

***Human Resource Management Practices  
and Employee retention in Nigeria's  
Manufacturing industries***

***By***

***Dr. Amaeshi Uzoma Francis***

**Abstract**

***The main objective of this study is to assess the predicting role of human resource management (HRM) practices on employee retention. Four dimensions of HRM practices examined in this study are training and development, career development, compensation and benefits, and performance appraisal. A survey was conducted among employees in manufacturing companies in the Southern Region of Nigeria. A total of 184 questionnaires were returned and used for data analysis. Based on the statistical tests conducted, the findings showed that only compensation and benefits had a positive impact on respondents' employee retention. Discussions elaborated on the importance of compensation and benefits in promoting employee retention among respondents. In assessing the strategic role of all HRM functions, we suggest that the aforesaid factors deserve a higher level of scrutiny in organizations***

***Keywords: Human resource management practices, employee retention***

**Introduction**

Workforce is a heavyweight component of any organization and therefore employees are always considered as the greatest asset of an organization. Without employees, organizations will not be able to produce business results, achieve organization goals, or meet its financial objectives. Most organizations recognize the importance of human resources in realizing the success of their businesses. A profit-making company may possess the strongest edge, in terms of technology, depth in funding, market location etc., but without its strong workforce to execute their respective roles and responsibilities, the company would not be able to progress to meet any of its business or organizational goals (Mobley, 1982; Taylor, 2002). Unwanted employee turnover is one of

the biggest and most costly business problems companies may face (Taylor, 2002).

Besides losing the costly knowledge base when employee leaves, the organization will have to re-organize its resources so that business plans and goals will continue to stay the course. For any team or organization, which is tightly or thinly staffed, losing a member of the team or member of the staff would cause major agony, increase work pressure, drop in employee morale and in extreme cases, failure in achieving desired results (Mobley, 1982). To hire or get a replacement employee will normally take some time. Furthermore, the works that need to be put in before hiring or getting a replacement employees require a great deal of effort and involve substantial amount of efforts. Besides effort and time, these activities would also require substantial costs (Mobley, 1982).

Human resource management scholars are now worrying about the tight labor market and the challenges of finding and keeping good employees. With the drastic change in the economy and record-setting [layoffs](#) and business closings, human resources is now flooded with resumes even if they are not hiring or only [hiring](#) for an entry-level position. But for many employees today, their career hopes and fears are very different. Many workers constantly live with the fear that they will be the next one [fired](#) or laid off. And if an employee is in a difficult work situation, he may be willing to stay at his job when just a few months ago, he would have actively looked for another one.

In the local context, there is a steady increase in the percentage of turnover. It has been reported that the voluntary turnover rate in Nigeria has risen from 10.1 percent in 2009 to 13 percent in 2010 (Federation of Nigerian Manufacturers, 2009-2010). According to the Federation of Nigerian Manufacturers, the manufacturing industry in the nation has recorded an average yearly turnover rate of 18.84 per cent for the time period of July 2010 to June 2011.

Total Compensation Management Survey reported that the average employee turnover rate in Nigeria is 18 percent. Federation of

Nigerian Manufacturers report also showed the average turnover rate as 1.97 percent for non-executive and 1.35 percent for executive level employees. This trend is worrying because whether leaving is involuntary, such as termination initiated by the employer, or voluntary, such as resignations, turnover is potentially costly and may have negative organizational implications. Adverse impacts of turnover to organizations includes high costs of recruiting, hiring, training and acquiring new employees, productivity loss during replacement search and retraining, loss of high performers, and disruption of social and communication structures (Mobley, 1982). Having noted the escalating turnover rate and problems related to it in the Nigerian context, there is a need to carry out a study to examine factors related to this trend and ways to redress this issue.

It has been suggested that employees will leave organizations if they are not happy with various factors related to the company. According to Branham (2005), there are seven main reasons why employees leave, which are lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership, and dysfunctional work cultures. All the factors are closely related to HRM practices and therefore, a good understanding of the relationship between HRM practices and employee retention will help organizations make the correct decisions in achieving business results while maintaining an economical or optimum level of resources.

This is crucial to ensure scarce resources are spent correctly and wisely and a safe and harmonious workplace is sustained to encourage employees stay employed in the organizations. All these efforts will contribute towards enabling the organization to maximize their business profits and continue to provide jobs and career advancement opportunities to all employees. As noted earlier, HRM practices are considered important in predicting employee retention in an organization. Therefore, the main objective of this study is to examine the relationships between HRM practices and employee retention. Specifically, HRM practices consist of training and

development, career development, compensation and benefits, and performance appraisal.

### **Employee Retention**

Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Research shows that employees leave organizations out of frustration and constant friction with their superiors or other team members. In some cases low salary, lack of growth prospects and motivation compel an employee to look for a change. The management must try its level best to retain those employees who are really important for the system and are known to be effective contributors. The organization is completely at loss when the employees leave their job once they are fully trained. Employee retention takes into account the various measures taken so that an individual stays in an organization for the maximum period of time. Employee retention techniques go a long way in motivating the employees for them to enjoy their work and avoid changing jobs frequently.

Vandenberg et al, (1999) defined employees' intention to quit as an individual's estimated probability that they are permanently leaving their organization at some point in the near future. Undesirable, unwanted, and voluntary attrition that companies experience when highly valued employees quit to take another job elsewhere is a much bigger problem than the frequency of corporate layoffs reported (Mobley, 1982). This aspect is increasing in importance as the competition for talent is high and continuously growing.

