HRM Practices and Employees’ Rentention: The Moderating Role of Work Environment

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Abstract: 
In this study several HRM practices (compensation, training & development and supervisor support) have been suggested to explain its impact on employees’ retention. Previously, other studies have endeavored to consider the impact of HRM practices and employees’ retention but their results are mostly conflicting. For that reason, a moderating variable is proposed. This paper proposes work environment as potential moderator on the relationship between HRM practices and employees retention. Furthermore, the use social exchange theory may help to better understand the relationship.

Key words: Employees retention, HRM practices, Work environment.

1.0 INTRODUCTION

Employees’ retention is considered as keystone for the success of an organization (Osteraker, 1999). According to Akila (2012), it is a process through which employees are motivated to stay in the organization, it is profitable for both the employee and the organization. Research showed that greater retention rate saves the expenses incurred on staffing and training of new
employees and that cost could be used on employees performance improvement measures (Abbasi & Hollman, 2000). Most of the studies have revealed that employees retention is a crucial issue for organizations, thus these organizations use different methods to retain employees (American Management Association, 2001).

Employee retention is one of the challenges facing many organizations, in occasioned by globalization that has intensified competition and increased mobility of highly skilled employees (Ng’ethe, et al, 2012). Retaining the competent employee has become a big challenge for HR managers as according to Harris (2007), competent employees have luxury of choice in the global market. According to Irshad and Afridi (2010), when an employee quits the job, association lost not only the employee, but also lost knowledge of production, the customers & clients who were loyal with the employee, competitor, current projects and past history of the organization. Even though retention has been measured through financial figures many times, it can also be measured through the combination of some factors (Ramlall, 2003).

Several factors have been suggested to be helpful in retaining employees. Among these factors HRM practices are known as of key importance. In order to retain employees, it is important that the organization uses proper HR practices i.e. compensation, training and development and supervisor support (Walia & Bajaj, 2012). In an attempt to better explain why employees are less committed and retained in organizations, the use of proper HRM practices (i.e. compensation, training and development and supervisor support) were advocated (Saba, 2011; Sohail & Delin, 2013). Similarly, Ghansah (2011) and Kwenin, Muathe and Nzulwa (2013) also found HRM practices as significant factors in influencing employees retention. Moreover, social exchange theory (Blau, 1964), also provides a basis for linking HRM practices and employees retention, when employees receive
benefits from the organization they in turn will repay the organization in the form of commitment and staying with it for a longer period of time (Liao, 2011).

In particular, this study will endeavor to contend how HRM practices are theoretically significant in improving employees’ retention, thus adding to the current literature on the part of HRM practices in employees’ retention. Moreover, proposing the impact of HRM practices, this study offers theoretical clarification on the part of work environment in moderating the association between HRM practices and employees retention. This paper additionally explains that the past studies conducted on the role of HRM practices in influencing employee retention have conflicting results, proposing that a moderator may be liable to clarify better the relationship.

2.0 LITERATURE REVIEW

2.1 Employees Retention
The problem of low retention is not new. The scholarly debate on the employee retention stemmed from 1900s when scholars and psychologists begin to identify various reasons that affect employee’s level of interest in their job and possible opportunities (Rowland & Ferris, 1982). It has always been a challenge for employers. Employees’ retention has been defined in deferent ways by different researchers. Employee retention alludes to the different strategies and practices which let the workers adhere to an institution for a longer period of time (Singh & Dixit, 2011). Similarly, according to Hom (1995), employees’ retention is a process through which employees are motivated to stay in the organization for longer period of time. As human resource is one of the valuable and significant resources for any organization. They are the ones who can make the organization working in a vastly improved manner, keeping in mind the end goal to achieve competitive advantage.
Therefore, retaining them in their job is necessary (Ng’ethe, Iravo & Namusonge, 2012). Employee retention is thought to be very beneficial for all the organizations (Akila, 2012). Research showed that replacing an old employee with a new one increases operational costs in the form of new employees’ training and filling vacancies (Dess & Shaw, 2001).

