Impact of Best HRM Practices on Retaining the Best Employees: A Study on Selected Bangladeshi Firms

Md. Sajjad Hosain

Senior Lecturer, Department of Business Administration, Uttara University, Dhaka, Bangladesh

Abstract

This study has been developed to endeavor the relationship between ten Human Resource Practices (job analysis, recruitment & selection, adequate training facilities, performance appraisal, adequacy of information, supervisory treatment, opportunities for career development, compensation & benefit, managerial relationship with employees and degree of employee participation in decision making) and their possible impact on employee retention. The research was carried out with a sample size of 252 non-managers and 62 top level managers of 23 public and private corporate firms in Bangladesh. Data have been collected through a detailed structured questionnaire from the respondents. Judgment sampling method has been used to recruit the respondents. Result after careful statistical analysis has drawn a very interesting and unusual conclusion. It has indicated that there is a positive but insignificant relationship between job analysis, adequacy of information, management-employee relationship and participation in decision making with employee retention. The other six independent variables, recruitment & selection, job training facilities, performance appraisal, supervisory treatment, career development and compensation & benefit have negative relationship with employee retention. Among them, job training, compensation & benefit and supervisory treatment have strong negative relationship with employee retention.

Keywords: Bangladesh, Human resource management, Human resource management practices, Employee retention.

Contents

1. Introduction .................................................................................. 109
2. Rationale and Significance of the Study......................................................... 109
3. HR Practices in Bangladesh ....................................................................... 109
4. Literature Review ...................................................................................... 109
5. Research Hypotheses and Conceptual Framework ........................................... 111
6. Research Methods ....................................................................................... 111
7. Analysis and Interpretations of Results ........................................................... 111
8. Conclusion and Limitations of the study ......................................................... 113
9. References .............................................................................................. 113

DOI: 10.20448/journal.500/2016.3.2/500.2.108.114
ISSN(E): 2313-7401
ISSN(P): 2518-0996
Licensed: This work is licensed under a Creative Commons Attribution 3.0 License
Competing Interests: The author declares that there are no conflicts of interests regarding the publication of this paper.
Transparency: The author confirms that the manuscript is an honest, accurate, and transparent account of the study was reported; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained.
Ethical: This study follows all ethical practices during writing.
History: Received: 19 October 2015/ Revised: 11 November 2015/ Accepted: 20 November 2015/ Published: 24 November 2015
Publisher: Asian Online Journal Publishing Group
1. Introduction

The optimum effectiveness and efficiency of a firm do not depend on its financial resources or using the latest technology, rather it is determined by the extent to which way it is using its dedicated, motivated and efficient employees. Again, it also depends on the number of its satisfied employees who will continue to provide their valuable service to the same organization. So, the success of a corporate firm lies on how efficiently it is using its quality and talented employees with optimum satisfaction. The term ‘Human Resources’ refers to the knowledge, skills, creative abilities, talents, aptitude, values and beliefs of an organization’s work force (Mahmud and Idrish, 2011). As people are the only living resources of a firm, the effective utilization of other resources is mostly dependent upon human resources. Employee retention is the number of employees who are continuing with the firm. Employee retention is again determined by job satisfaction. A satisfied employee means better quality of service or production for the firm which in turn reduces the turnover cost and increase goodwill through quality products or services. The final result is higher profit for the organization.

In the verge of knowledge based economy, human resource is considered as the most important resource and it is becoming more and more decisive for success of any organization (Schular, 1990; Werther and Davis, 1996; Moyeen and Huq, 2001). The objective of HR is to improve the contributions of employees towards the firm and develop competitive advantage to the organizations (Werther and Davis, 1996). It is now very well accepted that an organization enriched with committed, motivated, talented, skilled and competent human resources can achieve any challenging goal. In modern business world full of diversified challenges, success is entirely dependent upon the way managers are utilizing the capabilities of their human resources (Absar and Mahmood, 2011). Most of the successful firms in today’s business world are investing heavily in employee development programs and also trying to retain them at any cost even though they can get replacements at a much less compensation package.

Therefore, it is crucial for a firm to retain its valuable workforce through motivation. It comes in a variety of ways mainly through better Human Resource Practices (HRPs). HRP is a relatively new term used in Bangladeshi corporate firms and very few firms have adapted proper HR practices in Bangladesh. Before that, old management styles were in practice.

2. Rationale and Significance of the Study

The study is aimed to identify the sources of job satisfaction that ultimately lead to employee retention. This study will hopefully of great help for those who are doing research about job satisfaction and employee retention. It will also come to the use for the employers who are trying to identify the sources of job satisfaction to keep their competitive workforce. Finally, the study can balance the proper use of HR practice and financial performance gained by utilizing them.

