

# A STRUCTURAL EQUATION MODEL USING LISREL-8.7, FOR MEASURING THE IMPACT OF THE ANTECEDENTS OF PEOPLE MANAGEMENT PRACTICES AND ORGANIZATIONAL LOYALTY ON EMPLOYEE RETENTION: INDIAN PERSPECTIVE

**M. Devi Rajesh***Assistant Professor, Bhaktavatsalam Memorial College for Women, Korattur, Chennai – 600080***ABSTRACT**Article DOI URL: <https://doi.org/10.36713/epra2969>

*There is a huge issue of turnover in any of the organization. It is a mis-perception that all turnovers are horrendous, and that must dodge. All things considered if an organization does not have an adjusted level of turnover, it will bring about the dreary framework, and that organization won't approach new thoughts, change dynamism and imagination. Turnover influences painfulness and purchaser's bliss (Koys, 2001). Our worry is that the required turnover must exist, however the undesirable voluntary turnover ought to be diminished or dodged. In the present focused condition workers leave their organization for different reasons. As the learning of employees have turned out to be very basic in increasing upper hand in the present business atmosphere (Hall, 1993). The organizations are endeavoring to hold the best employees. The Importance of human asset administration rehearses and organizational reliability and their retention is perceived. At first, since assets are rare and furthermore in light of the fact that the opposition by organizations to have the best and most gifted employees for their organization (Chambers et al., 1998) lastly on the grounds that Turnover additionally annihilates the client trust in the company (Koys, 2001). Clients would prefer not to educate about their needs to the new employees. So it is smarter to hold employees that can keep clients. In the focused environment, the retention of skilled employees is horrendous.*

**KEYWORDS:** *organization, promotion, work-life approaches, work attributes, organizational citizenship***1. INTRODUCTION**

There is a huge issue of turnover in any of the organization. It is a mis-perception that all turnovers are horrendous, and that must dodge. All things considered if an organization does not have an adjusted level of turnover, it will bring about the dreary framework, and that organization won't approach new thoughts, change dynamism and imagination. Turnover influences painfulness and purchaser's bliss (Koys, 2001). Our worry is that the required turnover must exist, however the undesirable voluntary turnover ought to be diminished or dodged. In the present focused condition workers leave their organization for different reasons. As the learning of employees have turned out to be very basic in increasing upper hand in the present business atmosphere (Hall, 1993). The organizations are endeavoring to hold the best employees. The Importance of human asset administration rehearses and organizational reliability and their

retention is perceived. At first, since assets are rare and furthermore in light of the fact that the opposition by organizations to have the best and most gifted employees for their organization (Chambers et al., 1998) lastly on the grounds that Turnover additionally annihilates the client trust in the company (Koys, 2001). Clients would prefer not to educate about their needs to the new employees. So it is smarter to hold employees that can keep clients. In the focused environment, the retention of skilled employees is horrendous. Top administration and HR office invest a broad energy, money related assets and push to discover the best approach to hold their employees and increase upper hand (Bartlett and Ghoshal, 2013). Preparing endeavors are additionally use to look after employees (Chen, 2014).

The research in this area is segmented, and either one or few variables have been understudy e.g. one researcher worked on the impact of people management practices like training on retention, and the other academicians worked on how

promotion, awards, and supervision significance's employee retention. Work has done on the organizational citizenship behavior, that prompts retention. Vocation openings, work-life approaches, work attributes, and so forth be that as it may, no work of writing has attempted to incorporate and combine the different components that have been examined observationally in a solitary collection of work. This paper fuses this portioned work into a coordinated theoretical model which will help organizations to deal with all factors that impact worker retention rather than maybe a couple of them. Next in this paper, the writing audit of all factors specified above is talked about in detail took after by the reasonable model. At last, you will see the conclusion area in which proposals are given for organizations to hold the worker. Looming research headings additionally proposed in the paper.

