers, 2001). Commitment strategies shape the desired employee behavior and attitude by forging psychological links between the organization and employee goals. Thus, the focus is on developing committed employees who can be trusted to use their discretion to carry out job tasks in ways that are consistent with organizational goals (Eisenhardt, 1985).

Cascio (2003) describes retention as initiatives taken by management to keep employees from leaving the organization, such as rewarding employees for performing their jobs effectively; ensuring harmonious working relations between employees and managers; and maintaining a safe, healthy work environment. Literature surveys conducted by McNee *et al.* (1998) and Döckel (2003) identified the following six critical factors that need to be considered in the retention of high technology employees: (1) Compensation (base salary); (2) Job characteristics (skill variety and job autonomy); (3) Training and development opportunities; (4) Supervisor support; (5) Career opportunities; and (6) Work/life policies.

Several Human Resource (HR) practices were recently proposed to enhance effectiveness in organizations and to retain talented employees (Arnett and Obert, 1995; Dessler, 1999; and Pfeffer and Veiga, 1999), but the configurations of such practices are narrowly focused and the suggestions are often not theoretically grounded.

Conceptual Framework

In India, there is no published literature that describes the effect of HR practices upon employee commitment as it broadly fails to correlate whether these are negatively or positively related to each other. Instead, more research reports exist showing the relationship between Human Resource Management (HRM) practices and other dependent variables, such as organizational performance, labor turnover, absenteeism, etc. (Batt, 1999; and Batt *et al.*, 2002). A theoretical perspective helps us to analyze the effect of HRM practices on commitment, which is an important topic of HRM (Paauwe, 1994; Beer *et al.*, 1995; Flood *et al.*, 1995; Guest, 1997; and Doorewaard and Meihuizen, 2000).

Organizational commitment refers to an employee's loyalty to the organization, willingness to exert effort on behalf of the organization, degree of goal and value congruency with the organization, and a desire to maintain membership (Porter *et al.*, 1974 and 1976; and Bhat and Maheshwari, 2005). Employees with high levels of organizational commitment provide a secure and stable workforce (Steers, 1977), as highly committed employees willingly accept the organization's demand for better output (Etzioni, 1975), assuring high level of performance and task

completion and best quality production (Mowdays *et al.*, 1974; and Maanen, 1975). Literature indicates that highly committed employees are not only productive and satisfied (Mowday *et al.*, 1974), but also highly responsible with high civic virtue (Nico *et al.*, 1999).

Several studies of progressive HRM practices in training, compensation and reward have revealed that these can lead to reduced turnover, absenteeism, better quality of work, and better financial performance (Snell and Dean, 1992; Arthur, 1994; Macduffie, 1995; Delaney and Huselid, 1996; Ichniowski *et al.*, 1997; Davies, 2001; and Tower, 2003).

Employees who perceive that their organizations value their input, respond positively by enhancing their commitment, organizational citizenship behaviors, and performance (Shapiro and Kessler, 2000; and Rhoades and Eisenberger, 2002). As in the case of affective commitment, all the seven HR practices, except work-family policies, have been determined to have a direct and positive impact on organizational commitment behavior (Allen and Rush, 1998; Cappelli and Rogovsky, 1998; and Tremblay *et al.*, 1998).

Shapiro and Kessler (2000) found that employer's fulfillment of the psychological needs of the employees, such as providing food, shelter and clothes, raises the level of commitment in employees. Reciprocity is a mechanism underlying commitment (Angle and Perry, 1983) and employees will offer their commitment to the organization in reciprocation for the organization having fulfilled its psychological contract (Angle and Perry 1983; and Meyer and Allen, 1997). Ulrich (1998) has suggested that engaging employees' emotional energy results in commitment toward the organization.

Fair employment exchange would motivate employees to be positive and effective at work (Iles *et al.*, 1990; and Colquitt *et al.*, 2001).

Fitz-enz (1990) concludes that employee retention is influenced by many factors—training and development, recruitment and selection—which should be managed congruently, and it implies that both organizational factors and HR practices may influence retention of employees and their commitment. Schneider and Bowen (1985) suggested that if employees in service firms have positive perceptions of the HR practices, they are likely to put more effort and resources in delivering excellent customer services. He further explains that when employees perceive that their organization is facilitating their performance, enhancing career opportunities, providing positive supervision, and so on, they will show their zing to achieve an organizational objective.

