

MEASURING THE IMPACT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON EMPLOYEE TURNOVER

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Abstract

When employees leave the organization, whether at their own will or not, the consequences could be extremely serious. High turnover costs much, because it involves direct financial expenses for recruitment and selection, appointment, training and adaptation of the newcomers; at the same time, the indirect (hidden) costs, because of lost productivity and missed opportunities, constitute about 70–85% of all.

This research was conducted in a large Bulgarian business organization with the aim to determine the impact of HRM practices on the personnel turnover, measured by the inclination to leave. There were formulated conclusions about the ability of the HRM system to retain the employees and respectively recommendations to the management of the organization.

The methods of data collection included in-depth semi structured interviews with the manager of the HRM department and anonymous inquiry among 140 employees and workers. The results were subsequently processed with SPSS.

Key words: *employee turnover, human resource management, HRM practices.*

Introduction

The contemporary rapidly changing business environment, characterized by limited and scarce labor market, highly dynamic consumer preferences and growing competition, is a big challenge for the most organizations. In their striving to answer these challenges, the academic community and the practicing managers continuously accent upon the usage of strategies, which rely on the key competencies and talent, concentrated in the human resources. The increasing interest to HRM results from the belief that the employees and the way they are managed are critical for the success of every firm. The conviction that the improvement of the organizational performance is in the hands of the human resources, is establishing increasingly categorically not only because they cannot be easily imitated by the competitors, but also because namely they are in a position to react quickly and effectively to the changes in the market requirements.

On these lines, of essential importance for the organizational vitality is the creation of HRM systems which are able to attract, develop, motivate and retain employees that will support the organizational effectiveness. Since the organizational capital is directly related to the human capital, the systems influencing the knowledge, skills, abilities and behaviors of the employees, help the companies to realize their strategic goals. As HRM is an integral part of the organizational strategic processes, the practices in this field should be considered as a resource, contributing to the firm's profitability, and not to the working expenses (Delery & Doty, 1996).

One of the basic criteria for measuring the effectiveness of the HRM function in the organization is the personnel turnover (i.e. its voluntary leaving); not surprisingly it is considered as an indicator for a quality of work life. Although its most obvious consequences are connected with increased expenses for recruitment, selection and training of the newly appointed personnel, additional indirect costs are realized because of worsening the performance and morale, as well as lost strategic opportunities.

A great number of studies on personnel turnover exist, but they are mostly conducted in the developed countries. Probably provoked by the fast developing economies, vital business environment, large scale economic activity and growth, which offer many alternative job opportunities for the employees, the managers constantly search and attempt to create new practices, directed to formation of competitive advantages and retention of the employees. Since this field is unexplored in the developing countries in general (Baruch & Budhwar, 2006), this results respectively in a lack of focused strategies for coping with the high levels of turnover and improvement of the organizational performance (Khatri, Budhwar, & Fern, 2005). In this situation the employers usually orientate to the introduction of many successful west HRM practices, such as flexible working time, empowerment, open communications, management by objectives, flatter structures and performance-based reward (Khilji, 2004).

Currently in Bulgarian organizations is observed quite clearly a complete lack of interest and underestimation of the problem with turnover and the HRM field in general. It is a fact that many of the employers do not pay enough attention to their personnel, which is due to the striving for cost reduction and survival in the conditions of the current deep economic crisis (Slavianska, 2011). In large numbers the line managers and HRM specialists consider that payment and benefits are the factors that retain employees and since they are not always able to control them, they are inclined to distance from the problem and to determine turnover as a result from the firm's policy towards payment and stimulation of personnel. As a result, the problems connected with the leaving of personnel are ignored and respectively identified quite late, which makes impossible their mastering. Actually, relying on one basic instrument for personnel retention, and namely – the lack of other job opportunities in the conditions of high unemployment and labor supply, the employers are not inclined to invest in development of their HRM practices, i.e. to improve the way they manage their people.

Research Focus

The study focuses on measuring the effects of HRM practices in a large business organization. SKF is a leading global company with main activity manufacturing and selling of bearings and components for them. The concern carries out activity in 28 countries, has representations in over 130 countries and personnel of 41 172 people. The current study was conducted in one of the three business units of “SKF Bearings Bulgaria” JSC, where work about 500 people.

The chosen study object is not casual. On one hand, it is intuitively supposed that larger organizations are more likely to possess and respectively to invest more resources in the creation of effective systems for attracting and retaining talented employees; in principle, in the small organizations is difficult to establish the effect from the activities connected with the personnel management.

