

**THE RELATIONSHIP BETWEEN HUMAN RESOURCE
PRACTICES AND EMPLOYEE RETENTION**

By

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ABSTRACT

Employee retention is one of the challenges facing many organizations today. Realising human resource as the most critical asset, retaining good employees is vital for organizations striving to gain competitive advantage. Organizations practice various human resource management (HRM) techniques for employee retention. This study was conducted to examine the relationship between HRM practices, namely compensation and benefits, training and development, and working environment, with employee retention. Data was collected from 110 respondents from an automotive parts manufacturer located in Perak. The findings indicated positive and significant but low relationships between compensation and benefits, training and development, and working environment with employee retention. The three HRM practices in this study explained only 22.8% of employee retention. It is hoped that this study will help both academics and those managing human resource to realize, understand and see the influence of HRM practices, beyond the three which were included in this study, on employee retention. Future research should include a larger number of organizations in other industries or sectors.

Key words: Employee retention, compensation and benefits, training and development, working environment.

ABSTRAK

Pengekalan pekerja adalah satu cabaran yang mendepani organisasi masa ini. Menyedari sumber manusia adalah aset organisasi yang paling kritikal, mengekalkan pekerja-pekerja yang baik sangat penting dalam usaha meningkatkan daya saing organisasi. Organisasi mengamalkan pelbagai teknik pengurusan sumber manusia untuk mengekalkan pekerja. Kajian ini dijalankan untuk mengenal pasti hubungan antara amalan-amalan pengurusan sumber manusia, iaitu pampasan dan faedah, latihan dan pembangunan, dan persekitaran kerja dengan pengekalan pekerja. Data dikutip daripada 110 orang responden yang bekerja di sebuah kilang pembuatan bahagian kereta di negeri Perak. Dapatan kajian menunjukkan hubungan antara pampasan dan faedah, latihan dan pembangunan, dan persekitaran kerja dengan pengekalan pekerja yang positif dan signifikan tetapi sangat rendah. Ketiga-tiga amalan pengurusan sumber manusia dalam kajian ini menerangkan hanya 22.8% variasi terhadap pengekalan pekerja. Diharapkan kajian ini dapat membantu para akademik dan mereka yang mengurus sumber manusia lebih menyedari, memahami dan melihat pengaruh amalan-amalan pengurusan sumber manusia, selain dari ketiga-tiga amalan dalam kajian ini, terhadap pengekalan pekerja. Kajian di masa hadapan perlu mengambilkira bilangan organisasi yang lebih besar dari pelbagai industri atau sektor.

Kata kunci: Pengekalan pekerja, pampasan dan faedah, latihan dan pembangunan, persekitaran kerja

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Human resource management (HRM) practices are essential for firm performance. Organizations design and implement human resource policies and practices to achieve organizational goals and performance. HRM practices comprise of many policies and practices that are drawn up to recruit, select, develop, utilize, reward, retain and maximize the potential of human resources in organizations. Employees are the strength of the work system. As such, retaining good employees is crucial to ensure the organization's sustainability and competitive advantage. In order to retain the best talents, strategies are designed to satisfy employees' needs as satisfied employees are more productive and loyal to the organization (Ng et al., 2012).

Retaining talented employees is valuable to an organization in gaining competitive advantage. To do so, organizations need to produce high morale and satisfied employees who will perform and enhance productivity, which subsequently will lead towards higher sales and satisfied customers (Heathfield, 2005).

There is a scarcity of research investigating whether the adoption of certain human resource management practices has the potential to affect employee retention rates (Stovel & Bontis, 2012; Batt, Colvin & Keefe, 2002).

Studies on employee turnover have proven it can be very costly (Griffith & Hom, 2011). Dess and Shaw (2011) identified the potential costs to include direct costs, such as separation, replacement, training and general administration costs, and indirect costs, such as lower productivity and reduced customer loyalty. Thus, it would be detrimental for organizations to lose talented employees. On that note, organizations must identify and address factors that could influence employee retention (Lew, 2009).

Huselid & Becker (2000) found that HR policies play a strategic role in retaining talented employees. In this competitive market, retaining competent and capable workforce is important in any organization. High turnover rate in an organization may affect the reputation and image of the organization. Employee replacement is problematic and costly because the organization has to train a new employee if an experienced employee resigned.

Human resource is the major difference in the firms which are competing, and it creates a lasting and substantial impact (Peter et al., 2007). Therefore, retention of, influencing and keeping potential employees is a

crucial matter. To retain good employees, the organization has to deal with and manage factors that could lead to turnover.

Employee retention is seen as a phenomenon which is increasingly getting the attention of many organizations (Ng et al., 2012) as it leads to a serious problem when high performing employees leave the organization. Negative outcomes faced by organizations when good talents leave include reduced efficiency and productivity, increased costs and it becomes a threat to the organization's long term survival (Brereton, Beach, and Cliff, 2003). As such, talent retention has become more and more crucial for the management (Samuel and Chipunza, 2009; Ovadje, 2009).

Human resource management practices have been found to be able to reduce employee retention (Slattery and Selvarajan, 2005). Intention to leave among employees were found to decrease when they perceived the organizations offering positive human resource practices such as better pay and benefits, job freedom and job security (Stewart and Brown, 2009).

Employee retention is one critical issue, which if dealt and managed well, will be able to add value and competitive in any organization. Employees are the most valuable assets in any organization. Thus, organizations must put their effort in retaining existing talents they have, and not recruiting new employees. Nonetheless, increasing employee retention has continuously become a trend in today's organizations. Malaysia is no exception on the issue of employee retention.

Employees with outstanding skills and talents can significantly contribute to the organization's competitive advantage. Hence, organizations should retain such talents particularly in this challenging and unpredictable environment where change is inevitable.

Employee retention is absolutely beneficial for the organization as well as to the employees. Employees today have a lot of good opportunities in hand. The moment they feel unhappy or dissatisfied with the existing employer or the job they are holding, they will always hop to another employment. It is solely the accountability of the employer to retain their best employees. Failure of doing so may lead to the loss of talented employees. Good employers should realise what to be done to attract and retain their employees.

Employees are the most vital resources of any organization. If employees are not able to use their full potential and not heard and valued, they would leave because of stress and frustration. Even when they remain with the organization, the feelings of frustration and dissatisfaction would lead to negative consequences which could affect performance and productivity. When these negative feelings get too overwhelmed, the employees would leave. Nonetheless, if employees get a sense of achievement and belongingness from a healthy working environment, the company would have satisfied and dependable employees contributing to the growth of the company.

There is a difference between what employee think they should be paid and what the organizations spend in compensation. Pay is normally inferred as wages or salary given to an employee in exchange for services performed for the organization. These wages or salaries paid have a clear, reliable impact on turnover. When the discrepancy becomes greater and another opportunity occurs, it will lead to turnover.

Successful organizations share a fundamental philosophy of investing in their employees and making them feel valuable (Maguire, 1995; Annand, 1997). Retaining talents is fundamental as it is a means for achieving competitive advantage against other organizations (Walker, 2001). Retaining employees is crucial for organization. Hiring new talents could lead to a higher amount spent on recruitment, selection, orientation and training of the newly recruited employee.

Organizations attempt on massive efforts to attract employees and retain them in the organization. However in current scenario, various factors are required in order to retain employees in an organization. The aim of this research is to find how the organizations retain the employees in their organization focusing on the factors of employee compensation and benefits, performance appraisal, training and development, and working environment.

1.2 Problem Statement

In the era of war for talent, organizations realize the high costs

associated with turnover and replacing employees who leave are time consuming. This phenomenon occurs in almost every industry in Malaysia. There is a shortage of quality and qualified talents to fill available jobs. Hence, employee retention seems to be a key issue in most of organizations today. It is difficult to get skilled and competent employees and it is even harder to retain them.

Understanding why an employee leaves his or her job is important to employee retention. Retaining employees is important because of the organizational knowledge each person learns, develops, and takes with them when he or she leaves (Jones, 2005). Training new people helps get the job done, however it takes the person a long time to understand the business. In an opposing view, some employers felt retaining employees inhibited organizational growth and new employees provided motivation and innovation to move organizations forward (Jones).

Employee retention is critical to an organization's profits; high turnover results in direct, measurable costs (Keating, 2007). Organizations however need to add new employees with new technological and other advanced skills to be and remain competitive in the industry (Sullivan, n.d.). To keep employees means the organization needs to satisfy and provide a setting in which each individual grows with the organization. The organization needs to provide the employee with necessary resources such training, current technology and industry updates (Tate, 2007).

Organizations can create an environment which engages employees for long a period of time by putting in place effective methods, practices and policies to retain the best employees or talents (Chaminade, 2007). The main purpose of talent retention is to prevent loss, of competent employees from the organization as this could have adverse effect on productivity and service delivery.

However, retaining high performing employees has become more challenging for managers as these talents frequently move from one job to another as they realise there are better opportunities for them elsewhere. Turnover is not only destructive to organizations, it is also costly. Every time an employee leaves, a replacement must be recruited, selected and trained to perform well in the workplace. Apart from the costs that are directly associated with recruiting and training a new employee, other indirect costs do exist.

Several HR factors in an organization scheme attract, retain and engage their employees. Employers put in place certain benefits to attract and retain talented staff (Koo & Chow, 2008). Leopold (2010) proposed that as the workplace advances, the HRM policies and practices should evolve in parallel as well. Changes in HRM practices are necessary as the characteristics of employees change as well. In order to ensure that the new generations remain loyal with the organization, Company XYZ must revisit and revise its HR packages among others.

