Importance of Innovative HR Practices in Controlling Employee withdrawal Behaviors

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ABSTRACT

While information technology industry in India is moving ahead with an outstanding velocity, major players in the sector are facing serious issues related to employee attrition. Nowadays, human resource managers are having a tough time in recruiting, training and retaining the talented workforce in a cost effective manner. In the fast paced world where competition is intense, organizations are looking for options to keep the employee morale high to ensure long term survival. By keeping in pace with work environment trends and ensuring that right kind of practices are in place, managers now realize the importance of retaining their highly skilled labor force with valuable technical knowledge. With employee poaching rife in the industry, a small mishap may result in the outflow of innovative and talented employees to the competitor and this may prove to be hazardous for the organization. Even though many researchers have focused on attrition, the retention aspect and its antecedents have been widely ignored. This study concentrates on clearly defining the relationship between innovative human resource practices and employee withdrawal behaviours. The study examines the different existing definitions of the two concepts along with the two dimensions of employee withdrawal behaviors. 350 employees working in 25 IT companies were included in the study and structured questionnaires were used for the purpose of data collection. Results showed that there exists a strong negative impact of innovative human resource practices on employee withdrawal behaviors. Detailed analysis proved the strong negative impact that innovative human resource practices have on job and work dimension of employee withdrawal behaviors. It was also found that work dimension of employee withdrawal behaviors is more affected by innovative human resource practices compared to that of the job dimension.

Keywords--- Innovative human resource practices, Employee withdrawal behaviors, Information technology industry.

I. INTRODUCTION

The financial year 2012 has been remarkable for Indian IT industry since it has reached the significant landmark of reaching the aggregate revenue of US$100 billion (NASSCOM, 2013). The sector has raised its stature in the global sourcing industry by enhancing its market share from 52 % in 2009 to 58 % in 2011. But the sad part is that the employee turnover rates in India information technology industry has skyrocketed to 56% in the year 2011, which is a 16% jump compared to the previous year. According to the statistics shared by Associated Chambers of Commerce and Industry of India, services offered by the sector in the areas of pharmaceutical and financial services registered a turnover rate of 59%; in retail and IT sector 48%; and in automobiles, FMCG and infrastructure sectors 52% during 2011. Apart from this, employees working in the industry have registered high levels of stress, racial and sexual harassment and job dissatisfaction (Walletwatch, 2003; Cacanas, 2004). Therefore, despite the great success enjoyed by the sector, industrial experts and practitioners have started concentrating on retaining key employees, which is one of the most exigent issues faced by the industry.

Organizations now acknowledge that fact that qualified, well trained talents serve as the competitive advantage in the emerging economy. Fostering employee engagement through building a sense of freedom, involvement and trust among individuals is crucial for retaining employees. Since employees are treated as the most challenging and competitive capital, firms in the emerging markets started trying to understand the needs of the individuals and ways to better their job satisfaction. With steadily increasing development in the area of high technology, the demand for skilled employees is on a rise. The aggressive fight for talent has been called the war for talent. This war will be won by companies which encourage practical and workable polices benefiting both employees and employers. Considering the information technology sector, much of studies has been done to find
out the antecedents of attrition, few works have concentrated on employee retention through human resource practices (Budhwar et al., 2006) and talent management (Becker & Huselid, 1999).

II. LITERATURE REVIEW

Innovative human resource practices (IHRP)

Researchers have used a number of different terminologies such as high involvement work practices, transformed workplaces, high performance work systems, high commitment management and flexible production systems to describe work settings with innovative approaches to human resource management (Wood, 1999). According to Pfeffer (1994) and Lawler (1986), there are many benefits that organizations can enjoy by implementing innovations in workplace. There are three prerequisites that have to be satisfied for these practices to contribute towards financial performance of the firms. It includes employees possessing the right kind of skill and knowledge, they are motivated to apply it through voluntary effort and they display extra role behaviors suitable for work settings (MacDuffe, 1995). When innovation is implemented in workplace, need for supervision comes down and flexibility experienced by the workers is enhanced. Apart from that, individuals enjoy high morale which leads to superior performance through reduction in employee grievances.

According to the convention definition of innovation human resource practices, it refers to the conscious implementation of any previously unused ideas developed to change employee behaviors with the objective of obtaining superior organizational performance. Studies have found that apart from resulting in potential organizational results (Inchinowski et al., 1996), innovation human resource practices helps organizations in building innovative solutions are the need arises (Schuler & Jackson, 1999). Investigating more on these practices can help managers in having a better understanding about organization’s behavior and gives insights into the ways in which they respond to social and financial changes happening in the market. Studies have identified many work practices that saves costs, improves quality and provides better operational flexibility within the organizational setting (Osterman, 1998). The main advantage of these practices is that they simultaneously give grass root level employees – the individuals who create the product or give the service – with the right kind of resources and the opportunity to practice their practical knowledge of the firm’s products and processes for problem solving and better organizational performance.

III. RESEARCH METHODOLOGY

350 professionals working in 25 IT firms were selected as the sample for carrying out the study. E-mail containing the structured questionnaire was forwarded to them with a letter of invitation attached along with it. Whole hearted participation from the respondents was ensured by assuring full anonymity of the shared data. For measuring innovative human resource practices, a questionnaire developed by Tanuja Agarwala (2003) was employed. The 18 item scale developed by Hanisch & Hulin (1991) was used to measure employee withdrawal behaviours. An exclusion criterion was used to eliminate people with less than two years of work experience in their respective firms. Multiple regression analysis was used for analyzing the collected data.