3. HR Practices in Bangladesh

Bangladesh is small agro based country of South Asia that got independence in 1971. Here, half of the population is still engaged in agriculture (GOB Ministry of Finance, 2007). But the trend is declining year by year with the increasing number of small and medium firms. After independence, only 4% of GDP came from the industrial sector (Ahmed and Patan, 1979). After a massive change in political philosophy in 1975, the governments were emphasizing on the growth and development of private sector enterprises. But the private firms did not achieve their ultimate success due to a number of issues like ineffective HR practices, lack of motivation, lack of training etc. Despite having such problems, Bangladesh is still one of the major emerging economies in near future according to many large economic institutions and think tanks.

There were a few studies conducted in Bangladesh regarding HRP. They include Rab (1991); Shelly (1994); Mohiuddin and Mahmood (2001); Moyeen and Huq (2001); Mamun and Islam (2001); Akter (2002); Islam (2003); Mahmood (2004); Hossain et al. (2004); Akand (2006); Uddin et al. (2007); Huda et al. (2007). Two recent studies conducted by Billah and Islam (2009) and Billah et al. (2009) revealed that HR practices have significant correlation with employee retention and organizational commitment (Absar and Mahmood, 2011).

The above studies on different HRM practices show that like all other undeveloped and developing countries, HRPs are an area of researches that have not received proper attention yet in Bangladesh. This study is, therefore, obviously an effort to fill this gap a little more.

4. Literature Review

4.1. Previous Research on Employee Turnover

Every organization invests a lot on their employees through job analysis, recruitment & selection, training, development and a healthy compensation package. To utilize these investments, the firm must try at all possible ways to reduce the employee turnover. Although, there is no standard framework for understanding the employee turnover process as a whole, a wide range of factors have been found useful in interpreting employee turnover (Kevin et al., 2004). Employees are extremely crucial to the organizations since their value to the organizations is essentially intangible and not easily replicated (Meghan and Nick, 2002). Therefore, managers must recognize employees as major contributors to the efficient achievement of the organizational success (Abbas and Holland, 2000).

Employee turnover remains as one of the most widely researched topics in organizational analyses (Dalton and Todor, 1981). Despite having a number of significant researches by the specialists in this field, there is still no clear idea about the forces that drives an employee to dissatisfaction and leaves the job. Among those factors, there are some external factors (demand and supply position in the labor market), some factors are organizational itself (pay scale, working environment, job skill, supervisory treatment etc.), personal characteristics (attitude, knowledge, personal interests, length of service etc.) and employee’s own reaction to his/her job (perceived job satisfaction and dissatisfaction, job involvement and job expectations) (Knowles, 1964).
The reason for paying so much attention to the issue of turnover is because it has some significant implications on organizations (DeMico and Giridharon, 1987; Dyke and Strick, 1990; Cantrell and Sarabakhsh, 1991; Denvir and McMahen, 1992). Many researchers argue that high turnover rates might have negative effects on the profitability of organizations if not managed properly (Barrows, 1990; Hogan, 1992; Wasmuth and Davis, 1993).

According to Hogan (1992) nearly twenty years ago the direct and indirect cost of a single line employee leaving was between $1400 and $4000. Turnover has many hidden or invisible costs and these invisible costs are result of incoming employees (through new job analysis, recruitment & selection process, training & developing the new employee etc), co-workers relationship with the departing employee, time taken for the co-workers to develop a good working relationship with the new employee and the other expenses occurring while the position is being filled.

Chang (1999) studied the relationship between career commitment and organizational commitment turnover intention among Korean executives and found that the role of career commitment was stronger in predicting turnover intentions. If an individual is committed to the organization, he or she is less willing to leave the firm. This was found stronger for those highly committed to the organizations (Mahmud and Idrish, 2011). It has been proved that the employees with low career and organizational commitment had the highest turnover intentions as they did not care either about the company or their careers. Individuals with high career commitment and low organizational commitment also tend to change the job frequently because they do not believe that the organizations can satisfy their career goals (Mahmud and Idrish, 2011). Their Mahmud and Idrish (2011) findings were consistent with the previous research that high career committers consider leaving the firm if they are not provided the development opportunities by the organization. Chang (1999) found that individuals become affectively committed to the organization when they perceive that it is pursuing internal promotion opportunities, proving proper training and supervisors are providing information and advising about the career prospects.

