

The Effectiveness of Human Resource Management Practices on Employee Retention at National Hydrographic Centre (NHC)

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Abstract

Human Resource Management (HRM) practices play a crucial role in an organization. HRM practices consist of appropriate tools that need to be analysed and suited to the organization's objectives. This paper studied employee retention at the National Hydrographic Centre (NHC) and how each selected HRM function can meet its objectives. The objective of this study was to explore and examine the training, compensation, empowerment and appraisal practices toward NHC's employee retention. The framework was adopted from (Hong *et al.*, 2012) on how to retain the best employee and engage them with the NHC community. Four hypotheses were developed based on this framework to study the relationship between the four constructs with employee retention. Using Google Form, 251 questionnaires were distributed to the NHC personnel from the Sections and Unit under the NHC structure, and 200 questionnaires were returned. Statistical analysis was used to analyse the data. The results showed that all the variables were significant, with $\beta = 0.580$ for training, $\beta = 0.452$ for appraisal, $\beta = 0.363$ for compensation, and $\beta = 0.284$ for empowerment. The findings serve as an added value added for HRM practitioners and a guideline for future HRM practices to implement new policies, new benefits to the staff welfare and HRM programmes.

Keywords: Human resource management practices; Employee retention.



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1. Introduction

Retaining employees is both an issue and a priority for organisations all over the world. Losing a competent employee is like a heart disease to the organisation due to high competition in the industry. According to Mouhamadou *et al.* (2015), employee turnover impacts the organisation through cost, strategy, replacement and others. Therefore, there is a need for the human resource (HR) department to overcome the turnover and identify the best practices to retain employees in the organisation. An employee's commitment in the organisation depends on various factors. Based on AIKerdawy (2016), an employee's commitment is divided into three factors: satisfaction and having a sense of belonging to the organisation; recognition of the cost involved when leaving the organisation; and moral obligations. Each type has a different effect on the employee's behaviour. Turnover gives a negative impact on organisational effectiveness, which leads to organisations always seeking better ways to retain their employees as this issue increases when outside demand is high.

The turnover rate at NHC has been increasing annually due to outside demand for hydrographic expertise. As such, employees tended to leave the organisation for wage increases and other benefits which are not offered by the current organisation.

HRM practices relate to the performance of an organization such as the NHC. The impact of HRM practices is very important for the sustainability and success of the organization. HRM practices consist of many policies and practices that are used by managers to recruit, select, develop, utilize, reward, and maximize the potential of human resources in the organization (Jiang *et al.*, 2009). Training and development refers to a systematic development of the knowledge, skills and attitudes required by employees to perform adequately a given task or job (Kulkarni, 2013). NHC staff (hydrographic trade) are provided with career advancement courses conducted by the Naval Education and Training Centre. NHC is solely responsible for the design of the course syllabus and to increase the hydrographic trait career path. The skills and knowledge of the core tasks in NHC are also improved through courses designed by the NHC. Improvement of the skills is to ensure that work can be done well and are accounted for. Career advancement will then lead to empowerment. The NHC staff is not exempt from including the military's

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hierarchy leadership based on the level of rank held. It is a process of inspecting and evaluating an individual's performance in his duty to facilitate the career development of the individual (Muratori and Smith, 2015). Annually, the NHC's staff performance will be assessed based on the current practice used by RMN's performance appraisal. This includes an assessment of their promotion.

HRM practices around the world use a similar application and implementation; the difference is the influence over the employees. As the national authority in hydrographic communities, the demand for talented NHC staff is increasing due to valuable knowledge and skills in hydrographics that the staff have for Malaysia's development. Therefore, NHC has to identify and manage the talented staff to be retained in the organisation by using an appropriate medium or platform. HRM represents the product or services of a HR system which describes the ability of the organisation and as a measurement of productivity (Tangthong et al., 2014).

Based on Morrell et al. (2004), employee turnover gives two factorial impacts on an organisation; first, whenever a poor performer is replaced by an effective employee, and second, when retirement allows the promotion of new talented employees. The HRM practices at NHC follow these two factors, but the argument is how the current practices influence the implementation due to poor performing employees and retirement schemes.

Many organizations in Malaysia do not provide a continual training program for their employees, are less effective with appraisals by ignoring the results (Smith and Kirby, 2009), and do not have a functional compensation system. The NHC staff tend to leave due to lack of recognition and lost of interest plus commitment to the organisation. Thus, turnover is the best way for the individual rather than strive to meet organisational goals.

