



OBLIGATION OF HUMAN RESOURCE MANAGEMENT FOR RETAINING EMPLOYEES AND INCREASING ORGANIZATIONAL PERFORMANCE

Md. Zahidul Islam

Senior Lecturer, Department of Business Administration, Manarat International University (MIU) Plot# CEN 16, Road # 106, Gulshan-2 Dhaka-1212, Bangladesh

ABSTRACT

This present study analyzes the obligation of Human Resource Management (HRM) for retaining employees and increasing organizational performance. The study is mainly based on the secondary information which has been collected from different published materials. Human Resource Management (HRM) practices play an important role in retaining an organization's employee and also in increasing organizational performance. In this study a conceptual mode is developed and this conceptual model is supported by several researchers. There is a lot of research on HR Practices now-a-days. Though there is little research in HR Practices regarding Bangladesh but now it's emerging also in Bangladesh.

Keywords: Human Resource Management, HRM Practices, Employee Retention, Organizational Performance.

INTRODUCTION

According to De Cieri et al., 2008 Human Resource Management indicates the guiding principles, practices and actions that persuade the behaviors, approaches and also contribution of employees of any organization. So, the common HR practices are recruitment and selection, training and development, compensation, labor relations, performance appraisal, health and safety programs. Similarly Dessler, 2007 also supported the above view of human resource practices. Delery and Doty (1996) describe Strategic HRM practices as "those that are tentatively or empirically related to overall performance of the company", and recognize seven functions from the literature: e.g; giving career opportunities, formal training programs, methods of evaluation, profit sharing schemes, security of emplacement schemes, voice mechanisms and also explain job requirements.

Hence the efficient execution of HRM practices in institute is the main foundation in order to create a unique edge and it has positive relationship with the

***Corresponding author:**
Email: rifatdu@gmail.com

company performance (Ordonez et al, 2008). Paré and Tremblay, 2007 are of view that Human Resource practices that consider their employees as investment and appreciate employee contributions indicates that the organization is supporting its employees and also showed commitment to its employees there is experiential confirmation viewing that employees can be retained through HR practices. For instance, Paré and Tremblay (2007) find four of the five Human Resource functions were significantly unconstructively associated to turnover ratio.

OBJECTIVE OF THE STUDY

The objective of the proposed study is to analyze the obligation of human resource management for retaining employees and increasing organizational performance.

METHODOLOGY OF THE STUDY

This manuscript has been written on the basis of secondary information. The secondary information and data were collected from published books, newspaper, journals, and internet. Finally the data and information have been presented in the report in an evocative method.

LITERATURE REVIEW

Many studies have examined and found the linkage between HRM practices and contribution of organization with generally supportive results. In fact, existing researches in this area has changed its focus from examining the linkage between several HRM practices and the contribution of organizations to discover the means from which HRM practices

open communication systems and then give feedback of the overall organization.

These actions can make sure that the organization is now able to satisfy its employees which will move the organization towards success. For years, HR researchers are of view that HRM practices play a very important obligation in employee productivity and loyalty because the

