

# The Effects of Human Resource management Practices on Employees' Motivation and Retention

Victoria University-Elite International College, Malaysia

Akram Abdulraqeb Sultan Al-Khaled

March 10, 2014

## **Executive Summary**

This paper addresses the issue of human resources motivation which is considered one of the most important ways for a sustainable organizational development. Motivation is one of the most important concepts in HRD in most organizations, it is common to hear the refrain that a particular employee is not motivated and hence his or her performance has taken a backseat. This is the reason companies spend humungous amounts of money in arranging for training sessions and recreational events to motivate the employees. Motivation can be understood as the desire or drive that an individual has to get the work done. For instance, when faced with a task, it is the motivation to accomplish it that determines whether a particular individual would complete the task according to the requirements or not. Further, the absence of motivation leads to underperformance and loss of competitiveness resulting in loss of productive resources for the organization. It is for this reason that the HR managers stress on the employees having high levels of motivation to get the job done. Motivation is the driving force which help causes us to achieve goals. Motivation is said to be intrinsic or extrinsic. The term is generally used for humans but, theoretically, it can also be used to describe the causes for animal behavior as well. This article refers to human motivation. According to various theories, motivation may be rooted in a basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, selfishness, morality, or avoiding mortality. Conceptually, motivation should not be confused with either volition or optimism. Motivation is related to, but distinct from, emotion. Retention The condition of retaining (keeping) something. "You may be able to memorize facts in the short-term, but how well is your retention of those facts over the long-term?" "Successful companies need to foster a good working environment so that employee retention remains at a high level. It involves the whole process of what a company can do to make sure their

employee does not get a reason to leave his job. The HRM-performance linkage often invokes an assumption of increased employee commitment to the organization and other positive effects of a motivational type. We present a theoretical framework in which motivational effects of HRM are conditional on its intensity, utilizing especially the idea of HRM.

**Keywords:** Employee motivation, Human Resource Management, motivational factors, Job performance & Organizational performance.

### **The significance of Motivation**

Motivation has three major components: its first component is a synergy. The purpose of this concept is a force that exists in living being and causes its activity. The second characteristic of motivation is leading during which individual behavior leads to a particular direction. The third characteristic of motivation is behavior perseverance. So, when a person is employed in a job, it is expected to remain in the organization and work place for many years. Now, job motivation is said to be the process which gives force to the person's behavior in organization and leads him to achieve job objectives . To create motivation in employees, a series of actions is required that the most important ones are as the following:

1- Identifying individual difference, 2- objective and result, 3- individual participation in decision-makings, 4-Relationship between reward and performance, 5- controlling system in terms of equality If we apply management principles in motivating employees, we will affect employees' absenteeism, organizational commitment and the rate of employees' work effort. It has been proved that job motivation is able to affect employees' support in making any changes in the organization. Research findings indicate that any kind of change in the organization relies on the internal motivation of employees, in such a case, employees with a high level of job

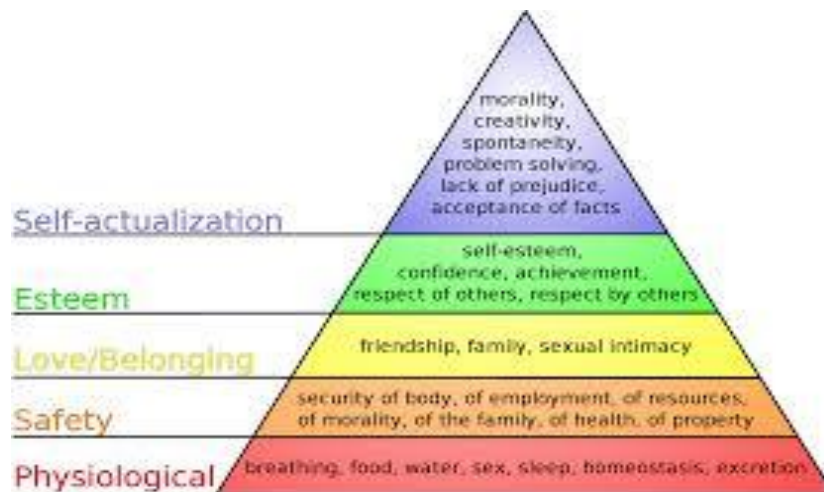
motivation probably or most probably will support the desired organization changes. So, identifying talents and potentials of human resources in the department of physical education that is considered as a complex and advanced sport organization and institution and providing required facilities to enable them are not things that are possible through following the traditional principles of management.