Company XYZ is new in the Malaysian automotive market. As a young company in the industry, it has to compete with other manufacturers in the same industry. Majority of their employees are young. Comprehensive training was provided to ensure every employee performs well. Equipped with the knowledge, skills and work experience, and a state-of-the art technology, the employees have become the targets of many competitors in the industry. Apart from that, the location of the industry seems to be competitive as there are several industrial areas within the geographic location.

Company XYZ has been working on their employee retention strategies for some time but they tend to fail in retaining their employees. Talents keep leaving when they get better offers from other organizations. In order to find out the reasons behind this failure, it is important to identify the most commonly used human resource management practices on employee retention. The organization offers quite a good compensation package including monetary benefits, health insurance, education and training, bonuses, retirement benefits, holiday packages, performance appraisal, promotions and recognition among others. These are the common retention strategies that most employers today utilize in order to make them stay longer in the organization.

A few interviews were made with several key people in the company to validate the issue and to identify the real problem in retaining good

employees. High staff turnovers have serious negative effects on the business. The company has to start the hiring process again which will impact the daily business operation. These are some common reasons in retaining good employee: high cost of attracting, recruiting, hiring, training and getting new people up to speed up and aligned with the new organization culture.

Last year alone, the company lost a few key personnels including its Chief Executive Officer, who got a better offer elsewhere. On that note, the management has decided to revise their HR practices which will be able to retain well trained and good employees.

This study was an attempt to examine the impact of selected HR practices offered by the company on employee retention. Based on inputs from exit interviews conducted, several common reasons were cited as the main causes for them to leave the company. The major reasons which lead to turnover are unattractive compensation, benefits, and rewards package offered, unsatisfactory working environment, and training and development. As such, this study was conducted to determine whether compensation and benefits, training and development and working environment influenced employee retention.

1.3 Research Questions

The purpose of this research was to examine the impact of selected human resource practices on employee retention in company XYZ. The study intended to answer the following questions:

1. Is there a relationship between compensation and benefits and employee retention?
2. Is there a relationship between training and development and employee retention?
3. Is there a relationship between working environment and employee retention?
4. What is the impact of the three HR practices on employee retention?

1.4 Research Objectives

The aim of this study was to achieve the following objectives:

1. To examine the relationship between compensation and benefits with employee retention;
2. To ascertain the relationship between training and development with employee retention;
3. To establish the relationship between working environment and employee retention; and
4. To determine the impact of the three HR practices on employee

retention.

1.5 Significance of the study

The findings from this study are expected to provide additional guidance for future studies to develop a more comprehensive conceptual framework on HR practices. The findings will also add on to the body of knowledge in this subject matter.

The findings are also expected to become a guideline for the company to revise its HR policies and practices and introduce packages that will appeal to the new generation better. This would be able to help the company reduce employee turnover.

Additional understanding into how organizations can create and improve workplace environments, as well as recognition of the potential impacts of such environments on employees, is crucial for practice, research, and theory building.

1.6 Scope and Limitations of the Study

This study only included employees in Company XYZ, an automotive parts manufacturer based in Tanjung Malim, Perak. Thus, the findings of this study were limited and confined within the study area and may not be generalized to other organizations.

Responses from respondents could also depend on the state of their nature and emotion at the time they received and answered the questionnaires. Furthermore, influence from colleagues could lead to bias responses and inaccurate rating.

Time and cost constraints limit the scope of this study to cover only one organization. The findings of this study cannot be generalized to the other organizations.

1.7 Organization of the Thesis

This study comprised of five chapters. Chapter One outlined the background of the study, the problem statement, research objectives, significance of the study and limitation of the study.

Chapter Two reviewed relevant literatures on human resource practices and employee retention.

Chapter Three presented the methodology used for the main study. Topics covered were research design, sampling and the respondents. Instrument of the study was described in detail. This chapter also covered data collection and data analysis techniques.

Chapter four reported the findings. Background profile of the respondents was presented in relevant tables. Results were explained according to the research objectives defined in this study. Discussions on the findings were also included in this chapter.

Chapter five presented the conclusion of this study and recommendations for future research. A brief summary of the findings was presented.

CHAPTER 2

LITERATURE REVIEW

2.0 Chapter Objective

This chapter reviewed relevant literatures on human resource management practices and employee retention. The following section elaborated on the dependent variable, employee retention. This was followed by an elaboration on the independent variables: compensation and benefits; training and development; and working environment.

2.1 Employee Retention

Human resource management (HRM) plays a vital role in retaining high quality employees or talents. Effective HRM policies and practices contribute to the reduction of turnover and absenteeism, better quality of work and better financial performance (Athur 1994, Delaney and Huselid 1996; Ichniowski, Shaw and Prennushi 1997; Snell and Youndt 1995; MacDuffie 1995; Meyyer and Allen 199; Solomon 1992; Snell and Dean 1992). It is commended that human resource management play an essential role in retaining employee.

Employee retention is a deliberate move by an organization to create an environment which involves employees for long term (Chaminade, 2007).

The main purpose of retention is to inhibit the loss of competent employees from the organization as this could have adverse consequence on productivity. However, retention of high performing employees has become more challenging for managers.

Employee become more loyal and stay in the organization when they have identified themselves within a group and contribute to the performance as a group as (Van Knippenberg, 2000). There are several factors that could influence employee retention: compensation & rewards, job security, training & developments, supervisor support culture, work environment and organization justice (Fitz-enz, 1990). Subsequent to that, organization utilizes extensive range of human resource management factors influence in employee commitment and retention (Stein, 2000; Beck, 2001; Clarke, 2001; Parker and Wright, 2001).

According to Mobley (1982), employee turnover is the cessation or termination of membership with the organization by an individual employee. In other words, it is permanent leaving of an employee from the organization. Employee retention represents the employees' perceived probability of leaving the current organization (Cotton and Tuttle, 1986).

Hiring knowledgeable and skillful people for the job is essential for an employer, but their retention is even more important than hiring. This is true as many employers have undervalued costs associated with turnover of key staffs (Ahlrichs, 2000). Turnover costs can incurred with issues such as

reference checks, security clearance, temporary workers costs, relocation costs, formal training costs and induction expenses (Kotzé and Roodt, 2005).

Other invincible costs and hidden costs such as missing deadlines, loss of organizational knowledge, lower morale, and negative perception of company image from client's point of view may also take place. There are several reasons why people quit their current job and switch for other organization. The prolonged job stress, low commitment in the organization; and job dissatisfaction usually result in resignation of employees (Firth 2007).

2.2 Compensation and benefits

Compensation refers to all forms of financial returns and tangible benefits that employee receives as part of the employment relationship. Benefits are indirect financial and non-financial payments employees receive for continuing their employment with an organization. Reward system is anything that is extrinsically or intrinsically reinforced, maintain and improve the employees' behavior in an organization.

Compensation is one of the main features used by organizations to attract and retain their most valuable and worthy assets. It is known to have a positive relationship with employee retention. Benefits are also positively related to retention. Reward system can affect the performance of the

employee and their desire to stay with the organization. Reward system also plays a vital role in employee engagement, which depends on staff feeling that they are fairly rewarded for their skills, knowledge and contribution.

Employee compensation and benefits are offered by the employer of an organization for corporate reasons and to enhance employee morale or even both. Some offered benefits solely because they believed that the employees should be looked after as a moral responsibility of their organization. Some employers offer benefits for two primary reasons: recruiting and to create good engagement with the employees (Bishop, 2005).

Compensation had been defined in many terms by many researchers, but in this research, compensation is which including that are something, typically money, awarded to someone as a compensation for some injury, loss or suffering, money received by an employee from an employer as a salary or wages, or give or do something to somebody in return. Compensation should not be only in the form of money, but also in non – cash form. Benefits, such as life insurance, pension, health insurance, and retirement plans, and special allowances that include company cars or subsidized transportation, represents a important pay element in many large firms.

Compensation comprises the largest part of the employee retention process. Employees always have high expectations on their compensation packages. Compensation packages may be varying from one to another

organization. Hence, attractive compensation package plays a critical role in retaining the employees. Compensation includes salary and wages, bonuses, benefits, prerequisites, stock options, bonuses, vacations, etc. During the implementation of the packages, the following components should be kept in mind, salary and monthly wage is the biggest component of the compensation package. It is also the most common factor of comparison among employees. Salary and wages define the level of skill and experience an individual has. Periodical increment of salaries and wages shall be done, where it shall be based on the employee's performance and their contribution to the organization.

Studies had shown that employee position and length of employment were traditionally what determined wages in many companies (e.g., Bamberger & Meshoulam, 2000, MacDuffie, 1995).. They discovered that non - financial compensation or the quality of the working environment played an important part on employee turnover intentions. Companies are in threat of creating an unsatisfactory working environment if there is no any compensation planning.

Williams et al. (2007) found that if employees are satisfied with how the company operates and communicates its compensation policies, they remained committed to the organization. Furthermore, an organization's reward system can affect the performance of the employee and their desire to remain employed (e.g., Bamberger & Meshoulam, 2000, MacDuffie, 1995).

In the organization's point of view, retention of employees is the major concern, while compensation and benefits is one of the best initiatives which a company can take to retain employees. Compensation is a very valuable tool for retention and turnover. It is also a motivator for an employee to be committed to the organization, which in result enhances attraction and retention (Zobal, 1998; Moncarz et al., 2009; Chiu et al., 2002). It also works as a communicator when it is given to the employee against his services which shows how much an employee is valuable for its organization (Zobal, 1998). As such, the important components of compensation are based on salary, merit pays, discretionary rewards or bonuses, which attract best employees (Chiu et al., 2002). This compensation and reward system also increases employee performance (Deckop et al., 2006; Moncarz et al., 2009; Zsidisin et al., 2003).