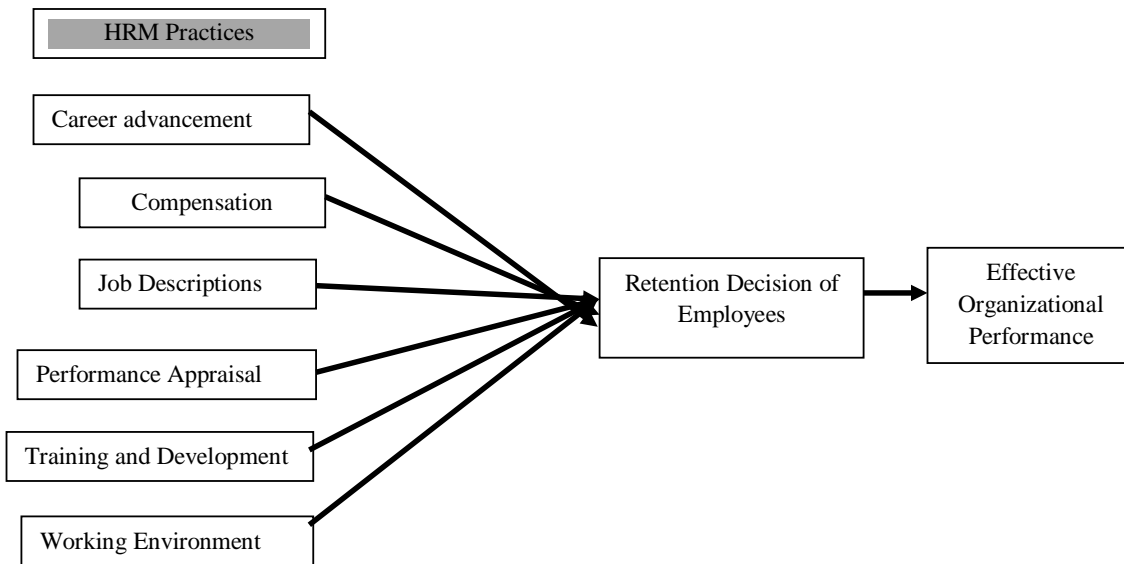


Figure 1: Proposed conceptual model based on the study

affects the performance of the organization. Boselie et al., (2005) is also of the same view. Collins and Smith, (2006) also tested the above relationship. Similarly Hailey et al., (2005) studies also revealed the same results. However, current researches on the association between HRM practices and contribution of the organization are confused about the methods of these lessons (Wall & Wood, 2005). These studies recommend that it is early to assume a clear constructive connection between HRM practices and performance of the organization and argue that further research could be done though using more thorough research designs. If societal trade standpoint is viewed, employees react to the organization's dealings by their nonstop contribution in the firm. There is experiential study which demonstrates that HR practices develop employee retention. Druker (1995) found that if the employee wants to generate value to the firm for increasing quality and enhanced services, it has to make happy its employees. In this case, organization should compensate them, conduct their appraisal, create an

means through which the organization treats its employees directly affects overall organizational performance. For instance, Huselid, 1995 observed that HRM Practices impact turnover ratio, overall profit and contribution of the company in financial terms.

Huselid and Delaney, 1996 find Human Resource practices play crucial role on perceptions of performance of a firm. Pfeffer and Veiga, 1999 and Pfeffer, 1998 are also of view that organizational success depends upon how the organization treats its employees and also observed that there are 7 Human Resource practices which when combined together move the organization towards achievement, profits and sustainability. Barney and Wright, 1998 discuss one way to get unique edge is to discover special means to draw, keep hold of and inspire employees; and hence their arguments mainly focal point on specific HRM practices to gain competitive advantage.

According to Yoon and Thye (2002) firm's performs are concerned with the feeling of the

employees and also their thinking that make employee committed, proposing that that employee's process actions of organization carefully regarding matters of employees. According to Shepeck and Militello (2000), HRM problem are frequently measured in terms of how firms treat their existing employees, and the much focus is on operationally related tools and measures. The management considers its human resource as a very important asset for any organization and it needs heavy investment, loyalty, and giving financial benefits in order to motive its employees and definitely they will remain loyal with the organization (Armstrong, 2006). Birdi et al., 2008 has analyzed the linkage between HRM practices and firm's performance in financial terms. Other study was done by Arthur, 1994. Strategic HRM researchers are relying heavily on firm's database to analyze the impact of HRM practices on firm's performance (Wright et al, 2001). However, theoretical research on long term management of human resource has recommended that HRM practices procedures can increase performance of the firm and can become a mean of unique edge because the practices are mostly matchless, causally unclear, and difficult to copy (Lado & Wilson, 1994). However Wright et al., 2001 was of view that HRM practices can become a mean for sustainable unique edge when they are concerned towards resources or competencies that create value for the organization. Thus, Wright et al., 2001 and other researchers have discussed that Strategic HRM research must discover resources that are crucial for firm's competitive edge.

CONCEPTUAL MODEL

The model determines that the HRM practices of the organization lead to make a decision of employees whether they will retain or not in their present organization. If the decision is positive, their performance in the organization will effective, and if the decision is negative, their performance in the organization will ineffective. The linkage between the HRM practices and the preservation decision of employees is given below in Figure 1. In this theoretical construct HRM practices are the independent variables and the retention decision of employees is the dependent variable which finally leads to effective or ineffective organizational performance.