4.2. Relationship between HRM Practices and Employee Turnover

To be competitive, the firms must retain their competent and motivated employees (Mahmud and Idrish, 2011). Therefore, we must understand the interrelationships between HRM practices and employee turnover. These relationships for selected HRM Practices in this study are:

- **Job analysis**: Job analysis is the base for all HRM activities. It is a process of obtaining information about jobs (McCormick, 1979). A proper conduction of job analysis and eventually providing employees with a proper job description prevents the complexities where the employees do not know what is expected from them to do. Job analysis is the basis on which all other HR activities are stood and have an impact on employee turnover in reality. Job analysis also consumes all other HR activities and therefore has a significant effect on employee turnover in general (Hoon et al., 2000).

- **Recruitment & selection**: An appropriate and up to date recruitment and selection process is a part and parcel of a good HR practice. Recruitment and selection for larger organizations have proved to be a core human resource planning activity and as such, they are a vital part of an organization’s overall strategic plan (Cameron and Pierce, 1994). The role of recruitment and selection is to put in order preparations for potential long-term employment requirements, as well as deal with day-to-day employment vacancies, all as part of a human resource strategy (Kumar, 1992). It is an important objective of all businesses to ensure that the people who are employed through the recruitment and selection process are the right people for the job. In addition, it is crucial to take the people who show the keen interest in the job responsibilities that are attached to. Otherwise, they will be dissatisfied later and leave the job as they will not like it.

- **Adequate job training facilities**: All employees in an organization should have an adequate training program. This should include an orientation to the position and the firm, as well as all necessary information to perform up to standard, including procedures, policies and way of doing the activities. Employees who feel knowledgeable and comfortable in their surroundings will more often feel successful and content with their position (Robert, 2008). Though there has not been any significant relationship between training and retention (Terera and Njirande, 2014) still it is one of the major determinants of job satisfaction and employee retention.

- **Performance appraisal**: A fair appraisal system is essential in any organization to retain valuable employees. It enables employees to understand their job responsibilities and show them the path towards individual growth. Employee participation in the appraisal process, equity, fairness and justice will give benefits to organizational commitment (Paul and Anantharaman, 2003). Therefore, a fair appraisal helps in extracting the best from workers. An unfair appraisal system can result in unrest and dissatisfaction amongst employees. Scholars usually argue that performance appraisals that are conducted properly can produce positive organizational results (Pettijohn et al., 2001).

- **Adequacy of information**: Researchers like Pitt and Ramaseshan (1995) identified that employees who showed a higher desire to leave their jobs were those who perceived that the job previews and information they received during and after interview were not enough. When an employee do not get the necessary information from his/her company, he/she might feel that he/she is being ignored by the management and also, have a negative feeling for the company policy which in turn, induces him/her to leave the firm.

- **Supervisory treatment**: A study done by Firth et al. (2007) suggested that emotional support from supervisors and self-esteem can mediate the stressors on stress reactions, job satisfaction, commitment to the firm and lower the tendency to leave. Therefore, it had been suggested that managers need to constantly monitor staff workloads and the relationship between supervisors and subordinates.

- **Career development opportunities**: Miller and Wheeler (1992) found that the lack of meaningful work and opportunities for promotion significantly affected employees’ intentions to leave an organization. Organizations were able to improve their employees’ retention rate by adopting job enrichment programs and enhancing their advancement opportunities (Mahmud and Idrish, 2011). 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).

**Compensation & benefit:** In their research related to compensation package, Park et al. (1994) and Trevor et al. (1997) found that salary growth effects on turnover were greatest for high performers, i.e. high salary growth significantly reduced turnover for high performing employees. Abbasi and Hollman (2000) in their study have identified lack of proper recognition and lack of competitive compensation system is some reasons for employee turnover in an organization.

**Management – employee relationship:** Cappelli (2000) stated that the relationship between managers and employees influences employees’ decision to staying in a job. Previous research shows that supervisors and managers have an important impact on employee turnover (Arokiasamy, 2013). The length of time that employees stay in an organization is largely determined by the relationship between employees and their managers (Dailey and Kirk, 1992). Employees generally consider certain factors about their managers. First of all, Gomez-Mejia and Balkin (1992) noted that employees desire managers who know and understand them and who treat them justly. They also prefer managers who can be trusted with their job environment. Job satisfaction level normally increases when employees feel that managers are fair, reasonable and supportive. In addition, if the managers show interest in the well-being of employees and is supportive and sensitive towards them emotionally, job satisfaction level increases (Miller and Wheeler, 1992). Furthermore, autonomy is valued by employees and decreases turnover (Arokiasamy, 2013).

