

Influence of HRM factors on Retention in South India

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ABSTRACT

The importance of HR Policies & Practices in the changing business landscape of the 21st century has been spoken about in numerous forums across the globe. There is, clearly, a growing awareness that these aspects of management cannot be pushed under the carpets any longer. Nor can there be a “one plan fits all” approach to HR practices any more. Several prominent experts have begun to study this sphere and have brought out many interesting findings to the surface.

How does this part of the world (South India) compare with these inputs. The article talks about a few identified HRM Practices and Policies and sees how these influence the decision makers in this region. It is an attempt to bring to the forefront how HR practitioners see these factors, as compared to the rest of the world.

Introduction

As India's southern region picks up its pace in development, it becomes imperative that attraction and retention practices are mapped and studied in this region. At present there seems to be insufficient information available to HR Managers in the region. This research aims at examining the relationship between HR practices and retention and to further identify the elements of HR practices, which strongly influence the decision for core employees to stay in this region. With the attention paid to downsizing in recent years, few companies have invested time and money in retaining employees. Unexplored issues that need to be studied such as: are these organizational HRM systems “best practices fit all” or “differential HR practices for different types of employees” (core, contractors, alliance, and

acquisitions)? How do these practitioners perceive their effectiveness?

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Literature Review

The emerging trend in today's fast-changing competitive business environment occasioned by globalization has presented evident challenges before the Human Resources professionals. With increasing globalization, there have been enormous and far reaching changes in global organizations. These changes are the result of fierce international competitive pressure faced by enterprises operating in the global place encircled with knowledge – driven productive economy (Wokoma and Iheriohanma, 2010). In the present scenario, identification of employee retention has become a crucial element. A study conducted by Arunachalam (2011) revealed that most of the employees are satisfied with the organization.

A recent edition of Entrepreneur magazine stated that the retention of key employees is the biggest problem facing entrepreneurial companies (Entrepreneur, 2006). Organizations today constantly wrestle with innovatory trends: hastening product and technical revolutions, worldwide rivalry, deregulation, demographic variations, and at the similar period, they should endeavour to employ leanings in the direction of a service and information age society (Kane 2000). Owing to this turbulent commercial atmosphere, one of the tests fronting many commercial administrations is the retention of critical (core) employees.

Scholarship focusing on the retention issue to which scant attention has been paid would shed light on what draws and keeps employees engaged as well as what drives their performance (Rutherford, Buller, and McMullen, 2003). It has

also been noted that in many small emerging firms, founders do not think about HR issues as distinctly different from other issues in the firm, but rather as a flow of interrelated activities that change and fluctuate over time that they deal with concerning their employees (Kemelgor and Meek, 2011).

According to Gaan (2011) Employee Retention comprises taking actions to reassure employees to persist in the business for the maximum period of time. Retention is defined as a voluntary move by an organization to generate an setting which occupies employees for long term (Chaminade, 2007). Employee turnover often results in a bleed on management time, and produces gravities in workforce planning. Intangible costs include: negative impact on culture or employee drive; adversative effect on social capital; corrosion of organizational memory (Dess and Shaw, 2001).

Employee Turnover

Organizational turnover has sometimes been defined as “the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period”.

At the simplest level, one could say that the way to manage turnover is to increase the levels of satisfaction among employees. But the key is in understanding exactly how to do that (Denisi and Griffin, 2008). As the economy turns a corner, companies need to assess their staff retention strategies. Following old retention strategies, such as money or financial incentives, will not be the way to go forward into future. So, in this case, non-financial incentives such as training and career development do become a key to retention (Kapur, 2010).

Objectives

After taking a look at the information available, a small study was undertaken on the same lines as has been done the world over. The aim was to use the identified HRM factors and subject them to companies in our region (South India) in order to see how they match up with the Companies across the globe. Are we any different in this region? Or do these factors exert a similar influence in our region as well? What do our HR Managers do differently? Do they share the concerns of the Global Fraternity? Its with these questions in mind that the study was conducted.

Methodology

In choosing Participants for this study, the following criteria were considered: Human Resource decision makers, possessing theoretical knowledge, experience in HRM both in the industry and academia and an advanced degree in management or a closely related field. The people chosen, who would be suitable "experts" for this study, was based on the following general criteria:

Scholars from Education/ Academics

- a. Contributors must have a minimum of five years teaching experience in management at a university.

- b. Evidence of fairly extensive publications in management (specifically - business sector).
- c. Research interest in areas of human resource management.

Human Resource Professionals

- a. Currently working as a HR professional in an organization.
- b. Minimum five years working experience in human resource management.

Industrial Psychoanalysts

- a. Minimum of three years working experience as an industrial psychologist.
- b. Minimum five years teaching experience in psychology.

Participating Organisations

The participating organizations were from various industry sectors. The interviewed organizations were deemed to be large, with the number of employees over 500. These organizations did admit that cost constraints and the nature of the industries were the determining factors for their smaller intake of core employees. Fourteen human resource managers were interviewed. They consisted of four females and ten males.

| Criteria | Industry Sectors | | Sample Population |
|---|------------------|--------------|--------------------------|
| Business organization | Pharma | Engineering | Companies Contacted: 61 |
| Number of employees > 500 signifying a large organization | Mining | Construction | Finally Participated: 14 |
| | Energy | Electronics | |
| | Manufacturing | Retail | |
| Must be established > 10 years. | Financial | Food | |
| | Health | Education | |

Discussions

Is the importance placed on HRM factors linked to retention?

