

# HR Practices, Organizational Commitment and Turnover Intention: A Study on Employees in Klang Valley, Malaysia

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*Abstract:-* The study is to examine the impact of HR practices on organizational commitment and turnover intention. Four hundred and fifty seven employees from various industries in a region in one of the states in Malaysia participated in the survey. HR practices were measured using employees' perception on career management, person-job fit, compensation and performance appraisal. All the four HR practices were found significantly related to organizational commitment and negatively related to turnover intention. Another important finding is organizational commitment was found as a partial mediator between HR practices and turnover intention. Given the findings, HR policies should be well designed because they were found to give strong effect in explaining the variance in organizational commitment.

Key Words: organizational commitment, turnover intention, HR practices, career management, performance appraisal, compensation, person-job fit

## 1 Background

Previous studies that examined factors influencing turnover intention indicated several major variables such as demographics, satisfaction, organizational commitment, organizational engagement and HRM practices such as employee development, performance management and compensation. The effect of employee satisfaction and organizational commitment on turnover intention has been discussed and the findings indicated that these variables have significant influence on turnover intention [24, 3]. It seems that to predict turnover, organizational commitment must be a part of the model. HRM practices are also reported as having an impact on turnover intention but given the unclear conception of the term, there have been limited studies done to study the impact empirically. Therefore, the need to study factors that influence turnover intention is pertinent because the findings would give clearer

insights on how companies can retain their employees.

## 2 Literature Review

### 2.1 The Effect of HR Practices on Organizational Commitment

Organizational commitment is the extent of employees' willingness to exert their effort for the organization's success and the degree of fit between the employees' values and the organization values [29]. According to Wright, McMahan and MacWilliams [42], HRM practices are the ways that organizations use to mould employee behavior, perception and attitudes. This implied that if HR policies are properly formulated and implemented, the organizations should be able to achieve their

objectives that are mainly dependent on human capital. Because human capital nowadays becomes the central asset in organizations, managing them in a way that is able to make them behave, act and think in the manner that employers want is pertinent. The question is what kind of employees' perception and behavior that can significantly affect business results. Yeung and Berman [43] stressed that company performance is highly influenced by HR practices that can directly influence organizational commitment among employees. This view is in line with the earlier proposition made by Hiltrop and Despres [19] that HR practices has a strong impact on organizational commitment and they viewed it as an important criterion to measure HRM effectiveness. Good management of employee performance, career, training, compensation and selection will be interpreted positively by employees and in turn, they will reciprocate with high commitment to the organizations [41].

Further, career development was found insignificantly related to affective commitment among employees [34] and Chan [12] who carried out a survey among employees in Australia found no significant relationship between training/career management and organizational commitment. On the contrary, it was negatively related to affective commitment in another study [37]. As posited by Huselid [20] and Whitener [41], employee development may not have momentous impact on organizational commitment. In this study, selection is reflected by the fit between the person's skill and job. Poor fit implies improper selection that results in mismatch between the employees' ability and the job requirement. Based on a sample of 291 employees from 45 firms, Caldwell, Chatman and O'Reilly [9] found that rigorous recruitment and careful selection procedures resulted in high level of organizational commitment.

## **2.2 The Effect of HR Practices and Organizational Commitment on Turnover Intention**

Researchers such as Ajzen and Fishbein [4] and Igbaria and Greenhaus [21], said that intentions are the most immediate determinants of actual behaviour. Intentions are important for organizations and researchers because once people have actually implemented the behaviour to quit; there is little

likelihood of gaining access to them to understand their prior situation. Other studies [28, 39, 27, 2, 13, 33] also report consistent positive relationships that exist between turnover intentions and actual turnover behaviour. In addition to these research, Bluedorn's [7] research of 23 studies found that individuals' turnover intentions matched their actual turnover behaviour. Previous studies showed that intentions to quit are influenced by lack of commitment [16, 32]. Thus managers need to pay attention to increasing commitment of employees. This view is shared by Parasuraman [31] who confirms in his study that organizational commitment can be used to predict turnover intentions. The findings from Igbaria et al [22] highlight the importance of organizational commitment as the most immediate predictors of intention to stay.

Eisenberger et al [15] contended that HR practices that are well managed and implemented are able to increase organizational commitment and decrease intentions of resigning among employees because individuals tend to respond positively to top-management commitment and support. As expounded earlier on the pivotal role of HR practices in managing the human capital that can heighten organizational commitment and thus reducing intention to quit by employees, organizational commitment can be regarded as the factor that mediates the relationship between HR practices and turnover intention.