The financial and non-financial compensation are given to employees for accomplishment of desired goals against their behaviour. Reward can be spontaneous and formal, even though pay for performance is the form of reward which is given based on performance (Zobal, 1998). Compensation also shapes the culture of an organization. Culture may be individualistic or collectivistic, that is, it depends on the organizational characteristics and members of the organization (Kuhun, 2009; Zobal, 1998).

Compensation is one of the most important tools for attracting and retaining employees. It is used to attract the potential candidates, because

applicants want to be aware of it, while applying for vacancy (Kuhun, 2009; Boyd, 2000; Zobel, 1998; Chiu et al., 2002; Moncarz et al., 2009; Lawler, 1994). Those organizations which have a high-wage system will have better recruitment and retention of employees as compared to others.

Compensation systems have traditionally been designed to attract and retain employees and to motivate them to increase their effort and outputs toward the achievement of organizational goals (Bergmann & Scarpello, 2001). As according to Lawler (1990), company adopt the strategy of low wages if the work is simple and requires little training and companies compete in high labor markets adopt the high wages strategy.

Many organization implement very good employees retention strategy without offering high compensation or pay based retention strategy (Pfeffer, 1998). According to Williams and Dreher (1992), wages is the key factor influence in the employee attraction and retention, and play important role in the recruitment process.

Efficient wage system influences the employees for longer retention, because if an employee gets better reward internally, he would like to stay until his self-interest is fulfilled there. An employee can switch if he gets better opportunity in the external environment (Moncarz et al., 2009; Shaw et al., 1998). Recognizing an employee is less expensive and is a very effective tool for the retention of employees. If an employee feels he is given recognition by his organization, it will boost his morale and encourage

positive behaviour towards work. This will encourage an employee to do his work willingly and efficiently. So, the result of this is that the employee will be more satisfied; therefore, he will stay longer.

Employees expect to have the best compensation packages in return for their contribution to the organization. Compensation packages differ from one organization to another organization. Attractive compensation package, which includes salary and wages, bonuses, benefits, prerequisites, stock options, bonuses, vacations, etc, plays a vital role in retaining good employees. Compensation packages are deliberated to attract, retain and motivate employees to increase their effort and outputs toward the achievement of organizational goals (Bergmann & Scarpello, 2001).

Empirical research evidences found that compensation is one of the most important factors for determining employees' job satisfaction, which in turn reduce the intention to leave. Studies on compensation have found that it is negatively related to employee retention (Grace and Khalsa, 2003; Cotton and Tuttle, 1986). Ovadje (2009) found a strong, negative relationship between pay and employee retention. Batt, Colvin, and Keefe (2002) found that pay is significantly and negatively related to turnover in a study of telecommunications industry.

Nonetheless, different views have been reported that found modest relationship between pay and actual turnover (Griffeth et al., 2000; pay is not an important variable for turnover research in the Asian context (Khatri et al.

2001); and pay has insignificant influence on turnover decision in Australia (Iverson and Deery, 1997).

In a research study by Shahzad et al. (2008), findings revealed a positive relationship of reward practices with the performance of university teachers in Pakistan. This is important especially when countering the other factor of turnover intentions in the long run. It is a known fact that employees desire a compensation system that they perceived as being fair and commensurate with their skills, experiences and knowledge. Therefore HRM must take note that pay is the main consideration because it provides the tangible rewards for the employees for their services as well as a source for recognition and livelihood.

Employee compensation and benefits includes all form of pay, rewards, bonuses, commissions, leaves, recognition programs, flexi work hours and medical insurance (Sherman et al., 1998). In a study involving data from 583 participants in Hong Kong and 121 participants in China, it was revealed that compensation components are important factors to retain and motivate employees (Chiu et al., 2002).

Scholars agree that the way compensation is allocated for employees actually send messages about the management believes and what is important in the types of activities it encourages. Roberto and Arocas (2007) from the University of Valencia, Spain opine that salary strategies and job enrichment strategies were positively related to job satisfaction and thus has an effect

negatively on turnover intentions. This was mediated by positive employee commitment.

As turnover continues to be very serious problems in many organizations including the company related to this study, the research had suggested specific practises to develop strategies as an immediate step to lower turnover. In a similar survey conducted on 666 Thai workers, results revealed beside fairness and growth opportunities as job satisfaction for these workers, rewards was also cited as an important criteria for job satisfaction and negate turnover intention (Lobburi, 2012).

2.3 Training and development

Training & development refers to a systematic development of the knowledge, skills and attitudes required by employees to perform adequately a given task or job. It is regarded as the most common human resource practice. When employees feel that training is available at all times, they will have a sense of emotional attachment and commitment to the organizations, and are thus less likely to leave their jobs. When managers provide opportunities for training and support regarding career development, they help create employee development and drive employee engagement.

Training and development has been recognized as one of the important components of human resource practices in the field of human

resource management. Training and development is a human resource practice that can provide competitive advantage to organizations, if properly organized and implemented (Noe, 2008). This component has been included in the high performance HRM practices of the organization (Werner & Desimone, 2009).

According to Goldstein (1980) and Latham (1988), training is defined as the systematic acquisition and development of the knowledge, skills and attitudes (KSAs) required by employees to adequately perform an assigned job or task to boost performance in the job environment. Training must impart new knowledge and skills, meet employee and organizational needs, effectively and efficiently designed and delivered (Salas, 1999). When the results of training reflected in improvements in relevant knowledge and the acquisition of relevant skills, will lead to enhance employee job performance provided that the skills learned in training transfer to the job (Baldwin & Ford, 1998; Salas, 1999).

Improvement in performance such as high productivity, better quality, and services are the training outcomes provided that the job is strategically aligned to the organization's needs and if the desired needs of employee were also fulfilled, there is no doubt the desired outcome by the organization, retention on employees, will be attained. As was noted earlier it is important that the employee feel like a valued member of the organization and training helps underscore this message.

Some studies also state that HR practices such as benefit and training are positively related to retention because the practices motivate employees and “lock” them to their jobs (Lazear1986; Madrian, 1994; Gruber & Madrian, 1994), which is so called employee retention. According to Landsman (2004), he suggested that training is a valuable activity for enhancing skills and improving employee performance, and that training can address some of the factors contributing to employee retention, such as perceived support from the supervisor, the agency, and community.

Training can define roles more clearly to employees, thereby minimizing job stress. Organization with sufficient training opportunities should thus have higher retention rate. Training can help revitalize human resources. For an increasing number of people, the opportunity to learn new skills is a significant personal goal for both the career opportunities education can provide and for the chance to do something a little different (Mendonsa, 1998). It is, therefore, reasonable to say that training can play a role in improving retention, but it may not be sufficient to improve retention if other systematic barriers are not addressed.

Studies showed that employers used different techniques for the retention of employees such as training, working environment and compensation etc. Labour shortage is a major concern for an organization, and an organization’s main aim is to retain the employees, especially talented employees (Moncarz et al., 2008; Deckop et al., 2006; Huang et al., 2003;

Glen, 2006), and these researches also proved that these variables greatly affect retention. The afore-mentioned variables are very useful regarding the employee's satisfaction which augments their commitment with the organization; as a result, the productivity increases.

In the modern era, it is evident by the proved practices that employees' training not only enhances the performances in one aspect of business, but also gives the visible positive changes as focused by Waterman et al. (1994). Training is further categorized into two segments for HRD in respect to general and specific. The general training leads to the internship offer to the employees, while specific training is reserved for the increased productivity at the work station level. Delaney and Huselid (1996) stated that compensation system is based on excellence in outcomes that result to employee performance. In this case, employee performance can be derived from specific training for a particular task.

Employee training is an indication of management commitment to building a life-long relationship with the employees, thus increases retention and reduces turnover decision (Samuel and Chipunza, 2009). Tsai and Tai (2003) stated that training is one of the important means of acquiring new and upgrading existing knowledge and skills required to maintain the standard performance in the competitive changing environment. Indeed, organization's success depends on to what extent the employees receive

training for their professional development (Martin, Pate, and McGoldrick, 1999).

Invariably, organization may adopt various human resource practices to enhance employees' skills, but certainly training is unique to improve the quality of current employees which may produce high commitment and lower intention to quit the organization (Bartel, 1994). In reality, training and development increases and enriches one's capability, and it guides and supports employees to achieve long-term career development and competency at work (Pare and Trembley, 2000; Liu, 2004).

Investment on employee training and development is considered one of the important factors in employee retention. Organization has the incentive to make investment in term of training & development only on those workers, from whom organization expect to return and give output on its investment (Messmer, 2000). According to Clark (2001), organizations are escalation development for talented employees, through proficiency analysis, input on employee interests, need development and multisource appraisal of capabilities and formulate plans for actions. Wetland (2003) suggest that firms and individual made investment on human capital in the mode of trainings. Training enhances the skills of employees. Once employees are hired, organization needs to start training program to enhance their skill (Goldstein, 1991).

According to Noe (2010), employees have perception to acquire new knowledge & skills which they apply on the job and also share with other employees. Research studies do also found that organization often delay employee training programs to determine that workers personal value good matches with organization culture or otherwise, therefore to elude the employee employee retention (Lauri, Benson & Cheney, 1996).