By increasing competition and expanding methods of human resources development, organizations try to maintain their talented employees and empower them so that they can present high performance. However, organizations are always afraid of the issue that they lose their human

capital and have no profit. Since, each organization spends many costs for training, educating and preparing its employees to the stage of productivity and optimal efficiency and by losing valuable forces, suffers from the loss of skills and experience which has been obtained during years of hardworking.

There are many theories of motivation and here are some of them Herzberg's hygiene theory, Maslow's need hierarchy theory and McGregor theory X and theory Y.

Herzberg's Hygiene theory states that for employees to be motivated, certain conditions need to exist and the absence of these conditions or the hygiene factors demotivate the employees. The point that is being made in this theory is that the presence of hygiene factors is a precondition for performance and is not a determinant of performance. On the other hand, the absence of these factors actually demotivates the employee. Hence, the bottom line is that companies should have the basic conditions under which employees work fulfilled so that there is no drag on the performance.



Maslow's need hierarchy theory postulates that individuals are motivated according to a hierarchy of needs which start from satiation of basic needs and then go on to need for recognition and finally, the need to actualize one's vision and reach the highest stage of personality. The point that is being made in the theory is that individuals progress from one stage to the other depending on how well the needs at each stage are met. So, organizations have to ensure that employees' needs are taken care of at each level so that by the time the employee reaches the top of the ladder, he or she is in a position to actualize them. Finally, McGregor's theory of motivation alludes to the carrot and stick approach that is favored by many managers. This theory states that employees can be motivated by a dual pronged strategy of rewarding them for good work and punishing them for bad

work. The opposites of these reactions mean that employees have a strong incentive to do well as opposed to doing badly.

Motivation of employees is indeed important for the health of the companies. Only when employees are motivated sufficiently can give their best. Typically, companies focus on compensation and perks and benefits as a strategy to motivate employees. However, as we have seen in this article, employees are motivated by factors other than pay and hence, the HRD function must take cognizance of this fact and proceed accordingly. This means that the need for job satisfaction and fulfillment have to be taken care of as well for the employees to reach their potential.

## **IMPORTANCE OF MOTIVATION TO HR MANAGER**

Puts human resources into action; Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

1. Improves level of efficiency of employees; The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-
  - a. Increase in productivity,
  - b. Reducing cost of operations, and
  - c. Improving overall efficiency.
2. Leads to achievement of organizational goals ; The goals of an enterprise can be achieved only when the following factors take place :-
  - a. There is best possible utilization of resources,
  - b. There is a co-operative work environment,
  - c. The employees are goal-directed and they act in a purposive manner,
  - d. Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.
3. Builds friendly relationship; Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

- a. Monetary and non-monetary incentives,
- b. Promotion opportunities for employees,
- c. Disincentives for inefficient employees.
- d. In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:
  - e. Effective co-operation which brings stability,
  - f. Industrial dispute and unrest in employees will reduce,
  - g. The employees will be adaptable to the changes and there will be no resistance to the change,
  - h. This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,
  - i. This will result in profit maximization through increased productivity.
4. Leads to stability of work force. Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

## **PRINCIPLES OF MOTIVATION**

Empowering employees. Empowerment occurs when individuals in an organization are given autonomy, authority, trust, and encouragement to accomplish a task. Empowerment is designed to unshackle the worker and to make a job the worker's responsibility.

