INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES

Vol 8, Issue 12, (2018) E-ISSN: 2222-6990

People Management for Managing Employees' Retention in the Organizations

Roziah Mohd Rasdi, Yong See Chen

Faculty of Educational Studies, Universiti Putra Malaysia, 43400 UPM Serdang, Selangor Darul Ehsan, Malaysia

To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v8-i12/5048 DOI:10.6007/IJARBSS/v8-i12/5048

Published Date: 27 December 2018

Abstract

Changes in the career and organizational landscape have brought tremendous effect to employees' career, and result to blurring of organizational boundaries. Such unpredictable events influence employees' retention in the organizations. The paper aims to examine the factors contributing to employees' retention in the organizations. This conceptual paper theorizing employees' retention using job embeddedness theory and Herzberg's two factor theory. Voluminous number of studies concluded that the determinants of employees' retention can be categorized as the job factors and motivational factors. These two factors are highly associated with the HR practices in the organizations which include attracting, motivating, rewarding and retaining employees through a bundle of job policies, practices and systems. The paper emphasizes on the importance of HRD practices in managing employees' retention, and highlights the dominance of HRD interventions in retaining employees in the organizations.

Keywords: People Management, Employees' Retention, Turnover Intention, Multigenerational

Introduction

The landscape of organizations today is changing rapidly to a leaner organizations due to mergers, consolidations and re-engineering activities. Such activities are some of the unpredictable circumstances employees may experience which vividly influence organizational and employees' retention (Mitchell, Holtom and Lee, 2001). Simultaneously, the psychological contracts between employees and employers are switching from a long-term organizational commitment to a short-term career in an organization whereby individual employees are following their subjective career success. The career horizon of individuals end up with multiple organizations throughout their career stages.

To compound the effect further, Human Resource managers are hard pressed to attract and retain competent employees who are highly crucial for the organizational survival (De Vos and Meganck, 2007). Employees are the greatest asset of an organization, and managing them in the organizations is a challenging task which requires both strategies and human touch. Dysfunctional management would lead to disruptive and problematic problems such as employees' turnover and losing talented employees (Holtom and O'Neill, 2004).

Apart from that, high voluntary turnover rate in organizations can destroy their competitiveness in the marketplace. For instance, a survey conducted by Malaysian Employers Federation (MEF) on 143 manufacturing organizations across various sub-sectors between July 2010 and June 2011 reported a high average yearly turnover rate of executive employees (Goh, 2012). The highest turnover rate is 23.88 percent and the lowest is 7.08 percent. The second highest executive turnover rate is in the electrical and electronics manufacturing organizations with 23.04 percent. Frazee (1996), in the study of fast growth companies, found that 47 percent out of 434 chief executive officers (CEOs) declared that lack of valuable employees could limit the development of their companies. The leaving of valuable employees in executive positions would surely continue to plague Malaysian manufacturing organizations.

The literature also noted that less work have been conducted on the studies focus of employees' retention (e.g., Ing, Hao and Chih, 2006; Govaerts, Kyndt, Dochy and Baert, 2011). Hence, the paper aims to examine the factors contributing to employees' retention in the organizations. The discussion provides insights on the importance of HRD elements in managing employees' retention, and provokes the dominance of HRD interventions in managing today's dynamic and diverse workplace.

Besides the above, workforce diversity lead to the complexity of decision making in management. Harrison, Price and Bell (1998) categorized diversity as surface versus deep level diversity. "Surface" diversity refers to demographic, mostly visible background characteristics of people, whereas "deep" level diversity refers to attitude or approach of people. They claimed that the effect of time will mostly neutralize the effect of "surface" diversity, and will enhance the effects of "deep level" diversity.

Diversity at the workplace involves specific groups such as multi-generational employees, gender, ethnicity, and dual career couple, to name a few. They brought a different challenge which management needs to cope. For instance, issues related to the efforts in increasing employees' retention have become more critical when younger generations such as Generation Xers (Festing and Schafer, 2014; Cordeniz, 2002) and Generation Yers (Gursoy, Maier and Chi, 2008) or Millennial's employees (Selden, Schimmoeller and Thompson, 2013) are likely to quit their jobs more frequently (D'Amato and Herzfeldt, 2008) compared to Baby Boomers (Benson and Brown, 2011; Crampton and Hodge, 2007). On top of that, findings of a number of studies conducted on employees tend to generalize that all continuous employment strategies fit into the different generations in the workforce (Mitchell et al., 2001). Women with family are more likely to quit their job compared to men, when they are facing with child rearing arrangement issues.