**Participation in decision making:** Hewitt (2002) mentioned that modern businesses always keep employees well informed about all the important affairs of its business and involves them in decision-making at all levels which can exploit the talents of its employees. Supporting the view, Noah (2008) found in his research that employee involvement in decision-making helps in creating a sense of belongingness among the employees, which helps in creating a good congenial working environment and contributes towards building a good employer-employee relationship. The above cited literature reviews indicate a positive and strong (for most HR practices) impact on employee retention. Therefore, the main purpose of this study is to find out the relationship between HR practices and employee retention for selected Bangladeshi firms. A conceptual framework has been developed for this study (Figure-1).

### 5. Research Hypotheses and Conceptual Framework

From the above literature, two hypotheses can be developed. They are:

- **H₁:** There is a positive and significant relationship between HRM practices and employee retention.
- **H₂:** There is a positive but not significant relationship between HRM practices and employee retention.

![Figure-1. Conceptual Framework](image)

In Figure-1 ten HRM practices have been assumed as independent variables and employee retention has been considered as the dependent variable.

### 6. Research Methods

The sample size for this research is 314 out of which 62 are Top level managers and 252 are non-managers working in 23 different public and private corporate firms in Bangladesh. Judgment sampling method had been used to select the respondents. Before the distribution, the questionnaire was checked properly to find out whether it was understandable for everyone or not, needed any improvement etc. The questionnaire had 74 questions altogether.

A questionnaire was designed in a five point Likert scale to measure HR practices and employee retention. Five point Likert type scale has been used in the questionnaire to measure HR practices where 5 was considered as strongly agree, 4 for agree, 3 for no comment, 2 for disagree and 1 for strongly disagree.

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Questions in the Questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Analysis</td>
<td>5</td>
</tr>
<tr>
<td>Recruitment &amp; Selection</td>
<td>5</td>
</tr>
<tr>
<td>Adequate Job Training Facilities</td>
<td>10</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>4</td>
</tr>
<tr>
<td>Adequacy of Information</td>
<td>3</td>
</tr>
<tr>
<td>Supervisory Treatment</td>
<td>7</td>
</tr>
<tr>
<td>Career Development Opportunities</td>
<td>6</td>
</tr>
<tr>
<td>Compensation &amp; Benefit Package</td>
<td>8</td>
</tr>
<tr>
<td>Management-Employee Relationship</td>
<td>5</td>
</tr>
<tr>
<td>Participation in Decision Making</td>
<td>4</td>
</tr>
<tr>
<td>Employee Retention</td>
<td>17</td>
</tr>
</tbody>
</table>

Table-1. Questionnaire distribution according to category
The Cronbach co-efficient was used to find the inter item consistency reliability (Walsh, 1995). Cronbach alpha for job analysis was 0.7199, for recruitment & selection 0.8834, for job training 0.8676, for performance appraisal 0.7311, for adequate information 0.7112, for supervisory treatment 0.8892, for career development 0.8622, for compensation & benefit 0.9123, for management-employee relationship 0.8645, for participation in decision making, 0.7839 and for employee retention, it was 0.8773. Therefore, it is evident that each instrument’s internal reliability was satisfactory.

7. Analysis and Interpretations of Results

7.1. Pearson’s Correlation for All Selected Variables and Employee Retention

Table-2. Pearson correlation for all selected variables and employee retention

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable (Employee Retention)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Analysis</td>
<td>-0.044</td>
</tr>
<tr>
<td>Recruitment &amp; Selection</td>
<td>-0.051</td>
</tr>
<tr>
<td>Adequate Job Training Facilities</td>
<td>0.39</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>-0.012</td>
</tr>
<tr>
<td>Adequacy of Information</td>
<td>-0.011</td>
</tr>
<tr>
<td>Supervisory Treatment</td>
<td>0.63</td>
</tr>
<tr>
<td>Career Development Opportunities</td>
<td>0.52</td>
</tr>
<tr>
<td>Compensation &amp; Benefit Package</td>
<td>0.54</td>
</tr>
<tr>
<td>Management-Employee Relationship</td>
<td>-0.490</td>
</tr>
<tr>
<td>Employee Participation in Decision Making</td>
<td>-0.044</td>
</tr>
</tbody>
</table>

In Table-2 Pearson’s correlation coefficient suggest that job analysis, recruitment & selection, performance appraisal, adequacy of information, employee-management relationship and opportunities for staffs in decision making are negatively correlated with employee retention. Among them, recruitment & selection has a strong negative correlation with retention. On the other hand, job training facilities, supervisory treatment, career development opportunities and compensation package has positive correlation with staff retention but training is weakly correlated. The other three independent variables have a strong positive correlation with employee retention.