Employees have stronger commitment to their organizations when they perceive that their organizations are committed towards their wellbeing (Benson and Lawler, 2003). Therefore, the extent to which employees positively perceive the HRM practices of their organization would determine the strength of their

identification with and affiliation to the organization (Iles *et al.*, 1990). Mathieu and Zajac (1990) added that employees who perceive they have more control and autonomy in their jobs tend to be more committed to their organizations. When employees perceive that their supervisors empower them, provide relevant information and training, and appraise and reward them fairly, they are likely to remain loyal and committed to their supervisors. Kirkman and Rosen (1999) noted that work teams vary in the degree they are empowered and this has an impact on their commitment, productivity, and other attitudinal and job outcomes. They found that highly empowered teams are more effective than less empowered teams.

Objectives of the Study

The study has been conducted after keeping the following points in the mind:

- To study the impact of HR practices on organizational commitment.
- To study the impact of organizational practices on organizational commitment.
- To study whether HR and organizational practices impact employee retention.

Hypothesis of the Study

In view of the above literature, the following hypotheses were proposed:

H₁: Organizational practices have a positive connection with organizational commitment.

H₂: HR practices are considered a very important predictor of organizational commitment.

H₃: Employee retention is totally influenced by organizational commitment.

Research Methodology

Sample

The sample consisted of managerial level and permanent employees of five large Indian organizations located in Punjab, including pharmaceutical, education, and banking sectors, hospitals and a few government offices. A total of 130 questions were distributed among the employees and 100 respondents gave their responses, with the total response rate being 76.92%.

Measures

Organizational Commitment: The organizational commitment was measured through the scale ($\alpha = 0.91$) containing a 5-point scale (ranging from strongly agree to strongly disagree). Retention rate in the organization is checked with the help of a questionnaire (refer Appendix).

Organizational Practices: Organizational practices comprised two sub-variables—salary and work environment. Salary was measured with the help of a standardized 3-point item scale developed by Harris (2000), ranging from false to true.

HR Practices: HR practices comprised participation, leadership, teamwork, training and development, recruitment, and selection. Participation was measured with the help of the scale constructed by the researcher. For this study, a total of 40 statements were framed. Of the total statements, 30 were used to measure the effect of participation on the organizational commitment. The reliability of the 30 statements was also checked. The level of reliability was $\alpha = 0.76$. A few changes and amendments were made as per the requirement of the study to increase its authenticity. The scale ranged from 0-4.

Data Analysis

Geographical Profile

In the survey, 71% of the population was male and 26% female. The percentage of male population was more than double the ratio of female. Most of the respondents were between 20-25 years. This shows that the ratio of young generation was high as compared to others; the respondents in the age group of below 20 years were very few. Most of respondents (40%) were graduates, and 5% were postgraduates and above. A majority of the respondents were drawing a salary of above ₹30,000. Most of the respondents were having an experience of below five years. About 69% non-government organizations were considered for the study.

Descriptive analysis of the factors of organizational commitment and employee turnover shows that employees consider that their jobs offer organizational practices and HR practices to a large extent. The mean values of organizational commitment and employee turnover shows that the organization has employees who feel that their job is challenging and provides good opportunity to achieve self-actualization and self-esteem. Table 1 shows the descriptive analysis of HR practices and organizational commitment of all the independent and dependent variables considered in the study. The high mean value of 4.57 for the salary

Variables	No. of Responses	Minimum	Maximum	Mean	Standard Deviation
<i>Salary</i>	100	0	10	4.57	2.071
<i>Working Environment</i>	100	0	10	5.48	2.116
<i>Participation</i>	100	5	25	5.15	1.854
<i>Leadership</i>	100	5	25	5.21	2.017

Table 1 (Cont.)

Variables	No. of Responses	Minimum	Maximum	Mean	Standard Deviation
<i>Team Work</i>	100	0	10	5.15	1.854
<i>Recruitment</i>	100	0	10	5.42	2.076
<i>Selection</i>	100	0	10	5.48	2.116
<i>Training and Development</i>	100	0	20	4.57	2.071
<i>Organizational Commitment</i>	100	5	25	6.18	2.178
<i>Employee Turnover</i>	100	5	25	5.42	2.195

indicates that Indian employees of the five organizations have a considerable degree of organizational commitment. The mean value of 5.48 for the working environment indicates that employees lay more emphasis on the organizational environment.