The organizations that Participated in the interview process were asked to rate the ten identified HRM factors. An assumption is also made that the higher importance an organization placed on the HRM factors will be reflected in the application of these factors. The HRM factors consisted of HR factors (effective selection, challenging employment assignments and opportunities, training and career development, reward recognition of employee value, equity of compensation) and Organizational factors

(leadership, company policies and culture, communication and consultation, effective integration: working relationships and satisfying working environment).

Each of the participants was asked to identify their turnover rate. The turnover rates were classified into four categories: less than 10 percent, 10 percent-15 percent, 16 percent-20 percent and 21 percent and above. Results show that four organizations admitted their voluntary turnover rate was approximately less than 10 percent, five acknowledged 10 percent-15 percent, four admitted to between 16 percent and 20 percent and one reluctantly revealed a turnover rate of more than 21 percent.

Voluntary Turnover Rate & Importance Scores

| Voluntary Turnover Rate | | | | | |
|-------------------------|-------|---------|---------|-------|------------------|
| S No | > 10% | 10%-15% | 16%-20% | < 21% | Importance Score |
| 1 | X | | | | 19 |
| 2 | X | | | | 18 |
| 3 | X | | | | 17 |
| 4 | X | | | | 17 |
| 5 | | X | | | 16 |
| 6 | | X | | | 14 |
| 7 | | X | | | 14 |
| 8 | | X | | | 15 |
| 9 | | X | | | 13 |
| 10 | | | X | | 12 |
| 11 | | | X | | 11 |
| 12 | | | X | | 10 |
| 13 | | | X | | 10 |
| 14 | | | | X | 8 |

Voluntary turnover rate of less than 10 percent

The four organizations with less than 10 percent turnover rate consisted of two manufacturing firms, one private organization and one diversified private firm. Records showed that each of these four companies had revealed that their organization placed a high level of importance on all the identified HRM factors (i.e., high aggregated score: 19, 18, 17, 17.).

These four organizations revealed that their HR systems were sophisticated and they acknowledged the need to constantly improve the quality of the management of their employees. They also recognised the need to hold on to their core employees. The responses from these participants indicated that the identified HRM factors were rigorously applied within the organizations.

It is interesting to note that all the four participants acknowledged that their organizations had good leadership which led to applicable communication and consultation process and strong company culture and policies. Two out of four of these participants also emphasised on the important role HRM played in the strategic planning process in their organizations.

Voluntary turnover rate of 10 percent-15 percent

There were five Participating organizations with a moderate voluntary turnover rate of 10 percent-15 percent. They comprised two private institutions, one higher education institution, and two public sector establishments. These five participants placed moderate emphasis of importance on the HRM factors.

They were selective in their recognition of the importance of some of the HRM factors. The private institutions highlighted the importance of work life balance and flexible work schedules but placed little emphasis on recognition and reward and career development. On the other hand, the public sector establishments placed moderate importance on most factors (work environment, work relationships, reward and recognition), but greater emphasis on leadership and company culture and policies. Three of these participants cited that leadership issues were a concern within their organizations. This has led to poor communication and lack of direction.

Voluntary turnover rate of 16 percent to 20 percent

Four participating organizations reported a high turnover rate (16%-21%). Few health care institutions indicated less emphasis on the HRM factors. This is reflected with a low aggregated score (10).

The respondent stated that there were several external forces impacting on the health care sector such as government regulation changes, changes in the business environment and shortages of specific labour force (e.g., doctors and nurses) and the outcome is uncertainty for employees and management.

Voluntary turnover rate of 21 percent and above

One of the participating organizations acknowledged a high turnover rate of 21 percent. This respondent placed little importance on some of the identified HRM factors (aggregated score: 8). The respondent indicated that the company did not give strong recognition to career development and recognition and reward. The

company was also undergoing restructuring with major changes in leadership, corporate culture and policies.

Conclusion

The learnings implied a connotation between retention and the level of importance placed on the ten identified HRM factors. This qualitative approach provided a preliminary examination of the association between retention rates and the application of the identified HRM factors (i.e., HR factors and Organizational factors).

In addition, the results of this qualitative study also highlighted several external constraints that may affect the retention of core employees. These constraints include market rivalry, government protocols, alterations in the business environment, technological changes and labor shortages. These external forces could act as moderators and therefore be included during the examination of the relationship between retention rates and the ten HRM factors identified.

Assessment of the Records revealed that five organizations with a high aggregated score (15-20) of the level of importance displayed effective management of these practices and consequently had low voluntary turnover. Conversely, three organizations exhibiting low aggregated score (8-10) of level of importance exhibited low effective management of the identified practices and consequently high voluntary turnover. Furthermore, five organizations that indicated moderate emphasis on the importance of the identified HR practices demonstrated moderate effective management of these practices. As a result, these organizations exhibited reasonable turnover rates. In summary, these results imply that effective retention management practices (using the ten identified HRM factors) will result in better retention rates.

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