

Conceptual Framework of Relationship between Human Resource practices and Employee Turnover Intention.

Danial A. Sumbal

University Of Education, Multan

Email: danial.sumbal@outlook.com

Abstract

A high turnover costs can have significant impact on company. Turnover intention has attained substantial consideration in last few decades and has been comprehensively studied because of its deep implications towards today's organization. Current study attempts to examine the relationship between Human Resource practices and turnover intentions by taking moderating effect of personality traits. This conceptual framework takes into account one dependent variable i.e. Turnover Intention and three independent variables i.e. Pay Satisfaction, Performance Appraisals, Career Management and two moderating variables i.e. Neuroticism, Extroversion.

Keywords

HR Practices, Turnover Intention, Personality traits

Introduction

Employee turnover intention remains one of the major issues that are under intense consideration of organizations, all over the world. Cost of turnover in most of the organizations is almost 150% of total employee remuneration package. This cost is both in real cost (Selection and recruitment time for a replacement) and opportunity cost in the form of loss of productivity (Schlesinger & Heskett, Spring 1991). Retaining the finest and skilled employees is of supreme importance to the organizations. The reason of this importance is that the retention of employees eliminates the cost of recruiting, selecting and placing new employees in replacement. These costs also include the cost to maintain the expertise with the organizations and the cost to cultivate the existing culture of the organization (Tymon Jr, Stumpf, & Smith, 2011). The reason behind intense focus on employee turnover intention is that the organizations invest a lot of capital on hiring and training of their employees. In return, they require employee commitment and performance.

Research Problem and Problem Statement:

Turnover intention is considered as one of the most important factors for financial performance of organizations. The turnover intentions are further influenced by number variables that persist in organization ((Joo & Park, 2010). This implies that, turnover can adversely affect the financial performance of the organization and can result in form of financial cost. Organizations have to face the financial cost as well as the non-monitory cost due to turnover. High turnover cannot be addressed by just hiring a new employee in place of leaving employee. The problem arises when the skills and expertise of employees also leave the organization (Choi, Cheong, & Feinberg, 2012). When skill and expertise move with the leaving employee, it ultimately affects by lowering or detaining the service quality.

Talent management is therefore very much important due to the huge cost of employee turnover resulting from turnover intentions. Talent management can be accomplished with the help of HR practices. These HR practices are the way to mold the employees' behavior of the organization (Juhdi, Pa'wan, & Hansaram, September 2013). Organizations use these policies to mold the attitude and behavior of employees according to the requirement of this competitive era. Banking management faces the problem of employee turnover intention which affects the profitability of organization. There have been an increase in the rate of employee turnover in last decade (Society for Human Resource Management, 2012), which is an alarming situation for the organizations. Personality traits include neuroticism, openness, agreeableness, conscientiousness and extroversion. These traits magnify the effect on the turnover intentions of individual (Magnus, Diener, Fujita, & Pavot, 1993). Therefore the problem of employee turnover intention can be amplified due the personality disorders.

Conceptual Framework

Conceptual/Theoretical framework is used to draft an idea used in study in the form of theoretical model (Pettigrew, Fidel, & Bruce, 2001). It aids to describe different variables of the study and creates an association among these variables. It defines association between problem identification, problem description, research purpose, literature review, and research methodology and data collection procedure and data analysis.

In this study, one dependent variable (turnover intentions), three independent variables (pay satisfaction, performance appraisal, and career management) and two moderating variables (extroversion, neuroticism) are taken. In dictionary contest, turnover is the rate at which an employer gains or loses its employees. Whereas, turnover intention is the measurement of whether organizational employees plan to leave their jobs. But in this study the meaning of turnover intention is little different due to operationalization. Operationally, turnover intention is defined as "the level of intention by which permanent employees of a bank wanted to leaves their current bank and switch to another one". Turnover intention is defined as a deliberate intention of personnel to leave the organization (Meral, İrge, Aksoy, & Alpan, October 2012). In this study, only turnover intention is concerned with the intention to switch from banks to banks, and it is only counted if that employee is intended to move to any other bank. If that employee is

intended to leave banking industry and switches to any other industry, then it will be not count as turnover intention.

