

# DO ER ACTIVITIES HELP IN REDUCING TURNOVER INTENT? A REVIEW AND CONCEPTUAL MODEL

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## Introduction

In this global era, the success of an organization depends on retaining qualified and experienced employees. The most common challenge faced by the organization in today's scenario is the increasing attrition rate. Employees in an organization either like or dislike their jobs, and on the basis of this liking or disliking employees choose to stay or leave the organization (Yücel 2012). Turnover Intention is defined as the attitude of intent to leave or actually leaving the organizations (Glismeyer, Bishop, and Fass, 2008). Many organizations are facing a problem of turnover among employees. Hatch

and Dyer (2004: 1155) summarized such findings with the observation that "firms with high turnover significantly underperform their rivals". However, it is important to understand how employee relation practices make an employee, stay in an organization. The purpose of this paper is to examine the role of Employee Relation (ER) activities in reducing turnover intention.

The literature on turnover intention indicates a significant influence of job dissatisfaction (Price, 1977; Mobley, Griffeth, Hand and Meglino, 1979). Similarly, extant literature positions employee commitment as an antecedent of turnover intent with enhanced commitment

leading to lower intention to quit (Porter, Steers, Mowday, and Boulian, 1974). From the literature, three perspectives have been identified in an Employee Relation concept for reducing turnover in an organization. These are reward practices, involvement and participation practices and job embeddedness which lead to high commitment level, high performance and work satisfaction.

### **Theoretical background and conceptual framework**

The motive of this study is to make a modest advancement in the literature on turnover intention with a focus on employee relations. Tanova and Holtom (2008) note that most of the literature on turnover intent is based on March and Simon's work of 1958 wherein they posit that employee's intention to quit is based on their ability to move and opportunities available. In the following sections we will define the variables of interest and review some of the existing literature. We will then propose a framework linking ER activities with turnover intention.

### **Turnover intention**

Turnover intention is the withdrawal behavior of an employee and which has a negative effect on organizational performance because valuable employees are leaving (Chang, Wang and Huang 2013). Turnover is defined as the "individual movement across the membership boundary of an organization" (Price, 2001: 600). Turnover of employees cost enormous expenses to organizations in terms of recruiting, hiring and training new employees (Cho and Son 2012). Intention to quit is included as the last step in the turnover process (Mobley et. al., 1979) and extant literature positions this as a significant predictor of actual turnover (Bluedorn, 1982).

### **Employee relations**

Employee relations activities are defined as all those activities that enhance the satisfaction and commitment of employees. For instance, it is evident that practices that are perceived as fair lead to greater satisfaction and commitment (Meyer, Stanley, Herscovitch and Topolnytsky, 2002). The study on commitment and satisfaction are mostly grounded in the social exchange theory (Blau, 1964). The social exchange theory proposes that positive organizational action sets-up a process of social exchange between the employee and the organization which culminates with positive employee attitudes and behavior.

Now-a-days, organizations also believe that fostering a culture of employee engagement, competency based development and continuous process of improving work life quality helps in building and sustaining high performance as well as retaining top talent. These are considered as important Employee Relations constituents. Organizations strive to provide an opportunity to employees to utilize their skill, knowledge and leadership abilities through participative approaches which improves employee performance and lead to innovation and value creation for an organization. Hence recognizing and celebrating employee performance as individuals as well as teams improves retention.

Organizations should create a productive, learning and caring environment for an employee that leads to high commitment level and provide them intrinsic satisfaction.

### **Reward practices and commitment level**

Reward refers to all forms of financial return, tangible services and benefits an employee receives as part of an employment relationship (Bratton and Gold, 1994).

Based on the literature review, organizational commitment is defined as "...as the relative strength of an individual's identification with and involvement in a particular organization" (Porter and Smith, 1970:226).

We focus on the first dimension of employee relation and its relationship with turnover intention, taking high commitment level as a variable of ER. Studies have shown that high commitment levels leads to reduction in turnover intention. Employees who are committed towards their organization have high motivation to work hard and they stay with the organization (Gardner and Quigley 2010). Reward practices also contribute to enhanced commitment. Even though reward is considered to be an extrinsic motivator and commitment is believed to be intrinsic, by building on the social exchange argument one can say that reward practices contribute to commitment. Thus, it would suffice to say that organizations gain employee commitment through a complex process that combines rewards with fair workplace practices (Gardner and Quigley 2010).

Gardner and Quigley (2010) concluded that reward practices are crucial for high level of commitment in an employee. Organizations should ensure that reward practices should match their employment in order to keep high level of commitment among employees.

De Gieter et.al (2012) in their study suggest that reward satisfaction helps in decreasing attrition in an organization, but it is important to know what kind of rewards influence turnover intent the most. To retain employees, it is important for an organization to be fair in reward practices and it should be perceived to be fair by the employees as well.

## **Involvement and participation practices and high performance**

Involvement practices lead to workplace innovations as: self-scheduling systems, employee suggestion systems, self-managing teams, quality improvement teams, and shared governance arrangements (Rondeau and Wagar 2012).