DESCRIPTION OF THE ELEMENTS OF HRM PRACTICES IN THE CONCEPTUAL MODEL

Career advancement: Career is usually examined as an increasing linear succession in one or two organizations or as steady service within an occupation (Sherry, 2007). Now, someone's career is more likely to be determined by the individual, not the firm reinvent by the individual from time to time, as the individual and the situational alteration (Hall, 2006). Most of the employees want to get promotion in due time but most of the private organizations in Bangladesh do not provide promotion of employees at due time.

Compensation: Compensation is a vital prerequisite for work. Most of the private organizations requite negotiations to determine of compensation. 86 percent of the respondents of Pretty Group approved to leave the organization because of low compensation. Only 13 percent employees were satisfied with the compensation (Islam et al, 2012)

Job Descriptions: A job description is a written testimonial of what the job container does how it is completed, under what circumstances, it is done and why it is done. It should precisely depict job comfortable, surroundings and circumstances of service. It generally contains duties and responsibilities, purpose, span, working circumstance of a job in company with the job's heading, and the name or designation of the individual to whom the worker report (www.businessdictionary.com).

Performance Appraisal: Performance appraisal is the process of assessing the contribution of an employee to the organization during a specific time period (Islam, 2012). In other sense, it is the process of appraising an employee's present and/or past performance relation to his or her performance standards (Dessler, 2011).

Training and Development: Training is the process of teaching new employees about the basic skills so that they can carry out their current jobs. On the other hand, Management development is any endeavor to progress managerial performance by imparting knowledge, changing feelings, or enhancing skills. The final aim is of course to improve the potential performance of the business itself (Dessler, 2011)

Working Environment: Working environment is the place where a job is accomplished. When pertaining to a place of service, the working environment includes the bodily physical place and the instantaneous environment of the office, such as a

structure site or office building. Usually involves other issues connecting to the place of service, such as the excellence of the atmosphere, sound point, and extra perks and remuneration of service such as free child care or unrestricted coffee, or sufficient parking (www.businessdictionary.com).

DISCUSSION AND CONCLUSION

Hence it is concluded that HRM Practices play an important contribution in retention of organization's employees and also increasing organizational performance. Various types of firms (e.g., companies, the public sector) gradually more distinguish the possible of their HR as a foundation of single frame. Most of the Bangladeshi organizations still have not established separate human resource department. But the above model proves that without the effective practices of human resource management, the performance of employees will not ensure and finally the organizational performance may fall. So the study reveals that for retaining current employees for the successful organization, effective human resource management practices are required. Human resource is one kind of resources which cannot be duplicated and that can create competitive advantage in the modern organization. The conception of competitive advantage through human resources requires secure awareness to the HRM practices that top force these properties. As a result, the organizational level impact of HRM practices in the past ten years (see e.g. Delaney and Huselid, 1996; Wright et al, 2003).

So many studies have analyzed that HRM practices have positive association with worker performance and also performance of organization. The main focus of the above studies was towards developed countries. But only few researches have been completed to check the HRM performance link in developing countries like Bangladesh. According to Aycan et al., 2000 Bangladesh is far behind in investigated in the field of HRM practices. According to Heneman III & Milanowski (2007) the relation between HRM practices and organizational performance has been appreciated by study in the private division, evocative of that the HR arrangement has enormous tactical latent to carry organization to new elevations. Armstrong (2006) was of view that the basic purpose of any organization is to increase profits and to cut down its costs, by keeping in view that workers construction will also permit the firm to reduce cost of

manufacture by for instance, lying off those workers who are not working. Definitely these actions will automatically reduce cost. About 50% of higher educated students are unemployed in Bangladesh and a huge number of manpower is added in the labor marketplace per year. So for developing the economy, government should take some initiatives for arranging employment for those unemployment students by creating different potential sectors. For getting the success of all sectors, effective human resource management is necessary because human resource management can deal people effectively.