HR practices can be characterized into two different groups. First group improves skills of employees and the other group increases motivation level of employees. Juhdi, Pa'wan, & Hansaram, (September 2013) suggests that selection, training and development actions are more related to improving the skill level and the other group that consists of performance appraisal and compensation are more relevant to increasing the motivation level of employees. Here, we are considering the second group of HR practices that can motivate/de-motivate employees and may result in increasing turnover intentions.

Pay Satisfaction and Turnover Intentions:

In contest of this study, pay satisfaction/compensation is defined as the salary/wage or rewards (fringe or infringe) a person gets when he provides services to his employees. If the rewards obtained through performance exceed his/her expectation, then it ultimately results in satisfaction otherwise it results in dissatisfaction. According to Erich, Vinh, Beth, & G. Stephen (2009), both of direct and indirect compensation increases employee's motivation level. He also suggests that compensation strengthen the connection between the employee and organization. There exists an inverse relationship between higher pay/pay satisfaction and employee turnover intentions. Strong salary growth considerably reduces turnover for extraordinary performing employees. As discussed in literature review, there exists a positive relationship between the lower salary and employee turnover intentions which means that an increase in salary will reduce turnover intentions. Vandenberghe & Tremblay (March 2008) suggest that pay raise satisfaction is an important predictor of intended turnover and actual turnover.

Pay satisfaction is measured by using items from Nurita Juhdi, Pa'wan, & Hansaram, (September 2013) which were adopted by them from Sharon (1976), which were used to measure satisfaction with pay.

Performance Appraisals and Turnover Intentions:

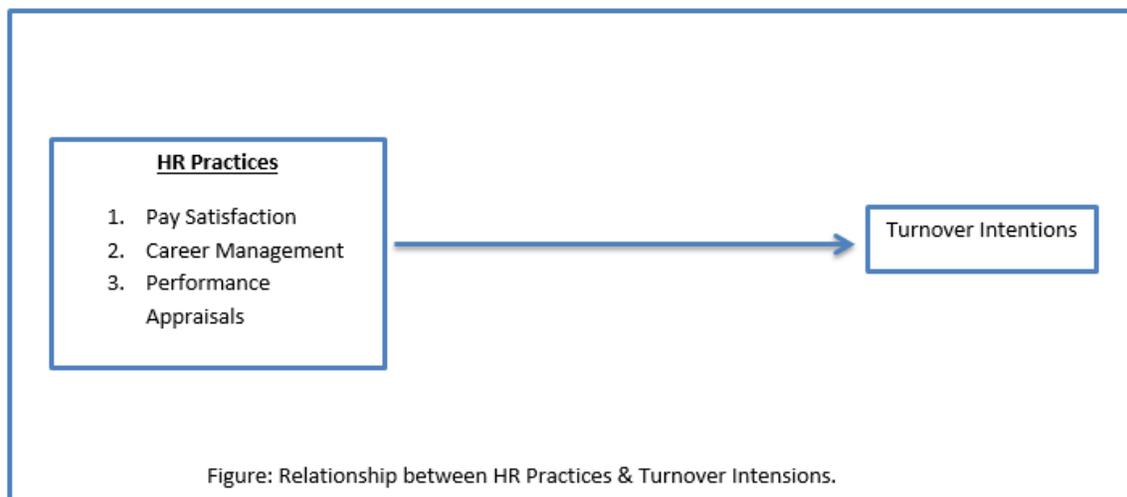
Performance appraisal is operationally defined as the annual evaluation of an employee based on his/her performance for the last calendar/financial year. In this case, if evaluation of employee's performance is beyond his/her expectation then it will result in job satisfaction and ultimately decreasing turnover intention. According to Erich, Vinh, Beth, & G. Stephen (2009), in organizations using performance based reward systems, extraordinary performing persons who were better remunerated were less likely to leave the organization than those with lesser levels of rewards and performance level. When the employees believe that they are evaluated below their performance level, that will result on dissatisfaction and this dissatisfaction will lead towards turnover behavior.

According to Nurita Juhdi, Pa'wan, & Hansaram, (September 2013), performance appraisal and compensation are two important HR practices that are related to organization commitment and turnover intentions. Employee performance is appraised across numerous criteria and if that performance assessment is poorly calculated and managed, employees would not see the importance of performance appraisal exercises. This condition might occur due to poor relation among performance appraisal and

compensation or when these employees no longer believe in the performance appraisal system. This will ultimately result in employee's intention to quit.