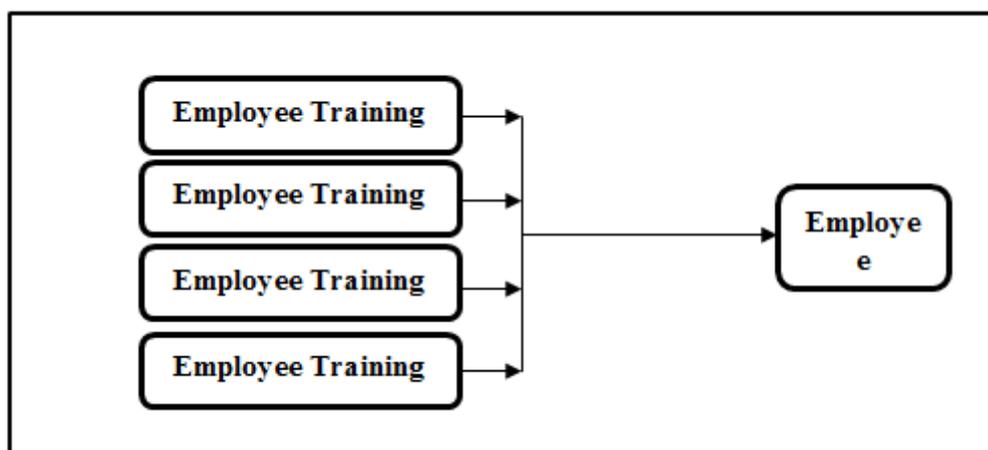
However, some organizations give opportunities to their lower level employees with the empowerment to make a decision. According to (Bowen and Lawler, 1995), there is a significant relationship between employee empowerment and making them stay in an organisation. Empowerment gives job satisfaction to employees because they give employees the authority and independence to move certain tasks without prejudicing the organisational goal. NHC's staff have limited empowerment. Thus, this study seeks to explore and examine the effectiveness of the HRM practices on employee retention at NHC.

2. Theoretical Framework

2.1. HRM Practices on Employee Retention

In every organisation, employees are an asset and are the backbone of the operation and management. Therefore, an organisation must retain their best employees using a strong retention plan. According to Hong et al. (2012), effective HRM practices are a main factor of success in an organisation. HRM practices consist of the element of planning, training and development, compensation, performance appraisal and employee security in order to enhance the organisation's performance as well as employee productivity based on their skills and knowledge.

On the other hand, empowerment is the authority given and employees are involved in decision-making alongside training and development with support from the organisation (Fernandez and Moldogaziev, 2015). With empowerment, employees have an authority in performing their duties based on their skills and knowledge. The empowerment should consist of the employee's goal-setting, motivation and decision-making. This will develop self-belonging and ownership of the organisation and later on encourage employees to strive to meet the organisation's goals. According to Hong et al. (2012), four practices should be implemented to retain the employees. They are employee training, recruitment, and employee empowerment and appraisal system.



Source: HRM Practices on Employee Retention by (Hong et al., 2012)

This practice will be successfully implemented through having the right policy and appropriate conduct by the HR department. At NHC, empowerment is given equally based on the level of responsibilities. NHC had always focused on HRM practices to develop the employees' skills and retain top talents. In this study's context, NHC must be aware and alert of the competitive market (private sector) and retain competent and capable employees. Based on the NHC HR department, the rate of turnover in this organisation had been rapidly increasing annually, which later on damaged the reputation and image of the organisation because of its involvement in products for mariners. Therefore, the organisation needed to plan for replacements which incurred new costs. This study focused on the

best approach based on HR planning and RMN's HR policy to retain competent staff and plan a new development for the replacement. These four practices were investigated as predictors of work engagement in the present study.

Based on AlKerdawy (2016) study, most organisations nowadays face competitive advantages and value for their customers. To face this competition, the organisation must design a way for employees to develop their skills and retain the employees in employee training and development. This study listed four categories of practices for the development of skilled employees. There are attracting talents, selecting talents, developing talents and retaining talents. From the NHC's context, this practice needs to be redesigned because the selection of the employees depends on RMN's Human Resource Department and is centralised at the Ministry of Defence. NHC's talent management current practices depend on the selected employees of the Ministry of Defence and they come from various backgrounds such as diploma and SPM holders.