Several scholars have done work to show the significance of employees’ retention. Denton (1992) argued that when there is a good match between the organization and employee it is easier to retain them. Carney (1998) found communication as the basic factor for retaining employees. According to Tett and Meyer (1993), one of the main reasons to leave the organization is psychological factor. Lynn (1997) argued that to retain employees, the institute must provide career development opportunities that are more dynamic towards the accomplishment of their objectives and target. According to Mendonsa (1998), benefits and rewards provide the basis to achieve competitive advantage however; it is also a significant element in retaining employees in the organization. It has been obtained from the literature that although, employees’ retention has been studied previously, but these studies lack comprehensiveness in explaining the antecedents of employees’ retention as mostly focusing on different determinant rather than HRM practices. Therefore, this study will explain how HRM practices are important in enhancing employees’ retention, thus contributing to the existing literature on the role of HRM practices in employees retention.

2.2 Human Resource Management practices
HR management is a new term used for ‘personnel management’. According to Dessler (2007), ‘human resource management’ is the new version of personnel management because of fast technological changes in social values and working climate. Though, according to Guest (1997), human resource management is a form of personnel management that
is concerned about issues of employees related to excellence commitment and flexibility.

The significance of managing HR, the most important asset of organization, has been increased in the recent years. Thus Human resource practices emphasis on how these human resources of the organization should be retained and managed (Qureshi, Akbar, Khan, Sheikh & Hijazi, (2010). Human resource management has been explained in different ways by different scholars. According to Shahnawaz and Juyal (2006), HRM incorporate strategies and practices for the employees that includes remuneration, performance appraisal, training and development, recruitment and selection. Similarly, according to Mondy and Noe (2005), HRM practices are policies and strategies executed by an organization to make sure employees work efficiently to achieve the organizational goals.

In the current rapidly growing global market, human resource management practices play significant part in retaining employees, the most important asset of the organization (Qureshi et al, 2010). According to Eisenberger et al, (2001), employees who are contented with the HRM practices in an organization, willingly contribute to the organization. Thus, positive perceptions of employees about the HRM practices of an organization make them to believe in social exchange relationship between the organization and employees (Lee & Bruvold, 2003).

Previously, management practitioners and scholars have attempted to explore more about HRM practices and how these practices increase performance and help the organization to achieve its objectives (Ahmad & Schroeder, 2003 & Huselid, 1995). In the area of human resource management, the impact of HRM practices on performance at individual, group or organizational level, is a vital issue. However, most of the studies have concentrated on the extent to which these HRM practices can improve organizational and individual performance. Little research has been carried out on
psychological processes through which HRM practices impact attitudes and behaviors of employees (Zhang & Agarwal, 2009). Hence, there is a dearth of knowledge of how these HRM practices influence perceptions of employees, their states of mind, behaviors, their attitudes and their thinking and how they respond to the practices (Deery, 2002). Besides, little explanation has been given related to how these HRM practices impact decision of individual to stay with the organization (Allen et al., 2003). Hence, this study will fill the gap in body of knowledge by including the six main HRM practices in this study (i.e. compensation, training and development and supervisor support).

2.2.1 Compensation

One of the significant functions of HR practices is compensation. Mony (2008) described it as the pay received by employees for their services rendered. Compensation is valuable to the employees since it is one of the key purposes behind which individuals work and proper remuneration can inspire, attract, and retain skilled employees of an association (Raihan, 2012). Indeed, compensation affects employees’ loyalty and motivation, productivity and their living status in the society (Aswathappa, 2008). Furthermore, social exchange theory (SET) (Blau, 1964), also provides a basis for linking HRM practices and employees retention, when employees receive benefits from the organization they in turn will repay the organization in the form of commitment and staying with it for a longer period of time (Eisenberger et al, 2001).

Previously, research has shown that compensation significantly influences the level of employees’ job satisfaction, which in turn will make them stay for longer period of time with the organization (Abassi & Hollman, 2000). Grace and Khalsa (2003) identified compensation as a significant factor affecting employees’ intention to stay. Similarly, Ovadje (2009) also highlighted that pay is positively related to employees’
intention to stay in African context. Another study by Batt, Colvin, and Keefe (2002) demonstrated that pay and employees retention are significantly positively related. On the other hand, contradictory results have also been found. For example, as indicated by Griffeth et al. (2000) there is a moderate relationship between pay and employees retention: while Khatri et al. (2001) reported that in Asian context pay is not important factor in retaining employees; and the study of Kim (2005) revealed that in United States of America, compensation is not important reason for employees to stay in the organization.