## 2. RESEARCH GAP ADDRESSED

This study aimed to rectify the gap in the existing literature and provide valuable insights that may clarify the differences in HRM practices and the importance of organizational loyalty that affect employee retention and also check the mediation role of organizational loyalty between people management practices and employee retention. Therefore the study captures all essential information and more amenable to estimation and discussion. As a result, the employee retention approach considered the most efficient research design to effectively explore the broad objectives of the study.

## 3. LITERATURE REVIEW

Taylor (2002) introduces two perspectives on retention. The first one states that reducing the employee turnover rate is desirable for all organizations and that the fact it should be the aim of initiatives in the employee retention. It also suggests that improving retention/turnover rates in general is or should be a central objective of human resource management policy. According to this perspective, high levels of turnover are often seen as evidence of failing in human resource functions. The author also introduces another perspective on the matter: after a "new world of work" has emerged, the retention rates have raised because of the flexibility of labor market. It said that this is desirable, and the organizations should focus their efforts on the retention of the most outstanding performers, those few people in each section who can make a difference in the business.

After this, the author states his perspective, that even though he thinks that both of the perspectives are right in their way, in his opinion the employee turnover is always damaging the organization, and none of the employees should be as no important. According to him, most of the employees at different levels of organizations are so called average workers, but they, in fact, ensure that the show goes on and take care of the fundamental objectives of the organization leaving room for the excellent performers to shine. This researcher reminds that there is a cost in every "departure" of even the below average performers of Taylor's (2002), The Three Rs of Employee Retention. Hausknecht *et al.*, 2009, listed 12 most important retention factors that have published in the journals over the last 60 years which helped in explaining employee retention.

Employee retention comprises of 3 R's which helps in holding profitable employees. To stay such employees and keep up high in fulfillment, you require to actualize each of the 3 Rs of worker retention. The three R's are; Respect, Recognition, and Rewards Regard is esteem, specific thought

or unique respect given to employees. The principal R, regard is the establishment of keeping up your employees. Acknowledgment and prizes will have humble impact in the event that you don't perceive your employees.

Acknowledgment is eluded as "uncommon watch or consideration" and "the demonstration of seeing obviously." different issues with retention and certainty happen on the grounds that administration isn't focusing on representative's needs and responses.

Prizes are the additional advantages that a company offers past the fundamentals of regard and acknowledgment that makes it worth worker's while to buckle down and to accept care of their position.

### 3.1 Human Resource Management Factors Influencing Employee Retention

There are rising facts that HRM can play a significant role in retaining skilled professional at any organization. Researchers of progressive HRM practices in training and development, supervision, and evaluation, recruitment and selection, compensation and benefits have revealed that these can lead to reducing employee turnover and absenteeism (Arthur 1994; Huselid M,A. 1995 and Delaney and Huselid 1996). According to Fitz-enz (1990), managing retention of employees is influenced by many factors, which should lead congruently; recruitment and selection, compensation and benefits, training and development and employee support programs. Similarly, Compensation affects the recruitment and retention of employees and therefore playing an important role in managing people (Rynes and Barber 1990; Williams and Dreher 1992 Highhouse. *et al.*, 1999; Parker and Wright 2001). In 2003, there was a study conducted by Mercer; he stated that employees remain with the present organization if they rewarded. Usually, workers are paid when they performed better in their work, and they perform better due to their loyalty towards the organization. Employees tend to remain with the current team when they feel their efforts and performance, abilities contributed are renowned and valued by the organization (Davies, R 2001). There are also studies that have highlighted the rewarding practices of workers will help the organization in retaining employees (Watson Wyatt 1999, Mercer 2003; Tower Perrin 2003). In today's organization finding to get the more skilled employees, the more likely they are to remain. Indeed, when the training ends, the turnover tends to begin (Jamrog 2002; Wien-Tuers and Hill 2002).