In an attempt to empower and to change some of the old bureaucratic ideas, managers are promoting corporate entrepreneurs. Entrepreneurship encourages employees to pursue new ideas and gives them the authority to promote those ideas. Obviously, entrepreneurship is not for the timid, because old structures and processes are turned upside down. Providing an effective reward system.

Managers often use rewards to reinforce employee behavior that they want to continue. A reward is a work outcome of positive value to the individual. Organizations are rich in rewards for people whose performance accomplishments help meet organizational objectives.

People receive rewards in two ways which are extrinsic rewards and Intrinsic rewards.

## **Redesigning jobs**

Many people go to work every day and go through the same, unenthusiastic actions to perform their jobs. These individuals often refer to this condition as burnout. But smart managers can do something to improve this condition before an employee becomes bored and loses motivation. The concept of job redesign, which requires knowledge of and concern for the human qualities people bring with them to the organization, applies motivational theories to the structure of work for improving productivity and satisfaction

creating flexibility. Today's employees value personal time. Because of family needs, a traditional nine-to-five workday may not work for many people. Therefore, flextime, which permits employees to set and control their own work hours, is one way that organizations are accommodating their employees' needs.

## **LITERATURE ON EMPLOYEE MOTIVATION AND RETENTION**

Fitz-enz (1997) stated that the average company loses approximately \$1 million with every 10 managerial and professional employees who leave the organization. Combined with direct and indirect costs, the total cost of an exempt employee turnover is a minimum of one year's pay and benefits, or a maximum of two years' pay and benefits. There is significant economic impact with an organization losing any of its critical employees, especially given the knowledge that is lost with the employee's departure. This is the knowledge that is used to meet the needs and expectations of the customers. Knowledge management is the process of creating, capturing, and using knowledge to enhance organizational performance (Bassi, 1997).

Furthermore, Toracco (2000) stated that although knowledge is now recognized as one of an organization's most valuable assets most organizations lack the supportive systems required to retain and leverage the value of knowledge. Organizations cannot afford to take a passive stance toward knowledge management in the hopes that people are acquiring and using knowledge, and that sources of knowledge are known and accessed throughout the organization. Instead, organizations seeking to sustain competitive advantage have moved quickly to develop systems to leverage the value of knowledge for this purpose (Robinson & Stern, 1997; Stewart, 1997). Thus, it is easy to see the dramatic effect of losing employees who have valuable knowledge.

The concept of human capital and knowledge management is that people possess skills, experience and knowledge, and therefore have economic value to organizations. These skills, knowledge and experience represent capital because they enhance productivity (Snell and Dean, 1992). Human capital theory postulates that some labor is more productive than other labor simply because more resources have been invested into the training of that labor, in the same manner that a machine that has had more resources invested into it is apt to be more productive (Mueller, 1982). One of the basic tenets of human capital theory is that, like any business investment, an “investment in skill-building would be more profitable and more likely to be undertaken the longer the period over which returns from the investment can accrue” (Mueller, 1982, p. 94). Again, employee retention is important in realizing a full return on investment. Human capital theory includes the length of service in the organization as a proxy for job relevant knowledge or ability. A person’s job relevant knowledge or ability influences that person’s wage, promotional opportunity and/or type of job (Becker, 1975; Hulin & Smith, 1967; Katz, 1978). The understanding of length of service in an organization relates back to Ulrich’s (1998) component of commitment in his definition of intellectual capital. His definition was simply “competence multiplied by commitment”, meaning intellectual capital equals the knowledge, skills, and attributes of each individual within an organization multiplied by their willingness to work hard. It will become significantly more important in the years ahead to recognize the commitment of individuals to an organization, as well as the organization’s need to create an environment in which one would be willing to stay (Harris, 2000). Organizations will need to either create an intellectual capital environment where the transmission of knowledge takes place throughout the structure, or continue to lose important individual knowledge that has been developed through the length of service. This deep knowledge is what many believe will help to meet the needs and expectations of the customers and to create and sustain a competitive advantage within the global economy in which organizations are competing in today.