People need to feel that their contributions to the organization are valued (Taylor, 2002). To keep employees in the company, they need to feel part of the organization. To enlighten the problem about employees leaving, several pertinent measures need to be taken as organizations are now competing for talent (Mitchell et al., 2001). The solutions to improve retention within employees; competitive salaries, comprehensive benefits, incentive programs, and similar initiatives are important to be executed (Taylor, 2002). Besides, pay and

financial incentives also work to increase employees' commitment, and satisfaction.

### **Human Resource Management Practices**

HRM practices is a set of planned strategies and policies implemented by an organization to ensure organization's human capital efficiently and effectively contributes to the achievement of organizational objectives (Anthony et al., 2002; Mondy et al, 2005). At the organization level, HRM practices have been identified as a source of business revenue (Mathis et al, 2004). This is because HRM practices such as compensation (offer of attractive rewards to attract and retain skilled manpower), performance appraisal (determine employees' strengths and weaknesses), and training and development (train potential employees to undertake higher-level tasks) have been considered as the foundation strategies to ensure organization has a group of talented employees that help to increase the organizational productivity and enhance organization's innovativeness.

HRM practices play a key role in attracting, motivating, rewarding and retaining employees (Noe, 2008). HRM practices concerns about management activities relating to investment in staffing, performance management, training and development, compensation and benefits, employee relation, and safety and health (Noe, 2008). Wright et al, (2005) contended three distinctions within human resource practices exist. Firstly, they suggested that there is human resource practices designed on a strategic level. Second, there are actual human resource practices that have been implemented, most often by supervision. Finally, they suggest a third level of human resource practices, those perceived by the employees.

Storey (1993) distinguished between hard and soft forms of human resource management, typified by the Michigan and Harvard models respectively. 'Hard' human resource management focuses on the resource side of human resources. It emphasizes costs in the form of 'headcount's and places control firmly in the hands of management. Their role is to manage numbers effectively, keeping the workforce closely matched with requirements in terms of both bodies and behaviour. 'Soft'

human resource management, on the other hand, stresses the 'human' aspects of human resource management. Its concerns are with communication and motivation. People are led rather than managed. They are involved in determining and realizing strategic objectives. The soft model of human resource management, suggests a relationship exists between the use of "appropriate" human resource management practices and positive employee attitudes, and while theoretically these relationships remain poorly developed (Guest, 1997; Guest et al, 2001), a number of attitudes are nonetheless widely considered to be an outcome of soft human resource management. For example, levels of job satisfaction, which is the affective perception that results from the achievement of desired outcomes, are found to be related to levels of HRM practices (Guest, 1997).

High levels of employee commitment have also been found to be related to the use of "appropriate" HRM practices (Guest, 1997). For example, the provision of opportunities for training and skill development benefits the employee by equipping them with the necessary knowledge, skills and attitudes to function autonomously and responsibly (Guest, 1997). Through this provision also, employees may perceived that organization is very concern in supporting their development needs and thus they may feel satisfied, committed and more willing to stay with the organization. Importantly, HRM practices can improve retention among employees.

In the Nigerian context, studies on the predicting role of HRM practices have been done extensively. However, in most instances, these studies (Sanjeevkumar, 2012; Juhdi et al., 2011; Shamsudin et al., 2011; Subramaniam et al., 2011) focused on various other dimensions of HRM practices, such as job security, information sharing, work-life balance. According to Robbins et al, (2002) and Comm et al, (2003), HRM practices dimensions, particularly training and development, career development, compensation and benefits, and performance appraisal very important in enhancing employees' motivation, commitment and satisfaction, which will inadvertently impact their employee retention.

The reason being that compensation does not only influences individual's intention to work for a particular organization but it can also be a powerful tool in motivating an individual's to work harder for getting promotion and achieve career success. On a similar note, performance appraisal can help employees to determine their strengths and weaknesses and take necessary action to improve and enhance their competency at work. Further, training and development programs are necessary for employees to develop their knowledge, skills, and abilities for undertaking higher level tasks which may be the requirement for future career positions. Accordingly, Uen et al, (2004), Armstrong-Stassen et al, (2005), Shipley et al, (2005), and Minbaeva (2008) studies also revealed that compensation, performance appraisal, and training and development are the most important source for an organization to generate a pool of motivated, competence and high performing employees who can significantly contribute towards organizational competitive advantage.

In other words, these dimensions of HRM were found to have a stronger predicting role in unveiling various employees' attitudinal as well as behavioural outcomes. Having said that, this study attempts to examine the influence of four dimensions of HRM practices namely training and development, career development, compensation and benefits, and performance appraisal on employee retention among employees in the manufacturing companies.

### **Training and Development**

Training and development are the formal activities undertaken by an organization to help employees acquire the skills and experience needed to perform current or future jobs (Mondy et al, 2005). In general, training and development activities are designed to help employees continue to make positive contributions in the form of good performance by obtaining new knowledge, skills and abilities (Ivancevich, 2001; Berge et al., 2002). Training and development has also been defined as the process by which individuals change their skills, knowledge, attitudes, and/or behavior while development refers to those learning opportunities designed to help employees grow

and it is not primarily skill-oriented (Robbins, 1998). It provides general knowledge and attitudes which will be helpful to employees in higher position. In a similar vein, Dowling et al, (2004) indicated that training aims to improve current work skills and behavior, whereas development aims to increase abilities in relation to future position or job.