### 3.2 Organizational Loyalty Influences Employee Retention

Loyalty, as a general term signifies a person's devotion or sentiment of attachment to the organization. Workers who felt that the organization failed to treat them challenging and interesting work, opportunities to develop their skills and autonomy were more likely negatively and lacked loyalty towards the organization and greater level of intention to quit the job (Phillips 1997). The loyalty of employee can be determined through direct questioning no one can assume whether employees today work efficiently (Angle, 1983). (Streers, 1977) believes that organizational loyalty is the strength of the competition (link) between the individual with his organization and his association with it. (Allen & Meyer, 1990) showed that loyalty is a psychological condition reflects the relationship of the person in the organization in which it operates by Porter, *et al.*, 1979 and also identified the loyalty as the strength of correlation of the individual with its

organization, and that the person who shows a high level of organizational loyalty in the organization. In which it operates it has a strong belief to accept the goals and values of the organization, ready to make every possible effort to serve the organization, and has a strong desire to continue working in such organization.

**4. THE FOLLOWING RESEARCH OBJECTIVES WERE DEVELOPED TO GUIDE THE STUDY**

1. Is there a relationship between human resource management practices and employee retention?
2. Is there a relationship between organizational loyalty and employee retention?
3. Does organizational loyalty acts as a mediator between human resource management practices and employee retention?

**5. HYPOTHESES OF THE STUDY**

H1: There is a significant prediction of human resource management practices and organizational loyalty on employee retention

H2: Organizational loyalty mediates the relation between human resources management practices and employee retention

**6. RESEARCH MODEL/THEORETICAL FRAMEWORK OF THE STUDY**

This study assessed organizational loyalty and human resource practices and how it helps retaining employees in health care sectors.

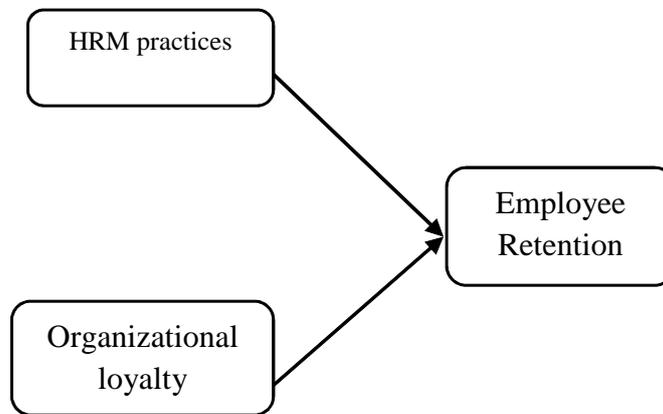
As shown in figure 1, organizational loyalty and human resource management practices are the observed variables under the independent construct.

Based on the above hypotheses, the theoretical framework has been framed in figure 1 and figure2.

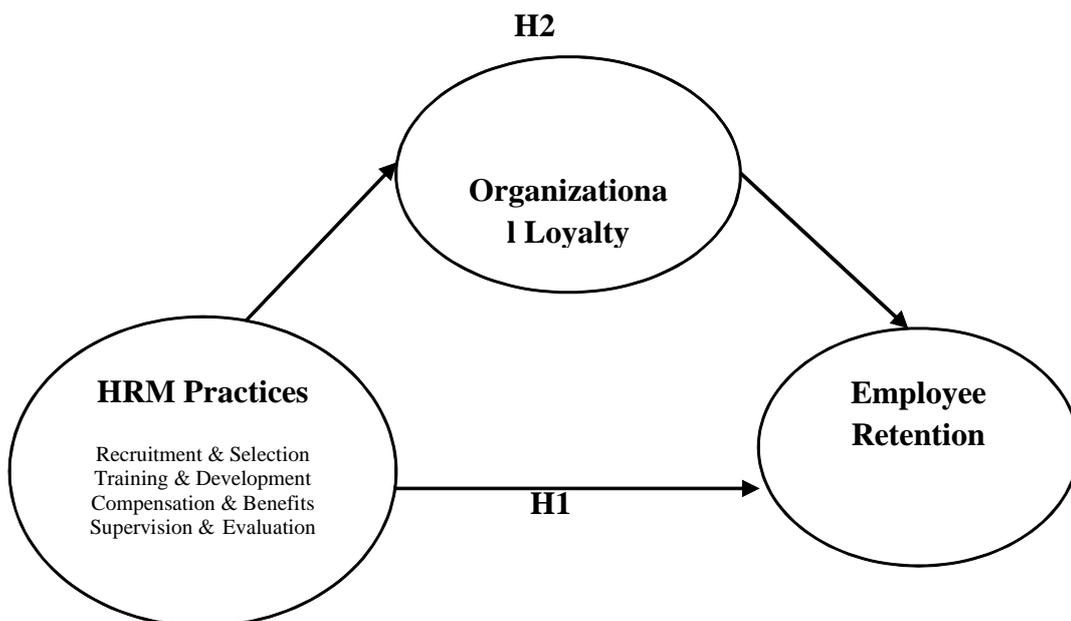
The independent variables in this study are human resource management practices and organizational loyalty, and the dependent variable is employee retention.