## **Overview of Employee Retention**

Employee retention can be defined as the ability of an organization to retain its employees, especially the most talented ones. Employee retention has become a significant concern issue. Some shocking statistics confronting every employer are presented in workforce demographics. More than 13% of employees in the United States quit their jobs each month. 55% of employees in the U.S contemplate on quitting their job within a given year (Wiley, 2011). The average time for filling jobs has risen to 51 days from 41 days. More than fifty percent of all employers in the United

States have reported that turnover continues to increase on an annual basis. Among the key reasons why employees quit their jobs is resistance to change. More often than not, employees tend to resist changes effected within an organization. They eventually choose to quit their jobs instead of coping with the changes.

Porter (2011) notes that employee turnover can cost an organization significant amount of money in terms of recruiting, interviewing, downtimes, training, orientation and ramp-up time. An entry – level position can cost a company from fifty to one hundred percent of the employee’s salary. While cost is certainly not a vital factor to take into consideration while evaluating employee turnover, there are other business factors that are crucial. Turnover can negatively affect quality and customer service (Curtis & Wright, 2001). When customer service and quality fails, competitive advantage can be compromised. Consequently, possibilities of contracts in janitorial industry and customer relationships are affected.

According to Armstrong (2006), turnover is essential for organizational growth. While in some cases, turnover may be positive, it may be negative in other cases. For instance, a positive impact may be caused when a non-productive employee quits. In this case, the risk of terminating does not exist. The change could also aggravate opportunities for other employees and open up a position for existing employees.

## **A SYNTHESIS OF EMPLOYEE MOTIVATION THEORIES**

The term motivation derived from the Latin word mover, meaning to move (Kretiner, 1998). Motivation represents “those psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal oriented (Mitchell, 1982, p.81). Motivation as defined by Robbins (1993) is the “willingness to exert high levels of effort toward organizational goals, conditioned by the effort’s ability to satisfy some individual need.” A need in this context is an internal state that makes certain outcomes appear attractive. An unsatisfied need creates tension that stimulates drives within the individual. These drives then generate a search behavior to find particular goals that, if attained, will satisfy the need and lead to the reduction of tension (Robbins, 1993). The inference is that motivated employees are in a state of tension and to relieve this tension, they exert effort. The greater the tension, the higher the effort level as illustrated in Figure 1. Motivational theorists differ on where the energy is derived and on the particular needs that a person is attempting to fulfill, but most would agree that motivation requires a desire to act, an ability to act, and having an objective. - Insert Figure 1 about here - There are numerous theories of



motivation. The author identified the most relevant theories and explained the respective theories of motivation and how motivation may impact employee commitment in an organization. Five methods of explaining behavior – needs, reinforcement, cognition, job characteristics, and feelings/emotions – underlie the evolution of modern theories of human motivation (Kretiner, 1998). In this motivational theory effort, the following motivation theories were selected (1) need theories, (2) equity theory, (3) expectancy theory, and (4) job design model given their emphasis and reported significance on employee retention.

## **CONCLUSION**

It is therefore evident that employee turnover is a major concern. Some of the causes of employee turnover include pull factors such as better alternatives, push factors such as job dissatisfaction, unavoidable factors such as retirements and factors that are beyond organizational control. It is essential for employers to identify the root causes of employee departure so that they can effectively address them. Motivation is highly personal and differs from individual to individual. Work motivation is also not consistent over time, meaning, the factor which motivates an individual today will most likely not be the same motivational factor a year from now. It is clear that personal circumstances will have an impact on employee motivation. Results reveal that employees who are in the same profession are similarly motivated and satisfied in their work.