Training is related to the skills deem necessary by the organization in order to achieve and improve the organization goals. From training, organization is expected to have a positive impact on employee retention. This can be supported by a statement from Rowden et al, (2005) that employees who perceive their training being beneficial will be more satisfied and willing to stay with the organization than those who get no training or get an unvalued training. Similarly, Sparrow (1998) defines training as an integrative system which requires among others a high level of collaboration among various human resource management practices activities.

In human resources practices, training is the systematic development of the attitude, knowledge and skills pattern that required by a person to perform a given task or job adequately (Barton et al, 2001). According to Sparrow (1998), the ability, understanding and awareness in training and development are necessary in an organization in order to develop workers to undertake higher grade tasks, provide the conventional training of new and young workers, raise efficiency and standards of performance, meet legislative requirements and inform people ( induction training, pre-retirement courses, etc.).

Past researchers (Bassi et al., 1996; 1997; Oakland et al, 2001; Jones et al., 2004; Vorhies et al, 2000) have found evidence on the impact of training and development in improving the rate of employee retention. This infers that training can reduce the turnover of the organization. This is plausibly due to the fact that from the employee's point of view, training is a symbol of the employer's commitment to their staff (Storey et al, 1993). If the training involves the development of skills specific to the organization, it is likely to result in greater productivity for the firm, which in turn may raise the wages above what the employee will

obtain elsewhere thus providing an incentive to stay (Frazis et al., 1998). Nankruis et al, (1999) indicated that effective training would not only equip employee with most of the knowledge and skills needed to accomplish jobs but it would also help to achieve overall organization objectives by contributing to the satisfaction and productivity of employee. Learning new skills may trigger renewed interest in many aspect of the job. These experiences are bound to make employee connect better with their mates and foster higher engagement. As such, it is hypothesized that:

*H1: There is a significant and positive influence of training and development on employee retention.*

### **Career Development**

Ginzberg et al. (2005) defined the career development process by a model based on continually assessing, exploring, setting goals, and acting. It is a long term process that begins in early childhood and progresses through adulthood. Zheng et al, (2001) conceptualized career development as a lifelong process of becoming aware of, exploring and experiencing factors that influence various aspects of a person's life. The knowledge, skills and attitudes that evolve through this path of discovery enable planning and decision-making, not only about work exploration and related employment and vocational choices but also about personal management and life/work skills. Career development is part of lifelong learning, in that personal and vocational skills constantly change and expand during a lifetime in response to career changes and emerging opportunities. According to Zheng et al, (2001), career development is a formal approach taken by an organization to ensure that people with the proper qualifications and experience are available when needed.

Career development helps organizations avoid the dangers of an obsolescent, unacceptable workforce. Zheng et al, (2001) also asserted that career development provides a future orientation to human resource development activities. As the employees of an organization grow and change, the kinds of work they may want to do may also change as well. If employers can assist their employees in making

decisions about future work, they can better prepare employees to be effective when they take on new positions. When employers understand how their employees make decisions about future work, they can do a better job of planning for their human resource needs (Zheng et al, 2001).

Miller et al, (1992) found that employee retention is significantly affected by the presence of meaningful work and opportunities for promotion. Other than opportunities for promotion, the evaluation criteria used in the promotion and reward system also had significant effects on employees' turnover intentions (Quarles, 1994). Employees who feel that they are contributing to the organization will be more engaged with their job, and thus, will be less likely to leave the organization. Likewise, employees who feel that they have higher chances of promotion are more likely to stay with the organization, rather than leave the organization. Importantly, promotion opportunities not only give the employees a sense of appreciation and gratitude, but also will influence their decision on retention or resignation. Hence, this study purports that:

*H2: There is a significant and positive impact of career development on employee retention.*

### **Compensation and Benefits**

Compensation is defined as the cumulative financial and non-financial rewards payable to employees in return for their services (Mondy et al, 2005). The financial and non-financial rewards are usually based on the value of job, level of personal contributions, efforts and performance (Milkovich et al, 2005). At the organizational level, compensation is critical in attracting, retaining and motivating the employees to continue contributing towards organization's success (Philips et al, 2003). The reason being is that compensation is important to influence individuals' choice to work with an organization. Many organizations not only use the compensation system to reward and recognize employees' efforts and contributions, but also as a motivation tool (Chiu et al, 2002) to improve employees' productivity through improving job performance, impeding the

intention to leave and increasing career satisfaction.

Compensation systems have traditionally been designed to attract and retain employees and to motivate them to increase their effort and outputs toward the achievement of organizational goals (Bergmann et al, 2001). Compensation is also considered as one of the most significant costs to operating a business. Most importantly, compensation does not only influence hiring and retention decisions but it is also an important tool to align employees' interest with organizational goals by designing and providing rewards for meeting specific goals assigned to them.