Of the six dimensions, 'selection' has the highest mean score of 5.48, whereas 'training and development' has the lowest mean score of 4.57. The high scores in the variables indicate that employees of various organizations perceive that their organization follows good selection and recruitment policy which enables them to perform effectively. On the other hand, a lower score in 'training and development' indicates that employees need freedom to make any amendments in the training and development policy as per their own requirement. The immediate stage of analysis involves correlation and regression analysis of the relevant variables to test the hypothesis. The results in Table 2 show that there is a positive correlation ($r = 0.369$; $P \leq 0.01$) between HR and organizational practices. A significant positive relation can be found in employee retention and organizational and HR practices ($r = 0.364$, $P \leq 0.01$).

Table 2: Pearson Intercorrelations Among Intrinsic Organizational Practices, HR Practices, Organizational Commitment and Employee Turnover				
	Organizational Practices	HR Practices	Organizational Commitment	Employee Turnover
Organizational Practices	1			
HR Practices	0.369**	1		
Organizational Commitment	0.375**	0.314**	1	
Employee Turnover	0.364**	0.254**	-0.041**	1
Note: ** Significant at 0.01 levels.				

Table 3 shows that there is a positive relation between organizational practices and HR practices ($R^2 = 0.16$, $b = 0.248$, $P \leq 0.01$). A significant positive relation

between organizational commitment and organizational practices can be found ($r = 0.375, P \leq 0.01$). This confirms that the hypothesis of positive relation between organizational commitment and organizational practices has been accepted. In addition, regression analysis shows a positive relationship between employee retention and HR practices ($R^2 = 0.132, b = 0.373, P \leq 0.01$). This supports our hypothesis 3 (H_3).

Table 3: Multiple Linear Regression of Organizational Practices, HR Practices, Organizational Commitment and Employee Turnover				
	R^2	b	Z	χ^2
Organizational Practices	0.16	0.248	0.476**	92.4**
HR Practices	0.238	0.542	0.524**	88**
Organizational Commitment	0.119	0.359	0.44**	127.9**
Employee Turnover	0.132	0.373	0.44**	94.8**

Discussion and Conclusion

Salary plays a key role in the commitment among employees. When the employees are given fair wages, it will ultimately bring a cordial relationship between the employer and employee (McCallum, 1998; and Parker and Wright, 2001). A number of recent studies have highlighted the rewards-retention link (Watson, 1999; Mercer, 2003; and Tower, 2003). Bassi and Van (1999), Williams (1999), Stein (2000) and Boyd and Salamin (2001) state that the organization which believes in providing superior and attractive package to the employees gets good commitment from them. Rewards help the employer to enhance the commitment of employees to an organization which results in enhanced performance of the employees (Siders *et al.*, 2001).

Results reveal that if employees in the organization are given a good working environment, they show high organizational commitment and ultimately it brings stability among the employees. The working environment of the organization does not include only the physical infrastructure, but also the modern tool, technology and machinery. If the employee feels that the new technology and machinery improve his productivity, then loyalty towards the organization increases.

The study reveals that HR practices are considered an important phenomenon to improve the employees' commitment to the organization (Eisenberger *et al.*, 1990; and Settoon *et al.*, 1996). Further results reveal that organizational commitment is a force that binds HRM practices and that organizational commitment is the backbone of the modern HRM philosophy. A number of HR experts (Beer *et al.*, 1984 and 1985; and Guest, 1997) opined that HR practices are a significant predictor of employee commitment. This study suggests that are many advantages in having committed employees in the organization: (1) the more committed they are to the organization, the more motivated they would be and more willing to work 'above and beyond contract'; (2) these approaches

presume that committed employees feel a greater responsibility, reducing the manager's need to monitor and supervise; and (3) committed employees are expected less likely to leave the organization, resulting in the reduction of recruitment and selection expenditures.