While the above studies have made considerable contributions to the literature by empirically demonstrating the influence of compensation on various work-related attitudes and behaviors, however, it is important to note that the findings of these studies are inconsistent. Furthermore, several reasons may account for these conflicting findings. Hence, this suggests introducing a moderator towards better understanding the relationship between compensation and employees retention. However, this present study proposes the following:  
Proposition 1: Compensation will be positively associated with employees retention.

2.2.2 Training and Development
Another important function of HRM practices is training and development. According to Schuler and MacMillan (1984) training and development is a human resource management practice that helps the organizations to gain competitive edge. Generally, it helps in increasing the level of commitment and loyalty of employees in order to stay for longer period of time with the organization, hence it decreases turnover and enhances retention (Samuel & Chipunza, 2009). According to Grace et al. (2003) and Rosser (2004) training and development is one of the vital components of HRM practices that influence employees level of job satisfaction, which in turn, may affect
their decision of staying with organization. Similarly, social exchange theory (Blau, 1964), also supports this notion.

Previously, researchers demonstrated that when organization provides sufficient training and development opportunities the employees are more satisfied, hence stay with the organization for longer period of time (Chang, 1999). In the same way, Martin (2003) also mentioned that the organization that provides training to improve current employees’ competency and skills, easily manages employees retention. In line with the previous explanation, Winterton (2004) argued that failure to invest in training and development may contribute to lower employees’ retention. Similarly, Lee and Bruvold (2003) found a significant correlation between training and development and employees retention. In contrast, Haines et al. (2010) mentioned that training and development might decrease employee retention by enhancing their skills which will make them more attractive to other organizations. Similarly, Batt et al., (2002) also argued that training and development does not influence employees’ retention positively.

Hence, from the above discussion it is revealed that still there is still lack of clear explanation about the nature of relationship between training and employees retention as different studies have reported inconsistent results. Hence, due to the conflicting results and lack of clear explanation of the relationship nature, further investigation is needed to better comprehend the relationship between training and employees retention. Thus this study proposes the following:

*Proposition 2*: Training and development will be positively associated with employees’ retention.

### 2.2.3 Supervisor Support

As explained by Tan (2008) supervisor support includes the useful evaluation of one’s performance, career mentoring, the development of one’s career network and job direction. According to Bigliardi, Petroni and Dormio (2005) and Lee
the provision of such support as supervisors act as agents of the organization, supervisor support should facilitate positive attitudes towards the organization in general. At the point When the relationship between the employee and the supervisor is characterized by obligations, trust, a long term orientation and socio emotional resources, the employees perceive the exchange relationship as supervisor support is a social exchange construct (Dysvik & Kuvaas, 2012 & Eisenberger et al., 2002, ). As a result, when employees are treated nicely by the employer, they repay the organization with more promising attitudes and behaviours (Meyer & Allen, 1991).

Empirical studies have shown that supervisor support has a consistent positive relationship with commitment and retention (Walumbwa et. al, 2005). Based on the findings of Price and Muller (1986) employees’ retention is expected to be enhanced by supervisor support. Similarly, Silbert (2005) argued that talented employees have sufficient opportunities of getting good job, workplace and position elsewhere; therefore, to retain these competent employees organization should create a friendly environment which promotes supervisor support. Moreover, Tuzun and Kalemci (2013) also prompted that supervisor support positively influences employees’ retention. However, while studying on commercial bank employees in Bangladesh Billah (2009) pointed out that there is no significant relationship between supervisory support and employees’ decision to stay. Moreover, Abeysekera (2007) mentioned that there is a non-significant relationship between supervisor support and employees retention in Sri Lankan context.

Hence, from the above literature it is concluded that still there is lack of clear explanation about the nature of relationship between supervisor support and employees retention. Moreover the conflicting results suggest more
detailed investigation of this association (Cho, Johanson, & Guchait, 2009). Therefore, this study proposes the following: **Proposition 3**: Supervisor support will be positively associated with employees retention.

**2.3 Work Environment**

Work environment is one of the factors that affect employee’s decision to stay with the organization (Zeytinoglu & Denton, 2005). The historical backdrop of work environment can be followed to the introductory work of Tolman (1926) while working on "cognitive maps." He held that people try to understand their environment. Afterward, Lewin, Lippitt and White (1939) (1935) added that environment signifies mutual considerations of a cluster, about their surrounding. Work environment is a vital factor that influences employee retention (Zeytinoglu et al, 2005). Working environment has been denoted as the safe physical working atmosphere (Edgar & Geare, 2005). Work environment tends to have positive or negative effect on certain job outcomes like involvement, commitment and intention to stay in an organization (Ollukkaran et al, 2012). According to Mangi et al, (2011) good working environment, for example, attractive and clean environment encourages individual employees to complete their work effectively and is expected to have positive impact on employees retention and commitment.