The outcome of compensation has been widely studied and reported in the literature, for instance Trevor et al, (1997) found that salary growth and other non-salary benefits provided to employees have a significant influence on their intention to quit. Miller et al, (1992) found that employee retention is significantly affected by the total compensation package. Several studies on productivity emphasize that high talent individuals often seek for high pay. Thus, if organization able to offer an attractive compensation package for them, they might retain with the current organization (Shepherd et al, 2000; Jardine et al, 2001). On the contrary, failure by organizations to provide equitable compensation would result in employees' negative attitudes toward the organization such as unwilling to retain with the current organization. As such, it is proposed that:

*H3: There is a significant and positive influence of compensation and benefits on employee retention.*

### **Performance Appraisal**

Performance appraisal is a process used to identify measure, evaluate, improve, encourage and reward employees for their performance (Mondy et al, 2005). Specifically, performance appraisal is a formal system used by an organization to periodically review and evaluate employees' performance. In other words, performance appraisal is the process of evaluating how well employees perform their tasks compared with a set of standards or organization's expectations. Performance

appraisal is not only a useful tool to evaluate employees' job performance, but it can also be used to develop and motivate employees (Anthony et al., 2002).

Through performance appraisal processes, employees may get aware of their performance level and realize their weaknesses through valuable feedback or guidance from top management to take necessary steps for improving their performance. Therefore, performance appraisal needs to be done periodically for the purpose of human capital development. The results of performance appraisal may facilitate top management to decide about compensation allocations, promotions, terminations, transfers, recognition awards, and training opportunities that can influence employees' satisfaction and opportunities for career advancement. Most of the organizations believe that performance appraisal is a useful tool that can help the organization to determine the potential in employees and also to evaluate employees' performance, which is vital towards organization's success (Lau et al, 2008).

The rationale behind any form of appraisal is to improve the utilization of human resources in organization. The result from performance appraisal can be used in other functions in HRM such as planning, recruitment, compensation, promotion, training and development, and layoff. Schulan et al, (2008) distinguish two major orientations for appraisal process based on behaviour or results. The behaviour view insist on personnel's conduct in workplace, the result oriented approach suggest that the behaviour of personnel is of little importance and appraisal should be based on outcomes.

The annual performance evaluation of the employees should form part of his or her permanent record. Performance appraisal represents in part, a formalized process of worker monitoring and is intended to be management tool to improve the performance and productivity of employees (Brown et al, 2005). Employee commitment, productivity, and employee retention can be improved with performance appraisal system. Brown et al, (2005) also stated that possibility of

performance appraisal is enhanced by complementary human resource management practices like formal training and incentive pay and performance appraisal leads to greater influence of employees' retention.

Erdogan (2002) revealed that employees are likely to perceive the appraisal process as fair, if they are accurately rated against the performance standards and fair actions are taken in accordance with the evidences of appraisal. Therefore, employees' work behavior such as employee retention can reflect in their perception of performance appraisal. Dailey et al, (1992) found that effective performance appraisal and planning systems contributed to employees' perceptions of fairness and they were more likely to consider staying at the organization. Employees who feel that they are being treated fairly by their employers are more likely to keep their job, compared to those who feel that they have been unfairly treated by their employers. Based on the aforesaid findings, it can be theorized that performance appraisal and achievement have impact on employee performance as well as retention in an organization. Hence, this study hypothesizes that:

*H4: There is a significant and positive impact of performance appraisal on employee retention.*

### **Research Framework**

The research framework in this study is built upon the literature review. It is therefore theorized that each dimension in HRM practices has an influence on employee retention. The following shows the research framework of this study.

#### **DEPENDENT VARIABLES**

- **Employee retention**

#### **INDEPENDENT VARIABLES**

##### **HRM Practices**

- **Training & Development**
- **Career Development**
- **Compensation & Benefits**
- **Performance Appraisal & Achievement**

### **Research Methodology**

#### **Research Design and Sampling**

This study used a quantitative approach to measure the relationship between HRM practices and employee retention. This study focused on the manufacturing sector in Nigeria, given the fact that this sector is one of the main contributors to the nation's GDP. Specifically, the manufacturing sector accounted for one third or 31.4 per cent to the GDP. Importantly, the manufacturing industry in the nation has recorded an average yearly turnover rate of 18.84 per cent for time period of July 2010 to June 2011 (Federation of Nigerian Manufacturers, 2011). This indicated that there is a need to examine the predicting role of HRM practices on the employee retention among manufacturing employees in this study. A total of 500 questionnaires were distributed to employees in manufacturing companies in the Northern Region of Peninsular Nigeria. Only 184 questionnaires were returned and used for data analysis, indicating that the response rate of 36.8 per cent.

### **Instrumentation and Sample Items**

A total of 31 items with five-point Likert scale of 1-strongly disagree to 5-strongly agree were used to measure all variables in the study. Specifically, employee retention was measured using five items developed by Mowday et al, (1984). Sample items are "I do not intend to quit my job", "It is unlikely that I will actively look for a different organization to work for in the next year", and "I am not thinking about quitting my job at the present time."

The four dimensions of HRM practices were measured using 26 items developed by Delery et al, 1996). Training and development was measured by five items such as "I am given opportunities to upgrade my knowledge and skills and to improve my performance through continuous training", "I received necessary training to perform my job well", and "I am given the opportunity to be involved in activities that promote my professional development". Career development was measured by six items and sample items for this dimension are "My immediate supervisor and I discussed my career development opportunities", "I am given ample opportunities for advancement on my job", and "I am satisfied with the way promotions are given out in the company".