On the other hand, SKF is an organization with a long history, operating on a world scale with a reputation of desired employer, which enables it to recruit and retain top talented employees through offering better opportunities than the competitors.

Besides this, it is established that the multinational organizations are an effective

instrument for transfer of innovative management practices (UNCTAD, 2005). They possess better HRM systems in comparison with the local organizations (Duarte, 2001), which respectively attempt to copy these systems from their global competitors (Khilji, 2004). On these lines, global companies are taken as employers – models, offering an environment for training of the local employees.

Therefore the expectations were connected with the presence of a well developed and refined HRM system, including practices with a strong influence on the organizational performance, in particular personnel turnover.

Methodology of Research

According to the manager of HRM department, the personnel turnover in the organization marks a descending tendency in the last years, but of interest for the researcher was to determine whether this is due to the actions for continuous elaboration of HRM practices or rather to some secondary factors (as, for example, the limited business in the condition of crisis and respectively the low supply of jobs on the Bulgarian labour market).

General Background of Research

The purpose of the study was to determine the influence of HRM practices over the personnel turnover in the organization. The following limitations were introduced:

1) Only the effect of the HRM practices applied currently in the organization was studied (since it is impossible to measure the influence of practices that do not exist). For this reason there are not covered activities and instruments with theoretically and empirically proven effectiveness, such as, for example, usage of assessment centers, application of flexible forms of employment, introduction of formal mentorship programs, usage of tests and other methods (except the interview) in the personnel selection, etc.;

2) The indicator “inclination to leave”, instead of turnover, was used as a dependent variable. On one hand, it is assumed as one of the strongest predictors of the actual turnover and in this sense many researchers conceptualize it as a surrogate indicator (substitute) of the actual behavior. On the other hand, its advantage is in the opportunity for launching strategies for personnel retention before the real financial losses to be realized. Besides this, it is not logically to measure a correlation between practices, applied at present, and turnover indicators for past period and respectively to ignore the time lag.

Sample of Research

The study included 140 respondents, i.e. over 25 % of the personnel in the organization; the size of the sample gives reasons to take it as representative. The respondents were segmented in two categories – workers and administrative employees, with the following arguments: first, to a great degree this logic is based on the specifics of the performed activity, and second, since not all employees and jobs are considered as a source of competitive advantage, the organizations tend to differentiate their practices and to invest more in key jobs, i.e. those that are of fundamental significance for reaching the strategic goals. Therefore, even within the boundaries of one organization different solutions to the problems connected with the personnel management are possible.

The necessary information was collected through in-depth semi structured interview with the manager of the HRM department and through anonymous inquiry among the personnel. **This decision has its grounds. Most of the studies on the relation between HRM practices and personnel turnover (as the other indicators of organizational performance, as well), include formulation and/or testing of some list of so called “best” practices (Pfeffer & Veiga, 1999) and usage of information from one and only respondent – usually top manager or HRM specialist. But this situation hides some potential risks.**

It is often found that some practices, so convincingly described by the managers during the interview, exist only “on paper” (Khilji & Wang, 2006). The posting of these good intentions is not enough, but of fundamental importance is namely the realization, i.e. the transformation of the policies into actions (Gratton and Truss, 2003), which in most cases is in the hands of the line managers. The human resource management should produce an effect in the daily working activities of the employees, as to find a result in their job satisfaction. Namely their personal satisfaction (and not the belief of the researcher, that a definite set of practices is perfect) is the factor that essentially contributes to the positive relation between HRM and organizational performance. The focus upon registering the presence or absence of some practices, with the exclusion of the employees’ opinion, is a serious gap in the existing theoretical and empirical studies (Khilji & Wang, 2006); the neglecting of the impressions and the attitudes of personnel could potentially lead to distorted results. Actually the correlation between HRM practices and turnover is due namely to the effects upon the personnel satisfaction from the job in the organization.

There was used a questionnaire of 36 items, intended to follow the application of every HRM practice and its effect upon the desire of the respondents to stay or leave the organization. The contents of the questionnaire were developed on the basis of studying generally accepted theoretical concepts in the field of HRM. The answers took the form of Likert items, as the advantage of this scaling method is in the ease of construction and processing; the usage of only closed questions additionally facilitated the computer processing of the data. As a result of conducted pilot investigation, combined with information from HRM manager, the questionnaire went through many corrections – some questions were changed, others dropped out, and new items were added.

On the basis of the voluntary participation, the return rate was 100%, with insignificant gaps and mistakes in the answers. For greater reliability and objectivity of the obtained information, the respondents received a week at their disposal for consideration of their opinion, and after that everyone returned his/her questionnaire in a closed envelope.