Career Management and Turnover Intentions:

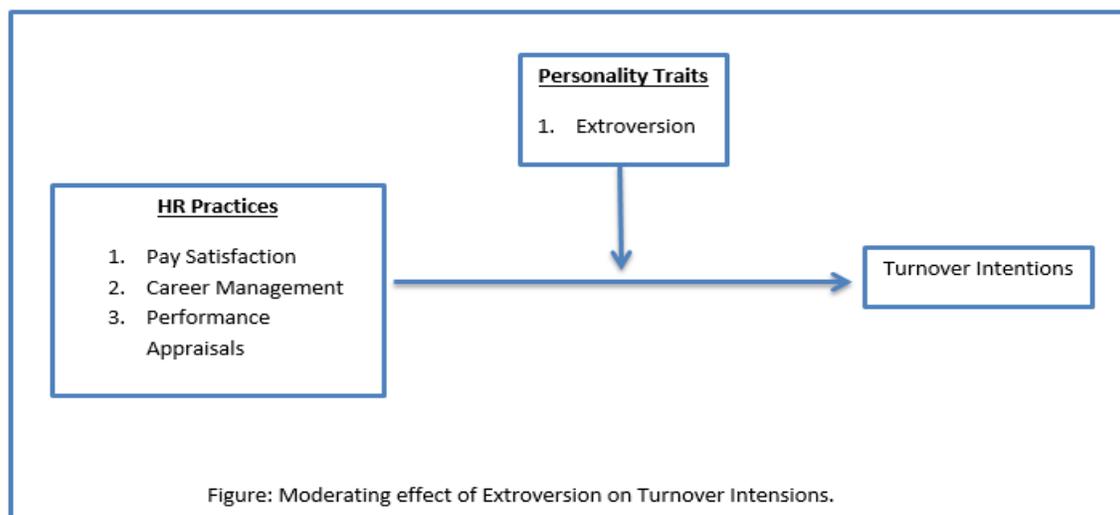
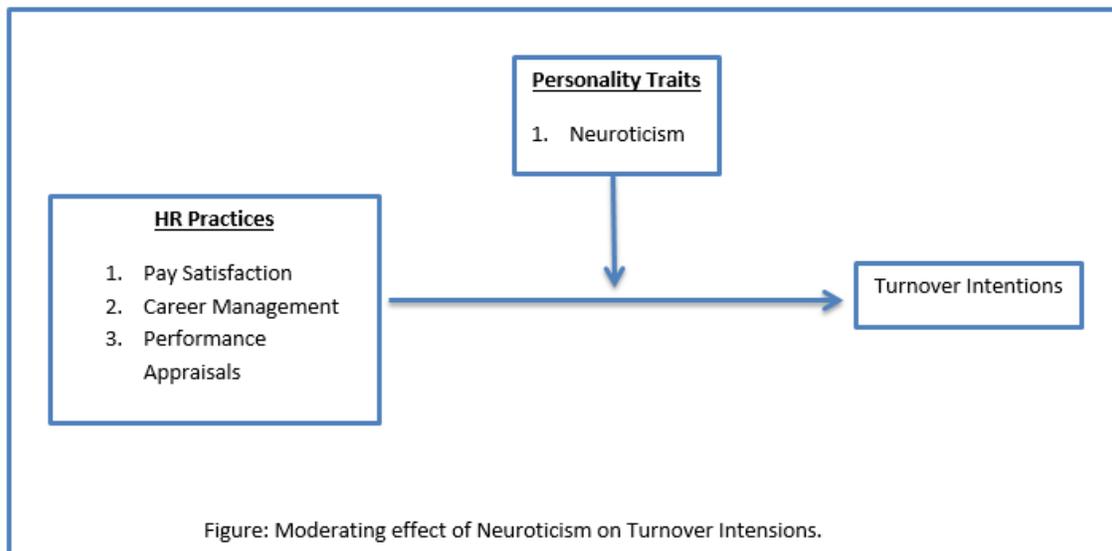
Career growth can be operationally defined as the career path for growth provided by employers in the form of promotions or succession planning. This depends on banks policy. Few banks in Pakistan have a policy of minimum 3 years for promotions (Allied bank is one of such bank with minimum 03 years' promotion policy). According to Erich, Vinh, Beth, & G. Stephen (2009), there exists a negative relationship amongst growth opportunities and intent to quit. Growth opportunities indicate that the organization values the employees' supports as well as suggest that the future support will be provided in future. Hence, employees used to stay for more time period with such organizations. According to Tymon Jr, Stumpf, & Smith (2011), perceptions of career growth associates negatively with the employee turnover intentions. He also states that, more the employee has an optimistic perception of his career growth; the less likely is the turnover intentions of the employee. Organization may increase their employee's retention rates by improving employee development opportunities.