Compensation and benefits dimension was also assessed by six items including “I received the amount of pay that commensurate the work I do”, “My pay is generally equal to the pay of my colleagues of the same level/position”, and “My pay is generally equally to the pay of similar job in other companies of the same industry”. The final HRM practices dimension is performance appraisal, which was gauged by nine items. Sample items are “I am evaluated fairly based on my performance”, “Performance appraisal is based on individual performance”, “Individual contributions are encouraged and recognized”, “My immediate supervisor supports and encourages me by providing regular feedback on my performance”, and “I get a feeling of accomplishment from the job I do”.

**Data Analysis Technique**

Statistical Package for Social Science (SPSS) software version 17.0 was used for data analysis. A reliability test was done by observing the Cronbach’s Alpha value with the cut-off point of 0.60. A regression analysis was conducted to examine the influence of HRM practices, which are training and development, compensation and benefits, performance appraisal, and career development on employee retention among employees in the manufacturing companies.

**Findings**

**Profile of Respondents**

Based on the demographic profiles, the majority of respondents (67.9%) were female while their male counterparts constituted of only 32.1 percent. Almost one third (31.5%) of the respondents were in the group of 30 to 34 years old while about 25.5 percent of them were in aged group between 35 to 39 years old. The majority of respondents (43%) were below 30 years old. Most respondents (70.1%) were SPM or secondary school diploma holders and a vast majority of them (89.2%) had worked in their respective companies for more than six years.

**Reliability Analysis**

Cronbach’s coefficient alphas were computed for each dimension to determine the internal consistency reliability of the instruments used in the study. Table 1 illustrates the Cronbach’s Alpha values for the variables. According to

Nunnally et al, (1994), the value of 0.60 is considered as in the lower limit of acceptability for Cronbach’s alpha. As depicted in Table 1, all variables in this study had the alpha values of 0.835 to 0.939, which were all above 0.60.

**Descriptive Analysis**

Descriptive statistic of means and standard deviations were obtained from the independent and dependent variables.

**Table 1** Summary of reliability analysis

Variables	Items	Cronbach’s alpha
Training and Development	5	0.869
Career Development	6	0.869
Compensation and Benefits	6	0.871
Performance Appraisal	9	0.856
Intention to Stay	5	0.835

The summary of the descriptive statistics is shown in Table 2. All variables were measured on a 5-point Likert scale (1= strongly disagree to 5= strongly agree). The mean values for training and development and performance appraisal were 3.77 and 3.59 respectively. The other variables showed a relatively low mean values compared to training and development, and performance appraisal. Table 2 illustrates the mean and standard deviation values for all variables.

**Table 2** Overall descriptive statistics of the variables

Variables	Mean	Std. Deviation
Training and Development	3.77	.60
Career Development	3.31	.70
Compensation & Benefits	3.22	.77
Performance Appraisal	3.59	.51



Achievement		
Employee Retention	3.52	.88

**Regression Analysis**

As depicted in Table 3, the regression results revealed the R square value of 0.158. This indicates that the dimensions of HRM practices collectively explained 15.8 percent of the variance in employee intention to stay. Further, of four dimensions in HRM practices, only compensation and benefits are the significant predictors of intention to stay ( $\beta = 0.360$ ,  $p < 0.001$ ). Therefore, only H3 is accepted.

**Discussions**

The primary objective of this study was to examine the influence of HRM practices (i.e. training and development, career development, compensation and benefits, and performance appraisal) on employee intention to stay.

The results of this study indicated that training and development had no impact on intention to stay. The findings are incongruent to the results of some past researches. For instance, Pratten (2003) and Smith (2003) found the training and development influence staff retention. As noted in the demographic profile of the respondents, the vast majority of the respondents were SPM holders and in the age group of below 30 years old. This type of employees is normally belonged to the support group whereby they only need basic knowledge and skills in performing their jobs. Further, most of the respondents were millennial, who were known as hit-and-run job holders. Even though the mean value of training and development is high ( $M = 3.77$ ), indicating that respondents in the study had been given adequate training opportunities for them to upgrade skills and knowledge, this factor had not impact their decision to remain employed in the present job. A plausible explanation for this is that respondents in this study placed less value on training and development programs offered in their organizations. A study conducted by Forbes “Multiple Generations at Work” Survey (2012) indicated that millennial believe that training and development opportunities are available through the experience that they

gained from each of the companies that they have worked (Meister, 2012). As such, they are positive that by job hopping, they can get as much training and development opportunities as possible offered by various employers. Therefore, they do not see the importance of training and development given out by the present employers and this factor had no bearing on their intention to stay.

The results also failed to substantiate the empirical link between career development and intention to stay among employees in the study. This signifies that intention to stay among the respondents is not attributable to the presence of meaningful work, opportunities to upgrade their capability as well as promotion opportunities. This result was dissimilar to findings in past studies, for instance Miller and Wheeler (1992) and Quarles (1994) who reported that there is a significant predicting role of career advancement opportunities on employee intention to stay based on the fact that such practice provides job security, which guarantees long-term employment relationship.