The common strategies used to reduced turnover include increasing employee motivation by providing them with incentives and organizing team activities. increasing employee retention can go a long way in increasing organizational performance, productivity and profitability.

## List of References

- Miner, J.B. (2006) *Organizational Behavior 1: Essential Theories of Motivation and Leadership*. New York: M.E. Sharpe, Inc.
- Molander, C. (1996) *Human Resources at Work*. Lund: Studentlitteratur.
- Molander, C. (1989) *Human Resource Management*. Lund: Studentlitteratur.
- Morley, M. & Collings, D. (2004) "Contemporary debates and new directions in HRM in MNCs: introduction". *International Journal of Manpower*, Vol. 25 No. 6, pp. 487-499.
- Moy, J. & Lee, S. (2002) "The career choice of business graduates: SMEs or MNCs?". *Career Development International*, Vol. 1, pp. 339-347.
- The Journal of American Academy of Business, Cambridge \* September 2004 52
- Pinder, C. (1984). *Work Motivation: Theory, Issues, and Applications*. Glenview: Scott, Foresman and Company.
- Linz, S. (2004) "Motivating russian workers: analysis of age and gender differences". *Journal of Socio-Economics*, Vol. 33, pp. 261-289.
- Liu, Y., Combs, J., Ketchen, D. & Ireland, D. (2007) "The value of human resource management for organizational performance". *Business Horizons*, Vol. 50, pp. 503-511.
- Lundberg, C., Gudmundson, A. & Andersson, T. (2009) "Herzberg's Two-Factor Theory of work motivation tested empirically on seasonal workers in hospitality and tourism". *Tourism Management*, Vol. 30, pp. 890-899.
- Manolopoulos, D. (2008) "An evaluation of employee motivation in the extended public sector in Greece", *Employee Relations*, Vol. 30 No. 1, pp. 63-85.
- Maslow, A.H. (1970) *Motivation and Personality*, 2 nd ed. New York: Harper & Row Publishers.
- Tyson, S. (2006). *Essential of Human Resource Management, Fifth Edition*, Butterworth – Heinemann, USA, 67-120
- McDuffie, J.P. (1995) 'Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry', *Industrial & Labor Relations Review*, 48: 197-221.
- Macky, K. and Boxall, P. (2008) 'High-involvement work processes, work intensification and employee well-being: A study of New Zealand work experiences', *Asia Pacific Journal of Human Resources*, 46: 38-55.

Morrison, D., Cordery, J., Girardi, A. and Payne, R. (2005) 'Job design, opportunities for skill utilisation, and intrinsic job satisfaction', *European Journal of Work and Organizational Psychology*, 14: 59-79.

SP Robbins; TA Judge. *Organizational Behavior*, Prentice Hall, **2012**.

Takeuchi, R., Lepak, D.P., Wang, H. and Takeuchi, K. (2007) 'An empirical examination of the mechanisms mediating between high-performance work systems and the performance of Japanese organizations', *Journal of Applied Psychology*, 92: 1069-83.

Chen, G. and Lepak, D.P. (2009) 'Through the looking glass of a social system: cross-level effects of high-performance work systems on employees' attitudes', *Personnel Psychology*, 62: 1-29.

Wall, T.D. and Wood, S.J. (2005) 'The romance of human resource management and business performance, and the case for big science', *Human Relations*, 58: 429-62.

D Lamond; C Zheng. *Journal of Chinese Human Resource Management*, **2010**, 1(1), 6-16.

KP Jiang; D Lepak; K Han; Y Hong; A Kim; A Winkler. *Human Resource Management Review*, **2011**, 1(5), 74-97.

Rynes, S. L., Colbert, A., & Brown, K. G. (2002). HR professionals' beliefs about effective human resource practices: Correspondence between research and practice. *Human Resource Management*, 41, 149–174.

K Parhizgar. *Human Relations in Management*. 1st ed, Tehran: Ashraghi Publication, **1989**.