

# The Relationship between HRM Strategies and Intention to Stay

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**Abstract** – Retaining employee can be considered as a major challenge for many organizations. This is because employees are the most important assets for an organization to stay competitive advantage. Construction industry plays a significant role in economic development of the country. It is thus important for the industry to retain its employees as turnover would be costly. This paper investigates the relationship between Human Resource Management (HRM) strategies i.e. recruitment and selection, compensation, training and development, supervisor support and work-life balance, and employees' intention to stay working in the company. Questionnaire was distributed to 52 employees in a construction company. The correlation analysis revealed a positive, moderate and significant relationship between HRM strategies and employees' intention to stay. Results of multiple regression showed that work-life balance dimension is a strong predictor whilst training and development dimension is the least significant predictor for employees' intention to stay. **Copyright © 2016 Penerbit Akademia Baru - All rights reserved.**

**Keywords:** HRM practices, intention to stay, employee retention

## 1.0 INTRODUCTION

One of the challenges faced by today's organization is the retention of employees. Employee turnover is a costly problem for most organizations [1]. The focus of this study is on the retention of employees within a construction firm. Construction industry has been reported to experience high employee turnover [2,3]. According to CIDB [4], the construction sector contributes 3.5% of the country's GDP. Although its contribution is not as significant as other sectors for instance manufacturing and service sectors, the growth is more significant compared to other sectors – 18% growth. This is due to various Economic Transformation Programmes (ETP) initiated by the government since 2010. Hence employee retention is important for this sector as the leaving of employees will have a significant impact on higher cost and lower productivity [5]. Moreover, Walker [6] indicated that organization may lose private and confidential information when the employees leave a company. Thus it is critical for organizations to implement policies that could influence employee retention.

Past studies have shown evidence that certain Human Resource Management (HRM) factors can cause employees dissatisfaction which thereafter influence their intention to leave the company. According to Brabham [7], employees leave the company when there is insufficient recognition, inadequate career advancement, low wages, unreliable leadership and dysfunctional working environment. In a study by Janet [8], HR factors that can contribute to employee retention are challenging job opportunities, person-organizational fit, provision of training and career development, remuneration, reward and recognition. Uma [9] has identified

apart from career development, rewards, and working environment, employee's intention to stay working is also influenced by supervisor support and work-life policies. Sorasak, Jirasek & Nutthawut [10] on the other hand emphasised on only two HRM factors that were regarded as important for employee retention i.e. compensation and reward, and training and development.

These findings highlight variations of result linking HRM and intention to stay. Moreover, there are limited findings on recruitment and selection dimension and its link with employee retention. According to Meyer & Allen [11], realistic job previews to potential employees can build an impression of reliable and trustworthiness. Furthermore, there has not been much research examining these variables in the perspective of a construction firm. Hence the purpose of this study is firstly to determine the level of HRM strategies and intention to stay. The second objective investigates the relationship between HRM strategies (recruitment and selection, compensation, training and development, supervisor support and work-life balance) and employees' intention to stay. The final objective is to determine the most dominant HRM strategy that can influence employees' intention to stay working in the company.

## **2.0 LITERATURE REVIEW**

### **2.1 Recruitment and Selection**

According to De Cieri & Kramar [12], recruitment is a process whereby company try to look for the best candidate for the position and also to attract a pool of potential workers. Selection on the other hand is the process to determine the suitability of the candidates based on their knowledge, skills, abilities and other traits required for the position. The overall purpose of this function is to obtain employees who meet the basic requirement of the company [13]. This element is considered important for HRM (Singh, 1992) however companies tend to overlook this process [14]. Speed hiring usually will result in hiring the wrong people for the job. As a result of the error in recruitment, the likelihood of employee turnover will increase [15]. This is also supported by Huselid [16], Cameron et al [17] and Appaw-Agbola et al [18] who indicated that proper recruitment and selection can reduce employee turnover.

### **2.2 Compensation**

Compensation refers to monetary returns that employees receive from the company [19]. According to Mondy & Noe [20] attractive compensation could influence employees' intention to continue working in a company, as well as increasing productivity and work performance [16]. Hence according to Williams et al [21], employees will be more likely to stay committed in a company if they are satisfied with the compensation system. According to Chiu, Luk & Tang [22], compensation system is one of the motivation tool to promote workers' productivity via enhanced job performance, reduced intention to quit and improved career satisfaction.