Even though the mean value of career development was generally high ( $M = 3.31$ ), reflecting that the career development opportunities were in practice, this aspect had no impact on respondents’ intention to continue working in their current organization. The result is plausibly attributable to the age factor, whereby the majority of respondents (43%) were below 30 years old. Employees in this age group are also known as millennial, who are more likely to leave for a greener pastures if they are given the opportunity to do so. On a similar ground, the majority of respondents were of Generation-Y, where they are more likely to job hop because they are more adaptable at work and they always thrive on flexibility (Bernardin et al, 2013).

**Table 3** Regression results of HRM practices on employee retention

Coefficients	Unstandardized				
	Standardized Coefficients				
	$\beta$	Std. Error	$\beta$	t	Sig

(Constant)	2.15 0	.476		4.51 7	.00 0
Training Developme nt	.053	.134	.036	.393	.69 5
Career Developme nt	.156	.145	.124	1.07 7	.28 3
Compensati on and Benefits	.410	.112	.360 *	3.67 1	.00 0
Performanc e Appraisal	- .186	.178	- .109	- 1.04 1	.29 9

**$R^2 = 0.158$   $F = 8.396$ ,  $*p < 0.001$**

Compensations and benefits were found to have a significant association with intention to stay among manufacturing employees in the present study. This is consistent to Chew et al, (2008), Parker et al, (2000), and Shepherd et al, (2000) findings that employees' perception toward the benefits they received has a strong predicting role on employee intention to stay. In other words, money can influence employees' behavior and ensures long-term employment. As noted earlier, the majority of respondents were below 30 years old. It has been suggested in the literature (Bernardin et al, 2013) that younger employees are more life-style centred and they are also more demanding at work. Moreover, as compared to training and development or career development, compensation and benefits were perceived as more important in fulfilling their basic and instant needs. As such, they placed higher value on reward-related matters, particularly compensation and benefits, in ensuring their stay in the present employment. This explanation most likely justified the significant impact of compensation and benefits on employees' intention to stay.

This study reported a non-significant influence of performance appraisal on intention to stay among the respondents. According to a study by Dailey et al, (1992), successful performance appraisal and planning systems help improve employees' perception toward justice and fairness at workplace. In essence, employees who feel that they are being treated fairly through effective performance appraisal system would be more likely to retain in their jobs,

compared to those who perceived otherwise. On the contrary, this assertion did not hold true for respondents in this particular study. Even though effective performance appraisal was in place, this factor failed to bring about positive impact on respondents' intention to stay.

One plausible explanation for this is employees did not see the importance of performance appraisal in relation to their current employment. They perhaps had no intention whatsoever to remain in the present employment. As mentioned earlier, the majority of employees in this study were below 30 years old. According to Bernardin et al, (2013), employees of this age group are in the stage of exploring opportunities and challenges offered to them at work.

Having acknowledged these traits, it is evident that respondents in this study did not see themselves to be in the same employment for a longer period of time. Instead, they would leave for better employment opportunities if they have the chance to do so. Furthermore, performance appraisal, which in most cases was conducted annually, did not provide immediate results to them. Hence, this might explains why this performance appraisal factor had no influence on employees' intention to stay in their respective companies.

### Conclusion

Theoretically, this study has provided some empirical evidence on the relationship between HRM practices and employee intention to stay. The result of this study has also added to the literature on HRM practices and employee intention to stay. In terms of practical contribution, the research results validated the notion that compensation and benefits are of utmost importance in enhancing intention to stay among employees. Practically put, in assessing the strategic role of all HRM functions, the aforesaid factor deserve a higher level of scrutiny in organizations. Importantly, the role of human resource as a strategic partner should also be given serious attention as this is important to ensure intention to stay is inculcated with employees.

This study has paved several directions for future studies. Specifically, future research

should replicate the framework of this study in other settings, such as service industries. The different nature of service sector, particularly in terms of HRM practices, would perhaps elicit different results in relation to intention to stay.

A comparative study between the manufacturing and service sectors would be very insightful in understanding factors related to intention to stay of employees in different work environments. Future studies should consider incorporating other predictors of intention to stay. This is because intention to stay is attributed to many factors, not limited to HRM practices only. There may be other situational as well as personal predictors of intention to stay that should be scrutinized in future studies.

As a conclusion, the research results have provided support for the key propositions. Most importantly, this study has succeeded in answering all of the research objectives, which aimed at analyzing the empirical link between HRM practices (i.e. training and development, career development, compensation and benefits, and performance appraisal) and employee intention to stay.