## **3 Research Methodology**

### **3.1 Research Instruments**

The data was collected by distributing survey questionnaires among employees in various organizations from diverse industries. Performance appraisal was measured using six items that were adopted from Dulebohn and Ferris [14] that were originally used to measure employees' perception on procedural justice in performance appraisal; career management items were adopted from Sturges et al. [40] that consisted of 10 items; person-job fit and person organization fit were measured using items developed by Cable & Judge [8] and Abdel Halim [1] respectively. These scales were used to reflect the recruitment and selection process used to hire employees. High degree fit inferred proper

recruitment and selection processes. Compensation was measured by using items from Smith [38] that were originally used to measure satisfaction with pay. All these items were modified according to the need of the study that sought to measure the perception of employees on HR practices in their organizations. All the items were measured on a 5-point scale, which ranged from 1 (Strongly Disagree) to 5 (Strongly Agree).

Organizational commitment items were adopted from Organizational Commitment General Social Survey conducted in 1991 by Marsden, Kalleberg and Cook [26] that consisted of six items; and finally turnover intention used three items from Camman et al [10]. The questionnaires were self administered by the researchers and each respondent was personally approached and to encourage participation, tokens were given as appreciations. A total of four hundred and fifty seven (457) responses were obtained and they were used for further analysis.

### 3.2 Reliability of Measurement Items

All the items were analyzed using principal axis factoring with an orthogonal (varimax) rotation. Besides relying on visual observation of the scree plot in deciding on the number of factors to be extracted, latent roots criterion (eigenvalues greater than 1) was also used. Nine factors were produced consisting of items for the respective variables which explained 53.84% of the total variance.

Factor 1 consisted all the ten items which reflected career management and they were all clear cut because all the items were loaded in the intended group. The cronbach's alpha for career management variable is .879. Unlike factor 1, factor 2 contained items that were not appropriately loaded in the expected groups. It contained three items that were meant to measure person-organization fit and four items to measure organizational commitment. Factor 2 was then labeled as organizational commitment with cronbach's alpha .851. Factor 3 contained all the items which measured person-job fit with cronbach's alpha .813. Factor 4 contained all negatively worded items that consisted three items that reflected turnover intention, which yielded conbach's alpha .898. Factor 6 consisted of four items that included an item on organizational commitment. The item was removed and yielded cronbach's alpha .816. The factor is labeled as compensation. The next factor

contained four clear cut items on performance appraisal with cronbach's alpha .847. Despite the high loadings, factors 5, 8 and 9 were dropped since all the items within the respective factors did not appropriately loaded in the expected group, and thus all these factors had to be dropped for further analyses.

## 4 Data Analysis

### 4.1 Demographic Analysis

Data was collected using survey forms that were distributed to employees in Klang Valley, Selangor, one of the states in Malaysia. Four hundred and fifty seven (457) respondents participated. Forty six percent (46%) were those between 21 to 30 years old and thirty one percent (31%) were between 31 to 40 years old. The others were below 20 years old (1%) and above 40 years (22%). Fifty five percent (55%) had bachelor degree or higher, twenty five percent (25%) had college or polytechnic education and twenty percent (20%) of the respondents had high school education and below. More than half of the respondents (55%) were female. Almost sixty four percent (64%) had 5 years or less working with the same employers in the same job. Majority of them worked in services sector (68%).

### 4.2 Correlations among Variables

Pearson's correlation tests were used to examine the correlation among variables. It was found that all the HR practices were significantly correlated to each other. As expected, turnover intention is negatively related to organizational commitment ( $r = -.235$ ,  $p < .01$ ) and all the HR practices; career management ( $r = -.235$ ,  $p < .01$ ), person-job fit ( $r = -.329$ ,  $p < .01$ ), compensation ( $r = -.296$ ,  $p < .01$ ) and performance appraisal ( $r = -.300$ ,  $p < .01$ ). The Pearson's correlation test also indicated organizational commitment was positively related to all the HR practices; career management ( $r = .523$ ,  $p < .01$ ), person-job fit ( $r = .467$ ,  $p < .01$ ), compensation ( $r = .481$ ,  $p < .01$ ) and performance appraisal ( $r = .637$ ,  $p < .01$ ).

### 4.3 Effects of HR Practices on Organizational Commitment

Multiple linear regression was used to determine the relationship between the whole set of HR practices and organizational commitment. The results showed that all the four HR practices explain 43 percent of the variance in organizational commitment ( $F=86.282$ ,  $p<.05$ ). All the HR practices are significantly related to organizational commitment with positive relationships. It was also found that person-job fit is the strongest predictor for organizational commitment ( $\beta=.296$ ,  $p=.000$ ) followed by compensation ( $\beta=.252$ ,  $p=.000$ ), career management ( $\beta=.188$ ,  $p=.000$ ) and performance appraisal ( $\beta=.119$ ,  $p=.012$ ).