2.4 Working Environment

A numbers of studies were conducted to explain the working environment with different aspects, such as job satisfaction (Laffaldano & Muchinsky, 1985) and employee retention (Martin 1979), employee retention, organizational commitment and job involvement (Sjoberg & Sverke 2000). Working environment is considered as one of the most important factors in employee's retention (Zeytinoglu & Denton, 2005).

Working environment enhances the employee capability and commitment with the organization. It is a vital concept in employee retention. Researchers give monumental importance to the working environment, and without good working environment, keeping human capital becomes a problem for the organization (Edvardsson and Gustavsson, 2003; Bloemer and Schroder, 2006; Ensor et al., 2006; Deckop et al., 2006; Moncarz et al., 2009; Deery, 2008; McGuire, 2008).

An organization not just only create an environment that attract human capital, but also try to retain experienced, knowledgeable and creative employees (Acton and Golden, 2003). Working environment can be more effective than compensation in employee retention, because if an employee is more satisfied and committed, and if he has a positive experience of the working environment, he would likely stay longer with his current employer (Moncarz et al., 2009).

An employee will be committed if he has a positive perception about his organization; by that means, he must be appreciated for demonstrating persuasive skills. This appreciation will encourage him to do his best and stay longer, because these kinds of HR practices are a good source of employee development (Deckop et al., 2006). Organizational culture, if rigid and bureaucratic in nature and if it has power distance, can create hurdles in the implementation of changes.

According to Kramer and Schmalenberg (2008), healthy working conditions are empirically linked to reduced employee retention, increased job satisfaction and lower degree of job stress and burnout among employees. Therefore, creating a better working condition is crucial to maintain an adequate workforce for any organizations. To reinforce the importance of working conditions, Pejtersen and Kristensen (2009) argued that positive working condition will not only reduce employee strain but also contribute to

a more motivated workforce and in the long-run greater organizational effectiveness, and lower employee retention.

The issue of working condition has long been of central interest to research on employees' health and safety as well as employee motivation and performance. Safe working condition is directly and positively linked to the quality of employees' work environment. Kramer and Schmalenberg (2008) stated that healthy working conditions are empirically linked to reduced employee turnover, increased job satisfaction and lower degree of job stress and burnout among employees.

Generating a better working condition is crucial to maintain an adequate workforce for any organizations. To reinforce the importance of working conditions, Pejtersen and Kristensen (2009) argued that positive working condition will not only reduce employee strain but also contribute to a more motivated workforce and in the long-run greater organizational effectiveness, and lower employee turnover.

According to Hytter (2008), work environment is generally discussed as industrial perspective, focus on aspect i.e. noise, toxic substances exposure and heavy lifts etc. The interesting parts of work environment is, work environment characteristics in services sector is differ from production sector, because services sector directly deal with consumers or clients (Normann 1986). The interactions depends on the kind of job or kind of business, it may be more or may be less.

2.5 Impacts of HRM Practices

HR practices have been defined as a set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining a firm's human resources [15]. They are viewed as independent variables in most studies that can have an impact on firm performance, which is the dependent variable [27]-[29]. They consist of many activities and policies aimed at carrying out the —people or the human resource aspect of a management position [30]. This study will only focus on two practices, which are compensation & benefits management and reward system, and training & development. These practices are chosen because they are known to have the most impact on firm performance. Each of them will now be considered in turn.

Work and job-related attitudes play only a relatively small role in employee retention and leaving (Hom and Griffeth, 1995; Griffeth et al., 2000). Consequently, factors other than job satisfaction and organizational commitment are important for understanding turnover (Maertz and Campion, 1998). A relatively new approach to this issue has been offered by Mitchell et al. (2001). These researchers argue that job embeddedness is a direct antecedent both of intent to quit and voluntary turnover. A number of studies have followed this research direction and found that job embeddedness

explained significant incremental variance in turnover beyond that explained by job satisfaction and organizational commitment (e.g., Lee et al., 2004; Holtom and O'Neill, 2004; Besich, 2005; Holtom and Inderrieden, 2006). However how job embeddedness is developed or what factors cause employees embedded in their jobs to keep them from leaving the organization still requires investigation. This study attempts to partly answer that question by testing whether job embeddedness is a mediator of the relationship between human resource practices and employees' intention to quit.

High turnover rate in an organization may affect the reputation and image of the organization. Replacement of any employee is problematic and costly because the organization has to train a new employee if an experienced employee resigned. Some studies have identified that lack of job dissatisfaction (Moore, 2002) and low level of empowerment (Boundrias et al., 2009) and low levels of support of superiors (Hatton and Emerson, 1998) may lead to turnover (Salman, Iqbal and Chandran, 2010). Human resources policies must focus at gaining more self – governing to the employee to avoid turnover and job burnout (Salman, Iqbal and Chandran, 2010).

Huselid & Becker (2000) found that HR policies play a strategic role in employee retention through stimulating skilled labor. The goal – setting process that involves employee can enhance employee empowerment as employee consider himself more empowered knowing his or her job. Hopson

and Scally (1981) pointed out that empowerment is not an end state, but it's a process that all human beings experience. That throughout lives of employees; an employee will behave in more or less empowered ways depending on his/her level of self – esteem and skill development, tempered by surrounding circumstances.

Empowered employees tend to be more confident and try to give their best to employer because they are given more authority in decision – making process (Hummayoun Naeem and Muhammad Iqbal Saif, 2010). Employee empowerment can originate a feeling of obligation among employees to stay in organization. So, the employees will likely to remain in the organization even when face pressure from others that intend to leave the organization because they feel that they are a part of the organization (Choong, Wong and Lau, 2011). It means the intention to remain or leave the organization among the employees is based on the job satisfaction of all employees.

It is imperative for HRM managers to understand that there are several factors inherent to counter staff intentions or turnover. One theory specifies that employees' decision to resign is influenced by two factors: their "perceived ease of movement", which refers to the assessment of perceived alternatives or opportunity and "perceived desirability of movement", which is influenced for instance by job satisfaction (Morrell et al., 2004; Abdullah et al., 2012). This describes how balance is struck both for the organization and its employees in terms of inducements, such as pay,

and contributions, such as work, which ensures continued organizational efficiency.

In general, when inducements are increased by the company, this will lower the tendency of the worker to leave and vice versa (Morrell et al., 2004). At the same time, managers should also be aware that of the question whether the decision to leave could have been prevented by the organization. This is important for the planning of interventions. It would be realistic to manage this turnover as unavoidable rather than spend on theorized preventive measures, such as increasing pay. These losses of employees can also be described as “necessary causalities” (Morrell et al., 2004).

The impact of Human Resource Mismanagement can have a profound negative effect on the Organization. The expectancy theory predicts that one’s level of motivation depends on the attractiveness of the rewards sought and the probability of obtaining these rewards can hold sway in any current organization management’s objective to achieve high productivity and competitive edge in the ‘market place’. Employees desire compensation system that they perceive as being fair and commensurate with their skills and expectations. Pay therefore is a major consideration in an organization because it provides employees with a tangible reward for their services as well as source of recognition and livelihood (Howard, 1993; Thwala et al., 2012; Abdullah et al., 2012).

In a study performed by Harvey and colleagues, the group found

employees developed an intention to leave their position because the leader was unsupportive, showed favoritism to other employees, was difficult to interact with and had given the employee a feeling they had done something wrong. This study may provide information to corporations useful in developing stronger leadership, reduce voluntary turnover through improving employee retention.

2.6 Summary

This chapter has presented a review of literature that concentrate on the relationship between employee retention the dependant variable and HR practices namely compensation and benefits, training and development, and working environment, as independent variables. A research framework was developed based on the literature review.

CHAPTER 3

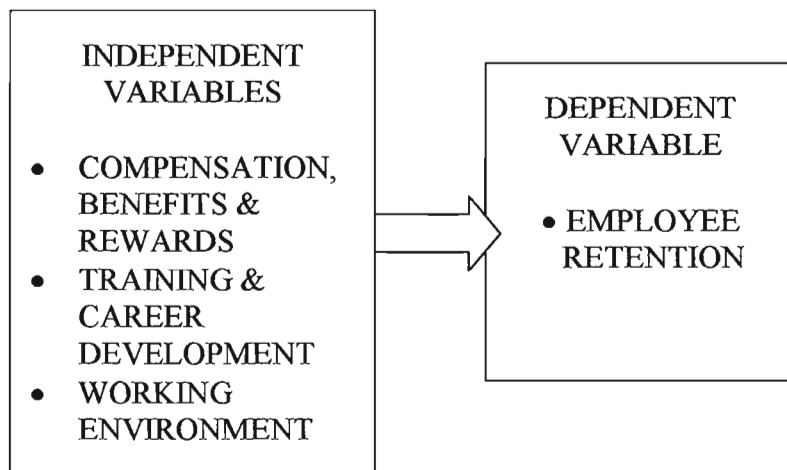
METHODOLOGY

3.0 Chapter Objective

This chapter discussed the methodology adopted in this study. The research design and framework were explained. Methods and techniques included in this study such as the population and sampling, instrument, data collection and data analysis were elaborated.

3.1 Research Framework

The following research framework was developed based on the literature covered in the previous chapter.



