

## The Impact of HRM Practices on Employee Commitment and Turnover Intention; a Case of Service Sector in Pakistan

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### ABSTRACT

**Purpose:** the purpose of this paper is to explore the impact of HRM practices on employee commitment and turnover intention in the context of Pakistani service sector.

**Design/methodology/approach:** The study, based on questionnaire, data collected from a sample of 110 managers from service sector of Pakistan. Hypotheses are based on the examination of effects of HRM practices on outcomes like employee commitment and turnover intention.

**Findings:** Results from present study suggests that HRM practices are significantly correlated with each other. Results further indicate that Compensation and social benefits practices and Grievance handling system have significant positive impact on employee commitment and turnover intention.

**Originality value:** The study enriches the body of empirical research on HRM practices and its impact on HRM outcomes like employee commitment and turnover intentions.

**KEYWORDS:** HRM, Employee commitment, turnover intention, service sector, Pakistan.

### INTRODUCTION

HRM practices strategies have often been referred to as high involvement work practices. Lado and Wilson (1994, p.701) define a system as “a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources”. Thus, a strong HRM system can be a set of practices that enhance “employee skills and abilities, provide information, empowerment and participation in decision making, and motivation” (Applebaum *et al.*, 2000; Pfeffer, 1998).

Broadly there are large number of studies has been conducted regarding HRM practices from which most of the studies focus upon the manufacturing sector western organizations. Few number of studies has been conducted which focus upon the exploration of HRM practices in term of Asian perspective (Zheng, Morrison and O’Neill, 2006; Goodall&Warner, 1997, 1999; Li, 2003; Lu & Bjorkman, 1997). In manufacturing sector HRM can be considered as a important element but if we compare manufacturing sector with services sector then we came to know that it is most important determinant of productivity in service sector as compare to manufacturing sector. Less number of scholars focus on research related to HRM in service sector organizations but in today’s digitalize world service sector got more importance as compare to manufacturing sector. Parkinson & Schneider (1979) argues that providing service face to face in service sector organizations brings closer both employees and customers which leads toward a direct relationship among the employees of organizations and the customers of organization and this direct relationship shows the importance of HRM in service sector organizations.

Present study focus on the knowledge gap which we have identified through literature that very few number of studies explores the impact of HRM on employee commitment and turnover intention. Our study will fill this knowledge gap.

### LITERATURE REVIEW

According to the Armstrong M (2006), the most valued asset for an organization is its people working there who individually and collectively contributes to the achievement of the objectives which he named Human Resource management. All the management decision and practices in the organization are directly influenced by their people working in the organization.

Pfeffer (1998, p.96) projected that a successful organization depends on seven HRM practices: employment security, selective hiring of new personnel, self-managed teams and decentralization of decision, comparatively high compensation contingent on organizational performance, extensive training, reduced status distinctions and barriers,

including dress, language, office arrangements, and wage differences across levels, extensive sharing of financial and performance information. Due to increase in the competition among the organizations, managers must be on constant lookout for ways to maximize the utilization of human resources for improving organizational performance.

“HR practices are the levers or mechanisms through which employee skills can be developed” (Park *et al.*, 2003, p. 1394). Skills, attitudes, and behavior of individuals can be influenced and reshaped through HR practices and in this way there is no hurdle in achievement of organizational objective (Martinsons, 1995; Collins & Clark, 2003). The purpose of these HR practices is to enhance the retention of valuable employees by improving their knowledge, skills, and abilities of employees; boost their motivation; minimize or eliminate loitering on the job. The basics of these practices involves: employee recruitment and selection procedures; incentive compensation and performance management policies; and extensive employee training, participation and involvement in decision-making. Harel and Tzafrir (1996) found that through improvement of employees’ skills and quality (selection and training) and through the increase of employee motivation (incentive compensation) organizational performance can be influenced. There is a huge increment in the organizational effectiveness and performance through these practices because it involves those activities which support the mission and objectives of the organization. The proper implementation of these practices also means a lot.

