

# Role of HRM Practices in Performance of Organization and Employee Retention

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**Abstract - Human resource management methods are examined in relation to their impact on productivity and staff retention. Human resource management practices are essential to keeping a company's workforce and boosting its overall productivity. Studies of HR procedures are common these days. Human resource management approaches have become the primary obstacles for all businesses since human workers are the major assets of both the industrial and service sectors. Successful human resource management (HRM) initiatives pay off in a number of ways, including increased profits, public favor, and employee loyalty. The retention of key employees is an issue that affects every firm. This analysis looks at how human resource management methods affect employee retention rates. Research shows that retention rates may be improved by implementing HRM policies and practices. Methods of human resource management can have a direct and significant impact on the rate at which employees are retained. When employees have a favorable impression of their employer's human resource management methods, they are more likely to remain with the company for the long time. Human resource management methods are now the key drivers of employee engagement, contentment, and loyalty. Keeping the best employees around can help to save money and boost the bottom line. The authors discovered that HRM procedures had a beneficial effect on staff retention. Human resource management (HRM) techniques that boost worker happiness and loyalty should be a top priority for firms and their managers if they want to maintain their employees.**

**Keywords - HRM Practices, Organization, Employee Retention, Organizational Performance**

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## INTRODUCTION

Human resource management (HRM) is the process of protecting and developing an organization's most valuable resource: the people who, working together and independently, make the business successful. Human resource management includes both the study of management theory and its actual implementation in business. Human capital is becoming the primary source of differentiation for successful businesses operating in highly competitive markets. Organizations may better retain and delight their workforce by developing HR systems and procedures that meet workers' needs. As a result, it's crucial to foster a strong feeling of loyalty among workers inside a company (Abdullah et al., 2012).

### I. Human Resource Management Process

Human Resource Management process include things like identifying HR requirements, recruiting a pool of candidates, interviewing and selecting the best candidates, and then providing them with training, pay, and evaluation. They also include things like managing labor relations, implementing health and safety programs, and caring about justice (Croucher et al., 2012). Human resource management's five primary fundamentals are recruiting top people, training and

development, rewards and recognition, monitoring employee performance, and preventing accidents. There is a statistically significant relationship between talent acquisition and employee retention (Gamage, 2014). It is essential to hire highly qualified people if you want to keep your best workers. By investing in their workers' education and professional progress, organizations may boost output through human resource management techniques including training and development (Ghazali et al., 2012). Organizations may better manage their human resources via the application of a wide range of HRM techniques. Practices in this category include those related to hiring and firing, as well as learning and growth, performance evaluation, pay and benefits, work-life balance, and employee involvement. The effectiveness of a company's reward and recognition policies has a major impact on employee retention (Hassan and Mahmood, 2016).

Figure 2: Research Framework

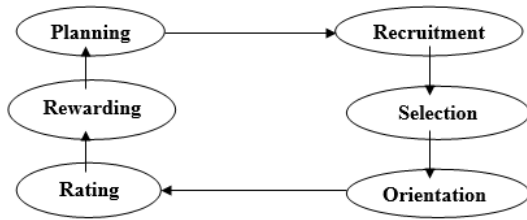
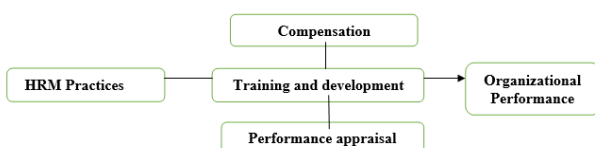


Figure 1: Strategic approach to HRM process

Employees are more likely to stay with the firm and enhance their out-of-role performance if they are satisfied with the corporation's regular incentive and recognition program. Intention to remain is strongly correlated with performance reviews (Kemelgor and Meek, 2008). Employee engagement and retention are negatively affected by the absence of performance reviews (Kramar and Cieri, 2008). Employee retention may be influenced by HRM practices, making performance evaluation crucial. The term "safety climate" is used to describe the way in which employees generally feel and think about the safety conditions at their place of employment (Neal et al., 2000).

**II. Training and Employee's Performance Relationship**

Employees are more likely to stay with a firm if they are given possibilities for growth and development. Human resource management practices that are well-organized can reduce employee turnover. Human resource management strategies are a company's most valuable asset when it comes to gaining a competitive edge. Workers often quit because they are unhappy in their jobs, have inadequate support from their managers, have little opportunities to grow professionally, and are paid poorly (Ordóñez and Lytras, 2008). Employee retention is essential for a company's bottom line since some businesses put more resources into creating and less into training new employees. An employee's mood can be affected by many factors at work, including specific duties, products, colleagues, supervisors, and the firm as a whole. Businesses now have to contend with internal rivalry as well as external competition for talent (Sudin, 2011). Employee turnover is a significant driver of cost growth and a potential threat to business production. Human resources (HR) are an organization's most valuable asset, which is why a persistent loss of qualified employees may have devastating effects (Vasquez, 2014).



