

Human Resource Management Practices and Turnover Intention in Bangladesh- A Literature Review

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Abstract - The present research aims at investigating the effects of human resource management practices on turnover intention in Bangladeshi private organization. In this research, human resource management practices consist of training & development, job security, performance appraisal, compensation. Employee loyalty acts as a mediating variable in this research. As the dependent variable and an observed variable, is turnover intention. Thus, the conceptual model created for this study will comprise of four independent variables, one mediating variable and one dependent variable. A total of 9 theoretically based hypotheses are developed, indicating possible positive and negative relationships among the variables of the model. Input consists of 40 top management, human resources managers/leaders and line managers of Bangladeshi ICT private organization. It is hoped that this study will help both academics and those managing human resource to realize, understand and see the influence of HRM practices and turnover intention.

Keyword - Human Resource Management, Turnover Intention, Employee Loyalty, Human Resource Management Practices, And Bangladesh ICT Private Organization.

I. INTRODUCTION

Bangladesh is a developing country is south Asia significantly benefitted socially and economically from the contributions of various privates organizations, but recently the trend of quick turnover intention among employee has brought a drawback to this growth. An organizations performance and productivity could not be realized without employee's loyalty and contribution. Employee's loyalty is partly responsible for the achievement of organizations goal and strategy. Therefore, the managers should place emphasis on problems encountered by employee's in the organization. The major problem facing most companies in developing countries is high turnover. Voluntary turnover is a major problem for companies in many Asian countries such as South Korea, Bangladesh, Malaysia, Singapore and Taiwan. The individual who may be thinking about quitting a job, and for the manager who is facing lack of employees

to lack continuity, the high cost involved in the induction and training of new, and declining organizational productivity. Turnover intention is defined as an employee's decision to leave an organization voluntarily. When turnover rate increase in an organization, it will reduce its reputation and increase the cost of rehiring new staff. The prospect of getting higher pay elsewhere is one of the most obvious contributors to turnover. This practice can be regularly observed at all levels of the economic ladder, from executives and generously paid professionals in high-stress positions to entry-level workers in relatively undemanding jobs.

However, there is considerable evidence that money is often not the root cause of turnover, even when it is a factor in an employee's decision to quit. Most environmental contributors to turnover can be directly traced to management practices. Turnover tends to be higher in an

environment where employees feel undervalued or ignored and where they feel helpless or unimportant. Clearly, if managers are detached, illogical, and demanding, there is greater risk of alienation and turnover. Management policies can also affect the environment in basic ways such as whether employee benefits and incentives appear generous or stingy, or whether the company is responsive to employee's needs and wants. Management's handling of major corporate events such as mergers or layoffs is also an important influence on the work environment afterwards.

Some turnover is demographically specific particularly for women who are balancing significant work and family duties at the same time. There are employees who may choose to leave a company instead of sacrificing their other interests and responsibilities in order to make the job work out. Some women's choice to quit their career paths might also be because of glass ceiling effect, which may lower their level of commitment to any particular firm, since they believe they are not in contention for top-level jobs. These factors translate into higher turnover rates for women in many companies. According to Nasurdin et al. (2008), how an organization manages its human resources (as reflected by its HRM practices) establishes the tone and conditions of the employee-employer relationship. When such relationship is seen as that of a social exchange (Blau, 1964) where the norm of reciprocity is central, employees would be more inclined to engage in positive work attitudes and behaviors. Thus, Human Resources practices can influence organizational performance though its effect on individual employee performance. In the present study, with reference to gaps in extant literature, a number of HR practices such as internal career opportunities, training, result oriented appraisals, employment security, participation and job description have been hypothesized to exert statistically significant influences on employee turnover.

II. LITERATURE REVIEW AND HYPOTHESES

This section will focus on prior literature involving HRM practices and their interactions with employee loyalty and turnover intention as well as the literature surrounding the hypotheses that have been formulated for this study. It will focus, in particular, on the relationships between training & development, job security, performance appraisal, compensation as the four HRM practices, employee loyalty as the mediating variable and turnover intention as the dependent variable. Study indicates potential hypothetical associations among these variables, which were derived after a systematic review of the theoretical and empirical literature on the employee loyalty relationships.