The firm human capital involves the acquisition and development of people. “Human capital corresponds to any stock of knowledge or characteristics the worker has (either innate or acquired) that contributes to his or her productivity” (Garibaldi P. 2006, p. 154). The skillful employees are selected through a proper recruiting process from a large pool of applicants. Further employees development takes place through formal and informal training experiences, such as basic skill training, on-the-job experience, coaching, mentoring. Latter on the Assessments of employees skill is takes place through comprehensive training and motivation even high skilled workers will not perform effectively if they are not motivated. Major HRM practice involves:

- Selection & Recruitment
- Training & Development
- Performance evaluation
- Promotion
- Compensation & Social benefits
- Grievances handling system

### **Recruitment and Selection:**

Finding, evaluating, and assigning person to work is known as staffing (Harel and Tzafrir, 1996). According to Terpstra and Rozell (1993), there is positive link between ranges of recruiting, selection test validation, and the use of formal selection procedures and firm profits. The higher productivity is the results of putting the right person to the right job which is done through HR practices (Huselid, 1995). According to (Delany and Huselid, 1996) organizational performance is positively linked with implementing an effective staffing procedure. Labor productivity is the result of sophisticated recruitment and selection procedures (Koch and McGrath, 1996).

### **Training & Development:**

Training term is often used to describe almost any effort initiated randomly by an organization to promote learning among members. Training tends to be more strictly focused and performance oriented short-term concerns, and development, that tend to be oriented more towards widening of individual skills for future responsibilities (Snell S & Bohlander G, 2007). It can be expected that firm investments in technical and non-technical training will have a positive impact on the skills/knowledge of its employees.

### **Performance evaluation:**

“Performance appraisal represents, in part, a formalized process of worker monitoring and is intended to be a management tool to improve the performance and productivity of workers” (Shahzad, Bashir and Ramay, 2008, p. 304). An effective workforce can be developed through a process known as performance appraisal which involve observing and evaluating employees’ performance and providing feedback is a potentially important method. This process act as mechanism for improving the employee performance. Basic focus of the Human resource management is providing feedback to employees on their work-related achievements (Waddell *et al.*, 2000). The major decision such as promotion, demotion, retention, transfer, and pay depends on performance appraisal. Employees feedback and training need assessment can be directly extracted through performance appraisal systems (Brown and Benson, 2003).

### Promotion:

According to Miller and Wheeler 1992, employees' intentions to leave an organization is the result of lack of meaningful work and opportunities for promotion. Now a days Organizations are adopting job enrichment programs and their advancement opportunities in jobs to retain their employees. Employees' turnover intentions significantly affected by evaluation criteria besides job opportunities (Quarles, 1994). Ineffective performance appraisal and planning systems create sun fairness among employees and they were more likely to consider leaving the organization (Dailey and Kirk, 1992). Organizational commitment among employees is the result of the availability of career possibilities within the firm (Guest, 1997). Additionally, the purpose of internal promotion is to create a sense of fairness and justice among the employees (Pfeffer, 1995).

### Grievances handling system

Grievance is a formal way through which is expressed by the employee show his/her dissatisfaction to employer (Pilbeam S & Corbridge M, p.427). the presence of a well functioned grievance handling system may also contribute to handle such kind of situations over work place. The system of grievance handling and how management use this system to handle grievance over work place influence employee perception toward organization (Morrison and Robinson, 1997). If is handled in timely manners by the management it will lead to employee commitment and it decrease employee turnover intention.

### Compensation & Social benefits

"Employee compensation includes all forms of pay and rewards received by employees for the performance of their jobs" (Snell S & Bohlander G, 2007, p.378).

### Organizational Commitment:

An individual's involvement in a particular organization makes the strong identification of his /her within the organization which can be termed as organizational commitment (Porter et al., 1974). High commitment indicate that organization is fully satisfying their member and in response members are trying to do what is best for organization (Mowday et al., 1982). Robins S.P. (2005, p.79) defined organizational commitment as "a state in which an employee identifies with a particular organization and its goals, and wishes to maintain membership in the organization". Further, he depicted the comparison between high job involvement and high organizational commitment. Malcolm et al., (2007) find that business performance can be influenced through people management practices.