Data Analysis

SPSS was used for descriptive and graphical analyses of the collected data; among the basic used instruments were cross tabulations and Spearman’s rank correlation coefficient.

Results of Research

It turned out that no one has a desire to leave the organization at present. At the same time, although 45 % of the workers and 30 % of the administrative employees are absolutely categorical that they will not leave, the rest show some hesitation or elusiveness in their attitude, which gives grounds for trouble.

Table 1. Inclination to leave.

Inclination to leave the organization	Workers (%)	Administration (%)
Definitely no	45.0	30.0
Probably no	45.0	50.0
I can't judge	10.0	20.0
Probably yes	0.0	0.0
Definitely yes	0.0	0.0

The inclination to leave usually results in some behavioral reaction. It seems that the employees are more undertaking the so called "searching behavior" – 70 % of them examine the advertisements for vacant jobs (although sometimes), compared to 10 % of the workers. But at the same time, 10 % of the workers continuously seek information from different sources - advertisements, friends, relatives, etc. The positive fact is that still no one is in a stage of active application in competitive organization.

Table 2. Searching behavior.

Exploration of other job opportunities	Workers (%)	Administration (%)
No, I am not interested.	80.0	30.0
Sometimes I have a look at the advertisements.	10.0	70.0
I can't judge.	0.0	0.0
I continuously seek information from advertisements, friends, relatives, etc.	10.0	0.0
I actively apply – submit CVs and attend interviews.	0.0	0.0

Table 3 demonstrates the existing relation between inclination to leave and behavior, searching another job.

Table 3. Inclination to leave and searching behavior (%).

Exploration of other job opportunities	Inclination to leave the organization		
	Definitely no	Probably no	I can't judge
No, I am not interested	37.5	17.5	0.0
Sometimes I look at the advertisements.	0.0	30.0	10.0
I continuously seek information	0.0	0.0	5.0

The inclination to leave has a relation with the existing opportunities on the labor market. It would be interesting to understand how the different categories of personnel judge their chances of finding another, better job. There were established some differences in this respect: for example, 90 % of the workers tend to negative answer, but at the same time 10% of them think that probably have a chance. The administrative employees do not have positive expectations.

Table 4. Perceived job alternatives.

The possibilities of finding a better job	Workers (%)	Administration (%)
Definitely no	60.0	65.0
Probably no	30.0	15.0
I can't judge	0.0	20.0
Probably yes	10.0	0.0
Definitely yes	0.0	0.0

As we can see, the inclination to leave strongly corresponds with searching behavior; Spearman's coefficient of rank correlation is 0.764. At the same time, the correlation between inclination to leave and perceived chances to find a better job is moderate, but coming near to strong (0.552). The weakest correlation is observed between searching behavior and alternative opportunities (0.301).

Table 5. Correlations between inclination to leave, searching behavior and alternative opportunities (Spearman's rho).

	Inclination to leave	Searching behavior	Alternative opportunities
Inclination to leave	1.000	0.764	0.552
Searching behavior	0.764	1.000	0.301
Alternative opportunities	0.552	0.301	1.000

On the basis of the calculated correlation ratios was established that the strongest influence on the personnel's inclination to leave the organization have the following HRM practices: legality and fairness of the personnel dismissals, dependence of lay offs on the performance evaluations, assignment of clear goals, tasks and criteria for performance evaluation by the direct manager, support from the manager with the task performance, frequent communication with the direct manager, giving regular feedback about the performance, jointly goal setting with the manager, giving constructive criticism for performance improvement, dependence of payment on the performance evaluation, dependence of the training on the subordinate's desire, informing by the direct manager about

Table 6. Correlations between HRM practices and inclination to leave.