Figure 1: shows the independent variables that influence the dependent variable.

Figure 2: shows the mediation effect of loyalty between HRM practices and employee retention.



**Figure 1: Theoretical framework of the study**



**Figure 2: Proposed Mediation Model of the study**

## 7. METHODOLOGY

The research method involved a survey method. The questionnaires were developed based on literature studies. Convenience and snowball sampling method were used to conduct the study and carried out in each organization, with about 70-100 employees. The questionnaire distributed to 350 workers, with 189 returned. This 57 percent responded rate was deemed acceptable (Comrey and Lee 1992). They were given two weeks time to finish the survey. We got weak responses from some organization.

## 8. DATA COLLECTION AND SAMPLE POPULATION

SPSS Version 20 (Statistical package for social sciences) and Lisrel 8.7 were used to analyze the quantitative data. All items were coded from 1-5 using Likert 5 point scale (Strongly Agree to Strongly Disagree). The statistical analysis includes reliability, EFA (exploratory factor analysis) and Structural equation modeling (CFA) using Lisrel 8.7

The population sample used in this study consisted of health care professionals from Tamil Nadu and Andhra Pradesh. The participating organization was from hospital sectors, manufacturing sectors and also included industry sectors.

## 9. MEASUREMENT

Multiple items adopted and modified from various studies have been used to measure the employee retention and the constructs of this study. Human resource management practices and organizational loyalty, employee retention have been measured with 14 and 21 items each by following Nelson McCann(2010), Fischer (2011) and Spreitzer (1995) where all the elements have acceptable and reliability above the acceptance level. i.e., human resource management practices (0.88), organizational loyalty (0.89) and employee retention (0.72).

## 10. DATA ANALYSIS

We present in the following the results of reliability analysis (spss), linear regression (spss), hierarchical linear modeling (spss) and confirmatory factor analysis model (Lisrel-8.7) and additional analyses.

### 10.1 Reliability of the Instruments

An alpha of 0.70 or above is considered to be reliable as suggested by many researchers (Nunnally 1978 and Davis 1996). It is seen from the below table that all constructs in the study have reliability above the suggested alpha value.

Constructs	Cronbach's alpha (obtained for the study)
People Management Practices (4 Constructs-21 items)	0.89
Organizational Loyalty (21 items)	0.90
Employee Retention (14 items)	0.84

**Table 1: Reliability of the Instruments**

## 10.2 Regression Analysis

### Regression analysis of human resource management practices on employee retention

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 <sup>a</sup>	.632	.630	5.62917

a. Predictors: (Constant), HRM

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.436	1.789		6.951	.000
	HRM	.513	.029	.795	17.907	.000

a. Dependent Variable: ER

### Regression analysis of organizational loyalty on employee retention

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714 <sup>a</sup>	.510	.507	6.49373

a. Predictors: (Constant), OL

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.485	2.142		6.762	.000
	OL	.450	.032	.714	13.945	.000

a. Dependent Variable: ER

**Hypothesis1:** There is a positive significant impact of HRM practices and organizational loyalty on employee retention.