According to Social Exchange Theory (Blau, 1964) proper HRM practices instituted by an organization must theoretically be able to enhance employees retention, as individuals and organizations enter into exchange relationships in which provision of mutual benefits creates obligations to reciprocate (Raihan, 2012). However, empirical results on the effects of HRM practices on employee retention appeared mixed. For example Grace et al, (2003) and Ovadje (2009) demonstrated a significant positive relation between HRM practice and employees retention. While Haines et al, (2010)

Based on the contradictory findings of prior studies, work environment will be incorporated as moderator on the relationship between HRM practices and employees retention in the current study. This is in accordance with Baron and Kenny's (1986) statement that when there is a weak or inconsistent relationship between the criterion and predictor variable, a moderating variable is suggested to be incorporated. Similarly, Jaworski (1988) contended that the adequacy of different control mechanisms may be dependent upon internal and external contingency variables. Hence, this suggests the need for a moderator variable. Therefore, in order to better understand the influence of HRM practices and employees’ retention, this study suggests that work environment might moderate the relationships.

Prior to this, research studies have examined the moderating role of work environment on the relationship between entrepreneurial orientation and firm performance (Aaraki & Kimbugw, 2015), western expatriates’ commitment and retention in international assignments (Nguyen, Felfe & Fooken 2013) and motivation to learn and perceived training transfer (Soon, Ahmad & Ahmad, 2014). Thus, the literature shows that no study has been done on work environment as moderator on the relationship between HRM practices and employee retention. Therefore, to fill this gap this study consider work environment as moderator to further investigate the relationship between HRM practices and employee retention.

Moreover, Social exchanges theory (Blau, 1964) also supports this phenomenon by arguing that individuals and organizations enter into exchange relationships in which provision of mutual benefits creates obligations to reciprocate.
When the organization provides proper working environment the employees will feel obligated to repay in the form of loyalty and staying with the organization for longer period of time (Setton, Bennett & Liden, 1996). Therefore, this study proposes the following:

Proposition 4: work environment will moderate the relationship between HRM practices (compensation, training & development and supervisor support) and employees’ retention.

### 2.4 Social Exchange Theory

Social Exchange Theory (SET) is used in the current study, which was developed originally by Thibaut and Kelley in 1959, as it has been utilized increasingly as theoretical base of turnover and retention research to comprehend the employer and employee relationship (Coyle-Shapiro & Conway, 2005). SET postulated that good acts and performances must be reciprocated (Blau, 1964). According to Mossholder, Settoon, and Henagan (2005), the SET suggests that a person who feels that he/she gets benefits from someone will feel obligated to repay or compensate through positive behaviors, attitudes, efforts and devotion. Moreover, SET (Blau, 1964) has mentioned that institutions utilize different HRM practices that provide distinct exchange relationships. Furthermore, SET described that employees perform better when they are supported and valued by organization (Eisenberger et al, 2001).

### 3.0 PROPOSED RESEARCH FRAMEWORK

Based on the above literature review, a proposed research framework for this study illustrating the moderating effect of work on the relationship between HRM practices (compensation, training & development and supervisor support) and employees’ retention is presented in Figure 1.
In explaining the moderating role of work environment on the relationship between HRM practices (compensation, training & development and supervisor support) and employees retention, the present paper proposes that the extent to which HRM practices affect employee retention varies, depending upon the work environment provided in an organization. Given the empirical support for the Social exchange theory across various organizational settings, it is proposed that this theory would provide an empirical support for the moderating role of work environment on the relationship between HRM practices and employees retention.

4.0 CONCLUSION

This paper has presented a model on the moderating effect of work environment on the relationship between HRM practices (compensation, training & development and supervisor support) and employees retention as presented in above figure. The proposed study has a few basic implications for enhancing employees retention. Firstly, if the proposed model is validated, the finding will give imperative understanding to practitioners and managers about the huge part of HRM practices in
increasing employees’ retention. Secondly, the proposed framework recommends that work environment may moderate the relationship between HRM practices and employees retention. This implies that an organization with conducive work environment is more likely to retain employees.

REFERENCES