Lawler (1988) has identified four key elements of employee involvement in an organization. These key elements are (1) information about the performance of the organization, (2) rewards that are based on the performance of the organization, (3) knowledge that enables employees to understand and contribute to organizational performance, and (4) power to make decisions that influence organizational direction and performance" (Lawler 1988 : 197)

Lawler identified three approaches to describe employee involvement "suggestion involvement," "job involvement," and "high involvement" using these four key elements for employees with power, information, knowledge and rewards (Lawler 1988:197)

Suggestion involvement helps employees to participate in problem solving and idea generation. Under suggestion involvement, Quality Circles has become very popular approach. Job involvement include two strategies for achieving job performance - job enrichment and synergies team work. High involvement includes the performance of the whole organization.

Employee involvement and participation practices are a direct and indirect interface between organization and their employees which include information sharing (Cox, Marchington and Suter 2009) and developing positive beliefs and attitudes that create flexible behaviors of employees that lead to enhanced performance (Konrad 2006). Employee involvement

and participation practices are positively related with performance enhancement in a variety of areas, including better customer satisfaction, profitability and productivity, and reduced turnover (Konrad 2006). Studies have shown the positive effects of employee involvement and participation practices in various industries. Existing research studies indicate that employee involvement practices are positively connected with employee morale, enhances employee performances and reduced turnover and also improves the organization's financial performance. (Konrad 2006).

### **Job embeddedness and job satisfaction**

Job embeddedness deals with the employee decision to take part largely and directly, to stay in job (Cho and Son 2012). Research on job embeddedness indicates that the employee himself/herself want to stay in a job because of three dimensions called Link, Fit and Sacrifice. (Mallol, Holtam and Lee 2007).

Links are defined as formal or informal relations between an individual, groups and organization. It can be said that higher the number of links between the individual, the more an employee is connected to the job and the organization (Mitchell, Holtam, Lee, Sablynski and Erez 2001). Many organizations put a lot of emphasis on these links for instance "accounting firms try to increase the degree of the attachment by using a system of mentors and role models." (Cho and Son 2012: 3).

Fit is the perceived comfort of an employee within an organization and community. According to Mitchell et.al. (2001), an employee's values, career goals and plans should "fit" with the culture of an organization and the requirement of work in terms of knowledge, skills and abilities. This fit in turn helps in reducing voluntary

turnover. Therefore, employee "Fit" with the work and organization communicates the affection of an individual toward an organization. (Mitchell, Holtam, Lee, Sablynski and Erez 2001). Hence, it seems logical to conclude that greater the fit, less is the intent to leave the organization.

Sacrifice is defined as the "perceived cost of material or psychological benefits that may be forfeited by leaving one's job." (Mitchell, 2001:10) Sacrifices are the loss of colleagues, worth while projects, job-related perks, as well as "switching costs" for instance, the loss of job stability and/or possibility of advancement, accrued eligibility for a pension plan (Mitchell, Holtam, Lee, Sablynski and Erez 2001). This also parallels the high sacrifice dimension of continuance commitment (Meyer et al. 2002).

Research also shows that job embeddedness contributes toward reduction in turnover intention among individuals in an organization. Existing research suggested that the employee's decision of leaving job is not only the outcome of his / her attitude towards job or the job opportunities available in market, but also job embeddedness (Tanova and Holtom 2008).

Work satisfaction of an employee is related with career satisfaction and job satisfaction. Work satisfaction leads to reducing turnover intention when it merges with job embeddedness. Srikanth and Israel (2012) define career satisfaction in two ways, first the individual's own way of giving meaning to career and second as a position, salary and status that get perceived as progress in the social networks of the employee.

Job satisfaction is defined as delight in an individual when he/she works on an important job and it is also a good feeling of liking one's job and staying connected

with the job (Cho and Son, 2012). In their study Cho and Son (2012) showed that more perceived sacrifice leads to higher career satisfaction and more job satisfaction lead to less turnover intention.

We thus propose that employee relation activities contribute to enhanced commitment and satisfaction of the employee and this in turn leads to lower turnover intention.

*Proposition 1: Employee relations activities in an organization contribute to lower intention to quit the organization.*

*Proposition: The relationship between employee relation activities and turnover intention is mediated by employee commitment and satisfaction.*

## Conclusion

The proposed model has reasonable implications for practicing managers. While it is evident that middle level managers as individuals may not be able to influence policy decisions on employee relation activities, they still have a significant role in implementing organizational policies on people management. Moreover, organizations often seek inputs from the managers regarding the motivators of their team members. Managers who

are focused on enhancing employee commitment and satisfaction will be quick to take these opportunities and suggest practices that encourage involvement and enhance workplace attitudes. It is known that organizations that are recognized as great places to work also report very low employee turnover. Employee turnover behavior is preceded by an intention to quit. If managers are able to create a positive impact on employees and dampen this intent to quit they contribute to value creation in the organization.

The paper is limited to a few employee relation activities and by no means do we propose that this is an exhaustive list. However, given the scope of the paper, we decided to focus on a few activities that enhance commitment and involvement of the employees. The paper is limited to being a propositional inventory. It is useful to operationalize this model and test it through empirical research. This would create far more meaningful impact for practicing managers. As the next step we intend to conduct empirical research, preferably in an industry context which experiences high employee turnover. This may enable us to concretize the model and make specific recommendations for managers.

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