Personality Traits (Neuroticism and Extroversion) and Turnover Intentions:

The personality trait can be defined as the approach to study the human personality. Extroversion is associated to traits like being sociable, gregarious, talkative, and active. Neuroticism refers to the tendency to experience unpleasant emotions easily, such as anger, anxiety, depression (Kurt & Birgit, July 2007). Neuroticism also refers to the degree of individual's emotional instability and impulse control. According to Timothy, Heller, & Michael (2002), personality traits like neuroticism and extraversion are strongly associated with job satisfaction, whereas the association between other three personality traits with job satisfaction is either not fully generalized or has shown very weak relationship. This means empirical studies have not found consistent results with other personality traits. Because of inconsistent results of other three personality traits,

this study only has taken neuroticism and extraversion into account. According to Dole & Schroeder (2001), substantial relationship between personality and turnover intentions is yet to be recognized. Whereas, according to Chiu & Francesco (2003), there exist a considerable association among personality traits and turnover intentions. This relationship among personality traits and turnover intentions was further explained by Carl P. & Rodger (2004), in which they explain that an extrovert person is more socially connected to the work place. This connection in the form of social network strengthens their level of commitment to workplace and ultimately reduces turnover intention. Similarly according to Kurt & Birgit (July 2007), neuroticism strongly associates with negative emotions and results in negative behaviors/nature what is why it is associated with turnover intention, Therefore, it can also be deduced from previous literature that higher level of neuroticism results in higher degree of turnover intentions due to greater emotional instability. On the other hand, lower level of extraversion will decrease the commitment of employees to their workplace and greater will be turnover intentions.



These figures elaborate that these HR practices affect the employee's intention for turnover and on the other hand neuroticism and extroversion are acting as moderator which magnifies the effect of these factors. For example: a lower pay with cause lower satisfaction with respect to pay and cause employee's turnover intention. But on the other hand, if that person is emotionally sensitive then this effect will be magnified and the turnover intension will increase.

Turnover intentions and the HR Practices are among the most significant topics discussed in today's environment. Nowadays organizations are more concerned with the retention of their employees. The reason for this concern is the substantial cost of turnover they have to face. Organizations overall productivity can be enhanced with the help of those employees, who are more satisfied towards HR policies and practices. As discussed in literature, many studies have been conducted on HR Practices and their relationship with turnover intentions but no evidence was found in which the moderating effect of personality traits was examined.

In order to define relationship among dependent, independent and moderating variables; a research model was estimated to state the effects of independent and moderating variables on dependent variable. This study took into account one dependent variable i.e. Turnover Intention and three independent variables i.e. Pay Satisfaction, Performance Appraisals, Career Management and two moderating variables i.e. Neuroticism, Extroversion. On the basis of support from the previous literature work, the research model was created and explained in theoretical framework. As already explained in the theoretical framework, negative association among HR Practices and Turnover Intention was proposed. Whereas, positive moderating effect of Neuroticism and negative moderating effect of Extroversion on association among HR Practices and Turnover Intention was proposed.

Theoretical Implications:

In this study, personality traits are observed in a slightly different perspective and therefore a new theoretical model is built on the basis of literature. According to the findings of the study, few construct are identified having insignificant relationship. These are moderating effect of neuroticism on performance appraisal, and moderating effect of extroversion on career management and pay satisfaction.

There are various studies which are focusing on the direct impact of personality traits on turnover intentions and the impact of HR practices on turnover intentions are also discussed separately, but this study gives a new direction of measuring the relationship of HR practices and turnover intentions with the moderating role of personality traits. Therefore, this study provides support to make contribution in the literature of personality traits and turnover intentions.

Future Directions:

Although, the research model has been made in very careful manners but this model still requires to further approach areas in order to have better understating of the model and better implication. This model needs to be tested with the primary data collection to set future research directions.

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