Recruitment is a big challenge to the NHC due to the different backgrounds and knowledge in potential employees. This study also looked into the talent among the selected employees and their career path aspirations at NHC. Then, the plan of retaining skilled employees for the achievement of the organisation was examined. NHC is committed towards talent management and developing skilled employees. The HRM's approach face dramatic changes due to current practices and competitive advantages. During the past decade, the organisation implemented managerial approaches based on empowerment to increase the employee's productivity. During that time, empowerment depended on the employee's behaviours which represent the organisation's outcomes. Boudrias *et al.* (2009) in their study found that empowered employees were the medium to change the work environment and totally depended on the self-determination and effectiveness in improving the organisation.

Boudrias *et al.* (2009) explained that empowered employees see themselves as skilled employees and have an influence in meeting the organisation's goals. Empowered employees proactively execute their responsibilities and always seek innovations for the organisation. They may influence their superiors using behavioural empowerment. For this study's context, we examined behavioural empowerment and the drive of the skilled employees.

Behavioural empowerment focuses on competency and work as a medium of recognition. NHC had always focused on their talented staff, and such talents should have behavioural empowerment for their skills development. This study also focused on the empowerment of the management as current practices should be in line with behavioural empowerment and work as a motivating factor for the employees. The NHC's empowering managerial approach has been reviewed for a new concept of approach whereby employees are always motivated to influence the organisation and increase their efficiency.

3. Objectives of the Study

The research objectives for this study are as follows:

- a) *To explore and examine the relationship between employee training practices and employee retention at the NHC.*
- b) *To explore and examine the relationship between employee compensation practices and employee retention at the NHC.*
- c) *To explore and examine the relationship between employee empowerment and employee retention at the NHC.*
- d) *To explore and examine the relationship between appraisal practices and employee retention at the NHC.*

4. Materials and Methods

4.1. Dependent Variable – Employee Retention

The war for talent is a hot issue in the current market due to the shortage of talented employees in the organisation. This shortage is due to talented employees having a wider opportunity to migrate due to demand and wage. According to Swaab *et al.* (2014), the talent challenge is more complex with globalization, skills and knowledge, empowerment, and culture. These factors may influence the employee's tendency to migrate to other organisations and lead to new replacements in the organisation. The new replacement will cause extra work to an organisation because they have to be trained and developed to meet the organisation's goals.

According to Masibigiri and Nienaber (2011), an organisation should attract, develop and retain the right talent at all levels to obtain a competitive advantage and meet the organisational goal. In order to retain the employees, the HR practices must consider the external and internal factors behind the tendency of talented employees to leave the organisation, particularly the factors behind wage and security offered by other organisations. There are two reasons to retain talented employees: firstly, they have an ability to become a 'talent magnet' to attract other people to focus and move toward the organisation's goals, and secondly, they have an ability to develop, retain and utilise the employer's talent pool (Holtom *et al.*, 2008).

Therefore, the HRM approach should be in line with the capabilities and competencies of the employees. According to the paper "Turnover and Retention" by Morrell *et al.* (2004), the impact of turnover causes direct and indirect costs to the organisation. The ratio is 50:150 on average and it is becoming more difficult for the organisation to retain its employees. When the turnover rises, it will affect the costing of many departments in the organisation, including administration, recruitment, selection, vacancy and training. The frequently asked question is why people leave, as it is always desirable for an organisation to retain its employees (Morrell *et al.*, 2004). As a national hydrography authority, NHC deals with international mariner products around the world which requires high accuracy and standard for the products. Therefore, the staff handling the product and publications should have relevant competency and knowledge of the mariner's product. This study's dependent variable (employee retention)

focused on the competencies and knowledge of the staff to be retained in the organisation with the right HRM practices.

4.2. Independent Variables

Variable commonly used in research study purposely to define or identify while designing the study or known as actively variable to the dependent variable (Dupuis and Biesbroek, 2013). Most studies examined the HRM practices in an organisation through a variety of practices or elements. The independent variable in this study will focus on the HRM practices and interaction with employee engagement as well as employee retention. Four instruments were adapted from previous studies and extended to this study's context. The aim of these four independent variables were to study its efficiency and potential towards employee retention (Tangthong et al., 2014). The four independent variables are employee training, employee compensation, employee empowerment, and appraisal system.

4.3. Population and Sample of Study

A survey was conducted aimed at collecting the relevant data in order to achieve the research objective. In this study, the respondents were chosen from each layer of the employees at NHC, consisting of the top, middle and lower management. The study used a self-administered questionnaire as the main tool in collecting data from a large number of respondents. The population of this study was the hydrography personnel from NHC. 200 hydrography personnel were selected from a variety of backgrounds, talents and specializations. According to Sekaran (2003), the suggested sample size for a population of 277 is approximately 200 respondents. The selection of these respondents were based on the age, education, level of management, experience, position and hydrographic skill or talent using probability sampling.