### 10..3 Hierarchical Regression Analysis for Mediation analysis

#### Hierarchical Regression analysis of HRM practices, organizational loyalty on employee retention

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 <sup>a</sup>	.632	.630	5.62917
2	.807 <sup>b</sup>	.652	.648	5.48701

a. Predictors: (Constant), PMP  
 b. Predictors: (Constant), PMP, OL

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.436	1.789		6.951	.000
	HRM	.513	.029	.795	17.907	.000
2	(Constant)	10.152	1.877		5.408	.000
	HRM	.396	.045	.613	8.713	.420
	OL	.146	.044	.231	3.289	.001

a. Dependent Variable: ER

**Hypothesis 2:** organizational loyalty mediates the relation between HRM Practices and employee retention.

The first hypothesis of the study was that HRM practices and organizational loyalty influence the employee retention. According to the table of regression, Analysis p-values show the significant relationship between the HRM practices and organizational loyalty and employee retention. Hence, hypothesis stood true. The R-square values of 63% and 50% are the variance of employee retention that is explained by the constructs.

The second hypothesis stated that organizational loyalty positively influences the HRM practices and employee retention.

According to the table of regression Analysis p-values shows the significant relationship between the HRM practices and employee retention in the enter method when we added the second construct that is mediating variable (organizational loyalty) the significance value of HRM practices that becomes non-significant, which proving the hypothesis correct. The impact of the organizational loyalty as per Beta value, i.e., 0.146 on Employee Retention is found almost 66%.

#### 10.3.1 Mediation Analysis

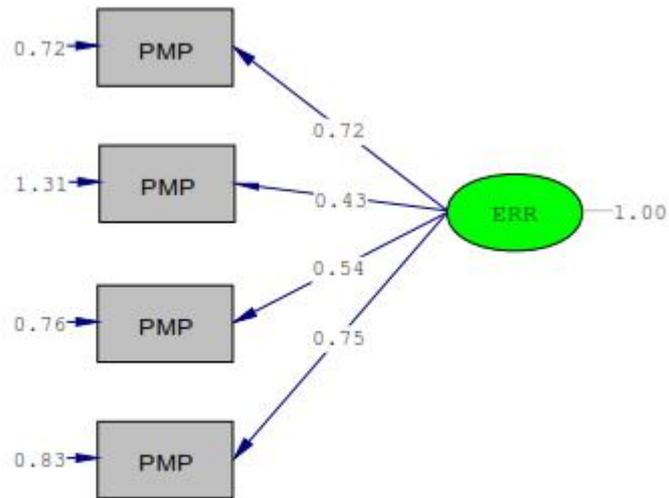
Mediation analysis has been used to see the impact of independent variable (human resource management practices) on dependent variable (employee retention) in the presence

of mediating variable (organizational loyalty). The method suggested by Baron and Kenny (1986) has been used to find out the effect of the mediating variable. These results show that organizational loyalty fully mediated the relationship between HRM practices and employee retention. All steps are used as described by Baron and Kenny (1986) and Judd and Kenny (1981).