### **2.3 Training and Development**

The contribution of the provision of training and development towards employee retention has been proven by various past studies. For instance, MacDuffie [23], Jerries [24], Samuel & Chipunza [25], and Pare & Trembley [26]. According to Samuel & Chipunza [25], providing training for employees is a sign of commitment of the management to establish a long-lasting relationship with the staffs, which consequently can decrease turnover and increase employees' decision to stay working in the organization. They also mentioned that training can be one of

the essential methods to help every employee to receive new knowledge and skills needed to retain the performance level in the rapidly changing work environment. They argued that training can be exclusively used to enhance the quality of existing employees in order to decrease intention to leave and generate high commitment. Individual employee 's capability can also be strengthened and upgraded with training and development programs [26].

## **2.4 Supervisor Support**

According to Eisenberger et al. [27], supervisor support is the worker's perceptions towards their leaders i.e. how the leader appreciates their dedication and concern about the well-being of the employees. According to Firth et al. [28], emotional support from leaders can intermediate the influence of stressors on reactions of stress, satisfaction of job, organizational commitment and intention to leave. In another aspect of supervisor support, employees need sincere supervisor who can understand them, know them and get a fair treatment from supervisors. Bad treatment from supervisors will cause conflicts in worker 's role for work, life and company [29]. In other words, supervisor support has the capacity to influence employees' intention to stay [9,30,31].

## **2.5 Work-life Balance**

Work-life balance is a condition where an individual deal with the actual or potential conflict between different requirements [32]. Therefore, work-life balance is about the equilibrium between career and personal life. According to Barnett & Hall [33]; Hytter [34]; Sanjeevkumar [30]; and Allen [35] work-life balance can contribute to high retention. It is thus important for organization to offer flexibility to the employees so that they can handle both work and life commitments [36].

## **3.0 RESEARCH METHODOLOGY**

This study adopted a quantitative research design whereby data was collected using a set of questionnaire. The questionnaire consists of 39 items divided by three sections. Section A collects data on respondents' demography i.e. gender, age, race, marital status and education level. Section B measures employees' perception towards five dimensions of HRM strategies (recruitment and selection, compensation, training and development, supervisor support, and work-life balance) whilst section C which consists of five items measures employees' perception of intention to stay.

Both sections B and C were assessed on a five-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. The items for section B were derived from past studies by Luthans [37], Kutilek and Earnest [38], and Kopelman et al [39] whilst the item for section C was adopted from Luthans [37]. Pilot test was conducted prior to the study to test for instrument's reliability. The test revealed an acceptable Cronbach's alpha values – above 0.7 for all variables under study. A sample of employees in a construction firm in Kuala Lumpur was recruited for data collection. 52 questionnaires were distributed whereby the response rate is 100%.

## **4.0 RESULTS AND DISCUSSION**

Overall, majority of the respondents were female (67%), aged between 20-35 years old (81%), of Chinese ethnicity (50%), and have tertiary education (92%). Most of the respondents were unmarried (52%), have been working in the company for less than 3 years (50%), and received

between RM2001-RM4000 monthly salaries (60%).

#### 4.1 The Level of Implementation of HRM Strategies

Table 1 shows the descriptive analysis for the level of implementation of HRM practices in the company. The result indicates that HRM strategies are moderately implemented in the company. Among all, the respondents perceived that the company provides supervisor support (high level). This finding suggests that employees received support from their supervisors. In this study supervisor support includes fair treatment, respect, asking for employees' inputs, respond to employees' questions and effective work delegation. However, the provision of training and development received the lowest score (moderate level). This implies that the employees are not getting adequate training which are important for their career growth. According to Samuel & Chipunza [25] and Pare & Trembley [26], training is important to upgrade employees' knowledge and skills in order to retain the performance level.

**Table 1:** Level of HRM strategies implementation

Dimensions	Mean Score	Standard Deviation
Recruitment and selection	3.60	0.453
Compensation	3.54	0.545
Training and development	3.14	0.681
Supervisor support	3.69	0.633
Work-life balance	3.36	0.525
Average mean score	3.47	0.567

#### 4.2 The Level of Intention to Stay

Table 2 shows the level of intention to stay among the respondents. The result indicates that respondents perceive moderate level of intention to stay working in the company. This finding suggests that employees are likely to continue working in the company. It is thus important for organization to implement strategies that could influence employees' intention to continue working in the company particularly since the construction industry has been reported to experience high employee turnover [2,3].