	Human resource practices	Spearman's rho
1.	Realistic job preview during the process of recruitment and selection.	- 0.542
2.	Assignment of additional tasks at subordinate's desire.	- 0.311
3.	Application of rotation in the department.	- 0.047
4.	Little control by the direct manager in the daily work of the subordinate.	- 0.201
5.	Legality and fairness of the personnel dismissals in the organization.	- 0.866
6.	Organizational policy of layoffs prevention.	- 0.410
7.	Dependence of lay offs on the performance evaluations.	- 0.694
8.	Improvement of the working conditions.	- 0.330
9.	Improvement of the safety and health conditions.	- 0.308
10.	Permanent control by the direct manager over the safety.	0.054
11.	Observance by the direct manager of the work and rest periods.	- 0.160
12.	Adaptation of the workload to the abilities and desires of the subordinate.	- 0.582
13.	Careful introduction of the newcomers in the work group.	- 0.486
14.	Concern for relations in the work group and enhancing the cooperation.	- 0.207
15.	Group participation and collective decision making.	- 0.512
16.	Team building activities in the organization.	0.008
17.	Dependence of the individual reward on the group result.	- 0.142
18.	Assignment of clear goals, tasks and criteria for performance evaluation.	- 0.663
19.	Support from the direct manager with the task performance.	- 0.616
20.	Frequent communication with the direct manager.	- 0.643
21.	Receiving regular feedback about the performance.	- 0.858
22.	Jointly goal setting with the manager.	- 0.698
23.	Receiving constructive criticism for performance improvement.	- 0.828
24.	Higher payment in comparison with other organizations.	- 0.090
25.	Dependence of payment on the performance evaluation.	- 0.896
26.	Program for orientation of the newcomers in the job.	- 0.566
27.	Dependence of the training on the subordinate's desire.	- 0.742
28.	Informing by the direct manager about the possible trainings.	- 0.862
29.	Relationship between training and rewards.	- 0.701
30.	Informing about the vacant jobs, suitable for the subordinate.	- 0.489
31.	Organizational preference for internal personnel recruitment.	- 0.794
32.	Dependence of the movement/promotion on the performance evaluation.	- 1.000
33.	Jointly preparation of a career plan with the direct manager.	- 0.726

the possible trainings, relationship between training and rewards (promotion or payment increase), organizational preference for internal personnel recruitment, dependence of the movement/promotion on the performance evaluation and jointly preparation of a career plan with the direct manager.

At the same time, the following practices are without significant influence: application of rotation in the department, little control by the direct manager, observance by the direct manager of the work and rest periods, concern for relations in the work group and enhancing the cooperation, dependence of the individual reward on the group result and higher payment in comparison with other organizations. Furthermore, a weak positive correlation exists between inclination to leave and the following: permanent control by the direct manager over the safety and team building activities in the organization.

The study showed that the strongest application in the organization have the following HRM practices (without personnel segmenting): actions for improvement of the working conditions, actions for improvement of the safety and health, careful introduction of the newcomers in the work group, program for orientation of the newcomers in the job, legality and fairness of the personnel dismissals, permanent control by the direct manager over the safety, relationship between training and rewards, dependence of payment on the performance evaluation, dependence of the movement/promotion on the performance evaluation and dependence of lay offs on the performance evaluations.

At the same time, the weakest presence have the following: group participation and collective decision making, application of rotation in the department, assignment of additional tasks at subordinate's desire (for reducing the monotony), little control by the direct manager, dependence of the individual reward on the group result and realistic job preview during the recruitment and selection process.

Figure 1 shows the differences in the application (presence) of HRM practices according to the personnel categories; it turned out that on many dimensions the perceptions or the objective reality of the workers and the administration are quite different, which suggests a differentiated approach to the management of the different categories jobs, in direction harming of the workers.

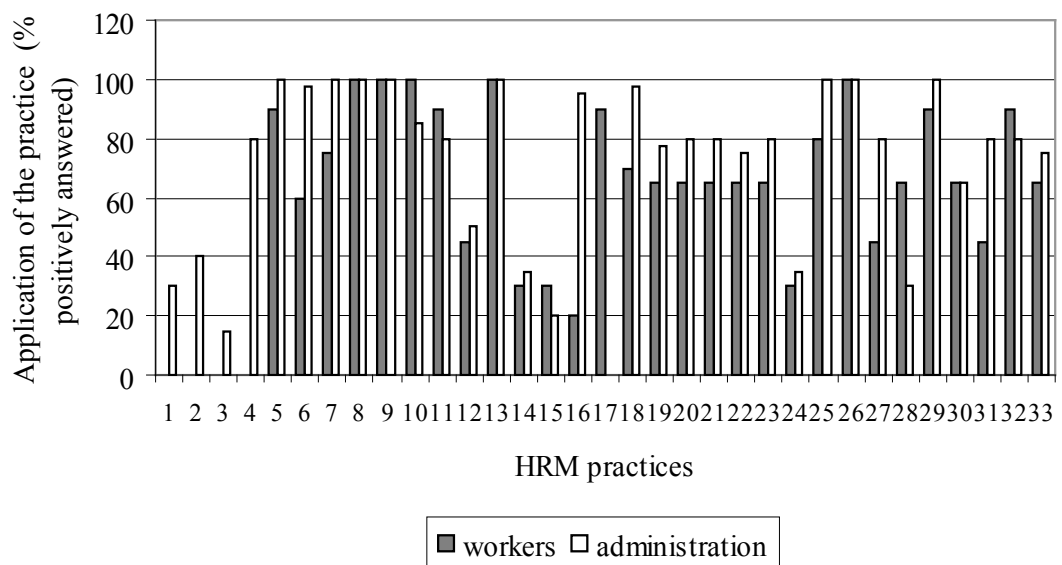


Figure 1: Application of HRM practices across categories of personnel.