## RESEARCH MODEL

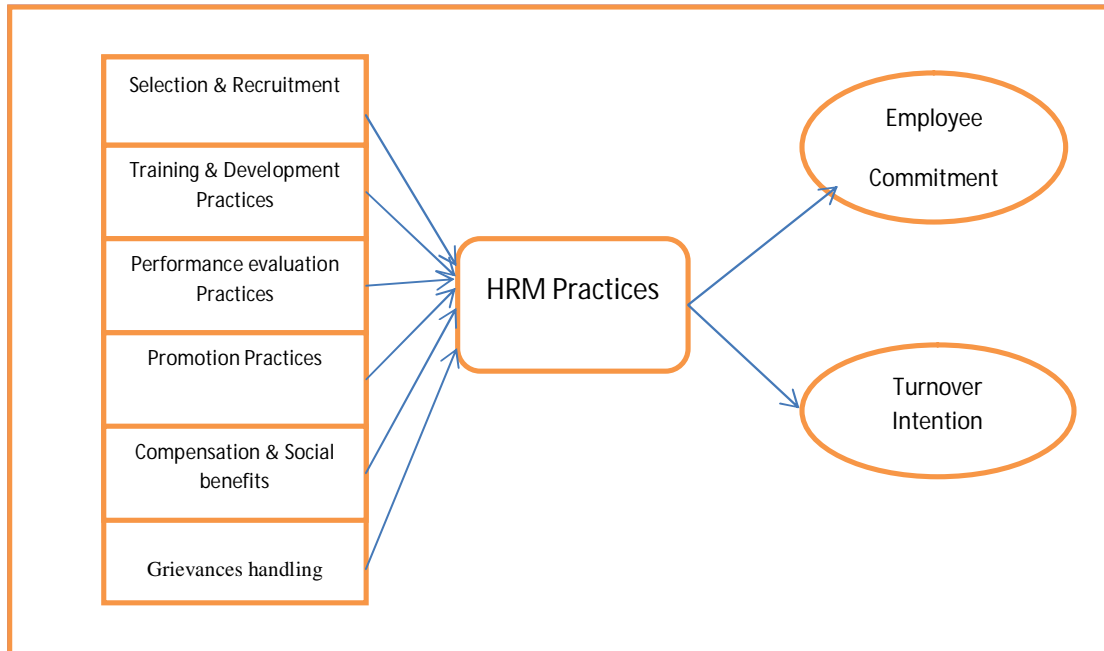


Fig 1: HRM practices and its impact on employee commitment and turnover intention

## METHODOLOGY

Present study is used to describe the characteristics of specific groups, the purpose of this study is to find out the relationship of Human resource practices and its outcomes such as employee commitment and turnover intention. It is mandatory that descriptive research should be started with the help of prior knowledge regarding the concerned phenomenon. Taking this thing in consideration we firstly review the previous studies. We construct a structured Questionnaire based on variables which we found in previous studies. In questionnaire we use 5 point Likert scale where 1 used for strongly disagree and 5 used for Strongly Agree. The structured Questionnaire distributed among 125 managerial level employees working in services sector organizations in Pakistan. Data is collected from major cities of Pakistan. From 225 questionnaires 207 completely filled questionnaire are received back which we used for analysis purpose. For analysis we used SPSS 19.0 software.

## RESULTS AND FINDINGS

To check the contribution of different HRM practices toward overall employee commitment and turnover intention. We used the correlations and regression methods. The Pearson correlation coefficients between different practices of HRM are listed in Table 1.