Altogether, 9 hypotheses were formulated, which are explained below.

2.1 Human Resource Management

Human resource management (HRM) is the function within an organization that focuses on the recruiting, managing, and providing direction for the people who work in the organization (Tounta, 2015). Human resource management (HRM) practices play a vital role in attracting, motivating, rewarding and retaining employee (Noe, 2008). Human resource is regarded as strategic and valuable assets to be developed within an organization. Managing human resources have become increasingly complex due to the changes in demographic profile of the workforce, impacts of the external and internal forces on business environment and the emerging of the virtual economy. Indeed, the existing workforce (Generations Y and X) has undergone a major shift in values, expectations, career paths and opportunities due to changes in the social and economic environment in Bangladesh; thus these influence the human resource management practices and development. Managing of the human resource landscape is further shaped by the generational diversity that consists of four different generations of workforce, namely the traditional or silent generation, boomer, generation X and generation Y. Based on the department of statistics (2016), out of a total of 14.67 million in the workforce, the estimated percentage of the three different generations of workforce are: 28.4% contributed by boomer, generation X contributes to 40.5 % and generation Y contributes to 31.1% of the total working individuals in Bangladesh.

These different generations exhibit major differences in their beliefs, mindsets, values, attitudes, preferences and aspirations in many areas from work to lifestyle (Arsenault, 2004). The differences and similarities between motivations and expectations of different generations of workers have been recorded (Tay, 2011; twenge, campbell, hoffman, and lance, 2010). The shift in workforce composition in terms of the different generations exhibits different values, work behavior and attitudes, which complicate the existing human resource management practices and development extensively. Generational diversity within the workplace is becoming an organizational phenomenon (Joshi, Dencher and Franz, 2011). It has become a greatly challenging task for existing human resource management in particular, in terms of creating an effective and coherent working environment among these three generations (Sakdiyakron and Wattanacharoensil, 2017). The functions and roles of human resource management are widely discussed and

researched. Despite of all these changes, there is dearth understanding of key influence factors on managing human resource and the relevant transformative approaches in human resource management practices and development, to ensure sustainability of the organization performance. Paramount to this, it is crucial to examine the underlying key factors influencing the existing practices of human resource management and the changes required that reflect the generational diverse workforce and business landscape environment. These findings provide deeper understanding of managing human resource within the multigenerational workplace and the relevant transformative approaches taken by the human resource management in enhancing organization performance and employee satisfaction.

2.2 Turnover intention

Turnover intention can be defined as a conscious and deliberate willingness to leave the organisation (Egan, Yang and Bartlett, 2004:286). Our use of turnover intention and not actual turnover is consistent with the majority of prior empirical studies (Moynihan and Pandey, 2007). Although turnover intention does not perfectly reflect actual turnover, the former has been used primarily because it is highly correlated with the latter (Grieffeth, Hom and Gaertner, 2000). Further, studies also show that the intentions to leave are often actualised (O'Reilly et al., 1991).

Turnover intentions are voluntary behaviors of leaving an organization. Turnover intentions are an indicator of turnover; when individuals exhibit strong turnover intentions, they are likely to leave an organization (Mobley, 1977). Based on this definition, we employ the turnover intention scale developed by Carmeli and Weisberg (2006) and designed three items for the questionnaire. (Yang, Tsai, & Tsai, 2014).

Furthermore, Turnover intention is the behavior of employee's intent to leave the current job. Mobley (1979), stated turnover is the termination of a membership between an individual with company who was employed by the company. Price (2001), mention that turnover intention is the form of withdrawal of individual from an organization. Turnover intention also can be defined as conscious and willfulness to search for other opportunities of employments (Tett and Meyer, 1993). According to Jaros (1997), there have three signals show that the employee's turnover intention. The signal is whether employee thinks of quit, searches for other employment opportunities and forms an intention to leave. Bigliardi, Petroni and Ivo Dormio (2005), also comment that intention to leave is employee have the

thinking to leave or staying in the current employer organization. (Kim, 2012).