Discussion

The conducted empirical study revealed some quite interesting HRM aspects in the organization. In general, the investigated company could be presented as an example regarding HRM, which confirms the admission that this function is of high quality in the large multinationals. Exceptions are three HRM practices, which could be well designed by the HRM department, but to be vitiated in their application by the line managers (since they are actually managing the subordinates), which raises the question about their selection, training and cooperation with the HRM department.

There was established a strong correlation between inclination to leave and searching another job, as well as perceived alternative opportunities, and quite weaker correlation between searching behavior and chances of another employment.

It is obvious that the personnel do not desire to leave the organization at present and do not search other alternatives respectively: more than 50 % of the workers and the employees are not interested and do not explore other job opportunities, and the rest do this sometimes. This situation could be due to a very high satisfaction from the present job, as well as to the assumption that other alternatives a priori do not exist (and therefore it makes no sense to be searched).

On the other hand, the lack of searching behavior could lead to a lack of recognition of the existing alternative opportunities on the labor market; this, in turn, would affect the perceived chances of finding a better job. Indeed, an insignificant part of the respondents believe they could probably find a better job, but the weak correlation between searching behavior and alternative opportunities suggest that obviously the situation is not due to a lack of knowledge.

It is also possible the workers and the employees not to have a good notion about their own mobility capital or to underestimate it, as a result of which to assess the probability of finding a better employment as low.

It turned out that with some HRM practices are observed significant differences between the two personnel categories, i.e. there exists a differentiated attitude towards the workers and the employees; this however does not have a fatal impact on the job satisfaction, since most of the missing practices proved without a significant influence on turnover. The results from the study showed that all 15 strongly influencing HRM practices are presented quite well in the organization, with the exception of №28 regarding the administration and №27 и №31 regarding the workers. Obviously these are the problem areas, towards which should be directed the management efforts.

In relation to the administrative employees it is necessary to increase the level of knowledge about the opportunities for training, which is basically a responsibility of the direct manager. In reference to the workers is important to strengthen the relation between the training and the subordinate's desire – obviously they do not perceive themselves as able to receive training whenever they wish, but this depends more on the judgment of the manager or the training officer at the HRM department about the necessity of it (or is a question of available financial resources). This could have a very serious effect on the job satisfaction. Since the desire for training stems from the possible positive consequences/rewards (such as job promotion and/or salary increase), the lack of control over the training on the part of the worker actually means a lack of control over these rewards. In the light of the contemporary trend the employees to seek organizations, which offer them opportunities to train and increase their qualifications, i.e. to invest in their mobility capital, this can cause personnel turnover.

Moreover, despite the assurances of the HR manager, the workers obviously do not believe that the organization prefers internal personnel recruitment, which is connected with the existing career opportunities for them. This means that they actually perceive themselves as limited not only regarding their opportunities for training, but as well as regarding their opportunities for job moving or promotion, which are inter connected to a great degree.

Conclusions

Two basic conclusions evolve from the conducted study: 1) not all HRM practices have equally strong effect on the job satisfaction and respectively on the personnel turnover and 2) the dissatisfaction from some practices not always stimulate leaving the organization.

All that an organization makes in the field of HRM can potentially influence the subordinates' decision to leave or to stay with it. It is a matter of choice on the part of the management how far to take into consideration the effect from the applied HRM practices on its personnel satisfaction. Taking advantage of the lacking alternative opportunities in the labour market, many Bulgarian employers prefer to save their investments in human resources. But they should not forget that the main cause for turnover is the personnel dissatisfaction, and the alternative opportunities are considered as a secondary factor. This means that with the first symptoms of economic activity and movement of the labor market, it could be expected that the dissatisfied personnel will leave; however, usually victims of turnover become the best and most talented specialists – before them always open more opportunities because of their higher mobility capital. Probably the realization of this truth provokes the differentiation of the practices in the studied organization, applied to the key employees and the rest.

The presented situation gives a good reason to think about at least two things: first, could Bulgarian organizations afford keeping dissatisfied and not motivated personnel, and second, how would they cope with the increased turnover subsequently? Probably the employers will orientate to the introduction of commonly accepted practices with proved effectiveness, but still remains the question whether these practices would have the same effect in the conditions of a different external economic environment and internal organizational context?

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