The sampling procedure on each study depends on the population, sample size and method of analysis used. According to Baker et al. (2013), non-probability sampling is more dependable than other sampling methods, and has a positive potential to gather thorough information from the population. Therefore, this study used the non-probability sampling method as it is more specific and easily understood. The method was used to gather the data and information from the specific target group which in this study's context were the employees from the hydrography community under the NHC. The sample design process includes five steps: (1) Define population, (2) Determine sampling frame, (3) Select sampling technique, (4) Determine sample size, (5) Execute the sampling process. These steps are elaborated further in the following sections. According to Etikan (2016), sampling is a process or technique of choosing a small group from a population to participate in the study, or in simple words, selecting certain individuals to represent the whole group. In this study's context, the sampling approach used were the probability (stratified sampling procedure) and non-probability sampling (convenience sampling procedure).

The data collection procedure focuses on the study and how a specific variable is identified. The first step in the procedure is to arrive at a clear, precise and exact definition of the variable. The criteria of selection explains the relationship between the concept and operation of the study. For the purpose of this research, the questionnaire was used as the instrument for the study. The aim of this instrument was to identify the employee from each level and gather quality data from the questions given. This will put the focus on the study's objective. According to data collection methods, a questionnaire often utilises a checklist or rating of a scale to simplify the employee's behaviour and attitudes.

4.4. Data Analysis

4.5. Results and Discussion

Table-1. Employee's Retention and Variables Regression

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 9.636 | 1.173 | | 8.164 | .000 |
| Empowerment | .284 | .066 | .292 | 4.294 | .000 |
| Compensation | .363 | .065 | .371 | 5.627 | .000 |
| Training | .580 | .058 | .580 | 10.028 | .000 |
| Appraisal | .452 | .058 | .487 | 7.839 | .000 |

The data collected from the research instrument was applied and analysed using the Statistical Package for Social Science (SPSS).

Based on Table 1, there was a significant effect of empowerment on employee retention, which was explained by 8.50% of the variance in empowerment ($F(1,198) = 18.436$, $k < 0.05$). The result of the regression ($\beta = 0.284$, $k < 0.05$), ($t = 4.294$, $k < 0.05$) showed that the relationship between employee retention and empowerment was significant. Therefore, there is a significant influence between empowerment and employee retention.

There was a significant influence between compensation and employee retention, which was explained by 13.8% of the variance in training practice ($F(1,198) = 31.665$, $k < 0.05$). The result of regression ($\beta = 0.363$, $k < 0.05$), ($t = 5.627$, $k < 0.05$) showed that the relationship between employee retention and compensation had a significant relationship. This means that there is a significant influence between compensation and employee retention.

There was a significant influence between training and employee retention, which was explained by 33.7% of the variance in training ($F(1,198) = 100.554$, $k < 0.05$). The result of regression ($\beta = 0.580$, $k < 0.05$), ($t = 5.10.028$, $k < 0.05$) showed that the relationship between employee retention and training had a significant relationship.

There was a significant influence between appraisal system and employee retention, which was explained by 23.7% of the variance in appraisal practices ($F(1,198) = 16.454$, $k < 0.05$). The result of regression ($\beta = 0.452$, $k < 0.05$), ($t = 7.839$, $k < 0.05$) showed that the relationship between employee retention and the appraisal system was significant. This means that there is a significant influence between appraisal system and employee retention.

Based on the correlation and regression analysis, employee retention has a significant relationship with the variables as stated in the hypotheses:

- H1: There is a significant relationship between employee training and employee retention.
 H2: There is a significant relationship between employee's compensation and employee retention.
 H3: There is a significant relationship between employee empowerment and employee retention.
 H4: There is a significant relationship between appraisal system and employee retention.

5. Conclusion

This study is highly significant to the NHC HRM practices and development. There are few studies or research conducted by the Malaysian Armed Forces or respective researchers on the HRM practices at NHC towards national development or mismanagement on the employee's career plan. Therefore, this study will contribute new information, knowledge and practices to NHC's Human Resources Department as a part of the Royal Malaysian Navy (RMN) Headquarters and national authority for the international hydrography community. This study will contribute to policy makers or HR in planning the training and development for their staff and reduce the turnover costs of organisations. In the Royal Malaysian Navy's perspective, the findings of the study will be shared to the Naval Education and Training Centre (NETC) and used as a guideline for improvement prior to the selection and recruitment of the navy personnel.

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