Managing workforce diversity means working systematically towards a workplace where the composition of the employees' diversity will reflect that of the general society. This involves taking proactive steps to promote a culture and atmosphere of equality and to ensure that there is no unjustified discrimination in the selection of people, both into the organization, and in promotion decisions (Baruch, 2004).

Employees' Retention at the Workplace

Employees' retention in the organization can be associated with the organization they are working for, the characteristics of the job, and the attributes of the individuals (Sengupta and Dev, 2013). In other words, employees' retention is directly related to the organizational, job, and personal-related factors. Ajzen and Fishbein (1980) proposed that the actual behavioral act is derived from predecessor of the individual psychological state known as intention. An individual's intent to execute such behavioral act or otherwise is a process of action. In particular, employees demonstrate their action to continue membership with the current occupation when the situation warrants the thought for intention to stay.

Some scholars refer to retention as the behavioral commitment and attachment, intent to stay, tendency to leave, and intent to quit (Mueller, Finley, Iverson and Price, 1999; Halaby, 1986). However, regardless of the way the two concepts are understood, previous studies clearly revealed the most vital aspect in determining employees' turnover (Tett and Meyer, 1993; Igbaria and Greenhaus, 1992). Simply, it is assumed that these two concepts i.e. intention to stay and intention to leave, are the two sides of the same coin (Black and Stevens, 1989). Cho, Johanson, and Guchait (2009) proposed the argument for the distinction between the intention to leave and the intention to stay. It can be categorized as the two-by-two matrix as presented in Figure 1.

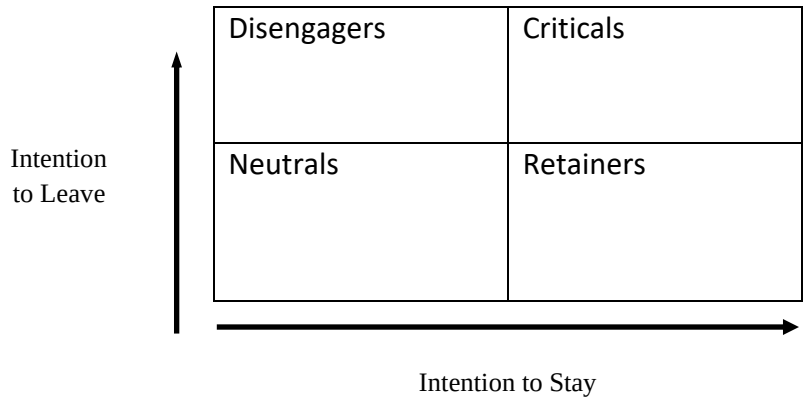

Figure 1: Intent to Leave versus Intent to Stay

According to these researchers, antecedents that affect intention to leave may not have any effects on intention to stay (disengagers) while antecedents that affect intention to stay may not have any effects on intention to leave (retainers). Meanwhile, there also exist antecedents that may affect both intention to stay and intention to leave (criticals), and antecedents that may not have any effects either on intention to stay or intention to

leave (neutrals). For example, job dissatisfaction can influence employees' tendency to leave their current job and organization (Zeffane, Ibrahim and Mehairi, 2008). However, research shows that job satisfaction only represents less than 50 percent of employees' intention to stay (Mitchell, Holtom, and Lee, 2001). This reflects that dissatisfied employees in the job still remain in their employment relationship with the current organization. Therefore, in ensuring employees' job satisfaction, organizations may not practically sound effective when satisfied employees in the job also quit their employment.

Theorizing Employees Retention

Job embeddedness is a new construct developed to capture a more comprehensive view of employee – employer relationship than is typically reflected by attitudinal measures such as satisfaction or commitment (Mitchell et al., 2001). The construct aimed at employee retention, instead of employee turnover. Therefore, the basic tenet of this theory is how to keep people in an organization, rather than how to keep them from moving to a different organization. Job embeddedness theory outlines that employees' personal values, career goals and plans for the future must fit with the larger corporate culture and the demands of his or her immediate job (e.g., job knowledge, skills and abilities). Employees also shall consider how well they fit the community and surrounding environment. The better the fit, the most likelihood that employees would retain in the organization (Holtom and O'Neill, 2004).