## References

- Anthony, W. P., Kacmar, K. M. and Perrewe, P. L. (2002) *Human Resource Management: A Strategic Approach* (4th ed.). Harcourt: Florida.
- Armstrong-Stassen, M. and Cameron, S. (2005) Factors Related to the Career Satisfaction of Older Managerial and Professional Women, *Career Development International*, **10**(3), 203–215.
- Barton, H. and Delbridge, R. (2001) Development in the Learning Factory: Training Human Capital, *Journal of European Industrial Training*, **25**(9), 465–472.
- Bassi, L., Gallager, A. and Schroer, E. (1996) *The ASTD Training Data Book*. ASTD: Alexandria, VA.
- Bassi, L. J. and Van Buren, M. E. (1997) Sustaining High Performance in Bad Times, *Training and Development*, **51**, 32–41.
- Berge, Z., De Verneil, M., Berge, N., Davis, L. and Smith, D. (2002) The Increasing Scope of Training and Development Competency. *Benchmarking: An International Journal*, **9**(1), 43–61.
- Bergmann, T. J. and Scarpello, V. G. (2001) *Compensation Decision Making* (4th ed.). Harcourt, Fort Worth, TX.
- Bernadin, H. J. and Russel, J. E. (2013) *Human Resource Management: An Experiential Approach (International Edition)*. McGraw Hill: New York.
- Branham, L. (2005) *The 7 Hidden Reasons Employees Leave – How to Recognize the Subtle Signs and Act Before It's Too Late*. Amacom: Saranac Lake, NY.
- Brown, M. and Heywood, J. D. (2005) Performance Appraisal System: Determinants and Change, *British Journal of Industrial Relations*, **43**(4), 659–679.
- Chew, J. and Chan, C. A. (2008) Human Resource Practices, Organizational Commitment and Intention to Stay, *International Journal of Manpower*, **29**(6), 503–522.
- Chiu, R. K., Luk, V. W. M. and Tang, T. L. P. (2002) Retaining and Motivating Employees: Compensation Preferences in Hong Kong and China, *Personnel Review*, **31**(4), 402–431.
- Comm, C. L., & Mathaisel, D. F. (2003). A case study of the implications of faculty workload and compensation for improving academic quality. *The International Journal of Educational Management*, **17**(5), 200-210.
- Dailey, R. C. and Kirk, D. J. (1992) Distributive and Procedural Justice as Antecedents of Job Dissatisfaction and Intent to Turnover. *Human Relations*, **45**(3), 305-317.
- Delery, E. J. and Doty, H. D. (1996) Modes of

- Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurationally Performance Predictions, *Academy of Management Journal*, **39**(4), 802–35.
- Dowling, P. J. and Welch, D. (2004) *International Human Resources Management: Managing People in Multinational Context* (4th ed). Thomson Learning: London.
- Erdogan, B. (2002) Antecedents and Consequences of Justice Perceptions in Performance Appraisals, *Human Resource Management Review*, **12**, 555–578.
- Meister, J. (2012) Job Hopping is the ‘New Normal’ for Millennials: Three Ways to Prevent a Human Resource Nightmare, *Forbes*, **August**.
- Frazis, H., Gittleman, M., Horrigan, M. and Joyce, M. (1998) Result from the 1995 Survey of Employer-Provided Training, *Monthly Labour Review*, **1** (3), 1–11.
- Ginzberg. (2005) *Occupational Choice: An Approach to a General Theory*. Columbia University Press: New York.
- Guest, D. E. (1997) Human Resource Management and Performance: A Review and Research Agenda. *International Journal of Human Resource Management*, **8**(3), 35–49.
- Guest, D. E. (1999) Human Resource Management – The Workers’ Verdict, *Human Resource Management Journal*, **9**(3), 5–26.
- Guest, D. E. and Pecci, R. (2001) Partnership at Work: Mutuality and the Balance of Advantage, *British Journal of Industrial Relations*, **39**(2), 207–236.
- Hewitt Associates. (2007) Strategies for Cost Management of the HR Function, *Timely Topics Survey Results*.
- Ivancevich, J. M. (2001) *Human Resource Management* (8th ed.). McGraw-Hill: New York.
- Jardine, E. and Amig, S. (2001) Managing Human Capital, *Behavioral Health Management*, **21**(2), 22–26.
- Jones, M. K., Jones, R. J., Latreille, P. L. and Sloane, P. J. (2004) Training, Job Satisfaction and Workplace Performance in Britain: Evidence from WERS 2004. IZA Discussion Paper No. 3677.
- Juhdi, N., Pa’wan, F., Hansaram, R. K. and Othman, N. A. (2011) HR Practices, Organizational Commitment, and Turnover Intention: A Study on Employees in Klang Valley, 3rd World Multiconference on Applied Economics, Business and Development (AEBD 2011). 1-3 July 2011, Lasi.
- Lau, C. M., Wong, K. M. and Eggleton, I. R. C. (2008) Fairness of Performance Evaluation Procedures and Job Satisfaction: The Role of Outcome-based and Non-outcome-based Effects, *Accounting and Business Research*, **38**(2), 121–135.
- FMM Salary, Benefits and Employment Conditions Survey in the Manufacturing Sector for the Year 2009, Percetakan Okid Sdn. Bhd.: Petaling Jaya, Malaysia.
- Mathis, R. L. and Jackson, J. H. (2004) *Human Resource Management* (10th ed.). Thomson Learning: Singapore.
- Milkovich, G. T. and Newman, J. M. (2005) *Compensation* (8th ed.). McGraw-Hill: Boston.
- Miller, J. G., and Wheeler, K. G. (1992) Unravelling the Mysteries of Gender Differences in Intentions to Leave the Organization, *Journal of Organizational Behaviour*, **13**(5), 465–478.
- Minbaeva, D. B. (2008). HRM practices affecting intrinsic and extrinsic motivation of knowledge receivers and their effect on intra-MNC knowledge transfer, *International Business Review*, **17**, 703–713.
- Mitchell, T. R., Holtom, B. C. and Lee, T. W. (2001) How to Keep Your Best Employees: Developing an Effective Retention Policy, *Academy of Management Executive*, **15**(4), 96–107.
- Mobley, W. H. (1982) Intermediate Linkages in the Relationships between Job