In some recent literatures, it has been articulated that intention to leave is conceptually defined as a conscious willingness to leave the organization, which includes a thought or idea of leaving, the behavior of searching for a new job, and the behavior of deciding to leave the job. At the same time, Abbas (2015) defined turnover intention as a voluntarily decision to leave the organization. Turnover intention is the thought or feeling of leaving but not certainly the act of leaving the business. Actual turnover is the workers exit from an organization (Chen, 2011). The study also echoed that employee's who show less commitment to the organization will have higher intention to leave the organization. Tett and Meyer (1993) contended that turnover intention is the conscious willfulness to seek for other alternatives in other organizations. (Sinniah & Kamil, 2017).

2.3 Human Resource Management Practices

Recent studies acknowledged organizational performance, employee satisfaction, and commitment extended to the human resource management practices (Amin, Ismail, Rasid, & Selemani, 2014). In the business environment the importance of HRM practices involves support for building trust in the business leaders from the employees, which links to high-quality organizational performance (Cho et al., 2013).

According to Dawra (2014), the perception of HRM Practices varies depending upon the culture of an organization, structure, and human capital. Success of organization presently depends on the human resource management practices because it requires perceptual changes to govern activities, training and development, recruit employees, and determine performance parameters (Dawra, 2014). Other researchers state international human resource management, training and development, compensation, performance appraisals, and employment security as the best human resource management practices as well as are the key areas of development for optimal human resource management practices (DeNisi et al., 2014).

Beginning with Beer (1985), Harvard Business School defines human resource management as one of the main management activities involved in making decisions and all actions that affect the nature of the rapport between the employees and organization. Also human resource management is defined as a strong term used to define the policies, philosophy, practices and procedures interrelated in

managing people with in an organization (Guest, 1997). Furthermore human resource management is defined as all the activities related in managing the workplace and employees in the organizations (Boxall, 1996). More recently HR management is defined as planning, job security, recruitment and selection, compensation, performance appraisal, reward management, employee well-being, training and development and employee relation to achieve the organizational objectives through their individual contribution (Armstrong & Taylor, 2014). (Imna & Hassan, 2015).

This study will only focus on four practices, which are training & development, job security, performance appraisal, and compensation. These practices are chosen because they are known to have the most impact on turnover intention. Each of them will now be considered in turn.

2.3.1 Training & development

T&D has the potential to decrease staff turnover and turnover intentions in both the short and the long term and encourages the desire to contribute to the collective effort to achieve the overall goals of the organization (Adeniji, 2010; Nickels, 2009). Every employee wants to remain in an organization where he/she will be more competent and remain valuable and competitive (Nduchiadi, 2011; Young, 2007). Furthermore, it has been shown that employees who receive fewer T&D opportunities than they are entitled to contemplate leaving the organization (Pfeffer & Sutton, 2006, cited in Dysvik & Kuvaas, 2008). This is due to the fact that T&D helps an organization develop a culture where everyone feels valued and is prepared to work together for a common purpose (Emerald, 2012). The results of the study by Pajo, Coetzer and Guenole (2010) suggest that employees who participate in T&D are less likely to leave the organization. Furthermore, when managers provide opportunities for training and development, they help employee loyalty.

Thus, we hypothesize that:

H₁: There is significant relationship between training & development through dependent variable of turnover intention.

H₂: There is significant relationship between training & development through mediating variable of employee loyalty.

2.3.2 Job Security

Job security is stated as person's expectations about continuity in a job situation. This definition takes beyond concern over continuation of employment with an employer. It includes concern over loss of desirable job features such as lack of promotion opportunities, long-term career opportunities and current working conditions, (Borg and Elizur, 1992; Greenhalgh and Rosenblatt, 1984; Greenhalgh and Sutton, 1991; Jacobson, 1991). Meltz (1989) stated the job security in wider sense as employee keep going to work with the current organization with no decrease in grade level, pay, pension rights, etc.