Job embeddedness assesses a broad set of influences on employee retention, which includes:

(i) The extent to which an empoyee's job and community are similar to or fit with the other aspects in his or her life space.
(ii) The extent to which employees have links to other people or activities; and
(iii) The ease with which links can be broken – what employees would give up if they left, especially if they had to physically move to another city or home.

These three dimensions are called fit, links and sacrifice. Fit refers to employee's perception of compatibility or comfort with an organization and with his or her environment. To reduce early turnover, managers must ensure that individuals fit well within the organization's environment. Links are conceptualized as formal or informal connections between a person and institutions or other people. The theory suggests that a number of strands connect an employee and his or her family in a social, psychological, and financial web that includes work and nonwork friends, groups, the community and the physical environment in which he or she lives. Sacrifice is defined as the perceived cost of material or psychological benefits that may be forfeited by leaving one's job. The more an employee gives up when leaving, the more difficult it is to leave the organization.

Retention is a behaviour-driven act, and it is the results of "fit" which accomplished between individual employee and the organization. This psychological contract explains the relationship between an employer and employees, and specifically concerns mutual expectations of inputs and outcomes. The fundamental of this unwritten set of expectations is fairness, whereby employees need to perceive that they are being treated fairly to sustain a healthy psychological contract. Feeling of inequality would

damage the relationship between employee and employees, resulting to demotivation and dissatisfaction leading to poor job performance and turnover intention.

Herzberg's two factor theory classifies job factors into two categories, i.e., hygiene factor and motivational factor (Herzberg, 1987). Hygiene factor include job factors which are extrinsic to work and would derive motivation at workplace and pacify the employees, but they do not lead to positive satisfaction for long term. However, unavailability of these factors would lead to dissatisfaction. These factors signified the psychological needs which the employees wanted and expected to be fulfilled. The hygiene factor describes the job environment and include pay, company policies and administrative policies, fringe benefits, physical working conditions, status, interpersonal relations and job security. These factors cannot be regarded as motivators. They may eliminate job satisfaction but do not necessarily increase job satisfaction.

On the other hand, the motivational factors are inherent to work and yield positive satisfaction and motivation for performance. The motivators signifies the psychological needs that were perceived as an additional benefit. These factors are intrinsically rewarding and include recognition, sense of achievement, growth and promotional opportunities, responsibility and meaningfulness of the work. Herzberg's hygiene and motivational factors suggest the importance of effective human resource practices in creating a satisfied workplace.

Based on the above discussion, the determinants of employees' retention can be categorized as the job factors and motivational factors. The job factors clearly referring to all practices in human resource management practices, and the motivational factors evidently representing the human resource development practices. Thus, to manage employees' retention, organizations have to strategically doing people management by managing both practices of human resource management and human resource development.

People Management

People management, also known as human resource practices which involves recruitment, management, development and providing ongoing support and direction for the employees of an organization. HR practices are a bundle of policies, practices and systems that influence employees' behaviour, attitudes and performance. The practices play a key role in attracting, motivating, rewarding and retaining employees (Noe, 2008). These include pay and compensation, selection, performance management, training, career advancement, communication, leadership and all interventions aiming to managing and developing employees in the organizations. The focus of management is to both hiring the right people and then getting the most out of these people. Getting the most out of an employee means an organization has consistent policies and practices in place to provide its people with appropriate support, training and development. Thus, in this paper, human resource practices and people management practices are used interchangeably in the discussion.

Storey (1998) further differentiated HR practices between hard and soft forms. "Hard" human resource practices focus on the resource side of human resources. It emphasizes costs in the form of "headcounts" and places control firmly in the hands of management.

Their role is to manage numbers effectively, keeping the workforce closely matched with requirements in terms of both bodies and behaviour. "Soft" human resource practises, on the other hand, stress the "human" aspects of human resource practices. It concerns with communication and motivation. People are developed rather than managed. Hence, people management should include both managing and developing people which further reflects the hard and soft practices of HR, respectively.

The relationship between human resource practices and employees' retention must be comprehended by the organizations for them to strategically design and planning future action plans to create a satisfying and motivating organizational climate. Whilst concentrating on this effort, organization must maintain or optimize level of resources. All these cumulatively contribute towards enabling the organization to maximize their performance and continue promoting employees' retention. Looking from the economical point of view, managing employees' retention shall then help organizations to save costs, both tangible and intangible ones, associated with replacing employees.