3.2 Research Design

For this study, a quantitative methodology using a survey mode was seen as the most suitable approach. Research design, an overall framework of a research that explains the direction and method to be used in the study to accumulate the information needed, either from primary or secondary sources (Malhotra, 2007). For the purpose of this research, correlation and relations type of study have been chosen in analyzing process based on independent variables. The survey study is to be conducted through questionnaire because questionnaire is an efficient collection data mechanism (Sekaran, 2003). These data were analyzed to identify any significance influence on the relationship between the variables.

3.3 Operational Definition

This section described the operational definitions for the key terms used in this study.

Employee retention represents the employees' perceived probability of leaving the current organization (Cotton and Tuttle, 1986).

Compensation and benefits comprises both the financial rewards (e.g. pay, reward, remuneration or salary) and non-financial rewards (e.g. leave, health benefits, retirement scheme) (Amuedo-Dorantes & Mach, 2003). **Compensation** includes salary and wages, bonuses, benefits,

prerequisites, stock options, bonuses, vacations, etc., was largely responsible for granting employees their motivation in working in their current occupation (Fair, C. et al 2004). **Benefits** comprises of indirect financial and non-financial returns for continuous employment with an organization (Dessler, 2008). **Rewards** refers to something the organization offered to employees for good performance (Agarwal, 1998).

Training and development emphasizes the training as well as the career planning and development for employees in an organization. Training is given to equip employees with the necessary knowledge, skills and aptitude to perform their jobs effectively. Career development provides the path and means for employees to progress in the organization (Gomez-Mejia, 2009; Wilk and Cappelli 2003).

Working environment covers the work pattern, environment and the work condition which could influence the working atmosphere and employees' feelings at work (Moncarz, Zhao & Kay, 2009).

3.4 Measurement of Variables/Instrumentation

The research instrument used was the questionnaire. The purpose of using questionnaires survey is due to its direct response and feedback from the respondents that can be collected in short period of time and in an easier manner. For this study, the questions in the questionnaire were closed – ended or structured in order to ease the process of analyzing the data from

respondents.

This questionnaire consisted of two parts, first part consisted of general information of the respondent and the second part consisted of questions on the dependent variable, namely employee retention, and the three independent variables namely compensation and benefits, training and development, and working environment. The questions were formed in a five point Likert scale which allows respondents to indicate how strongly agree or disagree with the statement provided.

The variables used in this study were measured through the five point Likert scale ranging from 1 = strongly disagree, to 5 = strongly agree. The questions were adopted from the study of Moncarz et al. (2009). Five items were adapted for measuring compensation and benefits. For the purpose of training and development measurement, five items were adapted. Working environment was also measured by using the seven items employed in the study of Moncarz et al. (2009). Retention of employee was assessed using five questions,

The Cronbach alpha values were within .800 to .889 which was sufficient for analysis (Hair et al. 2009; Ho, 2006; Nunally, 1978). All the items were measured on a 5-points Likert scale, 1- strongly disagree, and 5- strongly agree. Several analytical techniques such as correlation analyses, multiple regression analyses were used to answer the research questions.

3.5 Population and Sample of the Study

Population is a specified group of people or object for which questions can be asked or observed made to develop required information. The target population in the research was focused on all employees in Company XYZ. The total population was 134 employees.

With a small population, the sample of the study included every employee in the company, i.e. the population of the study. 134 questionnaires were distributed and 82% (110) of the questionnaires were collected.

3.6 Data Collection:

Approval for data collection was obtained from the top management after a short presentation highlighting the contribution of the study to the company. Memos were sent out to all department heads explaining the purpose of the study. A proposed schedule was included to indicate the date and time for each department head to send all their subordinates to the training room for data collection.

The researcher explained and went through the survey questions with every group until every employee and questionnaire was counted for. Even though the questionnaire was written in both languages, English and Bahasa Malaysia, the researcher took every effort to ensure every employee understood each item. Sufficient time was given for the respondents to

answer the questionnaires. All questionnaires were collected at the end of each session.

Though early notices were given, there were 5 employees who were absent, 15 attended training courses and 4 were working outside the state. Thus, the collection rate was 82%.

Primary Data:

For this study, a questionnaire consisting of four main variables, namely compensation and benefits, training and development, working environment and employee retention, was adopted from a few established questionnaires. According to Sekaran (2009), data gathered for research from the actual site of occurrence of events are called primary data. The primary data in this study referred to all the information obtained first hand by the researcher from the respondents on the four variables for the objectives specified in this study.

Secondary Data:

The secondary data refers to the information collected prior to the actual study being carried out. The secondary sources of data which were obtained from the Sultanah Bahiyah Library, University Utara Malaysia, included books, journals, magazines, reports, documents and other related reading materials. Most secondary data in this study were extracted from

online resources such as online databases, internet findings or other sources.

3.7 Techniques of Data Analysis

Data were analyzed using the Statistical Package for Social Science (SPSS) Version 20.0. To answer all research questions set, both descriptive and inferential statistics analysis to be carried out.

Descriptive analysis was carried out to provide the frequencies, measurement of central tendency (mean) and percentages of the demographic data relating to the respondents. These included data such as gender, age, education level, current position held and years of service with the company. According to Zikmund (2000), descriptive analysis refers to the transformation of the raw data into a form that will make them easy to understand and interpret.

Inferential analysis was performed using Pearson Correlation and multiple regressions. Pearson's correlation analysis was used to examine the strength of the relationship between the variables. In correlation analysis, Pearson correlation coefficient (r) explains the level of relationship between variables, which value ranges from -1.00 to $+1.00$.

Table 3.1:

The interpretation of strength of the correlation according to “Guilford Rule of Thumb”

Value of Coefficient Relation (r) Between Variables	The interpretation of the strength of the correlation
a. 0.00-0.30	Very low relationship
b. 0.31-0.50	Low relationship
c. 0.51-0.70	High relationship
d. 0.71-1.00	Very high relationship

Multiple regressions was used to address the impacts of independent variables on the dependent variable. Regression analysis is a method which addresses more than one independent variable to explain the variance in a dependent variable.

Reliability test using Cronbach’s Alpha testing was used to establish the reliability of the variables (Sekaran, 2006). The closer the value of Cronbach’s Alpha to 1.0, the higher the internal consistency reliability is.

3.8 Summary

This chapter described the methodology used to determine the relationships of the variables in the study. The conceptual framework and research design was highlighted. The population and sample of the study were clarified. The research instrument, data collection and data analysis were elucidated.

CHAPTER 4

RESULTS AND DISCUSSION

4.0 Chapter Objective

Findings from data analysis in this study were described in this chapter. Descriptive analysis was carried out on the demographic data, which included gender, age, marital status, employment category, years of service and education level for the 110 respondents who participated in the survey. Correlation analysis was conducted to answer research questions 1 to 3, and multiple regressions test was conducted to answer the research questions 4. Results were presented in the form of figures, tables or text to highlight the key information.

The second part of this chapter highlighted relevant literatures which reinforced the results of this study. Findings from past studies were associated with the findings in this study. Discussion was presented according to the research objectives.

4.1 Background of the Respondents

110 respondents participated in this study. All 110 questionnaires distributed were returned and useable in this study. Table 4.1 showed the distribution of the respondents according to their demographic background.

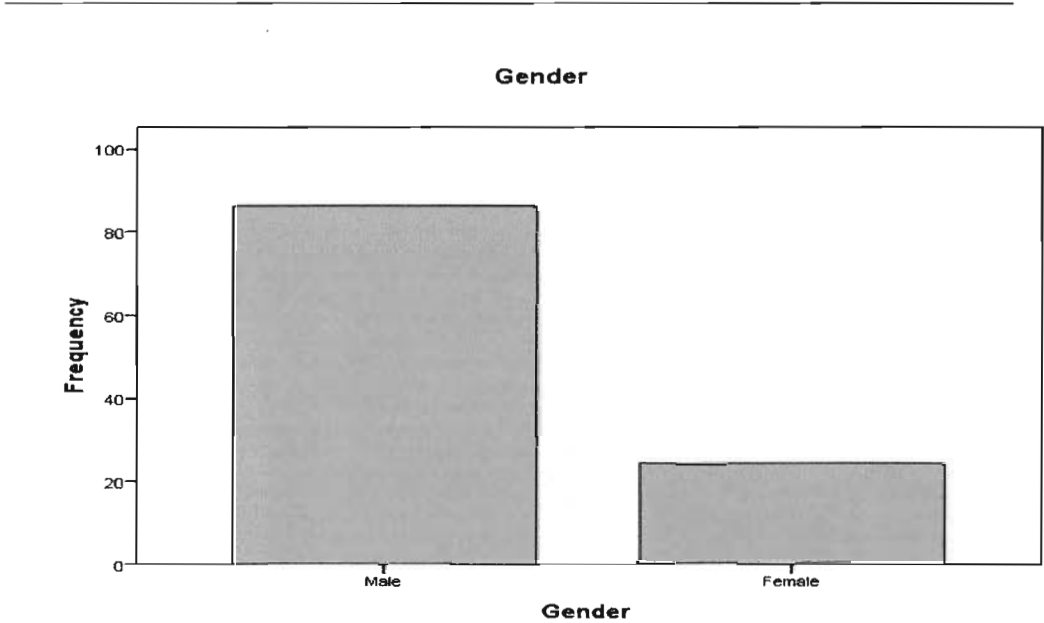
The profile of the respondents was depicted in Table 4.1. Demographic data of the respondents were analysed and presented using frequencies and percentages. The analysis included gender, age, marital status, employment category, year of service with the company and education level. All 110 questionnaires were distributed, collected and useable in this study.