**III. Assessing Employee Performance**

According to the research the "performance appraisal is a process used to identify, measure, evaluate, improve, encourage, and reward employees for their performance." To be more specific, a performance assessment is a formal procedure used by a company to examine and evaluate the performance of its personnel on a regular basis. Human resource managers can boost employee engagement and retention by tailoring HR policies and procedures to meet the needs of their staff, who will in turn feel more valued and invested in the company as a result (Webster et al., 2011). Simply said, a performance assessment measures an employee's output against predetermined criteria or the standards of their employer. An employee's performance appraisal can serve several purposes, including but not limited to evaluation, training, and motivation. Retaining employees involves planning and implementing strategies to keep workers with an organization for as long as possible. Motivating workers to take pride in their work and prevent job-hopping can go a long way toward retaining them (Zin, 2017).

**OBJECTIVES OF THE STUDY**

The primary purpose of this research is to analyze the impact of Human Resources Management Practices on Employee Retention and productivity. The study's objectives are as follows:

1. To identify the factors that contribute to employee retention in light of Human Resource Management Practices.
2. To determine how well HRM practices are correlated with worker output.
3. To examine Human Resource Management methods in relation to employee turnover.
4. To learn how staff members feel about the HRM procedures in the organization.
5. To provide recommendations for enhancing the company's human resource management procedures.

**LITERATURE REVIEW**

Human resource management practices, according to a number of studies, lead to better overall business results. Recent research in this area has moved its focus from proving a causal link between HRM practices and organizational performance to uncovering the mechanisms via which HRM practices really affect organizational outcomes.

According to Chukwuka (2018), studied that HRM is concerned with the human element of management because all organizations are made up of people and success depends on things like hiring the right people, training them well, inspiring them to work harder, and keeping them committed to the company. Keeping skilled workers on staff for an

extended length of time has been shown to provide a competitive advantage. Human resource management practices are intertwined with all the others, so it stands to reason that a firm that has a firm grasp on how those practices affect employee retention will be better able to achieve its business goals with minimal waste of resources.

**According to Allen (2008)**, findings on the percentage of employees who remain with a company after a certain time period might be expressed as a single number the retention rate, for instance. However, many academics link employee retention to the measures that businesses take to keep their workers around. Consequently, the focus shifts from the retention itself to the retention techniques used.

**Lester (2014)** suggested that the Human resource strategies have many moving parts, but one of the most important is ensuring that newly hired employees stay with the company and become invested in its products and services. Employee retention rates between companies may be attributable to different norms and beliefs inside each company's culture. The authors suggest that the selection and placement rules, promotion and development processes, and incentive systems of an organization are all influenced by its cultural values. Organizational commitment and staff retention can be increased or decreased depending on the strategy used to create the desired environment.

**Collins and Smith (2006)**, findings suggested that study might be done with more detailed research designs before assuming a definite beneficial association between Human Resource Management methods and the success of the firm. From a social exchange viewpoint, workers give feedback on management's performance by staying actively involved in the company. The authors suggested that the selection and placement rules, promotion and development processes, and incentive systems of an organization are all influenced by its cultural values. Organizational commitment and staff retention can be increased or decreased depending on the strategy used to create the desired environment.

**Ivana (2020)**, studies that when an employer decides to end an employee's contract with the company without cause, this is known as involuntary turnover. The company's income may be dropping, employees may be retiring or leaving, the company may be expanding or contracting, etc. Whether a worker quits voluntarily or is fired, their connection with the company seldom plays a role in their decision. Nonetheless, voluntary turnover is a cost of doing business, and involuntary turnover is a fact of life.

**Bakker and Demerouti (2017)**, suggested that the job design as well as the amount of autonomy that employee is given has a substantial influence on employee retention. There is some empirical data to show that HRM methods that allow workers to

participate in decision-making, enable autonomy, and offer difficult and meaningful work correlate to greater retention rates.

**Hammer and Perry (2019)**, studied that it is essential for both employee happiness and retention to strike a balance between their personal and professional lives. The likelihood that an employee will stay with their current employer is influenced more by their level of affective than normative commitment.

## HYPOTHESES

The purpose of this research is to determine what human resource management techniques are most strongly linked to employee retention. The hypotheses that follow were developed as a result of previous research:

**H1:** Employee retention rates are positively correlated with training and development programs.

An efficient performance review process may help workers grow in their roles. Employees' motivation and output can both increase as a result of the appraisal's feedback. Nonetheless, turnover and discontent with one's employment might result from a poorly executed performance review. A fair performance review is essential. A healthy working relationship may be fostered by treating employees fairly during performance reviews. So, if researcher wants to reduce employee turnover and boost work satisfaction, dedication, and productivity, implement a performance review process (Webster et al., 2011).

**H2:** Employee retention may be boosted through well-executed performance appraisals.

In order to recruit and retain top personnel, pay is the most critical factor. It affirms that the company will be able to retain its brilliant personnel since it rewards and compensates its employees for their efforts. Several studies examines the correlation between awards and employee retention, provide credence to the idea that rewards and talent management go hand in hand. If workers are compensated, they are more likely to remain with their current employer. Furthermore, previous research has found that incentive compensation improves organizational performance, boosts sales, and reduces staff turnover (Sudin, 2011).