The literature noted that human resource practices are inextricably linked to employees' perceptions of organizational support, and that the two processes strongly influence an employee's commitment to an organization. Arthur (1994) believed that high commitment human resource activities increase organizational effectiveness by engendering conditions where employees feel more involved in the achievement of the organization's objectives. Thus, they are more likely to work harder to help the organization meeting those objectives. Cumulatively, all these lead to increase retention and higher productivity. Studies have found that high commitment human resource management practices enhance employees' levels of skill, motivation, information and empowerment (e.g., D'Cruz and Noronha, 2011; Pfeffer, 1998).

The following discussion focuses on few people management practices and research evidences on the relationships between the people management practices and employees' retention.

Pay and Compensation

Pay is defined as the extrinsic monetary rewards and is often described in the form of salaries and wages (Hausknecht, Rodda and Howard, 2009). Similarly, it is a liquid form of rewards or cash paid by the employer to the employees as part of the employment contract fulfilment in exchange of contribution in terms of time, energy, efforts, knowledge, and skills from the employees. Compensation also refers to both liquidity form of rewards and non-salary rewards provided by the employer to the employees in return for their services (Mondy and Noe, 2005).

A study by Sanjeevkumar (2012) found that compensation is correlated with Malaysia's public sector employees' intention to stay. Similarly, Anis, Rehman, Nasir and Safwan (2011) found that compensation is a significant predictor of employees' retention. Chew and Chan (2008) in their study also found that remuneration and recognition are positively associated with intention to stay.

Career Advancement

Career development is a process in the employees' career movement to be offered the chances to upgrade themselves in terms of new knowledge and skills through various learning methods. This would lead to the opportunities to produce further outstanding results in work performance and fulfil personal career commitment (Norzaidi, Anis, Faiza and Intan, 2013).

George (2015) found that development opportunities are significantly correlated with intention to stay. Lew (2011) found that career advancement has a significant influence in employees' commitment and produces positive effects on employees' intention to stay in the organizations. However, career development was found to be insignificant towards employees' intention to stay in manufacturing organizations across the Northern region of Peninsular Malaysia (Johari, Tan, Adnan, Yahya and Ahmad, 2012). The insignificant result was probably due to age factor where majority of the respondents were below 30 years old. The young Generation Yers are more likely to jump ship for greener pastures. They can also easily adapt to new working environment and often succeed better in flexibility (Bernardin and Russell, 2012).

Performance Appraisal

Schulan and Jackson (1987) differentiated performance appraisal into two different orientations, i.e., behavioral and result factors. The behavioral factors refer to individual's attitudes at the workplace while result factors concentrate on individual's accomplishment and place little importance on personal behavior towards work. Subsequently, Giles, Findley, and Feild (1997) distinguished performance appraisal into two contextual areas, known as structural factors and psychological factors. Structural factors are the appraisal system itself while psychological factors refer to the evaluation process between appraisers and appraisees in which emotional influences may happen during the progress.

Bekele, Shigutu, and Tensay (2014) found that there is a significant and negative relationship between employees' perception of performance appraisal and turnover intention. Another studies by Fakharyan, Jalilvand, Dini, and Dehafarin (2012) and Ahmed, Hussain, Ahmed, and Akbar (2010) also reported the same results. The higher the perceived satisfaction of performance appraisal is, the lower the turnover intention is, and vice versa.

Conclusion and Implications for Practice

This paper concludes the importance of people management or HRD practices in managing employees' retention. The dimensions of people management includes training and development, compensation and benefits, career development, performance appraisal and achievement. Both structural and motivational elements of people management are crucial in managing employees' retention.

People management practices that demonstrate a greater concern on matters highlighted by employees can make employees feel that they are being recognized and supported by the organization. Showing a greater concern towards the employees can effectively support the organization's retention practices in increasing employees' retention.

Appropriate human resource policies and practices that receive support from HRD practitioners, top management and organization could serve as effective tools in the progression of a formal program to communicate and promote employees retention. Institutionalizing appropriate human resource policies and practices is vital to assert the right organizational environment that would increase employees' retention.

Acknowledgement

This study is funded by the Fundamental Research Grant Scheme from the Ministry of Education Malaysia.

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