Table 4.1:
Background of the Respondents

	Frequency	%
Gender		
Male	86	78.2
Female	24	21.8
Age (Years)		
<30 years	80	72.7
30-39 years	26	23.6
>39 years	4	3.6
Marital Status		
Single	76	69.1
Married	34	30.9
Employment Category		
Executive	46	41.8
Non-executive	64	58.2
Years of Service (Tenure)		
<1 year	26	23.6
1-2 years	64	58.2
>2 years	20	18.2
Education		
Secondary school	34	30.9
Certificate	22	20.0
Diploma	4	3.6
Degree	42	38.2
Master/postgrad	8	7.3
N = 110		

As shown in Figure 4.1, more than 78% (86) of the respondents were male and nearly 22% (24) were female respondents. Thus, majority of the employees in this company were male.

Figure of 4.1:
Frequencies According to Gender



The study showed that nearly 73% of the respondents were less than 30 years old. Nearly 24% (26) were between 30 to 39 years old. Meanwhile, only 3.6% (4) of the respondents were more than 39 years old. This showed that majority of the employees were young, as young as the company. Generation Y represented the majority of the employees.

Figure of 4.2:
Frequencies According to Age

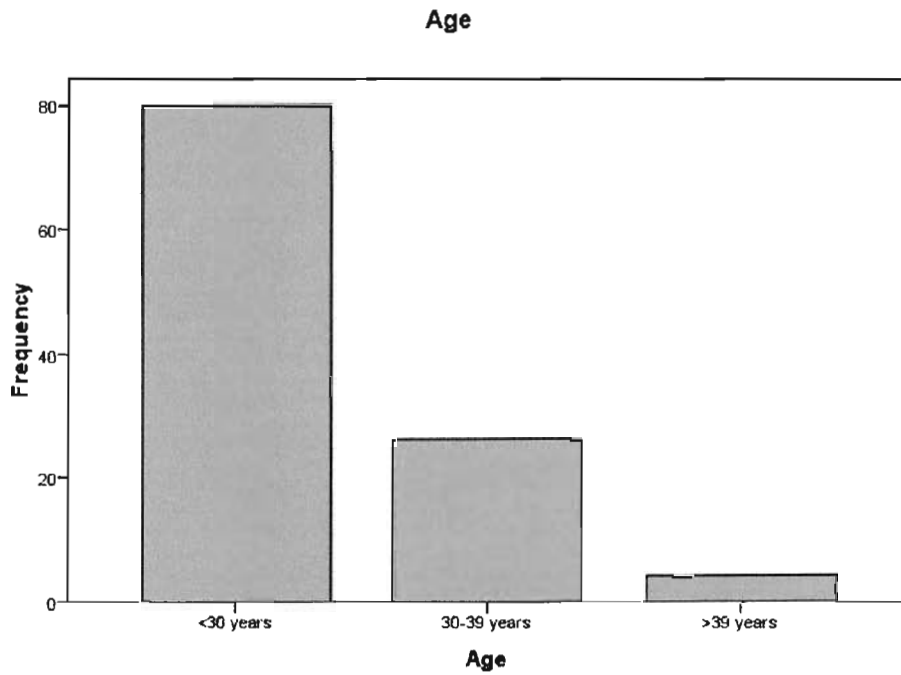


Table 4.3 showed that more than 69% (76) of the respondents were single, while nearly 31% were married. Most of the young and single employees were non-executives.

The more mature employees were married and most of them were executives. They have been in the industry for quite some time.

Figure of 4.3:
Frequencies According to Marital Status

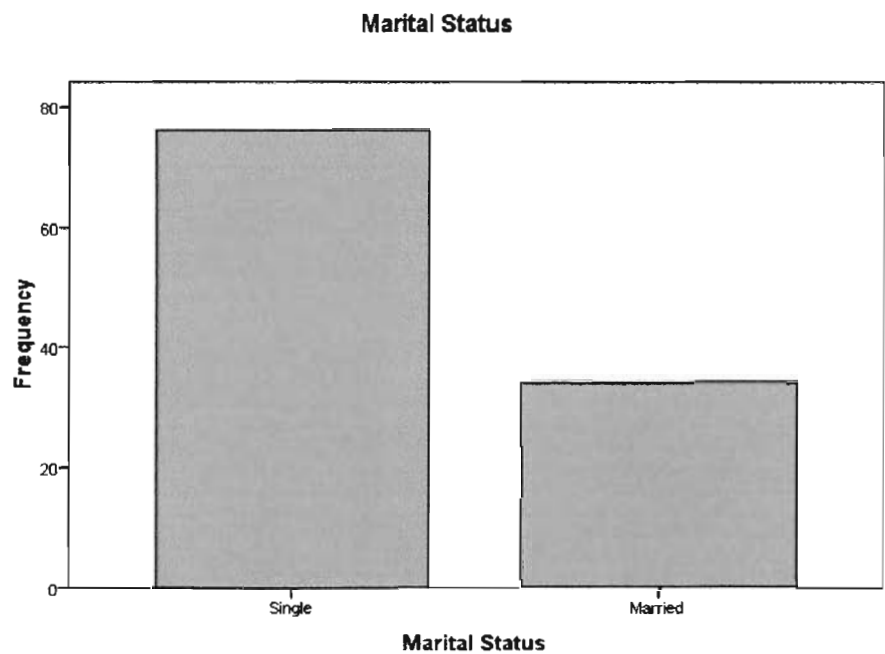
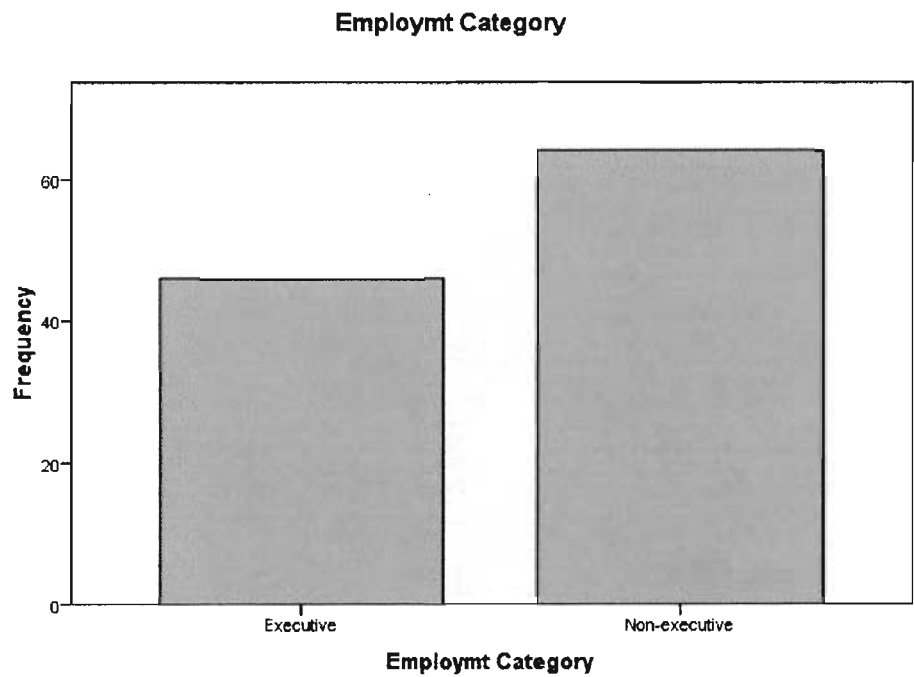


Figure 4.4 reported more than 58% (64) of the respondents were non-executives. Nearly 42% (46) of the respondents were executives.

As described earlier, there was a pattern on the employees in the company. Majority of the mature employees were married and were executives. Meanwhile, the single, young employees were mostly non-executives.

Figure of 4.4:
Frequencies According to Employment Categories



As depicted in Figure 4.5, the frequencies of respondents were tabulated according to the length of service the respondents have been working with the company. More than 58% of the respondents have been working with the company for one to two years. Nearly 24% of the respondents have been with the company for less than one year, while about 18% have been with the company since it was born about three years ago.