## RESEARCH METHODOLOGY

A research design is a plan to gather and analyze data. The focus of the descriptive research approach used in this investigation is on elucidating how different people interpreted and explained HRM practices. This study uses a descriptive research approach to analyze how HRM practices influence productivity in an organization.

**Sources of Data:**

Both primary and secondary sources were utilized in order to compile the necessary amount of information for this study.

**Primary Data:**

The data was collected specifically for this study. The data was gathered through personal interviews and a standardized questionnaire with 35 questions across 6 domains. Primary data was acquired from individuals working for Steel Company. The employees' feedback is ranked on a five-point scale.

**Secondary Data:**

It is formed with information that was gathered from other sources specifically for the purpose of conducting this research. The information obtained from second-hand sources, such as corporate websites, publications, magazines, and the internet, is considered as reliable.

**Sample Size:**

The study included responses from a sample size of one hundred executives who worked in a variety of different areas within the firm.

**Statistical Tools:**

The simple percentage approach and the weighted average method were the statistical tools that were utilized for this particular investigation.

**RESULTS**

**The Process of Recruitment and Selection**

- Most people who answered the survey thought the organization relied on outside sources to find new employees.
- 30% of respondents cited management efficiency and work culture as the main reasons they applied for the position, with brand image coming in a close second at 40%. 25% of respondents reported receiving this amount.
- Weighted mean scores of 2.75 and 4.55 indicate that respondents had a moderate assessment of trained managers and the importance of HR departments in performing the recruiting and selection process, respectively.

**Development and Training**

- According to respondents, the company values both in-house and external training opportunities.
- According to the respondents, who gave the statement a weighted mean score of 5.02, the organization provides continual training to strengthen weaker abilities and gain new skills in order to improve work performance.

- Weighted averages of 3.35 and 4.56 indicate that respondents are complaining about a lack of opportunity for professional development and advancement.

**Performance Appraisal**

- The company conducts an annual 360-degree performance review of all employees.
- With a weighted mean score of 4.55 out of possible points, respondents agreed that promotions tied to performance are an essential part of effective performance review.
- The average weighted score of dissatisfaction with the existence of post-performance assessment feedback from superiors in the company was 4.23, indicating that the majority of respondents were moderately dissatisfied with its presence.

**Compensation**

- With a weighted mean score of 4.55, respondents believe that the business offers a fair and competitive salary package.
- Weighted averages of 3.25 and 3.56 indicate that respondents have a modest view that current financial incentives and perks are acceptable when taking into account employee contributions.
- With a weighted mean of 3.20, respondents are only moderately satisfied with their present wage and benefits package from the company.

**Protective and Welfare Measures**

- With a weighted mean score of 4.06, respondents reported that their employer was educating them on the importance of using the safety equipment offered.
- With weighted averages of 3.55 and 3.66, respectively, respondents had a moderate assessment of the organization's medical facilities, fringe perks, and PF system.

**Table 1: Descriptive statistics of the variables**



Variables	Mean	Weighted average
The Process of Recruitment and Selection	2.75	4.55
Development and Training	3.35	4.56
Performance Appraisal	4.55	4.23
Compensation	3.20	3.25
Protective and Welfare Measures	4.06	3.55

The research identified and assessed a wide range of HRM strategies often employed by businesses. Practices things like employee participation and empowerment, work-life balance programs, salary and benefits, and performance management systems benefitted for an organisation.

**Table 2: Demographics of the Employees**

Variables	Sample size	Percentage
Male	50	65.5%
Female	40	32.5%
No response	3	3.6%
Total	93	100%

The results showed that offering employees competitive pay and benefits was essential to retaining good workers. Human resource management techniques that provided fair compensation, incentives based on employee performance, and enticing perks had a major impact on staff retention. Workers were more inclined to stay with a company if they felt their pay was enough for the work they put in.

**CONCLUSION**

The research encountered a positive correlation between job satisfaction and employee retention, underscoring the significance of HRM practices that create a welcoming workplace, value employees' contributions, and encourage growth. A key indicator of an employee's emotional investment in their work is whether or not their own aspirations and the organization's ideals align. The individual will feel more at home in their position if they receive training on a regular basis. Equal chances for employees to put their training and advancement skills to use can boost morale, decrease employee turnover, and keep experienced workers in their positions. Employees are more likely to remain dedicated to their employer if they believe that the introduction of cutting-edge tools and technology has helped them become more efficient. When employees are included in the decision-making process, they feel more a part of the organization and are more likely to feel motivated to do their best. When employees like coming to work, they are more likely to feel invested in the company's success.

In conclusion, this research offers a thorough comprehension of how HRM strategies affect staff retention. It stresses the need of taking a comprehensive view of any given activity. Organizations can improve employee retention rates by creating a work environment that encourages job satisfaction, organizational commitment, and work-life balance through the use of effective human resource management practices that address recruitment, training, compensation, work-life balance, communication, employee involvement, leadership, and external factors. To meet evolving requirements and sustain long-term success in attracting and maintaining top people, it is essential to regularly assess and enhance these procedures.

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