Conclusion

The results of the study reveal that employees who are selected according to the job requirement have more organizational commitment, ultimately helping in employee retention. The concept of organizational fit identifies convergent goals and values between the employee and the organization as an important predictor of affective commitment (Brown, 1969; Steers 1977; Kidron 1978; and Weiner, 1982). Lee *et al.* (1992) suggested that the propensity to leave the organization is always dependent upon the level of satisfaction and the personality of the employees. So, while selecting the employees, not only values, education and experience should be considered, but also the personality of the employees must be carefully measured (Kristof, 1996; Van, 2000; and Rhoades *et al.*, 2001). If the employee is given training from time to time, then it will create a feeling of belonging in the employee. The training may be on-the-job or off-the-job training. The employees must always be given equal opportunities to use their knowledge gained during training which ultimately gives them self-confidence and self-esteem.

The above findings suggest that employees remain in the organization when they feel that they are being valued and their participation in decision making is recognized by the organization (Davies, 2001; and Gold, 2001). If the employees feel that their efforts, capabilities and performance are being recognized in the organization, they stay in the organization for a long time (Davies, 2001). Recognition from managers, team members, peers and customers enhances commitment. Walker (2001) is of the view that the age of the employees may be a link between tenure and affective commitment.

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Appendix

Kindly complete the information below for statistical purposes. You are **not** required to state your name.

Instructions:

1. Mark the applicable blocks with an X.
2. Please indicate your qualification.

Gender

- Male
- Female

Qualification

- UG
- Graduation
- PG

Age (Years)

- Below 20
- 20-22
- 21-24
- Above 24

Appendix (Cont.)

Consider each statement and circle the appropriate response to indicate if that statement is true, is not true or if you are not sure/neutral.

Scale I

Salary

Statements	False	Neutral	True
I am happy with my current salary and future earning potential.			
I am happy with my current superannuation scheme.			
I am satisfied with the bonuses or incentives available to me.			

Scale II

Working Environment

Statements	False	Neutral	True
I have a comfortable personal workspace.			
I am satisfied with the space available for lunch and breaks.			
I am satisfied with my surrounding environment and general layout of the office.			

Scale III

Participation

Statements	Never	Sometimes	Often	Always
You have been given proper chances of participation irrespective of your job.				
There are many chances of participation.				
Your participation is appreciated.				
Your performance is been evaluated on the basis of your participation.				
You have been given financial benefits for participation.				

Scale IV

Leadership

Statements	Never	Sometimes	Often	Always
Your leader encourages you to achieve the organizational goal.				
You are satisfied with your leader.				
Your leader is good listener.				

Appendix (Cont.)

Statements	Never	Sometimes	Often	Always
Your leader carries a good relation with you.				
He helps you to maintain parity between your personal as well as professional goals.				
Scale V				
Teamwork				
Statements	Never	Sometimes	Often	Always
Your organization does not have fixed procedures; you agree on them in the light of the task at hand.				
Your organization allocates specific roles to team members.				
Your team leader is democratic and collaborative.				
You feel that you all are equally responsible for the team's success or failure.				
You enjoy working together; it is fun and productive.				
Scale VI				
Training and Development				
Statements	Never	Sometimes	Often	Always
The training policies of your organization are favorable to you.				
You have been given proper training from time to time.				
You are satisfied with the training techniques.				
You have been given proper chances of development.				
You are satisfied with the growth chances of your company.				
Scale VII				
Recruitment				
Statements	Never	Sometimes	Often	Always
The recruitment process of your company is very clear.				
Your organization focuses on external sources of recruitment.				
Your organization focuses on internal sources of recruitment.				

Appendix (Cont.)

Statements	Never	Sometimes	Often	Always
Recruitment process of your company compares favorably to that of other companies.				
You are very satisfied with the company's recruitment process.				

Scale VIII

Selection

Statements	Never	Sometimes	Often	Always
Your organization selects the right person for a right job.				
There is a proper procedure of the selection process.				
There are no chances of personal biasness while selecting the person.				
The selection process is fair and justifiable.				
You are satisfied with the selection process of the company.				

Scale IX

Organizational Commitment

SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree

Statements	SA	A	N	D	SD
I would be happy to work the rest of my career with this organization.					
I feel that the problems of my organization are mine.					
I love to share about my organization with people outside the organization.					
I have a strong sense of belonging in my organization.					
Your organization thinks that you are their loyal employee.					

Scale X

Employee Turnover

SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree, SD = Strongly Disagree

Statements	SA	A	N	D	SD
You often think of leaving your current organization.					
It is possible that you may look for a new job next year.					
If you are given an option again, you will choose to work for the current organization.					

Reference # 02J-2012-10-03-01

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