Figure of 4.5:
Frequencies According to Years of Service

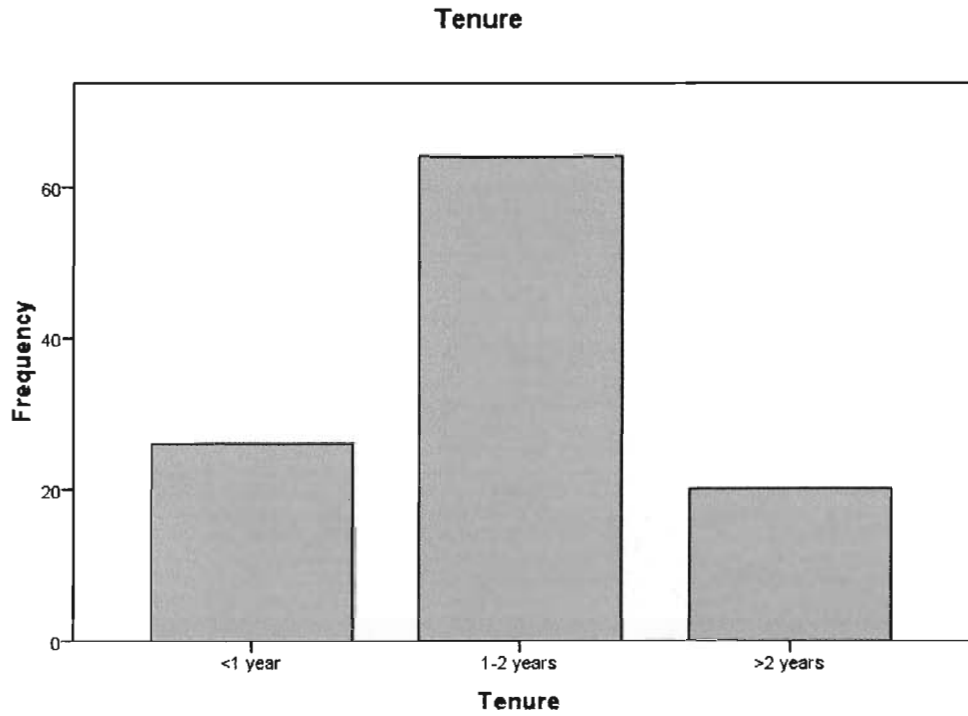
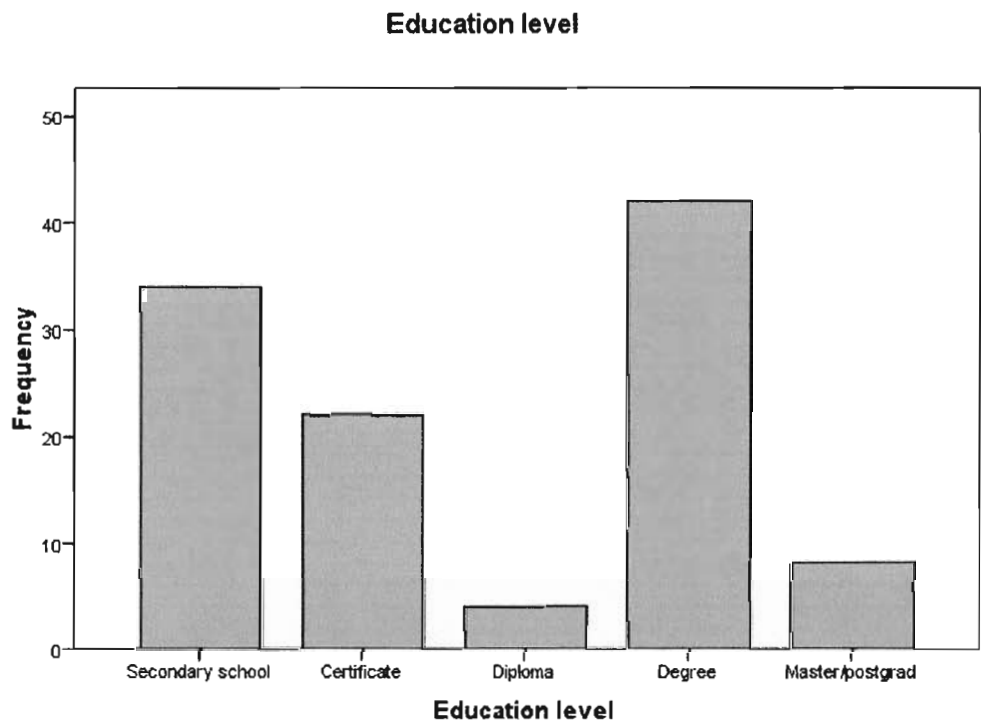


Figure 4.6 reported the frequencies of respondents according to their level of education. Nearly 31% of the respondents completed their secondary school education. 20% of them have obtained at least a Certificate. Less than 4% of the respondents had a Diploma, while more than 38% had a Degree. About 7% of the respondents had at least a Master degree.

Figure of 4.6:
Frequencies According to Education Level



4.2 Normality Test

The kurtosis and skewness values for each variable are examined to test the normality of distribution of data in this study. The skewness values show that the distribution scores are even. The kurtosis values displayed the “peakness” of distribution (Hair, 2009).

To assess the normality of the variables, the above suggestions were applied and noticeably none of the variables fell outside the ± 3.29 at $p < 0.001$ probability range level (Hair, 2009). A summary of the kurtosis and skewness for all the variables is presented in Table 4.2. The data shows the variables were normally distributed. Therefore, in conclusion, all the variables do not deviate from the normality test requirement.

Table 4.2:
Normality Test of the Variables

	Skewness	Kurtosis
Employee retention	.328	-.839
Compensation, Benefits & Rewards	-.428	-.201
Training & Career Development	.067	-.711
Working environment	-.701	.269

4.3 Reliability Analysis

To confirm the reliability of the scales used, the internal consistency confirmation of the scales was tested by examining the Cronbach’s alpha coefficient. According to Hair (2009), Cronbach’s

Alpha is a reliability coefficient that indicates how well the items in a set are reliable. The closer Cronbach's Alpha is to 1.0, the higher the internal consistency reliabilities. The reliability coefficient for a scale should range from 0.6 or higher in order to be reliable. Sekaran (2003) stated that a Cronbach's Alpha value over 0.8 is considered as good, value over 0.7 is considered acceptable and values less than 0.60 are considered to be poor.

Table 4.4.1 indicated the value of Cronbach Alpha for dependant and independent variables. The reliability value reported for compensation and benefits was 0.835, training and development was 0.80, working environment was 0.889 and for employee retention was 0.801.

Table 4.3 presented the Cronbach's Alpha coefficient value for each item in the questionnaire was more than 0.70. Therefore, the questionnaire distributed was highly reliable.

Table 4.3:

Reliability Coefficient of the Variables

	Cronbach's Alpha	N. of Item
Compensation, Benefits & Rewards	.835	5
Training and development	.800	5
Working Environment	.889	7
Employee Retention	.801	5

4.4 Results

The data analysis in this study was carried out to achieve the following objectives:

1. To examine the relationship between compensation and benefits, with employee retention;
2. To ascertain the relationship between training and development, with employee retention;
3. To establish the relationship between working environment and employee retention; and
4. To determine the impact of the three HR practices on employee retention.

4.4.1 Research Objective 1: To examine the relationship between compensation and benefits with employee retention

To examine the relationship between compensation and benefits, and employee retention, bivariate correlation analysis was carried out. A correlation analysis displays the strength of the relationship between the variables involved in the study. In correlation analysis, Pearson correlation coefficient (r) explains the level of relationship between variables, which value ranges from -1.00 to $+1.00$. Zero shows absolutely no relationship

between the variables. The larger the correlation coefficient is, the stronger the linkage or level of association between variables (Hair, 2009).

Pearson’s correlation analysis was used to examine the strength and direction of the relationship between the variables. The interpretation of the strength of the correlation is defined using the “Guilford’s Rule of Thumb” (Hair, 2009) below:

Table 4.4:

The interpretation of strength of the correlation according to “Guilford Rule of Thumb”

Value of Coefficient Relation Between Variables	The interpretation of the strength of the correlation
e. 0.00-0.30	Very low relationship
f. 0.31-0.50	Low relationship
g. 0.51-0.70	High relationship
h. 0.71-1.00	Very high relationship

Results exhibited in Table 4.5 revealed the findings from Pearson analysis on the relationship between compensation and benefits, and employee retention. The Pearson correlation (r) indicated that there was a significant and positive relationship between compensation and benefits, and employee retention ($r=0.372$, $p<0.01$). To determine the strength of the relationship, “Guilford’s Rule of Thumb” was used (Hair, 2009). A low

relationship was reported between compensation and benefits, and employee retention ($r=0.372, p<0.01$).

Thus, Research Question 1 was answered:

There was a significant and positive but low relationship between compensation and benefits, and employee retention ($r=0.372, p<0.01$)

Table 4.5
Correlation Analysis between Compensation, Benefits & Rewards, and Employee Retention

<i>Compensation, Benefits & Rewards</i>		
	<i>r</i>	<i>Sig.</i>
<i>Employee Retention</i>	0.372**	0.00

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

4.4.2 Research Objective 2: To ascertain the relationship between training and development with employee retention

Pearson’s correlation analysis was used to examine the strength and direction of the relationship between the variables. Results exhibited in Table 4.6 revealed the findings from Pearson analysis on the relationship between training and development, and employee retention. The Pearson correlation

(r) indicated that there was a significant and positive relationship between training and development, and employee retention ($r=0.436$, $p<0.01$). To determine the strength of the relationship, “Guilford’s Rule of Thumb” was used (Hair, 2009). A low relationship was reported between training and development, and employee retention ($r=0.436$, $p<0.01$).

Table 4.6

Correlation Analysis between Training and development, and Employee Retention

<i>Training and development</i>		
	<i>r</i>	<i>Sig.</i>
<i>Employee Retention</i>	0.436**	0.00

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

Thus, Research Question 2 was answered:

There was a significant and positive but low relationship between training and development, and employee retention ($r=0.436$, $p<0.01$).

4.4.3 Research Objective 3: To establish the relationship between working environment and employee retention

Pearson’s correlation analysis was used to examine the strength and direction of the relationship between the variables. Results exhibited in Table 4.7 revealed the findings from Pearson analysis on the relationship between working environment and employee retention. The Pearson correlation (r) indicated that there was a significant and positive relationship between working environment and employee retention ($r=0.290$, $p<0.01$). To determine the strength of the relationship, “Guilford’s Rule of Thumb” was used (Hair, 2009). A low relationship was reported between working environment and employee retention ($r=0.290$, $p<0.01$).

Table 4.7
Correlation Analysis between Working Environment and Employee Retention

<i>Working Environment</i>		
	<i>r</i>	<i>Sig.</i>
<i>Employee Retention</i>	0.290**	0.00

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

Thus, Research Question 3 was answered:
There was a significant and positive but low relationship between working environment and employee retention ($r=0.290$, $p<0.01$).