### 11.STRUCTURAL EQUATION MODELING

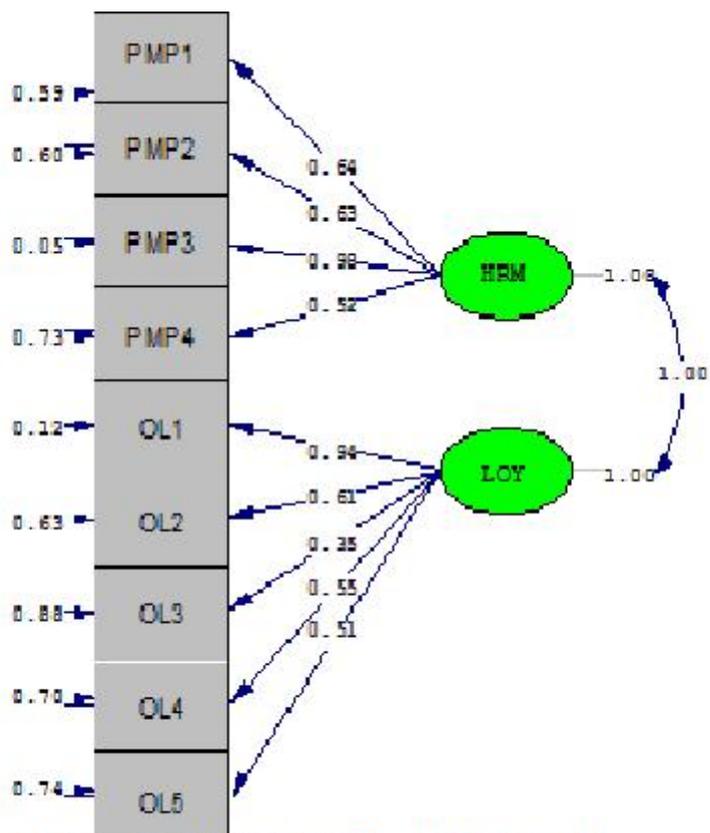
SEM-Confirmatory factor analysis Human resource management practices, organizational loyalty, and Employee retention

From the below figures it can be seen that all the items that have fallen under respective constructs and also having the value of above .4 and the table shows the GFI, NFI, NNFI, RMSEA and all the values are met acceptable fit indices as suggested by Joreskog and Sorbom (1984). Confirmatory Factor Analysis (CFA) is a type of analysis in contrast with Exploratory Factor Analysis (EFA). This study conducts CFA on the two independent variables and dependent variable (figure 3) and also the CFA has done for all the constructs in the study (human resource management practices and organizational loyalty) in figure 4.



Chi-Square=3.05, df=2, P-value=0.21725, RMSEA=0.053

Figure 3: shows the CFA of the antecedents of people management practices and related with employee retention in the study



Chi-Square=154.55, df=26, P-value=0.00000, RMSEA=0.088

Figure 4: shows the CFA of organizational loyalty in the study

Overall Fit Certification After the literature review and the factor analysis on sampled data, this study constructs the overall model and, as suggested by Hair, Anderson, Tatham,

and Black (1998) classifies the measurement of the overall model fit into three categories, i.e. measures of absolute fit, increment fit and parsimonious fit.

Constructs	Chi Square value	NFI	CFI/TLI	GFI	NNFI	AGFI	RMSEA
HRM	74.54	0.97	0.92	0.91	0.91	0.86	0.053
OL	69.65	0.90	0.95	0.94	0.83	0.89	0.078
ER	62.71	0.96	0.90	0.93	0.99	0.80	0.053

**Table 2 : shows the results of the overall fit test**

## 12. CONCLUSION

The primary objective of this study is to identify the impact of human resource management practices and organizational loyalty on employee retention. Two hypotheses have framed in this study and they both are accepted. Results of the survey revealed that human resources management practices and organizational loyalty have a positive significant impact on employee retention. Secondly, organizational loyalty plays an important mediating role between human resource practices and retaining the employees in any organization. Organization should take responsible for recruiting people, practices, training, compensation and supervision to their employee so that they can improve their behavior and must loyalty with their organization. Both the hypotheses accepted in the study that there is a significant positive influence of human resource management practices and organizational loyalty on employee retention, and organizational loyalty plays a mediation role in human resource management and employee retention.

## 13.RECOMMENDATIONS FOR FUTURE RESEARCH

It is found that organizational loyalty has a significant role in mediating human resource management practices and retaining of employees, but there needs to be an improvement in the area of Training & Development, Compensation, and benefit. To avoid such gaps, Organization must have to take care of Employees Training & Development, Compensation and benefits which create loyalty among employees. Apparently, it has to be on a normal interval which not only progresses & enhance their skills but also increases the productivity of any organization. It is also important to retain resources while offering other benefits like wellbeing, encouragement, skill development, participative approach, two-way interactions, etc.

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