#### 4.4 Hr Practices, Organizational Commitment and Turnover Intention

To determine whether organizational commitment has mediating effect on the relationship between HR practices and turnover intention, hierarchical regression analyses were performed. The first run of the regression results, career management is not significantly related to turnover intention and surprisingly the relationship is positive ( $\beta=.07$ ,  $p=.253$ ). As expected, all other HR practices variables are significantly related with positive relationship; person-job fit ( $\beta=-.210$ ,  $p=.000$ ), compensation ( $\beta=-.186$ ,  $p=.000$ ), performance appraisal ( $\beta=-.184$ ,  $p=.001$ ). All these variables explain 15.6 percent of the variance in turnover intention ( $F=22.03$ ,  $p<.000$ ). But, in the second run of the regression analysis, after the inclusion of the mediator variable (i.e. organizational commitment), the previous significant relationship did not change to non-significant but the strength of the relationship was decreased; person-job fit ( $\beta=-.134$ ,  $p=.010$ ), compensation ( $\beta=-.122$ ,  $p=.017$ ), performance appraisal ( $\beta=-.154$ ,  $p=.007$ ). Career management, though, is not significantly related to turnover intention ( $\beta=.118$ ,  $p=.052$ ). This evidence indicated that the organizational commitment served as a partial mediator between HR practices and turnover intention. All the predictors (HR practices and organizational commitment) contributed 19.1 percent of the variance in turnover intention.

### 5 Discussions of Findings

The results of the study provide a strong indication that HR practices positively contribute to organizational commitment. This is in line with the

propositions and findings in prior studies (Chan, 2008; Yeung and Berman, 1997; Hiltrop and Depres, 1994; Whitener, 2001; Eisenberger et al., 1990). The finding that indicated person-job fit as the strongest predictor of organizational commitment ( $\beta=-.296$ ,  $p=.000$ ) suggests that employees who perceive they have the skills and abilities to perform their jobs tend to feel more committed to the organizations. Recruitment and selection process should be designed in such a way that are able to gauge a person's potential skills and abilities in order to find the right fit with the jobs to be performed. Besides skills and abilities, the person's values should also be evaluated and measured. Hiring a person with incompatible values, despite matching skills and abilities, would still be a critical factor in making the person a committed worker.

Another important finding is that compensation being the second strongest predictor for organizational commitment ( $\beta=.252$ ,  $p=.000$ ). This finding is not in line with what was found in studies done by Bhagat and Chassie (1981) and Shore and Barksdale (1998). As contended by Whitener (2001), compensation is a pivotal aspect in HR management that would have an impact on employee motivation and commitment. Critical issues in determining compensation package such as employees' worth and pay equity should be addressed to avoid low organizational commitment. The result of the study that indicates HR practices explain 43 percent of the variance in organizational commitment signifies that HR management is vital and crucial that should not be taken lightly. Poor employee management would badly affect employees' perception that might be reciprocated in the form of low commitment. As noted by Hiltrop (1996), good HR practices have powerful impact on employees' motivation and commitment that would eventually be exhibited in positive attitude and behavior that can support the organizations to implement their competitive strategies.

Another important finding is organizational commitment was found to mediate the effect of HR practices on turnover intention. Even though the study only measured turnover intention, as posited by most scholars (e.g. Mobley et al., 1979; Steel and Ovalle, 1984; Miller et al., 1979; Arnold and Feldman, 1982; Cotton and Tuttle, 1986; Rash and Harell, 1990), intention can be regarded as a strong predictor to the actual behavior and it has consistent positive relationship with actual turnover. Indeed, it

is plausible for an employee who has low commitment to the organization to have intention to quit and work for other employer who can offer better job prospects. One can argue that it is just intentions that are not realized yet. But it is just a matter of time that the person would decide to leave and bring along the experience and skills learned to other organization. This finding should be taken seriously by managers because employees who have low commitment and thus high turnover intention are not likely to feel compelled to commit and give all their efforts for the organizations. Any HR policies or initiatives that aim to retain employees must first address the need to increase employee commitment to the organizations.

## 6 Conclusions and Recommendations for Future Research

The study is to examine the effects of HR practices on organizational commitment and turnover intention. Generally, previous studies have found positive relationships between HR practices on

organizational commitment but studies done to find the mediating effect of organizational commitment on the relationships between HR practices and turnover intention are still limited especially in Malaysian setting. The study results which are consistent with prior findings give stronger evidence that HR practices should be well managed because employees would reciprocate in the form of higher commitment and lower intention to quit. The present study has several limitations. First, the respondents were only those who worked in one region in a state of Malaysia that has an overall total labor force of almost 10 millions. In addition, the sample was far too small. Therefore, the findings cannot be generalized to other regions. Future studies should also include other regions in other states in Malaysia. Second, given the various industries in Malaysia that range from manufacturing to agriculture to services, there might be differences in the HR practices and policies that might result in different findings. Future research could be done to concentrate on one particular sector only.

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