### Correlation

**Table 1**

Correlations							
		Selection & Recruitment Practices	Training and Development Practices	Performance evaluation Practices	Promotion Practices	Compensation and Social benefits	Grievances handling System
Selection & Recruitment Practices	Pearson Correlation	1					
	Sig. (1-tailed)						
	N	207					
Training and Development Practices	Pearson Correlation	.483**	1				
	Sig. (1-tailed)	.000					
	N	207	207				
Performance evaluation Practices	Pearson Correlation	.445**	.445**	1			
	Sig. (1-tailed)	.000	.000				
	N	207	207	207			
Promotion Practices	Pearson Correlation	.285**	.503**	.572**	1		
	Sig. (1-tailed)	.001	.000	.000			
	N	207	207	207	207		
Compensation and Social benefits	Pearson Correlation	.337**	.598**	.446**	.617**	1	
	Sig. (1-tailed)	.000	.000	.000	.000		
	N	207	207	207	207	207	
Grievances handling System	Pearson Correlation	.289**	.343**	.195*	.464**	.598**	1
	Sig. (1-tailed)	.001	.000	.022	.000	.000	
	N	207	207	207	207	207	207

Results from table 1 suggest that Selection and recruitment practices are significantly positive correlated with training and development practices, Performance evaluation practices, Promotion practices, Compensation and social benefits and it also significantly positive correlated with grievances handling. Training and Development practices have significantly positive correlation with performance evaluation practices, Promotion practices, compensation and social benefits and it also have a significant positive correlation with Grievances handling system. Performance evaluation practices have significantly positive correlation with promotion practices, compensation and social benefits and also have a significant relationship with grievances handling system. Promotion practices have significantly positive correlation with compensation and social benefits and as well as with grievances handling. Compensation and social benefits show significant correlation with grievance handling.

## Regression

**Table 2**                      **Multivariate tests**

Source	Dependent Variable	F	Sig.
selectionrecruitment	Employee Commitment	2.018	.159
	Turnover Intention	.230	.633
Trainingdevelopment	Employee Commitment	1.147	.287
	Turnover Intention	.030	.862
performanceevaluation	Employee Commitment	1.469	.228
	Turnover Intention	.067	.796
Promotionpractices	Employee Commitment	.460	.499
	Turnover Intention	1.457	.230
compensationsocialbenefits	Employee Commitment	3.629	.060
	Turnover Intention	-20.982	.000
grieveshandlingsystem	Employee Commitment	13.920	.000
	Turnover Intention	1.046	.309

Results from table 2 suggests that selection and recruitment don't have a significant impact on employee commitment and turnover intention. Training and development also don't have significant impact on employee commitment and turnover intention. Performance evaluation have no significant impact on employee commitment and turnover intention. Promotion practices have no significant impact on employee commitment and turnover intention. Compensation and social benefits have significant positive impact on employee commitment and turnover intention. Grievances handling have significantly positive impact on employee commitment but it don't have significant impact on turnover intention.

## DISCUSSION AND CONCLUSION

Terpstra and Rozell (1993), there is positive link between ranges of recruiting, selection test validation, and the use of formal selection procedures and firm profits. Skills, attitudes, and behavior of individuals can be influenced and reshapes through HR practices and in this way there is no hurdle in achievement of organizational objective (Martinsons, 1995; Collins & Clark, 2003). The purpose of this HR practices is to enhance the retention of valuable employees by improving their knowledge, skills, and abilities of employees; boost their motivation; minimize or eliminate loitering on the job. Batt (2002) found that compensation and social benefits lower the employee turnover and increase employee commitment to its organization. (Morrison and Robinson, 1997) found that If grievance is handled in timely manners by the management it will lead to employee commitment.

Results from present study indicates that all the HRM practices are significantly correlated with each other which suggest that organization currently operating in Pakistan should focus upon all these practices. But Service sector organization should have to focus on providing compensation and social benefits to their employees and they should have to introduce a grievance handling system because these factors are positively contributing toward employee commitment and turnover intention. Our results are consistent with the study of Batt (2002) which indicates that compensation and social benefits lower the employee turnover and increase employee commitment to its organization.

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