- Satisfaction and Employee Turnover, *Journal of Applied Psychology*, **62(2)**, 237–240.
- Mondy, R. W. and Noe, R. M. (2005) *Human Resource Management* (9th ed.). Pearson Education: New Jersey.
- Mowday, R. T., Koberg, C. S. and McArthur, A. W. (1984) The Psychology of the Withdrawal Process: A Cross-validation Test of Mobley's Intermediate linkages Model of Turnover in Two Samples, *Academy of Management Journal*, **27(1)**, 79–94.
- Nankrui, A. R., Compton, R. L. and Mc Carty, T. E. (1999) *Strategic Human Resource Management*, (3rd ed.). Melbourne, Nelson ITP.
- Nunnally, J. C. and Bernstein, I. H. (1994) *Psychometric theory*. McGraw-Hill: New York, NY.
- Noe, R. A. (2008) *Employee Training and Development*. McGraw-Hill Irwin.
- Oakland, S. and Oakland, J. S. (2001) Current People Management Activities in World-class Organizations, *Total Quality Management*, **12(6)**, 773–788.
- Parker, O. and Wright, L. (2000) Pay and Employee Commitment: The Missing Link, *Ivey Business Journal*, **65(1)**, 70–79.
- Philips, L. and Fox, M. A. (2003) Compensation Strategy in Transnational Corporations, *Management Decision*, **41(5)**, 465–476.
- Pratten, J. D. (2003) The Training and Retention of Chefs, *International Journal of Contemporary Hospitality Management*, **15(4)**, 237–242.
- Quarles, R. (1994) An Examination of Promotion Opportunities and Evaluation Criteria as Mechanisms for Affecting Internal Auditor Commitment, Job Satisfaction, and Turnover Intention, *Journal of Managerial Issues*, **6(2)**, 176–194.
- Robbins, S. P. and Delenzo, D. A. (1998) *Fundamentals of Management* (6th ed.). Prentice Hall: Upper Saddle River, N.J.
- Robbins, S. P. and Coulter, M. (2002) *Management* (7th ed.). Prentice Hall: River, N.J.
- Rowden, R. W. and Conine, C. T. Jr (2005) The Impact of Workplace Learning and Job Satisfaction in Small US Commercial Banks, *Journal of Workplace Learning*, **17(4)**, 215–30.
- Sanjeevkumar, V. (2012) A Study on Employees' Intention to Stay in Public Companies in Kedah, Malaysia, *International Journal Business Economics and Management Research*, **2(4)**, 91–101.
- Schulan, R. S. and Jackson, S. E. (2008) Linking Competitive Strategies with HRM Practices, *Academy of Management Executive*, **1(3)**, 207–210.
- Shamsudin, F., Subramaniam, C. and Ibrahim, H. (2011) Investigating the Influence of Human Resource Practices on Deviant Behavior at Work, *International Journal of Trade, Economics, and Finance*, **2(6)**, 514–519.
- Shepherd, J. L. and Matthews, B. P. (2000) Employee Commitment: Academic vs. Practitioner Perspectives, *Employee Relations*, **22(6)**, 555–575.
- Shipley, C. J. and Kleiner, B. H. (2005). Compensation Management of Commissioned Sales Employees, *Management Research News*, **28 (2/3)**, 2–10.
- Smith, A. (2003) Recent Trends in Australian Training and Development, *Asia Pacific Journal of Human Resources*, **41(2)**, 231–244.
- Sparrow, P. R. (1998) Reappraising Psychological Contracting, *International Studies of Management and Organization Journal*, **125(1)**, 30–63.
- Storey, J. and Sisson, K (1993) *Managing Human Resources and Industrial Relations*. Open University Press: Buckingham.
- Subramaniam, C., Mohd Shamsudin, F. and Ibrahim, H. (2011) Linking Human Resource Practices and Organizational Performance: Evidence from Small and Medium Organizations in Malaysia, *Jurnal Pengurusan*, **32(2011)**, 27–37.
- Taylor, C. R. (2002) Focus on Talent, *Training and Development*, December 2002, 26–

31.

Trevor, C. O., Barry, G. and Boudreau, J. W. (1997) Voluntary Turnover and Job Performance: Curvilinearity and the Moderating Influences of Salary Growth and Promotions, *Journal of Applied Psychology*, **82(1)**, 44–61.

Uen, J. F. and Chien, S. H. (2004). Compensation Structure, Perceived Equity and Individual Performance of R&D Professionals, *Journal of American Academy of Business Cambridge*, **4(1/2)**, 401-405.

Vandenberg R. J. and Nelson J. B. (1999) Disaggregating the Motives Underlying Turnover Intentions: When Do Intentions Predict Turnover Behaviour? *Human Relations*, **52(10)**, 1313-1336.

Vorhies, D. W. and Harke, M. (2000). The Capabilities and Performance Advantages of Market-driven Firms: An Empirical Investigation. *Australian Journal of Management*, **25(12)**, 145–154.

Wright, P. M. and Nishii. L. H. (2005) Strategic HRM and Organizational Behaviour: Integrating Multiple Levels of Analysis. Working paper series, S.o.I.a.L.R.CU, (ed).

Zheng, Y. and Kleiner, B. H. (2001) Developments Concerning Career Development and Transition, *Management Research News*, **24(3/4)**, 33–44