HRM Practices and Employee Retention: Scale Development and refinement

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Abstract

This is a supplementary study to the next step i.e scale development and refinement of the measures of HRM practices and Employee retention. The conceptual model was developed based on the literature review of these study variables in the previous study. Five point Likert scales were used for primary data collection. The research scales were developed and refined and were tested for unidimensionality, reliability and validity for the above measures. The data was collected from 75 Senior HR managers; the data was put to analysis by using the capabilities of lisrel 8.80.

Keywords: HR Practices, Employee Retention, Scale development, scale refinement, empirical.

Introduction

As mentioned earlier this study is a supplementary study. Initiated with a desire to develop and refine scale which can empirically test the relationship between the measures of HRM practices and Employee retention. As stated in the previous study, in this era HRM practices has changed or rather transformed tremendously. On the other hand employee retention remains another area of concern. Therefore there is a need to develop and refine measures of these study constructs in order to open a line of empirical enquiry to the relationships between the two.

Method

Participants and Respondents' Profile

The unit of analysis was the individuals (i.e., HR mangers) who have been working in different sectors, in HR departments of these firms for more than 2 years. Survey questionnaires were used to gather relevant data for the study. The respondents were asked to express their perceptions through 5-point Likert scale. The survey involved measures of HR practices i.e. compensation, training and development, performance appraisal, and measures of employee retention. Total 91 questionnaires were collected, Out of these 91 respondents, most of the respondents were males 59.3%. Almost, 51% of the participants' held an undergraduate degree. Moreover, most of the participants' 56.3% were single. Regarding the age group, 42.4% of the respondents were in the group of 25–35 years of age. Mostly, 49.9% of the participants were senior HR managers and majority of the participants (41.9%) had a monthly income ranging from INR 60000 to INR 1, 75000.

Scale Development: Measurement

The 25 items used in the present study were drawn and modified from previous studies. Five-point Likert scale was used to measure all the items, where 1 showed strongly disagree and 5 specified strongly agree. To measure employee retention, 11 items were adapted from Kyndt, Dochy, Michielsen, and Moey- aert, (2009). A sample item is "I intend to work here for long". Five items measuring compensation were adapted from Tessema and Soeters (2006) for example, "The salary at my institution encourages me to perform better." Similarly, four items of Delery and Doty (1996) were used to measure training and development, "My institution provides extensive training for development." While five items measuring performance appraisal were adapted from Delery and Doty (1996). A sample item is "I am evaluated based on my performance."

Scale refinement: Common Method Variance Test

The current study adopted Harman's single-factor test proposed by Podsakoff and Organ (1986) to examine common method variance. The main assumption of Harman's (1967) single-factor test is that if a substantial amount of common method variance is present, either a single factor may emerge, or one general factor would account for most of the covariance in the predictor and criterion variables (Podsakoff & Organ, 1986). Following Podsakoff and Organ (1986), all items in this study were subjected to a principal components factor analysis. The results of the analysis yielded factors, explaining a cumulative of 64.82% of the variance; with the first (largest) factor explaining 33.60% of the total variance, which is less than 50% (Kumar, 2012). Additionally, the results indicated that no single factor accounted for the majority of covariance in the predictor and criterion variables (Podsakoff, MacKenzie, & Podsakoff, 2012). Hence, this suggests that common method bias is not a major concern and unlikely to inflate relationships between variables measured in the present study. In the current study, Lisrel 8.80 was used to analyze the data.

Measurement Model

Convergent Validity

Construct validity was examined following a two-step modeling approach recommended by Anderson and Gerbing (1988). Convergent validity was assessed, followed by the discriminant validity and internal consistency reliability as given in Tables 1 and 2, respectively. As recommended by the researchers – Gefen, Straub, and Boudreau (2000), Hair, William, Barry, and Rolph (2010), and Hair, Anderson, Tatham, and Black (1998) Construct validity is assured when composite reliability is greater than 0.7, the loadings are greater than 0.7, and average variance extracted (AVE) is greater than 0.5. Composite reliability refers to the degree to which the construct indicators indicate the latent construct, which also exceeded the recommended value of 0.7 (Hair et al., 2010). The AVE measures the variance captured by the indicators rela- tive to measurement error, which is also more than the suggested value 0.5

(Barclay et al., 1995).

Table 1: Results of the Measurement Mode.

Construct	Item	Loading	Composite Reliability	AVE
Compensation	COMP1	0.918	0.953	0.804
	COMP4	0.932		
	COMP5	0.918		
	COMP2	0.772		
	COMP3	0.934		
Training	TD1	0.886	0.893	0.736
	TD3	0.808		
	TD2	0.877		
Employee retention	RET1	0.897	0.981	0.823
	RET4	0.883		
	RET11	0.927		
	RET6	0.904		
	RET7	0.907		
	RET8	0.850		
	RET2	0.951		
	RET10	0.895		
	RET3	0.914		
	RET5	0.924		
	RET9	0.923		
Performance	PA1	0.792	0.946	0.854
	PA2	0.983		
	PA3	0.983		

Discriminant Validity

Similarly, discriminant validity, which refers to the extent to which a particular latent construct is different from other constructs (Duarte & Raposo, 2010), was accessed considering the Fornell and Lacker's (1981) suggestion. On the prem- ise of this recommendation, the average variance shared between each construct and its measures ought to surpass the variance shared between the construct and other constructs.

As shown in Table 2, the square root of the AVE exceeds the correlations for each construct signifying appropriate discriminant validity of the construct (Hair, Anderson, Tatham, & Black, 1998; Hair et al., 2010).

Table 2: Discriminant Validity of Constructs.

	COMP	PA	RET	TD
COMP	**0.897**			
PA	0.331	**0.924**		
RET	0.210	0.087	**0.907**	
TD	0.363	0.551	0.072	**0.858**

Note: The square root of the AVE is represented by diagonals (boldface), while the other entries signify the correlations.

Discussion

This study is a supplementary study. Initiated with a desire to develop and refine scale which can empirically test the relationship between the measures of HRM practices and Employee retention of the employees in different Indian organisations. The findings of this study revealed that the measures of HRM Practices and Employee retention were found to be unidimensional, reliable and valid. This finding is consistent with results of previous research (e.g., Nawab & Bhatti, 2011; Saeed et al., 2013). This suggested the above developed measures can be utilized for assessing the structural model.

Implications

On the basis of previously mentioned results, there are couple of suggestions and implications for HR department and administration of the hotel industry. Theoretically, this study has provided some empirical evidence on the measures of compensation, training and development, performance appraisal, and employee retention. Furthermore, the scale developed in this study can be used for testing relationship between HRM Practices and employee retention.

Limitations and Suggestions for Future Research

This study has certain limitations that need to be highlighted. Firstly, data were collected from HR managers only putting forward their perception; secondly the respondents were limited to Indian organizations. Thirdly, the study is based on quantitative data.

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