THE INFLUENCE OF HUMAN RESOURCE PRACTICES ON EMPLOYEE RETENTION

PURUSHOTHAMAN KOCHACHATHU

UNIVERSITI UTARA MALAYSIA
2010
THE INFLUENCE OF HUMAN RESOURCE PRACTICES ON EMPLOYEE RETENTION

A project paper submitted to the College of Business in partial fulfillment of the requirements for the degree of Master of Human Resource Management

Universiti Utara Malaysia

BY:

PURUSHOTHAMAN KOCHACHATHU

802425

© Purushothaman Kochachathu, 2010. All rights reserved
PERMISSION TO USE

In presenting this project paper in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Assistant Vice Chancellor of the College of Business where I did my project paper. It is understood that any copying or publication or use of this project paper or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the Universiti Utara Malaysia (UUM) in any scholarly use which may be made of any material in my project paper. Request for permission to copy or to make other use of materials in this project paper in whole or in part should be addressed to:

Assistant Vice Chancellor

College of Business

Universiti Utara Malaysia (UUM)

06010 Sintok

Kedah Darul Aman
DISCLAIMER

The author is responsible for the accuracy of all opinion, technical comment, factual report, data, figures, illustrations and photographs in this dissertation. The author bears full responsibility for the checking whether material submitted is subject to copyright or ownership right. Universiti Utara Malaysia (UUM) does not accept any liability for the accuracy of such comment, report and other technical and factual information and the copyright or ownership rights claims. The author declares that this dissertation is original and his own except those literatures, quotations, explanations and summarizations which are duly identified and recognized. The author hereby granted the copyright of this dissertation to College of Business, Universiti Utara Malaysia (UUM) for publishing if necessary.

Date: 02 FEBRUARY 2011

Student Signature: [Signature]
ACKNOWLEDGEMENTS

First of all I would like to thank God for giving this opportunity for me to continue my studies, without his blessings I would not have completed this project. I would like to thank Dr Norsiah Bt Mat, Dr Chandrakantan for guiding me to complete this Project paper, especially to my project supervisor Dr Chandrakantan who has patiently responded to all by doubts and provided his full support. I’m so lucky that my family was so understanding and provided me excellent moral support. Thanks to my wife Umavathy who have been providing support and encouragement throughout this 2 years of my studies and also not forgetting my daughters Keerthigha and Manissha whom i owe the time that I have missed for the past 2 years. A special thanks to my classmates and all my teammates in Discovery 5 especially to My team lead Gunalan for giving me valuable viewpoints to complete this project. To all my friends, I would like thank for your understanding and support. I also would like to thank my best friend, Mohamed Arshad for giving me moral support and encouragement right from the enrollment of this course.

Completing this Masters is like a dream come true me and especially for parents who no longer in this world particularly to my father who has constantly reminded and encouraged me to continue my studies whenever i get an opportunity. In memory of my parents, Kochachathu and Karthiyani whom i love so much and always hoping for their blessings in whatever thing i do.

Finally A special thanks the Management of Intel especially to Dr Siva for providing me this wonderful opportunity which I will be grateful forever.
ABSTRAK

Employee retention is an important issue that companies should focus on. Companies should identify the factors determining employee retention and strategically move towards improving and implementing necessary policy in those areas efficiently to retain their employees. In current situation Companies are losing their key employees and not sensitive on why their key talent is leaving. The objective of this study is to identify the influence of human resource practice on employee retention in Intel Malaysia. A survey was sent to 368 employees and 130 of them responded. The result was analyzed using the SPSS Version 12, the regression analysis found that there is a significant relationship between 2 independent variables. The variables identified for the study are work environment and job design, hires and promotions, employee recognition rewards and compensation and finally employee performance assessment and development. Among the Independent variables it was found that employee recognition rewards and compensation followed by Work environment and job design are the influencing factor for employee retention in Intel Malaysia.
TABLE OF CONTENTS