Many researchers have successfully found the link between job security and employee turnover intention as job security is an important determinant for employee turnover (Arnold and Feldman, 1982); Brandt (1997) discovered the steadiness of the work as a major precedent of turnover intention. Steadiness of the work and job security is parallel to each other employee loyalty.

Thus, we hypothesize that:

H₃: There is significant relationship between job security through dependent variable of turnover intention.

H₄: There is significant relationship between job security through mediating variable of employee loyalty.

2.3.3 Performance Appraisal

In performance appraisal processes, number of issues is considered as must/obvious and it has strong impact on the employee's attitudes and behaviours toward his job. These impacts may be positive or negative depending, upon the intention of the rater or upon the perception of the ratees, as people's attitudes and behaviours are determined by their perceptions of the reality and not by reality itself. A lot of literature can be gathered from the organizational justice domain to explain why that perception of performance appraisal politics has influence on job attitudes and behavioural intentions (Poon, M.L. 2003).

Employees' reaction shows job satisfaction, as a feature of personal appraisal, toward their opportunity for within organizational advancement, seems a significant impact on turnover intention. So when subordinates perceive their performance rating, promotion, pay increase and other benefits, to be determined by political bases instead of performance, they are likely to experience job dissatisfaction (Schneider et al, 1992). Ferris et al (1989) suggested that there is inverse relationship between perceived organizational appraisal policies and turnover

intention among the employees. According to previous studies, performance appraisal has a positive effect on employee loyalty.

Thus, we hypothesize that:

H₅: There is significant relationship between performance appraisal through dependent variable of turnover intention.

H₆: There is significant relationship between performance appraisal through mediating variable of employee loyalty.

2.3.4 Compensation

Companies today routinely provide a compensation package that includes both cash benefits (salary, paid leave, paid holidays and bonuses) and non-cash or deferred cash benefits (insurance and retirement plans). Small businesses are expected to be at a competitive disadvantage to larger firms in terms of their ability to match the high salaries and availability of fringe benefits. (Hope & Mackin, 2007).

Compensation is the total reward that employees receive in exchange for a service performed in an organization. It can include direct pay (salaries and wages) and indirect pay (benefit programs). The types of compensation are base pay, commissions, overtime pay, bonuses, profit sharing, merit pay, stock options, travel/meal/house allowance, and benefits including dental, insurance, medical, vacations, retirement and taxes. Compensation is the most crucial issue in attracting and keeping talent. Inadequate reward, lack of recognition from managers, peers and customers enhances labour turnover. Employees need to be given opportunities to participate and to influence actions and decisions. Furthermore, when organization provide compensation, they help create employee loyalty.

Thus, we hypothesize that:

H₇: There is significant relationship between compensation through dependent variable of turnover intention.

H₈: There is significant relationship between compensation through mediating variable of employee loyalty.

2.4 Employee Loyalty

Haar (2006) defined employee loyalty “as giving public and private support for the organization” (p. 1944). Thus, employee loyalty might be shown by publically wearing an organizational-branded article of clothing, and privately by

sticking up for the organization when someone criticises it. Similar to Niehoff, Moorman, Blakely, and Fuller (2001), the present study takes an active and applied focus towards employee loyalty, and defines employee loyalty as active behaviours, whether through voice or actions, that express pride and support in the organization.

Consequently, an employee might exhibit employee loyalty to their organization by speaking positively about it; however, they may not be committed to the organizations values. That brings a line of conclusion that employee’s loyalty has significantly related to their intention of leaving the organization.

Thus, we hypothesize that:

H₉: There is significant relationship between employee loyalty through dependent variable of turnover intention.

III. RESEARCH FRAMEWORK

Having reviewed the literature, it is possible to develop a comprehensive framework, presented in Fig. 1, consisting of HRM practices, which include training & development, job security, performance appraisal, compensation as the independent variables. Employee loyalty as the mediating variable, which has one observed variable of turnover intention, as the dependent variable.