**Table 2:** Level of intention to stay

Statement	Mean Score	Standard Deviation
For me this is the best of all possible organizations for which to work	3.37	0.817
I feel like staying with this company	3.65	0.683
I do not have any intention to resign from this organization within a shorter time	3.38	0.745
Whenever I get a job in another company definitely I leave	3.15	0.849
I am searching for a better job in a better organization at the moment	2.77	0.899
Average mean score	3.26	0.799

#### 4.3 The Relationship between HRM Strategies and Intention to Stay

Table 3 shows the result of correlation analysis between HRM strategies and employees' intention to stay. The result indicates a significant and positive relationship between HRM

strategies and intention to stay. The strength of the relationship is moderate. This finding suggests that employees' intention to continue working in a company can be influenced by HRM strategies.

**Table 3:** Correlation analysis between HRM strategies and intention to stay

Pearson Correlation	Intention to Stay
HRM Strategies	0.512**

\*\* Correlation is significant at the 0.01 level (2-tailed)

This finding is supported by Firth et al [28] who indicated that employees are more likely to continue working in the company if they perceived that the company values their contribution to the company. On the other hand, negative treatment from the organization can lead to dissatisfaction [29] which thereafter influence employee turnover. According to Kranti & Astha [32], good implementation of HRM practices could influence employee retention. Similar finding is also reported by Ghazali et al [40] and Sanjeevkumar [30]. Both studies have found significant and positive correlation between HRM practices and employees' intention to stay working. The positive correlation between HRM practices and intention to stay could be understood with the explanation by Allen, Shore & Griffeth [41]. They stated that high-involvement of HRM practices at the workplace can enhance employee 's intention to stay. In simple words, it means the higher the HRM practices, the higher the intention to stay among the employees.

#### 4.4 The Most Dominant HRM Strategies Influencing Intention to Stay

Table 4 shows the result of multiple regression analysis which measures the most dominant HRM strategies that influence employees' intention to stay. The result indicates that 39% of the respondents' intention to stay can be predicted by HRM strategies i.e. recruitment and selection, compensation, training and development, supervisor support and work-life balance. This suggests that the employees' intention to stay is also influenced by other factors.

**Table 4:** Regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.628 <sup>a</sup>	0.394	0.328	0.48992

a. Predictors: (Constant), Work-life Balance, Training and Development, Supervisor Support, Compensation, Recruitment and Selection

b. Dependent Variable: Intention to Stay

Table 5 shows that among all HRM strategies, only compensation and work-life balance are making a significant unique contribution to the prediction of employees' intention to stay ( $p < 0.05$ ). The most dominant HRM strategy that influences intention to stay is work-life balance. Nevertheless, the difference between work-life balance and compensation is rather small.

The result of this study is consistent with past studies. According to Allen [35]; Barnet & Hall [33]; Hytter [34]; and Sanjeevkumar [30] work-life balance is a significant factor for employee retention as it enables employees to manage between their personal and work commitments. Compensation on the other hand has the capacity to influence employee retention as it satisfies their basic needs [42]. However, a fair compensation system will have a greater effect on employee retention. This finding is supported by Sanjeevkumar [30]. The study investigated five HRM practices i.e. compensation, work-life balance, organizational commitment, career opportunities and supervisor support. Among all, compensation was the most dominant factor

influencing employees' intention to stay. Similar finding was also reported by Johari et al [42] whereby out of four HRM practices only compensation and benefits had a positive impact on employees' intention to stay. According to Bamberger & Meshoulam [43], a good reward system can help to boost employee morale to stay committed in the company.

**Table 5: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.849	0.656		1.293	0.202
Recruitment and selection	-0.086	0.210	-0.065	-0.411	0.683
Compensation	0.377	0.164	0.344	2.293	0.026
Training and development	-0.023	0.103	-0.026	-0.225	0.823
Supervisor support	-0.029	0.119	-0.031	-0.246	0.807
Work-life balance	0.469	0.202	0.412	2.319	0.025

Although this study has found high level of supervisor support, the regression analysis suggests that the dimension has insignificant effect on employee's intention to stay. This result is consistent with Fauzi, Ahmad and Gelaidan [44] who found insignificant correlation between supervisor support and employee retention. Similarly, training provision was also found to be the least significant factor that influences employees' intention to stay [45].

## 5.0 CONCLUSION

In sum, employees' intention to continue working in a company can be influenced by certain HRM strategies. This study has found that employees working in construction firm are more likely to continue working if the organization practices HRM strategies i.e. recruitment and selection, compensation, training and development, supervisor support and work-life balance. In the present study, finding implies that work-life balance and compensation are important HRM strategies that can influence employees, particularly the generation Y to continue working in a company.

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