

## HR PRACTICES AS DETERMINANTS OF ORGANIZATIONAL COMMITMENT AND EMPLOYEE RETENTION

**CHEEKOORI JYOTHSNA**

ASST PROFESSOR, DEPT. OF MANAGEMENT STUDIES,  
SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT STUDIES  
CHITTOOR.

**CIDDA REDDY JYOSHNA**

ASST PROFESSOR, DEPT. OF MANAGEMENT STUDIES,  
SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT STUDIES  
CHITTOOR.

**CHANNA RAJANIKANTH**

ASSOCIATE PROFESSOR, DEPT. OF MANAGEMENT STUDIES,  
SRI VENKATESWARA COLLEGE OF ENGINEERING AND TECHNOLOGY  
CHITTOOR.

### *Abstract*

*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.*

**Keywords:** Organizational Commitment, Employee Retention, Organization Practices, Employee Performance, Employee's Engagement.

### **Introduction**

Globalization, privatization and liberalization have brought a rapid change in the life of the individuals, work and society, leading to extremely flexible, boundary less 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; De Young, 2000; and Evans, 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 dedication to the organization (Mester, 2003). Loyal, engaged employees tend to generate high performance business outcomes as measured by increased sales, improved productivity, profitability and enhanced employee retention (Tsui., 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 Dockel (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;
- (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 LIS 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). Fitz-enz (1990) concludes that employee retention is influenced by 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 willingness 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**

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 (C/ = 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.

#### **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 =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.

## Results and Discussion

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 t 30,000. Most of the respondents were having an experience of below five years. About 69% non-government organizations were considered for the study.

Table 1: Descriptive Statistics of Organizational Practices, HR Practices, Organizational Commitment and Employee Turnover.

Variables	No. of Responses	Minimum	Maximum	Mean	Standard Deviation
Salary	100	0	10	4.57	2.071
Working Environment	100	0	10	5.48	2.116
Participation	100	5	25	5.15	1.854
Leadership	100	5	25	5.21	2.017
Team Work	100	0	10	5.15	1.854
Recruitment	100	0	10	5.42	2.076
Selection	100	0	10	5.48	2.116
Training and Development	100	0	20	4.57	2.071
Organizational Commitment	100	5	25	6.18	2.178
Employee	100	5	25	5.42	2.195

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 show 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 mean value is 4.57 for the salary.

The table 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.C 0.01) between HR and organizational practices. A significant positive relation can be found in employee retention and organizational and HR practices ( $r = 0.364$ ,  $P < 0.01$ )

Table 2 indicates that organizational commitment and organizational practices can be found ( $r = 0.375$ , P. 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 ( $R^2 = 0.132$ ,  $b = 0.373$ , 0.01). This supports our hypothesis 3 (1-13).

Table 2: Pearson Intercorrelations Among Intrinsic Organizational Practices, HR Practices, Organizational Commitment and Employee Turnover

	Organizational Practices	H R Practices	Organizational Commitment	Employee Turnover
Organizational Practices	1			
HR Practices	0.369*	1		
Organizational Commitment	0.375**	•	1	
Employee Turnover	0.364*	0.254	-0.041**	1

Note: \*\* Significant at 0.01 levels.

Table 3: Multiple Linear Regression of Organizational Practices, HR Practices, Organizational Commitment and Employee Turnover

	R2	b	Z	z2
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

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.

## References

1. Allen T D and Rush M C (1998), "The Effects of Organizational Citizenship Behavior on Performance Judgments: A Field Study and a Laboratory Experiment", *Journal of Applied Psychology*, Vol. 83, No. 2, pp. 247-260.
2. Angle H L and Perry 3 L (1983), "Organizational Commitment: Individual and Organizational Influences", *Work and Occupations*, Vol. 10, No. 2, pp. 123-146.
3. Arnett K P and Obert T L (1995), "What IS Employees Really Want", *Datamation*, Vol. 41, No. 5, p. 84.
4. Arthur 3 (1994), "Effects of Human Resource Systems on Manufacturing Performance and Turnover", *Academy of Management Journal*, Vol. 37, No. 3, pp. 670-687.
5. Baruch Y (2004), "Transforming Careers: From Linear to Multidirectional Career Paths", *Career Development International*, Vol. 9, No. 1, pp. 58-73.
6. Bassi L J and Van Buren M E (1999), "Sharpening the Leading Edge", *Training and Development*, Vol. 53, No. 1, pp. 23-32.
7. Batt R (1999), "Work Organization, Technology, and Performance in Customer Service and Sales", *Industrial and Labor Relations Review*, Vol. 52, No. 4, pp. 539-564.
8. Beer M, Eisenstat R A and Biggdadike E R (1995), "Strategic Change: A New Dimension of Human Resource Management", in G R Ferris, S D Rosen and D T Barnum (Eds.), *Handbook of Human Resource Management*, pp. 115-138, Blackwell, Oxford.

9. Beer M, Spector B, Lawrence Petal. (1984), *Managing Human Assets*, the Free Press, New York.
10. Bhat R and Maheshwari S K (2005), "Human Resource Issues and Its Implication for Health Sector Reforms", *Journal of Health Management*, Vol. 7, No. 1, pp. 1-39.
11. Boyd B K and Salamin A (2001), "Strategic Reward Systems: A Contingency Model of Pay System Design", *Strategic Management Journal*, Vol. 22, No. 8, pp. 777-793.
12. Cappelli P and Rogovsky N (1998), "Employee Involvement and Organizational Citizenship: Implication for Labor Law Reform and Lean Production", *Industrial and Labor Relations Review*, Vol. 51, No. 4, pp. 633-653.