IV. RESULT AND CONCLUSION

The aim of this research was to carry out an empirical study on the effect of human resource management (HRM) practices on turnover intention in Bangladeshi private industry, focusing in particular on training & development, job security, performance appraisal and compensation. By reviewing the literature, studies have shown the significance of both HRM practices and the effect that they can have on turnover intention, both directly and indirectly. In relation to the former, benefits and training are said to be positively related to turnover intention because they motivate employee’s. Job security is known to attract employee’s to stay with the organization. Performance appraisal is known to attract employee’s to stay with the organization. Compensation are known to attract employees to stay with the organization.

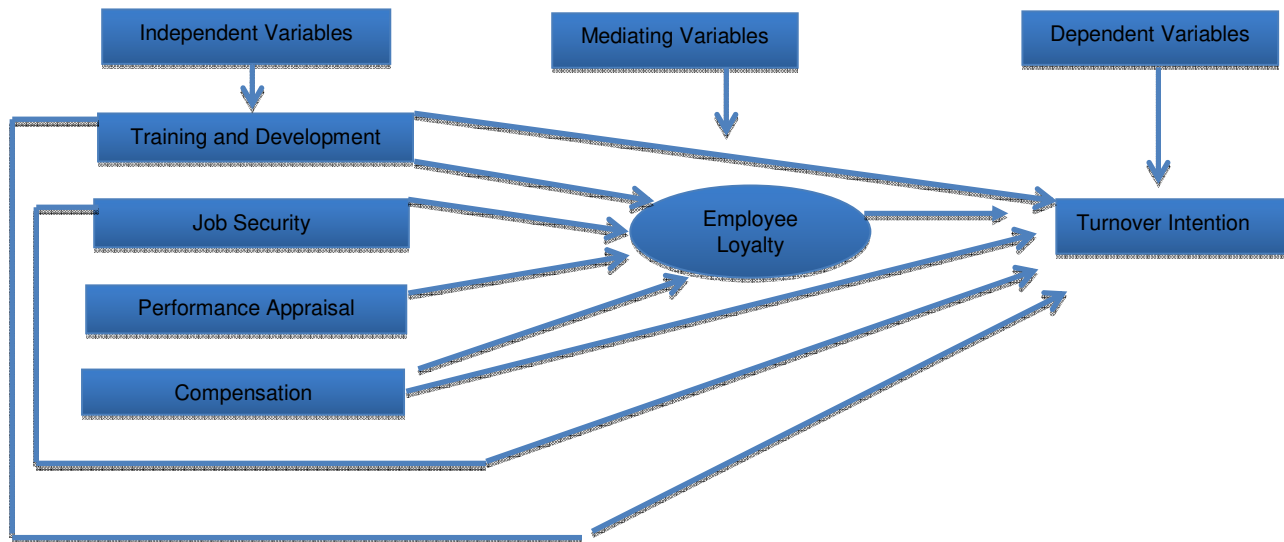


Fig. 1. Conceptual Framework, Model developed

But despite the support for these four HRM practices, there is a caveat to one of them, namely training. While training can play a role to increase turnover intention, it cannot address all of the factors that contribute to turnover intention, such as excessive caseloads and promotional opportunities. Thus, training will need to be accompanied by other HRM practices, such as job security, performance appraisal, compensation, which are considered to be more effective in retaining employee's loyalty.

Therefore, to conclude, training & development, job security, performance appraisal and compensation have a direct and indirect effect on turnover intention, even if training & development, job security, performance appraisal and compensation do not have a complete role in determining turnover intention for direct effect. By reviewing the literature, their studies have shown that the four HRM practices, as a whole, do have a positive relationship with firm performance. But there are also other contexts, countries and industries. Researchers expect this to be an empirical study, specifically for Bangladeshi private industry, in particular ICT organization, where their positive relationships of employee loyalty with HR practices will provide a useful insight to all relevant academics. As for HR practitioners, the four key HR management practices, which are training & development, job security, performance appraisal and compensation, will be of continuing concern to their organizational turnover intention.

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