REFERENCES

1. Allen, D.G., L.M. Shore, and R.W. Griffeth. 2003. The role of perceived organizational support and supportive human resource practices in the turnover process. *Journal of Management*, 29(1): 99–118.
2. Armstrong, M. (2006). *Handbook of Human Resource Management Practice*, (Kogan Page), (10th ed.) London.
3. Arthur, J. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, 37, 670-87.
4. Barney, J. B. & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37, 31-46.
5. Birdi, K., Clegg, C., Patterson, M., Robinson, A., Stride, C.B., Wall, T.D. and Wood, S.J. (2008), "The impact of human resource and operational management practices on company productivity: a longitudinal study", *Personnel Psychology*, Vol. 61, pp. 467-501.
6. Boselie, P., Dietz, G. and Boon, C. (2005), "Commonalities and contradictions in HRM and
7. Collins, C.J. and Smith, K.G. (2006), "Knowledge exchange and combination: role of human resource practices in the performance of high-technology firms", *Academy of Management Journal*, Vol. 49 No.3, pp. 544-60.
8. De Cieri, H., Kramar, R., Noe, R.A., Hollenbeck, J., Gerhart, B. and Wright, P. (2008), *Human Resource Management in Australia*.

- Strategy/People/Performance, 3rd ed., McGraw-Hill Irwin, Sydney.
9. Delaney, J. T., & Huselid, M. A. (1996). The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39 (4), 949-69.
 10. Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39, 802-835.
 11. Dessler, G. (2007), Human Resource Management, 11th ed., Prentice-Hall, Englewood Cliffs, NJ.
 12. Druker, J. (1995). Misunderstood and undervalued; Personnel Management in Construction. *Human Resource Management Journal*, 5 (3).
 13. Gould-Williams, J. (2007). HR practices, organizational climate and employee outcomes: evaluating social exchange relationships in local government. *International Journal of Human Resource Management*, 18 (9), 1627-47.
 14. Hailey, V.H., Farndale, E. and Truss, C. (2005), "The HR department's role in organizational performance", *Human Resource Management Journal*, Vol. 15 No. 3, pp. 49-66.
 15. Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38, 635-672.
 16. Ill, H. G., & Milanowski, T. A. (2007). Assessing Human Resource Alignment: The Foundation for Building Total Teacher Quality Improvement. *Strategic Management of Human Capital*, 2.
 17. Lado, A. A., & Wilson, M. C. 1994. Human resource systems and sustained competitive advantage: A competency-based perspective. *Academy of Management Review*, 19: 699–727.
 18. Ordonez de Pablos, P. and Lytras, M.D. (2008), "Competencies and human resource management: implications for organizational competitive advantage", *Journal of Knowledge Management*, Vol. 12 No. 6, pp. 48-55.
 19. Paré, G., and M. Tremblay. 2007. The influence of high-involvement human resources practices, procedural justice, organizational commitment, and citizenship behaviors on information technology professionals' turnover intentions. *Group & Organization Management*, 32(3): 326–57.
 20. Pfeffer, J. & Veiga, J. F. (1999). Putting people first for organizational success. *Academy of Management Executive*, 13, 37-48.
 21. Pfeffer, J. (1998). *The human equation: building profits by putting people first*. Boston: Harvard Business School Press.
 22. Sheppeck, M.A. and Militello, J. (2000), "Strategic HR configurations and organizational
 23. Wall, T.D. and Wood, S.J. (2005), "The romance of human resource management and business performance, and the case for big science", *Human Relations*, Vol. 58 No. 4, pp. 429-6
 24. Wright, P. M., Dunford, B. B., & Snell, S. A. 2001. Human resources and the resource-based view of the firm. *Journal of Management*, 27: 701–721.
 25. Wright, P.M., Gardner, T.M. and Moynihan, L.M. (2003), "The impact of HR practices on the performance of business units," *Human Resource Management*, 13, 21-36.
 26. Yoon, J. & Thye, S. (2002). A dual process model of organizational commitment: job satisfaction and organizational support. *Work and Occupations*, 29, 97-124
 27. <http://www.businessdictionary.com/definition/work-environment.html> access on 09.02.2015
 28. <http://www.businessdictionary.com/definition/job-description.html#ixzz3RnEXjGcp> access on 09.02.2015