PERMISSION TO USE ................................................................. ii
DISCLAIMER ........................................................................ iii
ACKNOWLEDGEMENTS .............................................................. iv
ABSTRAK ............................................................................. v
ABSTRACT ............................................................................. vi
TABLE OF CONTENTS ............................................................. vii
LIST OF TABLES ................................................................. ix
LIST OF FIGURES ............................................................... x
CHAPTER 1 ........................................................................... 1
  1.1 Introduction to the Study .............................................. 1
  1.2 Background of the study ............................................. 3
  1.3 Problem Statement ..................................................... 5
  1.4 Research Questions .................................................... 6
  1.5 Research Objectives ................................................... 7
  1.6 Significance of the Study ............................................. 7
  1.7 Definition of Key Terms .............................................. 8
  1.8 Organization of Remaining Chapters.......................... 10
CHAPTER 2 ........................................................................... 11
LITERATURE REVIEW ............................................................ 11
  2.1 Review of Related Literature ..................................... 11
  2.1.1 Work environment and Job Design ....................... 13
  2.1.2 Hires and Promotions ............................................ 16
  2.1.3 Employee Recognition, Rewards and compensation 18
  2.1.4 Employee Performance assessments and Development 20
  2.1.5 Synthesis of the Literature Reviewed .................... 22
    2.1.5.1 Commonalities ................................................ 22
    2.1.5.2 Points of Differences ...................................... 23
  2.2 Research Framework/Theoretical Framework ............. 23
  2.3 Conceptual Definitions .............................................. 24
CHAPTER 3 ........................................................................... 26
METHODOLOGY ................................................................. 26
  3.1 Introduction ............................................................... 26
  3.2 Research Design ........................................................ 27
    3.2.1 Type of Study ...................................................... 27
    3.2.2 Unit of Analysis .................................................. 28
    3.2.3 Population Frame ............................................... 28
    3.2.4 Sample & Sampling Technique ............................ 28
  3.3 Measurement ............................................................. 29
    3.3.1 Detailed Description of the Instrument ................ 29
    3.3.2 Operational Definitions ...................................... 30
    3.3.3 Validation of Instruments .................................... 33
    3.3.4 Data Collection and Administration ..................... 34
  3.4 Data Analysis Techniques .......................................... 34
CHAPTER 4 ........................................................................... 36
FINDINGS ............................................................................ 36
  4.1 Introduction ............................................................... 36
  4.2 Overview of Data Collected ........................................ 36

vii
LIST OF TABLES

Table 3  Distribution of variables ................................................................. 30
Table 3.1 Operation definitions for independent variables ............................ 31
Table 3.2 Correlation coefficient range ........................................................... 35
Table 4  Discription of sample ........................................................................ 37
Table 4.1 Cronbach Alpha .............................................................................. 38
Table 4.2 Standard deviation ........................................................................... 39
Table 4.3 Correlations analysis of the variables .............................................. 40
Table 4.4 Standard multiple regression result .................................................. 41
Table 4.5 Hypotheses findings ....................................................................... 43
LIST OF FIGURES

Figure 1 Research framework ................................................................. 24
CHAPTER 1
INTRODUCTION

1.1 Introduction to the Study

Today’s “best” companies understand that the real key to maintaining a world-class workforce is not to just hire the best, but to keep them once they are hired. They focus the same effort on keeping great employees as they do on finding great employees. With the same tenacity, attention to detail, and “salesmanship” they use to attract great employees, these companies consistently retain far greater numbers of key employees than their competitors do (Harris and Brannick, 1999). Many times companies focus least on the welfare of their employees and this will lead to dissatisfaction among the employees and eventually will affect employee’s performance, and causing employee to decide to leave the company looking for better opportunity, better benefit a most importantly caring employer. This will be a big problem to the company if this occurs during periods of heightened competition and tight labor markets. Retaining the employees is a challenge that companies need to look upon. Retention as “the ability to hold onto those employees you want to keep, for longer than your competitors” Johnson (2000) as cited in Shoaib, Ayesha, Syed Raza, and Sajid, (2009).

As we know, it is getting difficult to attract and keep skilled employees in an organization. Many businesses and industries are desperate for help and either can’t find people with the right skills and attitudes, or ignore non-traditional workers. When does organization focus on employee retention? Most businesses only focus on employee retention when turnover increases. Mitchell et al claimed that turnover is costly for both employers and workers. Employers find replacement cost and hidden
The contents of the thesis is for internal user only
REFERENCES