7.2. Multivariate Analysis

Multivariate analysis evaluates the simultaneous effects of all the independent variables on dependent variables. The results of regressing the ten independent variables against dependent one are shown in the table computed in SPSS.

Table-3. Aggregate impact of HR practices on employee retention

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Significance F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>.20</td>
<td>0.626</td>
<td>0.63</td>
<td>0.6253</td>
<td>0.656</td>
<td>6.9411</td>
<td>5</td>
<td>252</td>
<td>0.00005</td>
</tr>
</tbody>
</table>

The square of the multiple R is 0.656 indicates that 62% of variance in employee retention is explained by ten independent variables jointly. The F value is 6.9422 means that it is significant at P= 0.00005 suggesting that ten independent variables have significantly explained the 69% of the variance in employee retention.

Table-4. The strengths of influence of independent variables on dependent variable (Employee retention)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>5.421</td>
<td>0.258</td>
<td>27.348</td>
<td>0.000</td>
</tr>
<tr>
<td>Job Analysis</td>
<td>0.912</td>
<td>0.086</td>
<td>0.089</td>
<td>-9.765</td>
</tr>
<tr>
<td>Recruitment &amp; Selection</td>
<td>0.432</td>
<td>0.090</td>
<td>-0.254</td>
<td>6.745</td>
</tr>
<tr>
<td>Job Training</td>
<td>-0.151</td>
<td>0.062</td>
<td>-0.760</td>
<td>1.432</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>0.161</td>
<td>0.292</td>
<td>-0.221</td>
<td>3.118</td>
</tr>
<tr>
<td>Adequacy of Information</td>
<td>0.410</td>
<td>0.018</td>
<td>0.046</td>
<td>2.561</td>
</tr>
<tr>
<td>Supervisory Treatment</td>
<td>-0.517</td>
<td>0.038</td>
<td>-0.625</td>
<td>-0.669</td>
</tr>
<tr>
<td>Career Development Opportunities</td>
<td>0.321</td>
<td>0.078</td>
<td>-0.051</td>
<td>4.670</td>
</tr>
<tr>
<td>Compensation &amp; Benefit</td>
<td>-0.743</td>
<td>0.095</td>
<td>-0.872</td>
<td>-0.452</td>
</tr>
<tr>
<td>Management-employee</td>
<td>0.151</td>
<td>0.078</td>
<td>0.049</td>
<td>-3.349</td>
</tr>
<tr>
<td>Participation in Decision Making</td>
<td>-0.576</td>
<td>0.048</td>
<td>0.012</td>
<td>-0.567</td>
</tr>
</tbody>
</table>

The strengths of influence that each of the independent variable had on the dependent variable is determined by the multiple regression coefficients of the independent variables. The influence of each independent variable is shown in Table-4.

According to Table-4 compensation & benefit has the strongest significant effect on employee retention with a standardized Beta of -0.872. Job training facilities has also significant effect on employee retention with a beta of -0.760 followed by supervisory treatment (-0.625). According to this data, recruitment & selection process has the highest positive T value indicating that there is no negative relationship between recruitment & selection and employee retention.

112
The above analysis draws a very interesting outcome. After interpreting of the above results, it is evident that there is a positive relationship between job analysis, adequacy of information, management-employee relationship and participation in decision making with employee retention. But the relationship is not significant. The other six other independent variables, recruitment & selection, job training facilities, performance appraisal, supervisory treatment, career development and compensation & benefit have negative relationship with employee retention. Among them, job training, compensation & benefit and supervisory treatment have strong negative relationship with employee retention. According the literature review, except job training, the other HRM practices have positive significant relationship with employee retention. Therefore, this study does not support the previous literatures and also rejects both the hypotheses.

8. Conclusion and Limitations of the study

Most of the findings of this study do not match with previous literature review. The implication of this study suggests that there is no single or couple reasons that are liable for employee retention. Rather, the reasons are diversified and they sharply differ from person to person, company to company and even, culture to culture.

The study was limited to the impact of HRM practices on employee retention for selected Bangladeshi companies. So, the scope was limited in one particular culture. A cross-cultural study might have provided different results. Therefore, further scope and opportunities remains for this study in future. The author hopes that this research would be of further help in developing the proper HRM practices in Bangladesh according to cross-company culture.

References