4.4.4 Research Objective 4: To determine the impact of the three HR practices on employee retention

Multiple regressions presents a set of independent variables which describes the variance proportion in a dependent variable at a significant level and hence set up the relative predictive importance of independent variables. In other words, by using hierarchical regression, this study can determine the variance of dependent variable, employee retention which can be explained by a set of independent variables, namely compensation and benefits, training and development, and working environment.

Table 4.8:
Multiple Regressions Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.477 ^a	.228	.206	.37619

The table 4.8 presented the model summary for this study. As shown in table 4.8 above, the R Square value indicated the percentage or extent of the independent variables explained the variations in the dependent variable. In this study, the independent variables (compensation and benefits, training and development, and working environment) explained 22.8% of the

variations in the dependent variable (employee retention), while other factors which were not included in this study contributed 77.2% (100% - 22.8%).

Thus, Research Question 4 was answered:

Compensation and benefits, training and development, and working environment explained 22.8% of the variations in employee retention.

4.5 Discussion

The discussions were elaborated according to the research objectives:

1. To examine the relationship between compensation and benefits with employee retention;
2. To ascertain the relationship between training and development with employee retention;
3. To establish the relationship between working environment and employee retention; and
4. To determine the impact of the three HR practices on employee retention.

4.5.1 Research Objective 1:

There was a significant and positive but low relationship between compensation and benefits, and employee retention ($r=0.372$, $p<0.01$)

The correlation analysis result indicated positive and significant but low relationship between compensation and benefits, training and development, and working environment with employee retention. Shahzad et al. (2008) found similar results between compensation practices and retention of university teachers in Pakistan. Another similarity was found in the study by Chiu et al (2002) involving respondents from Hong Kong and China which revealed that compensation and benefits were important factors to retain and motivate employees. Similar results were found where compensation and rewards affected employee retention with a modest relationship (Griffeth et al., 2000; Khatri et al. 2001, Iverson and Deery, 1997).

4.5.2 Research Objective 2:

There was a significant and positive but low relationship between training and development, and employee retention ($r=0.436$, $p<0.01$).

The correlation analysis result indicated positive and significant but relatively low relationship between training and retention. Organizations need to have competencies and especially core sets of knowledge and expertise that will give the companies an edge over its competitors. The only way to arrive at this is through having a dedicated training program that plays a central role to nurture and strengthen these competencies (Sherman et al,

1998).

Similar to this study, Raffee (2010) showed that training and had a positive and significant relationship with retention. However, the relationship was a weak one. Poon, (2004) revealed similar results in his study in a few companies in Malaysia. Zimmerman (2009) in his meta-analysis on retention and training found 65 studies conducted which had somewhat similar results.

This is consistent to Smit and Cronje (2002) and Hay (1999) found training and development as one of the major retention strategies being used by managers in retaining their best employees. Vos & Meganck (2009) indicated that career development plan for the employees play a vital role in the retention of employees. Providing these career development opportunities restrict employees from leaving the organization and increase in loyalty.

4.5.3 Research Objective 3:

There was a significant and positive but low relationship between working environment and employee retention ($r=0.290$, $p<0.01$).

The correlation analysis result indicated a very low relationship between working environment and employee retention. Social networking among employees is also vital to retain employees because whenever employee left job, the whole relationship between worker and supervisor and among all workers is changed. However, this result was parallel to Chapman

(2009) and Oldham & Brass (1979) who found that physical environment of the work place have some effects on retention. They linked this to employees' satisfaction and motivation with peers and works declined after changing the work place environment.

4.5.4 Research Objective 4:

Compensation and benefits, training and development, and working environment explained 22.8% of the variations in employee retention.

In this study, the independent variables (compensation and benefits, training and development, and working environment) explained 22.8% of the variations in the dependent variable (employee retention), while other factors which were not included in this study contributed 77.2% (100% - 22.8%).

Highhouse et al, (1999) found that pay by itself, or training, or work conditions were not sufficient to retain employees. For instance, he argued that low pay package will drive workers out the organization but it is not necessarily that high pay package bring and retain workers in the organization. Eventually, the workers stay in the organization due to others factors as well, such as working environment, co-workers behavior and supervisor support etc. which compel the employee to retain in the organization. This finding supported the result found which found nearly 78% contribution to retention was caused by other factors. The result of the

study was consistent with the previous results from Samuel and Chipunza (2009), Conklin and Desselle (2007), Zhou and Volkwein (2004), Batt and Valcour (2003), Shaw et al. (1998), Cotton and Tuttle (1986). They also found that there were many other factors that influenced retention

4.6 Summary

This study examined the relationship between compensation and benefits, training and development, and working environment, with employee retention. Pearson correlation analysis and multiple regressions analysis were conducted in the attempt to answer the research questions.

The findings indicated positive and significant but low relationships between compensation and benefits, training and development, and working environment with employee retention. The three HRM practices in this study explained only 22.8% of employee retention. The remaining 77.2% were explained by other factors which were not considered in this study.

All four research questions were answered in this study. All four research objectives were fulfilled. The findings were summarized as follows:-

Research Objective	Test	Result
1. To examine the relationship between compensation and benefits with employee retention	Correlation Analysis	Significant, positive but low relationship

2. To ascertain the relationship between training and development with employee retention	Correlation Analysis	Significant, positive but low relationship
3. To establish the relationship between working environment and employee retention	Correlation Analysis	Significant, positive but very low relationship
4. To determine the impact of the three HR practices on employee retention	Regression Analysis	22.8%

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.0 Chapter Objective

Key findings were summarized according to the research objectives. The significance of the findings and their theoretical, practical and policy implications were highlighted. Recommendations for future research were also included.

5.1 Conclusion to the Study

To conclude, the three independent variables, namely compensation & benefits management and reward system, and training & development have a direct effect on employee retention, but with a low relationship. Nonetheless, the two key HRM practices, which are compensation and benefits, and training & development, will be of continuing concern to the overall organizational performance.

The results and discussion have sufficiently proven that current established turnover models are currently adequate to understand the phenomena. According to the empirical investigation in this study, training and development seemed to have the strongest impact on retention. This was followed by compensation and benefits, and working environment.

All four research questions were answered in this study. All four research objectives were fulfilled. The findings were summarized as follows:-

Research Objective	Test	Result
1. To examine the relationship between compensation and benefits with employee retention	Correlation Analysis	Significant, positive but low relationship
2. To ascertain the relationship between training and development with employee retention	Correlation Analysis	Significant, positive but low relationship
3. To establish the relationship between working environment and employee retention	Correlation Analysis	Significant, positive but very low relationship
4. To determine the impact of the three HR practices on employee retention	Regression Analysis	22.8%

As what the study has shown, there were significant relationships, with low to very low impacts, between the factors of training, compensation and work environment on retention.

5.2 Recommendation

The findings from this study are expected to have both theoretical and practical implications. From the theoretical perspective, the findings will provide additional guidance for future studies to develop a more comprehensive conceptual framework on HR practices. The findings will also add on to the body of knowledge in this subject matter.

From the practical standpoint, the findings will become a guideline for the company to revise its HR policies and practices and introduce packages that will appeal to the new generation better.

Additional understanding into how organizations can create and improve workplace environments, as well as recognition of the potential impacts of such environments on employees, is crucial for practice, research, and theory building.

Practical implication of this study will be very helpful and encouraging for the organizations to retain their competent and creative employees which are the asset for any kind of organization. Particularly, at this time of crisis, money and other fringe benefits have great value for employees, so to retain them, compensation is one of the major tools. However, if organizations fail to provide the best practices and environment for employees to enjoy their work and feel at home, due to so many distraction and problems, then their turnover rate will decrease.

Managers need to be aware that human resource practices may not

directly affect retention. Rather, human resource practices create the links, fit and sacrifice that embed employees in their current position and keep them from leaving the organization. Therefore, managers can look for several strategies and tactics from a variety of human resource practices in order to build deeper links, make better fits, and create greater potential sacrifices for employees should they decide to look for or pursue other employment opportunities.

Practical and Theoretical Implication

Most of literature reviews correlated to employee retention relating the chosen independent variables generally uphold the theory that the variables expect employee retention. Findings from this study will be essentially helpful for all organizations in understanding better and to improvise their employee retention strategy. The study explores how employees perceive the impact of compensation and benefits, performance appraisal, training and development and working environment to determine their intention to stay in an organization. These are dimensions of human resource management practices that commonly been used by numerous organization to facilitate their strategic management.

According to the findings compilation, employees usually do concern with of all above factors as result shows close relationship all independent variables and employee retention. Hence, employers must pay more attention to needs of employee's expectation for satisfying compensation package and

appreciate for the work done, transparency on appraisal system, needs of learning new skills and further opportunity for career advancement and encouraging working environment. This study reflects that to be a successful organization, employers shall realize, all expectations of employees to be met and it is essential to sustain the organization's growth in the marketplace to become an employer of choice by retaining high caliber employees in current labour market as it should be the highest priority.

5.3 Suggestion for Future Research

Whereas the present study offers some insights into the importance of HRM practices and employee retention, however the contributions of the study should be viewed in light of several limitations. Thus, future research should include other factors which could affect retention.

Future research should include a larger number of organizations in other industries or sectors. The present study covered only one firm. Therefore it is difficult to generalize the results of the study, and findings cannot be applied to other situations. To determine whether the study results can be applicable to other populations, future study should employ a better sampling procedure which can provide some variability in employee retention behavior.

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