IV. DATA ANALYSIS

Impact of innovative human resource practices on employee withdrawal behaviors

Multiple regression analysis was used to find out the negative relationship between innovative human resource practices and employee withdrawal behaviors. 

\[ H_1 \] – Innovative human resource practices have a negative impact on employee withdrawal behaviors.

The null hypothesis that innovative human resource practices have no negative impact on employee withdrawal behaviors was tested using statistical tools.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta value</th>
<th>Std Error</th>
<th>P value</th>
<th>Average Full Collinearity VIF</th>
<th>R^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>IHRP</td>
<td>0.377</td>
<td>0.035</td>
<td>0.001*</td>
<td>1.237</td>
<td>-0.426</td>
</tr>
</tbody>
</table>

It is evident from the analysis that innovative human resource practices have a negative impact on employee withdrawal behaviors with a beta value of 0.377 and R^2 value of -0.426. Therefore, all the values obtained from the analysis support the hypothesis that innovative human resource practices have a negative impact on employee withdrawal behaviors. Hence \( H_1 \) is accepted.
Impact of innovative human resource practices on job dimension of employee withdrawal behaviors

Multiple regression analysis was used to find out the relationship between innovative human resource practices and job dimension of employee withdrawal behaviors.

H₂ – Innovative human resource practices have a negative impact on job dimension of employee withdrawal behaviors.

The null hypothesis that innovative human resource practices have no negative impact on job dimension of employee withdrawal behaviors was tested using statistical tools.

Table 2 Multiple regression analysis results innovative human resource practices and job dimension of employee withdrawal behaviors

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta value</th>
<th>Std Error</th>
<th>P value</th>
<th>Average Full Collinearity VIF</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>IHRP</td>
<td>0.398</td>
<td>0.051</td>
<td>0.002*</td>
<td>1.162</td>
<td>-0.432</td>
</tr>
</tbody>
</table>

It is evident from the analysis that innovative human resource practices have no impact on conscientiousness dimension of organizational citizenship behaviors of the employee working in software industry with a beta value of 0.398 and R² value of -0.432. Therefore, all the values obtained from the analysis support the hypothesis that innovative human resource practices have a negative impact on job dimension of employee withdrawal behaviors. Hence H₂ is accepted.

Impact of innovative human resource practices on work dimension of employee withdrawal behaviors

H₃ – Innovative human resource practices have a negative impact on work dimension of employee withdrawal behaviors.

The null hypothesis that innovative human resource practices have no negative impact on work dimension of employee withdrawal behaviors was tested using statistical tools.

Table 3 Multiple regression analysis results on innovative human resource practices work dimension of employee withdrawal behaviors

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta value</th>
<th>Std Error</th>
<th>P value</th>
<th>Average Full Collinearity VIF</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>IHRP</td>
<td>0.399</td>
<td>0.039</td>
<td>0.000*</td>
<td>1.126</td>
<td>-0.411</td>
</tr>
</tbody>
</table>

It is evident from the analysis that innovative human resource practices have no impact on work dimension of employee withdrawal behaviors of the employee working in software industry with a beta value of 0.399 and R² value of -0.411. Therefore, all the values obtained from the analysis support the hypothesis that innovative human resource practices have a negative impact on work dimension of employee withdrawal behaviors. Hence H₃ is accepted.

V. FINDINGS AND DISCUSSION

The above results shows that innovative HR practices is having a strong negative impact on employee withdrawal behaviors exhibited by employees working in software industry. Separate in-depth analysis has shown that innovative HR practices have a negative impact on job and work dimensions of employee withdrawal behaviors. It was also found that innovative HR practices have stronger relationship with work dimensions of employee withdrawal behaviors compared to work dimension of the construct. The hypothesized relationship between dependent and independent variables were well supported by data analysis. Therefore, the primary assumption put forward by the researcher stating the strong impact that innovative HR practices have on employee withdrawal behaviors as a whole was proved statistically. There is enough literature support for the relationship between innovative human resource practices and employee withdrawal behaviors. Empirical research carried out in other industries have proved that innovative human resource practices that leads to perceived organizational support (US Department of Labor. 1993), organizational culture (Huselid, 1995), job setting (MacDuffie, 1995) and recognition of individuals (Milman, 2003) will increase willingness of employees to
stay in the organization. Apart from this, many researchers have argued that individuals who have a positive feeling towards work hours, job satisfaction and organizational commitment are more likely to stay with their present organization (Milman & Ricci, 2004). Career enhancement policies along with assurance to upward mobility can reduce turnover rates and lead to better organizational commitment (Cho et al., 2006). Many studies have addressed the effect of these factors on turnover and retention of talented and valuable employees (Shaw et al., 1998; Walsh & Taylor, 2007).

VI. CONCLUSION

To conclude, this study presents significant contributions to the current body of literature on successful retention of individual through their own interest to stay with the organization. The implications of the study are beneficial for both IT professionals and academicians. The key findings of the research will help in providing good employee retention practices in IT industry. This will help the firms to developing a trusting and loyal workforce that will lead to long term financial benefit and overall enhancement of firm performance. The important insights from the study will help academicians to equip future industry professionals with the right kind of skills and knowledge to succeed in the twenty first century. In a nutshell, this research is relevant and well timed for the labor intensive IT industry, which is suffering from high levels of attrition.

REFERENCES